

Tuesday, 16 May 2023]

No 65—2023] FIFTH SESSION, SIXTH PARLIAMENT

PARLIAMENT
OF THE
REPUBLIC OF SOUTH AFRICA

**ANNOUNCEMENTS,
 TABLINGS AND
 COMMITTEE REPORTS**

TUESDAY, 16 MAY 2023

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ANNOUNCEMENTS

National Assembly and National Council of Provinces

The Speaker and the Chairperson

1. Bills passed by Houses – to be submitted to President for assent

(1) Bill passed by National Council of Provinces on 16 May 2023:

- (a) **Repeal of the Transkeian Penal Code Bill [B34-2022]** (National Assembly – sec 75).

National Assembly

The Speaker

1. Nomination of Members of the Agricultural Research Council

(1) A letter from the Minister of Agriculture, Land Reform and Rural Development, requesting the National Assembly to nominate persons for appointment to the Agricultural Research Council in terms of the Agricultural Research Council Act, 1990 (Act No 86 of 1990).

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

2. Membership of Assembly

(1) The vacancy, which occurred owing to Mr E K Siwela vacating his seat in the National Assembly, has been filled with effect from 9 May 2023 by the nomination of Ms M L Moroane.

3. Referral to Committees of papers tabled

(1) The following paper is referred to the **Portfolio Committee on Public Service and Administration** for consideration and report:

- (a) Annual Performance Plan of The Presidency for 2023/2024.
- (2) The following paper is referred to the **Portfolio Committee on Transport** for consideration and report:
 - (a) Corporate Plan of the Passenger Rail Agency of South Africa for 2023/26.
- (3) The following papers are referred to the **Portfolio Committee on Transport**:
 - (a) Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Côte d'Ivoire on Transport Related Matters, tabled in terms of section 231(3) of the Constitution, 1996.
 - (b) Explanatory Memorandum to the Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Côte d'Ivoire on Transport Related Matters.

4. Membership of Committees

- (1) The following committee membership changes have been made:

African National Congress

Joint Standing Committee on Intelligence

Mr D M Stock was appointed as a member of the Joint Standing Committee on Intelligence on 16 May 2023, in terms of section 2(3)(a) of the Intelligence Services Oversight Act, 1994 (No 40 of 1994).

Democratic Alliance

Portfolio Committee on Cooperative Governance and Traditional Affairs

Appointed: Smalle, Mr JF

COMMITTEE REPORTS

National Assembly

1. REPORT OF THE PORTFOLIO COMMITTEE ON JUSTICE AND CORRECTIONAL SERVICES ON BUDGET VOTE 22 AND ANNUAL PERFORMANCE PLAN: CORRECTIONAL SERVICES FOR 2023/24, DATED 16 MAY 2023.

1. INTRODUCTION

- 1.1. The Committee received a political overview by the Minister of Justice and Correctional Services, Mr Ronald Lamola, on 02 May 2023, who was accompanied by the two Deputy Ministers, Inkosi Phathekile Holomisa (Correctional Services) and Mr. John Jeffery (Justice and Constitutional Development). This briefing took place by way of a virtual platform.
- 1.2. The Department of Correctional Services and the Judicial Inspectorate for Correctional Services presented their Annual Plans and their Budget allocations for 2023/24 financial year on 09 May 2023. The briefings also took place by way of a virtual platform.
- 1.3. The DCS's mandate is derived from the Correctional Services Act (No. 111 of 1998), as well as the White Paper on Correctional Services (2005) and the White Paper on Remand Detention Management in South Africa (2014). The legislation and policies inform all the efforts towards achieving the safe and human detention of offenders and remand detainees, rehabilitation and social reintegration into the community.
- 1.4. The DCS's planning documents are also informed by the government-wide Medium-Term Strategic Framework (MTSF) 2020-2025, which is geared towards the implementation of the National Development Plan's Vision 2030 (NDP).

2. POLITICAL OVERVIEW BY THE MINISTER OF JUSTICE AND CORRECTIONAL SERVICES

- 2.1. The Minister highlighted that the Department of Correctional Services continues to be in the news following the escape from lawful custody of Mr Thabo Bester and his subsequent re-arrest in Tanzania. He further indicated that Mr Bester was currently incarcerated at a secure Kgosi Mampuru C-Max Facility.
- 2.2. The Minister also reported that the Department of Correctional Services has served the Mangaung Correctional Centre with a 90 days-notice to terminate the correctional facility contract. According to the Minister, the notice to terminate was informed by a legal opinion received by DCS and the Department has already started with internal exercise for take over process.
- 2.3. The Minister assured the Committee that inmates were incarcerated securely and in humane condition. He further reported that 22 escapes were recorded in the 2021/22 financial year out of a total of 143 223 inmate population. The Minister committed that the Department will redouble their security operations to prevent escapes and deal harshly with officials who fail to adhere to Standard Operating Procedures.
- 2.4. According to the Minister, the performance of the Department has been increasing since they were appointed from 70% in 2020/21, 80% in 2021/22 to 89% in 2022/23. The Minister further reported that the Department recorded successive unqualified audit opinions in the last two financial years.
- 2.5. The Minister reported that all their centres are implementing Self-Sufficiency Strategic Framework and through this framework government has saved a total of R372 million in the last three financial years.
- 2.6. The Minister also highlighted that they have impressed upon the department to prioritise victim empowerment in their operations and this should be done in collaboration with other sister departments.

3. DEPARTMENT OF CORRECTIONAL SERVICES' STRATEGIC GOALS

3.1. The DCS's mission is to contribute to a just, peaceful and safer South Africa through the effective and humane incarceration of inmates, and the rehabilitation and social reintegration of offenders. The DCS is committed to playing its role to ensure that the MTSF and the NDP's strategic outcomes are achieved. The overarching goal is to build a safer South Africa where all people are and feel safe.

3.2. To this end the DCS has identified the following three focus area for 2023/24 financial year:

- Implementation of the Self-Sufficiency Strategy and Sustainability Framework
- Providing adequate security and security equipment at correctional centres
- Improving facilities
- Offering effective rehabilitation programmes, and
- Successful reintegration of offenders into society.

4. OVERVIEW OF THE DCS BUDGET: 2023/24

4.1. The DCS will receive R26.1 billion in 2023/24. This is a decrease of 1.9 or R509.3 million from 2022/23 allocation. The allocation is projected to increase to R28.4 billion over the medium term (2025/26). Of the total allocation for 2023/24, 67% (or R17.4 billion) goes towards Compensation of Employees.

TABLE 1: SUMMARY OF ALLOCATION FOR 2019/20-2025/26

| Programmes | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--------------------------|-----------------|-----------------|-----------------|------------------------|-----------------------|-----------------------|-----------------------|
| R'000 | Audited outcome | Audited outcome | Audited outcome | Adjusted appropriation | Medium term estimates | Medium term estimates | Medium term estimates |
| Administration | 4,925.0 | 4,709.2 | 5,086.3 | 4,705.91 | 4,933.0 | 5,033.9 | 5,210.8 |
| Incarceration | 15,189.8 | 14,973.0 | 15,240.6 | 15,550.4 | 15,110.3 | 15,988.6 | 16,910.2 |
| Rehabilitation | 1,895.2 | 1,884.4 | 2,014.7 | 2,343.1 | 2,261.4 | 2,332.8 | 2,406.5 |
| Care | 2,187.6 | 2,481.2 | 2,331.8 | 2,639.6 | 2,482.0 | 2,543.3 | 2,600.9 |
| Social Reintegration | 987.1 | 979.2 | 1,020.3 | 1,297.0 | 1,239.9 | 1,284.0 | 1,258.9 |
| Total expenditure | 25,184.8 | 25,027.1 | 25,693.6 | 26,536.0 | 26,026.7 | 27,182.6 | 28,387.2 |

Source: Estimates of National Expenditure 2023

- 4.2. The DCS budget is distributed across five programmes: Administration (R4.9 billion), Incarceration (R15.1 billion), Rehabilitation (R2.2 billion), Care (R2.4 billion), and Social Reintegration (R1.2 billion).
- 4.3. A combined 78 percent of the allocation goes towards the Administration and Incarceration programmes. The Rehabilitation and Social Reintegration programmes together receive only 12 percent of the overall budget for 2023/24, while the Care programme receives 9.5 percent.
- 4.4. The Judicial Inspectorate of Correctional Services receives a transfer from the Vote of R79 million in 2023/24, R82.4 million in 2024/25 and R86 million in 2025/26.

5. OVERVIEW OF ALLOCATION PER PROGRAMME

5.1. PROGRAMME 1: ADMINISTRATION

- 5.1.1. The Administration programme provides for the functions that underpin the DCS's service delivery and comprises administrative, management, financial, information communication and technology, research, policy co-ordination and good governance support functions. The sub-programmes under this programme are: Ministry, Judicial Inspectorate for Correctional Services (JICS), Management, Human Resources, Finance, Internal Audit, Information Technology, Assurance Services and Office Accommodation.
- 5.1.2. An amount of R4.9 billion has been allocated to the Administration programme for the 2023/24 financial year. This amounts to 19 percent of the total Departmental budget. This is the second largest programme in the Department in terms of budget allocation. This programme has been increased by 4.83 percent or R227.1 million in nominal terms.
- 5.1.3. The allocation to sub-programmes, as percentage of the allocation to the Administration programme, is as follows: Finance - 23 percent or R1, 201.2 billion; Human Resources - 40 percent or R2, 134.7 billion; Management – 17 percent or

R831.8 million; Information Technology – 8 percent or R403.5 million; Assurance Services – 3 percent or R137.4 million; Office Accommodation – 2.2 percent or R105.9 million; and the Ministry – 1.8 percent or R39.5 million. The Judicial Inspectorate for Correctional Services receives 1.8 percent or R79 million of the total allocation for the programme.

5.1.4. In terms of the Annual Performance Plan, the department intends to have an unqualified audit opinion with reduced findings in the 2023/24 financial year. The target for IIMS has been increased from 12% (in 2021/21) to 16% (in 2022/23). The department also plans to have 20% of youth employed in the 2022/23 financial year.

Table 4: Programme 1: Administration

| | 2022/23 (R'000) | 2023/24 (R'000) | Nominal % changes | Real % change | Nominal Rand change | Real Rand change |
|--|--------------------|--------------------|----------------------|---------------------|---------------------------|------------------------|
| Programme 1: Administration | 4 705.9 | 4 933.0 | 4.83% | -0.07 | 227.2 | -3.2 |
| Sub- programmes | | | | | | |
| Ministry | 21.6 | 39.5 | 82.87% | 74.33% | 17.9 | 16.1 |
| Judicial Inspectorate for Correctional Services | 81.6 | 79 | -3.19% | -7.71% | -2.6 | -6.3 |
| Management | 864.3 | 831.8 | -3.76% | -8.26% | -32.5 | -71.4 |
| Human Resources | 2 046.7 | 2 134.7 | 4.30% | -0.57% | 88.0 | -11.7 |
| Finance | 1 087.3 | 1 201.2 | 10.48% | 5.32% | 113.9 | 57.8 |
| Assurance Services | 121.2 | 137.4 | -13.37% | 8.07% | 16.2 | 9.8 |
| Information Technology | 382.5 | 403.5 | 5.49% | 0.56% | 21.0 | 2.2 |
| Office Accommodation | 100.6 | 105.9 | 5.27% | 0.35% | 5.3 | 0.4 |

5.2. PROGRAMME 2: INCARCERATION

5.2.1. The Incarceration programme provides for services and physical infrastructure that supports secure conditions of incarceration for inmates. The Incarceration programme has four (4) sub-programmes.

- 5.2.2. Being the largest DCS programme, the Incarceration programme is allocated an amount of R15, 110.3 billion for 2023/24, a decrease by 2.89 percent in nominal terms compared to the previous financial year. The programme receives 58 percent of the total budget allocation to the Vote. A total of 70 percent (R10, 601.6 billion) of the allocation for this programme goes towards Compensation of Employees.
- 5.2.3. The largest allocation under this programme goes to the Security Operations sub-programme which received R7.6 billion, constituting 51 percent of the total allocation for the Incarceration programme. In contrast, the Remand Detention sub-programme receives only R773.5 million or five percent of the total allocation to the programme and is the smallest sub-programme. The allocation to the remaining sub-programmes is as follows: Facilities - R4.4 billion or 29 percent; Offender management - R2.2 billion or 15 percent.
- 5.2.4. For the 2023/24 financial year, the department plans to have less than 0.030% of escapes from their correctional facilities, and less than 4.55% of inmates injured as a result of assaults in correctional facilities. The percentage of unnatural death is expected to be less than 0.32% in the 2023/24 financial year. In terms of infrastructure projects, the department plans to complete 15 infrastructure projects in the current financial year and reduce overcrowding to less than 50% in the same period.

Table 5: Programme 2: Incarceration

| | 2022/23 (R'000) | 2023/24 (R'000) | Nominal % changes | Real % change | Nominal Rand Change | Real Rand change |
|---------------------------------------|--------------------|--------------------|-------------------------|---------------------|---------------------------|------------------------|
| Programme 2: Incarceration | 15 550.4 | 15 110.3 | -2.89 | -7.37 | -440.1 | -1 145.9 |
| Sub-programmes | | | | | | |
| Security Operations | 8 560.4 | 7 645.7 | -10.69 | -14.86 | -914.7 | 1 271.8 |
| Facilities | 4 131.7 | 4 411.6 | 6.77 | -1.79 | 279.9 | 73.8 |
| Remand Detention | 635.7 | 773.5 | 21.68 | 15.99 | 773.5 | 137.8 |
| Offender Management | 2 222.9 | 2 279.5 | 2.55 | -2.24 | 56.6 | -49.9 |

5.3. PROGRAMME 3: REHABILITATION

5.3.1 The Rehabilitation programme provides for needs-based programmes and interventions to facilitate offenders' rehabilitation and eventual reintegration to society. It comprises three sub-programmes: Correctional Programmes, Offender Development and Psychological, Social and Spiritual Services.

5.3.2 The Rehabilitation Programme is allocated an amount of R2.3 billion, receiving 7 percent of the overall allocation to the Vote. A total of 72 percent (R1.6 billion) of the allocation to the programme is for Compensation of Employees. In nominal terms, the allocation for the programme was decreased by 3.45 percent when compared to the 2022/23 allocation.

5.3.3 In terms of the allocations to sub-programmes, the largest allocation is to Offender Development (R1 245.8 billion or 55 percent); Psychological, Social and Spiritual programme (R586.2 million or 26 percent); and Correctional programme (R429.4 million or 19 percent).

5.3.4 Under rehabilitation programmes, the department intends to have 84% of offenders with Correctional Sentence Plans who have completed correctional programmes in the current financial year. In addition, 90% of offenders are expected to participate in Long Occupational Skills and 85% of offenders are expected to participate in the General Education and Training in the 2023/24 financial year.

Table 6: Programme 3: Rehabilitation

| | 2022/23 (R'000) | 2023/24 (R'000) | Nominal % Changes | Real % change | Nominal Rand change | Real Rand change |
|--|--------------------|--------------------|-------------------------|---------------------|---------------------------|------------------------|
| Programme 3: Rehabilitation | 2 343.1 | 2 261.4 | -3.45 | -7.96 | -80.7 | -186.3 |
| Sub-programmes | | | | | | |
| Correctional Programmes | 477.7 | 429.4 | -10.11 | -14.32 | -48.3 | -68.4 |
| Offender Development | 1 221.3 | 1 245.8 | 2.01 | -2.76 | 24.5 | -33.7 |
| Psychological, Social and Spiritual Services | 644.0 | 586.2 | -18.98 | -13.23 | -57.8 | -85.2 |

5.4. PROGRAMME 4: CARE

5.4.1. The Care programme provides for needs-based programmes and services aimed at maintaining the personal well-being of offenders. It comprises two sub-programmes; Nutritional Services and Health and Hygiene Services.

5.4.2. The Care programme is allocated R2, 482.0 billion for 2023/24, which is a decrease by 5.96 percent in nominal terms from 2022/23 allocation. This programme comprise 9.5 percent of the total allocation to the Department in the 2023/24 financial year. Compensation of employees takes up 41 percent (R1, 024.2 billion) of the total allocation to the programme.

5.4.3. The bulk of the budget for the programme is allocated to the Nutritional Services sub-programme (R1, 332.4 billion). The remaining amount (R1, 307.2 billion) is allocated to Health and Hygiene Services.

5.4.4. The target under care programme includes, having 12% of inmates benefitting from therapeutic diets, 90% of inmates screened for diabetes and 90% screened for hypertension in the 2022/23 financial year.

Table 7: Programme 4: Care Programme

| | 2022/23 (R'000) | 2023/24 (R'000) | Nominal % changes | Real % change | Nominal Rand change | Real Rand change |
|-------------------------------|--------------------|--------------------|-------------------------|------------------|---------------------------|------------------------|
| Programme 4: Care | 2 639.6 | 2 482.0 | -5.96 | -10.35 | -157.3 | -273.3 |
| Sub-programmes | | | | | | |
| Nutritional Services | 1 332.4 | 1 307.2 | -2.78 | -17.35 | -37.1 | -97.6 |
| Health & Hygienic Services | 1 307.2 | 1 186.7 | -9.22 | -13.46 | -120.5 | -175.9 |

5.5. PROGRAMME 5: SOCIAL REINTEGRATION

- 5.5.1. The Social Reintegration programme provides for services focussed on offenders' preparation for release, for the effective supervision of parolees, and for offenders' reintegration into society upon their release. It comprises three sub-programmes: Supervision, Community Reintegration, and Office Accommodation (Community Corrections).
- 5.5.2. This programme has been allocated an amount of R1,239.9 billion for the 2023/24 financial year, which is a decrease of 4.40 per cent (or R57.1 million) as compared to the previous financial year. This programme comprises only 5 percent of the total budget of the Department for this financial year. The biggest part (84%) of the programme's budget is allocated to compensation of employees.
- 5.5.3. In terms of sub-programmes, the bulk of the allocation is directed towards Supervision (90%), followed by Community Reintegration (7%), and Office Accommodation: Community Corrections (3%).
- 5.5.4. Under Social Reintegration, the targets include, having 97% of parolees not violating their parole conditions, 97% of probationers not violating their parole conditions, and creating 48 economic opportunities for offenders, parolees and probationers.

Table 8: Programme 5: Social Reintegration

| | 2022/23 (R'000) | 2023/24 (R'000) | Nominal % Changes | Real % change | Nominal Rand change | Real Rand change |
|--|--------------------|--------------------|-------------------------|---------------------|---------------------------|------------------------|
| Programme 5: Social Reintegration | 1 288.6 | 1 207.4 | -6.30 | -10.34 | -81.2 | -133.2 |
| Sub-programmes | | | | | | |
| Supervision | 1 170.0 | 1 073.6 | -8.94 | -12.86 | -105.4 | -151.6 |
| Community Reintegration | 75.1 | 88.6 | 17.98 | 12.90 | 13.5 | 9.7 |
| Office Accommodation: Community Corrections | 43.6 | 45.2 | 3.67 | -0.79 | 1.6 | -0.3 |

6. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

- 6.1. *Employment equity.* The Committee is concerned about the low target of 0.83 per cent on people with disabilities in the Department of Correctional Services in the 2023/24

financial year. The Committee urges the Department to ensure that the governments' target of 2 per cent in this regard is complied with.

- 6.2. *JICS Inspection target.* The Committee notes that the inspection target of JICS is set at 56 per cent in the 2023/24 financial year. The Committee notes that this low target is as a result of shortage of inspectors to conduct inspection. The Committee supports the capacitation of the Inspectorate to ensure that more inspections are conducted in correctional facilities.
- 6.3. *JICS Bill.* The Department of Correctional Services has reported that the JICS Bill will be presented to Cabinet on 10 May 2023. The Committee will be monitoring the progress in this regard.
- 6.4. *Reduction of the budget.* The Committee noted with concern the reduction in the budget allocation by R509 million in the 2023/24 financial year and this might compromise service delivery in the operation of the Department. The Committee urges the Department to reprioritise their plans and in doing so, not compromise rehabilitation of offenders and safe custody of inmates.
- 6.5. *PPP Correctional Centres.* The Committee noted that the Department of Correctional Services has served the Mangaung Correctional Centre with 90 days-notice to terminate the contract. The Committee will monitor progress in this regard. In addition, the Sub-Committee will schedule a dedicated meeting with the Department to get updates on plans in place to take over the two private facilities upon the end of both contracts.
- 6.6. *Overcrowding of Correctional Centre.* Overcrowding remains the biggest challenge facing the Department of Correctional Services. The target for overcrowding has been increased from less than 32 per cent (in 2021/22) to less than 50 per cent (in 2023/24). Some of the contributing factors includes remand detainees who have been offered bail of less than R300 but could not afford. The Committee is concerned that with overcrowding, injuries as a result of assault will increase in correctional centres. The Committee therefore, calls upon different role-players within the Criminal Justice System to work together to address overcrowding in correctional centres.

7. Summary of Commitments made:

| <i>Reporting request</i> | Action | Associated timeframe |
|---|---------------|--|
| <p><i>PPP facilities – update.</i></p> <p>The National Commissioner committed to submit a report on updates regarding the plans to take over the private facilities.</p> | Report | Within the next 7 days. |
| <p><i>Remedial Action of Public Protector- report.</i></p> <p>The National Commissioner committed to submit a report on steps taken by the Department of Correctional Services regarding all remedial actions by the Public Protector including that of the appointment of Mr Sihle Zikalala.</p> | Report | Within the next 7 days. |
| <p><i>Tswelopele Correctional Centre. Report</i></p> <p>The National Commissioner committed to visit Tswelopele Correctional Centre to look at the issue of assault of Ms Moyo and other related staff issues and provide the Committee with a report on steps to be taken to address those issues.</p> | Report | As soon after the visit to Tswelopele Correctional Centre. |
| <p><i>Kimberley Correctional Centre. Report</i></p> <p>The National Commissioner committed to visit the Kimberley Correctional Centre to look at infrastructure issues raised by the Committee especially related to Mother-and-Babies.</p> | Report | As soon after the visit to Kimberley Correctional Centre. |
| <p><i>Prisoner transfer programme. Report</i></p> <p>The Department will be developing a position paper on Prisoner transfer programme which will be submitted to Cabinet.</p> | Report | No deadline indicated. |

8. Appreciation

8.1. The Committee wishes to thank the following for their assistance in this process:

8.1.1. The Minister of Justice and Correctional Services, Mr Ronald Lamola; the Deputy Minister, InKosi Patekile Holomisa; and officials of the Ministry.

8.1.2. The National Commissioner, Mr Makgothi Thobakgale, and the officials of the Department of Correctional Service.

8.1.3. The Inspecting Judge, Justice Edwin Cameron, and the officials of JICS.

9. Recommendation

9.1. Having considered the Annual Performance Plan for 2023/24 of the Department of Correctional Services, the Committee supports it and recommends that the National Assembly approve it.

9.2. Having considered Vote 22: Correctional Services, the Committee supports it and recommends that the National Assembly approve it.

Report to be considered.

2. REPORT OF THE PORTFOLIO COMMITTEE ON COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS ON DETERMINATION OF REMUNERATION OF THE PUBLIC OFFICE BEARERS OF THE CRL RIGHTS COMMISSION, DATED 16 MAY 2023.

The Portfolio Committee on Cooperative Governance and Traditional Affairs, having considered the Draft Notice on the Determination of Remuneration of Independent Constitutional Institutions, referred to it on 13 June 2022 reports as follows:

1. BACKGROUND

The Speaker of the National Assembly referred to the Committee (ATC 90 - 2022, 13 June 2022) the draft notice from the President of the Republic of South Africa (dated 10 June 2022) for consideration and report. The latter notified the National Assembly of the President's determination of the salaries and allowances of members of the Independent Constitutional Institutions, in terms of the Determination of Remuneration of Office-Bearers of Independent Constitutional Institutions Laws Amendment Act, 2014 (Act No. 22 of 2014).

2. CONTEXT

Section 14(1) of the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities Act 19 of 2002, provides that Chairperson, Deputy Chairperson and other members of the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities are entitled to annual salaries and such allowances, or benefits as determined by the President, from time to time, by notice in the *Gazette*, approved by the National Assembly.

For the 2021/22 financial year, the Independent Commission for the Remuneration of Public Office Bearers recommended to the President 3% annual salary increment for all office bearers of the Independent Constitutional Institutions. Taking into consideration the Commission's recommendation, the President has expressed an intent to determine 3% salary increment for all public office bearers of Independent Constitutional Institutions.

3. COMMITTEE CONSIDERATION

Having considered the above, the Portfolio Committee on Cooperative Governance and Traditional Affairs supports and approves the intended Determination by the President of the Republic, in relation to the public office bearers of the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities.

Report to be considered.

3. Report of the Portfolio Committee on Trade, Industry and Competition on its oversight visit to Gauteng and Limpopo from 31 January to 3 February 2023, dated 3 May 2023

The Portfolio Committee on Trade, Industry and Competition having visited the South African Revenue Service (SARS) and the National Regulator for Compulsory Specifications (NRCS) to engage on trade facilitation and on efforts to combat illicit trade; the Limpopo Department of Economic Development, Environment and Tourism (LEDET) and the Limpopo Economic Development Agency (LEDA) to oversee how funding granted by the Department of Trade, Industry and Competition (DTIC) under the Industrial Parks Revitalisation Programme (IPRP) has been spent, as well as on progress in the development of the Seshego and Nkowankowa Industrial Parks; and the National Lotteries Commission (NLC) to oversee the progress made by the NLC with regard to the challenges facing the institution, reports as follows:

1 Introduction

In terms of section 42(3) of the Constitution of the Republic of South Africa, 1996, the National Assembly must scrutinise and oversee Executive action. The National Assembly through the Portfolio Committee on Trade, Industry and Competition oversees the work of the DTIC and its entities to ensure that national priorities such as economic transformation, spatial integration, the development of rural economies, and the creation of decent employment are met. The DTIC's main mandate is to facilitate the creation of an environment conducive to industrialisation and regional economic development that facilitates economic transformation. Furthermore, it facilitates regional and international trade and investment, promotes exports, regulates companies and ensures consumer protection. In terms of the latter, it regulates lotteries and sports pools through the NLC, which also administers the investment and distribution of funds in the National Lotteries Distribution Trust Fund to support good causes.

1.1 Purpose of the visit

There had been three purposes for the oversight visit. Firstly, the Committee visited Beitbridge Border Post to engage the NRCS and the SARS on matters relating to the facilitation of trade across borders, with a specific focus on the Beitbridge Border Post. The key focus areas included the facilitation of the movement, release and clearance of goods, and the removal of

non-tariff barriers (NTBs) to ease the movement of goods to and from other African countries. These are critical to achieve South Africa's objective of increasing its continental exports to advance regional development and integration under the African Continental Free Trade Area (AfCFTA), and to meet its international obligations as a signatory to the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA), which aims to facilitate trade globally.

Secondly, the Committee focused on industrialisation and the expansion of the manufacturing base to ensure economic development, transformation opportunities, and job creation in the Limpopo province. In this regard, it visited the Nkowankowa and Seshego Industrial Parks, which are owned and managed by the LEDA. These Parks had received support through the DTIC's IPRP. Furthermore, the Committee engaged on the developments and plans for these two Parks, and the progress made since the Committee's last engagement with LEDET and LEDA in September 2022. The visit included walkabouts to a few tenants located within the Parks to ascertain the level of support provided by LEDA and challenges facing tenants regarding infrastructure among others. In addition, the Committee had an unannounced visit to the northern site of the Musina-Makhado Special Economic Zone (MMSEZ) and engaged the LEDET on the status of the court case related to the Environmental Impact Assessment for the MMSEZ and their subsequent engagements with various relevant stakeholders in this regard.

Thirdly, it visited the NLC and focused on progress made by the NLC in addressing the challenges facing it. The Committee also made a number of unannounced visits to past projects funded by the NLC.

1.2 Delegation

The following Members of Parliament participated in the oversight visit:

- Mr Z Burns-Ncamashe (African National Congress (ANC)),
- Mr M Cuthbert (Democratic Alliance),
- Ms J Hermans (ANC) (Chairperson),
- Mr C Malematja (ANC),
- Mr S Mbuyane (ANC),
- Ms R Moatshe (ANC),
- Ms N Motaung (ANC),

- Mr J Mulder (Freedom Front Plus), and
- Dr M Tshwaku (Economic Freedom Fighters).

The Committee was supported by the following members of staff:

- Mr A Hermans, Committee Secretary;
- Ms Y Manakaza, Committee Assistant; and
- Ms M Sheldon, Content Advisor.

1.3 Purpose of the report

This report captures the substantive discussions the Committee had during the oversight visit. The Committee Secretary can be contacted for access to the detailed presentations from the SARS, the NRCS, the LEDET, and the NLC.

2 Engagement with the South African Revenue Service with regard to trade facilitation and the combat of illicit trade

2.1 Background

South Africa has 19 commercial border posts (used for the movement of goods between South Africa and other African countries).¹ According to the Cross Border Road Transport Agency (C-BRTA), most of the trade between South Africa and its neighbouring countries (Botswana, Eswatini, Lesotho, Mozambique, Namibia, and Zimbabwe), as well as among the Southern African Development Community (SADC) member states, takes place across these border posts. In 2021, these border posts facilitated South Africa's exports of approximately 27,2 billion units of goods to its neighbouring countries.²

In 2021, South Africa exported goods to the value of approximately R272,3 billion via border posts of which R98,1 billion (36%) was exported to Botswana, R73,1 billion (26,8%) to Mozambique, and R70,2 billion (25,8%) to Zimbabwe.³ The Beitbridge Border Post in Musina, Limpopo, connects South Africa to Zimbabwe. In terms of export volumes, the Beitbridge

¹ SARS (2021)

² C-BRTA (2022: 54)

³ Ibid

Border Post handled 12% of South African goods exported by road, making it the second largest commercial border post after Lebombo Border Post (Mozambique) (which handled 50% of exports).⁴

In terms of South African imports from other African countries by road, the Beitbridge Border Post handled the third largest share of volumes at 12%. The largest import volumes were handled by Oshoek Border Post – Eswatini (18%) followed by Lebombo Border Post – Mozambique (15%).⁵ The volumes of goods handled by the Beitbridge and Lebombo Border Posts shows that there are large traffic volumes, as a result there may be delays in the processing of goods across these borders.

The C-BRTA stated that the “Beitbridge is the only land crossing from South Africa to Zimbabwe that operates 24 hours a day. It is one of the heaviest trafficked border crossings in the SADC. Because of heavy traffic movements, delays at this border are a common phenomenon. Approximately 75% of the northbound traffic through Beitbridge is transit traffic en route to Zambia, the Democratic Republic of Congo and Malawi”⁶. This could negatively impact South Africa’s efforts of facilitating trade to the African continent and of regional integration.

2.1.1 SARS’ mandate in relation to customs administration

In support of its strategic intent, the SARS has nine strategic objectives, which are to⁷:

- Provide clarity and certainty to taxpayers and traders of their obligations,
- Make it easy for taxpayers and traders to comply with their obligations (trade facilitation),
- Detect taxpayers and traders who do not comply, and make non-compliance hard and costly (dealing with illicit trade),
- Develop a high performing, diverse, agile, engaged and evolved workforce (enablement),
- Increase and expand the use of data within a comprehensive knowledge management framework to ensure integrity, drive insight and improve outcomes,
- Modernise its systems to provide digital and streamlined online services,

⁴ C-BRTA (2022: 56)

⁵ Ibid

⁶ C-BRTA (2022: 49)

⁷ SARS (2023) presentation

- Demonstrate effective resource stewardship to ensure efficiency and effectiveness in the delivery of quality outcomes and performance excellence,
- Work with and through stakeholders to improve the tax ecosystem, and
- Build public trust and confidence in the tax administration system.

A key objective of the Customs Administration, a division of SARS, is the facilitation of movement of goods and people entering or exiting the borders of South Africa. Its mandate and priorities are to:

- Provide border control management, community protection and industry protection;
- Administer trade policy measures and industry schemes; and
- Collect revenue from the import of goods.⁸

2.2 Trade Facilitation

2.2.1 Trade Facilitation Agreement

Trade facilitation is defined as “the simplification, modernisation and harmonisation of import and export procedures”⁹. In a recent report on Trade Facilitation in Africa, the United Nations noted that addressing the high trade costs of African countries is critical to achieve their greater integration into global trade and global value chains and increasing competitiveness. Consequently, ensuring economic development in Africa. Furthermore, it stated that trade facilitation is the best tool for reducing trade costs for African countries, particularly for the many landlocked, developing countries in sub-Saharan Africa.¹⁰

At a global level, South Africa is party to the WTO’s TFA. This Agreement came into force on 22 February 2017 when more than two-thirds of the WTO members, including South Africa, ratified the Agreement.¹¹ Its purpose is to facilitate the ease of movement, the release and clearance of goods across borders, and, provides for measures to promote effective cooperation among customs and other relevant authorities on customs compliance issues.¹² As a signatory

⁸ Ibid

⁹ TRALAC (2019)

¹⁰ United Nations (n.d.)

¹¹ WTO (2022)

¹² TRALAC (2019)

to this Agreement, South Africa committed itself to facilitate trade as required in Article 1 to Article 12 of the TFA.¹³

2.2.2 Role of SARS in Facilitating Trade

The import, export and transit of goods are governed by national and international regulations. Compliance with these regulations are checked and enforced at ports of entry, such as cross-border crossing, among others. This can be a lengthy or speedy process depending on management and the procedures in place. The process at the border involves multiple agencies, therefore coordination is key in reducing waiting times at border crossings. SARS through its Customs Administration Division, as one of the agencies, plays a critical role in the facilitation of trade.

Time taken to process trade at border crossings is used as an indicator of trade facilitation performance and regular delays are hence an indicator of poor/inefficient trade facilitation. Therefore, the measures implemented by SARS are critical to reduce time to process trade at the borders. SARS informed the Committee that its legislative mandate is to collect all revenues due, ensure optimal compliance with tax and customs legislation, and to provide a customs service to optimise revenue, border protection and facilitate legitimate trade. In this regard, the SARS Customs Authority acknowledged its critical role to ensure that through its processes and actions, it contributes to the promotion and development of the South African economy.

2.2.3 Measures to Facilitate Trade

Over the past 25 years, SARS has re-orientated itself from the practice of gatekeeper to a data-driven risk management approach to improve the balance between facilitation of legitimate trade and ensuring compliance. In this regard, the Customs declaration and inspection processes have been reengineered to be fully automated, as a result, improving its risk detection capability through its sophisticated case selection methodology. It draws on available data from statutory declarations by traders, and data from third party providers, as well as other sources.

In the context of Beitbridge or any land border, all clearance and risk processes are completed prior to the goods arriving at the border, and the control at borders are restricted to high-risk intervention or the management of exceptions, and are aligned with the availability of capacity

¹³ WTO (2022)

and resources. This technically means that approximately 95% of all trade crosses the border without any further Customs intervention, other than for a “mark for arrival and exit” process that takes a few seconds to complete by Customs.

SARS recognised that the level of automation and risk management capabilities of neighbouring local border entities and government agencies are limited. Neighbouring countries often still deploy manual control processes that impacts on traders and transporters being delayed on the South African side of the border while waiting to cross the border.

It is for this reason, in line with SARS Vision 2024, that the SARS’ Customs Modernisation Programme (CMP) focuses on:

- Implementing the concept of a Single Window to provide local entities with automated data exchange and workflow capability, and similarly engaging with neighbouring Customs administrations to integrate declaration data.
- Curbing the scourge of illicit trade by leveraging the Secure, Measurable, Automated, Risk Management-based, and Technology-driven (SMART) border programme that introduces technology solutions such as SMART track and trace solutions, in-line scanning technology, automated in-border flow control, etc., powered by big data and enabling technologies such as artificial intelligence that would fundamentally increase the opportunity for detecting illicit trade.

SARS informed the Committee that the CMP was intended to drive the SARS Compliance Philosophy, Strategic Objectives, and to achieve the SARS 2024 Vision in respect of Customs Border Operations, Ports of Entry, and Customs Compliance. It further aimed to improve SARS’s capabilities in relation to revenue collection, tax leakage, trade facilitation, supply chain security, risk management, and client segmentation through the following specific initiatives (projects)¹⁴:

- *Advance Import Payments*: Preventing the underpayment of customs duties and taxes, as well as illicit financial flows in respect of the importation, or non-importation, of goods following advance foreign exchange payments, in cooperation with the South African Reserve Bank and the Banking Association of South Africa representing authorised dealers in foreign currency and exchange.

¹⁴ SARS (2023)

- *Data Analytics for Valuation, Origin and Tariff*: Detecting customs under-valuation, tariff, and origin mis-declaration using predicative data analytical tools, aided by artificial intelligence.
- *SMART Borders (Non-stop borders)*: SMART Borders is a 2019 World Customs Organisation (WCO) concept for transforming traditional borders by encouraging WCO members to use technology to find solutions to facilitate the flow of people, goods and conveyances at borders while following the guiding principles for SMART borders. In the South African context, it means simplified, centrally managed and automated port of entry and exit processes that will increase the speed of border crossing through the use of technology, to reduce turnaround time, enable joint agency inspections, and make the best use of resources.
- Single Window.
- *Customs Connectivity with Botswana, Eswatini, Lesotho, and Mozambique*: Connectivity requires the exchange of real-time customs clearance data sharing which SARS has already implemented with all of its Southern African Customs Union (SACU) partners, starting with the Swaziland (Eswatini) Revenue Authority on 14 June 2018. For the full trade benefits to accrue as envisaged under the AfCFTA, legitimate cross-border trade must be facilitated to the greatest extent possible. The exchange of customs transactional clearance data plays an important role in this regard.
- *Cross-Border E-commerce*: The project aims to implement the provisions of the WCO “Cross-Border E-commerce Framework of Standards” and the “Guidelines for the Immediate Release of Consignments by Customs” which provides member customs administrations with the global standards and best practices to manage cross-border E-commerce goods.
- Single Government Authorised Economic Operator (AEO).
- Registration, Licensing and Accreditation.
- Automated Refunds and Drawbacks.
- Automated Bonds.
- Air Passenger Tax.
- Customs Cadet Programme.
- Business as Usual Improvements, such as Acquittals, ePenalty, etc.

To date, SARS has fully established connectivity and near real-time data exchange with all SACU partners, SARS electronically communicates a status on a pre-clearance submission of customs declaration within seven seconds, and border crossing times, despite the challenges illustrated above, is within hours (at the end of February 2023 for Beitbridge this was less than two and a half hours).

SARS has introduced a formal Trade Facilitation Indicators (TFIs) Survey that will be distributed to a select group of traders. This survey seeks to measure the traders' experience with TFIs that are administered by the Customs and Excise Division. It also seeks to measure the extent to which the Division is effective and efficient towards trade facilitation across the following areas: Information availability, Involvement of the Trade Community (Consultations), Advanced rulings, Appeal procedures, Fees and charges, Formalities (documents, automation and procedures), Internal and External co-operation, Governance, and Impartiality to provide enhanced Trade Facilitation.

2.2.3.1 Financial Requirements

The basic cost to develop SMART Borders is estimated at between R1,5 billion and R2 billion, as the required equipment is relatively expensive and all border posts should be covered for the SMART border concept to be implemented effectively.

SARS reported that the infrastructure can be implemented in a phased approach with an initial investment of R462 million to procure the following:

- Scanner image analysis centre for all scanners (R5 million);
- National Targeting and Operations Centre (NTOC) infrastructure and network capacity (R5 million);
- Inland main corridor inspection facilities (including number plate recognition (NPR), SMART Seals and Seal Readers, traffic management tools, high resolution closed circuit television, inspector assist on-line cameras and other mobile tools) (R26 million);
- Three specialised 1000mm cargo scanners (R100 million per unit) and two mobile high speed X-Ray scanners (R60 million per unit) on targeted cargo (R420 million); and
- System integration and other development costs to automate existing systems further (R5 million).

To effectively utilise the technology, Customs Specific Skills, namely Audit, Risk and Data Analytics, etc., is being invested in through the Cadet Programme. Currently, 110 cadets are engaged in the Programme at a cost of R52 million. An additional 190 cadets over a four year intake period (50 per intake) is planned and would cost approximately R114 million including funding the salary difference between the Graduate and 4A level salaries.

In terms of the Single Window systems to implement South Africa's international obligations in relation to the FTA, the cost is approximately R185 million for the full solution. It had a budget of R10 million for the 2022/23 financial year.

For the full SMART Border Requirements, SARS estimated that the full cost would be R7,5 billion, as part of the Border Management Agency's infrastructure for six primary border posts, namely Beitbridge, Kopfontein, Oshoek, Lebombo, Maseru Bridge, Ficksburg, Grobler's Bridge. These would include the procurement of:

- Eleven in-line high speed Scanners (R1,5 billion);
- Traffic Infrastructure and technology to conduct non-stop electronic border processing (NPR, Radio Frequency Identification readers, booms and communication systems, high-definition cameras) (R5 billion); and
- High risk inspection areas, including observation platform for NTOC (including inspector assist on-line cameras and other mobile tools) (R1 billion).

Beitbridge, specifically, required a minimum of four scanners. This was expected to reduce the number of manual physical inspections per day by 25. The cost of the manual inspections was R500 000 per day vs scan costs of R80 000 per day.

SARS administers a number of tax Acts, in terms of which taxes, duties and levies are collected and paid into the National Revenue Fund. SARS is the central revenue collecting agency that collects the majority of government's revenue. Revenue collected over the last two years has increased significantly, underpinned by the rebuilding of SARS' capabilities. Notwithstanding its revenue collection capabilities, the Committee noted that SARS, as a revenue collection agency, remained underfunded and required additional funding to improve its capabilities in relation to revenue collection, tax leakage, and trade facilitation, among others. The Commissioner of SARS is charged with building an efficient and effective administration of

the revenue collecting system of South Africa¹⁵. The continued trend of underfunding SARS, now for eight consecutive years, was considered to be materially undermining this legal mandate.

SARS informed the Committee that despite making an appeal since 2019 (initiating the rebuilding of SARS journey), through the annual Medium-Term Expenditure Framework (MTEF) and Estimates of National Expenditure processes, engagements with National Treasury, Minister of Finance and the Parliamentary Oversight Committees, the funding situation had not been addressed. In fact, according to SARS the situation had worsened. This has meant a continued decline in the employee value proposition, rendering the organisation unable to retain and attract the requisite specialist skills needed. This also placed the modernisation programme at risk, at a time when a modern platform drawing on big data, artificial intelligence, and advanced technology, was indispensable to give effect to the intention of the SARS Act. The impact of the historic underfunding resulted in a delay in the modernization programme, minimum investment in information and communication technology and other infrastructure, resulting in an ageing infrastructure and a significant loss of both capacity and critical skills that could not be augmented to date.

The underfunding experienced over the past years and that has continued to occur has impeded SARS' ability to effectively perform its compliance related work that gives effect to its legal mandate, and in turn severely impacts the fiscal integrity. The funding trend for SARS since the 2014/15 financial year has declined by 28,6% cumulatively. With regard to SARS' requested MTEF allocation over the 2023/24 to 2025/26 financial years, the cumulative decline was projected to be 36,9%. This implied that SARS at present received barely more than 70% of its 2014/15 funding and projected that this would be less than two-thirds by the 2025/26 financial year. If the year-on-year cost of inflation since the 2013/14 allocation had been incorporated, the 2022/23 financial year allocation should have been above R15,98 billion compared to the actual allocation of R11,5 billion. The Organisation for Economic Co-operation Development (OECD) recommend that the cost to revenue collection for developing countries should be one percent. Therefore, the inflation-adjusted R15,98 billion would have compared well against a printed revenue collection estimate for the 2022/23 financial year of R1,598 trillion.

¹⁵ SARS Act (Act No. 34 of 1997)

The unpredictability of the funding cycle precluded SARS from adequately doing any forward planning, in terms of medium to long term recruitment, capital investments, and modernisation, as these were all multi-year programmes. This was despite the financial return on any investment in SARS being significantly higher than in any other area in Government and also being the lowest opportunity cost for sustainable fiscal stability. This has been demonstrated over the past two financial years whereby SARS collected more than the projected estimates set by the Minister of Finance, R182 billion more for the 2021/22 financial year and R38 billion more for the 2020/21 financial year.

2.2.3.2 Impact of load-shedding on the implementation of SMART Borders

The SARS indicated that it was implementing SMART Borders to improve efficiencies at the border by improving monitoring of goods passing through the borders while minimising the incidents of corruption. In this regard, technology would be deployed at the border including scanners and body cameras to relay real-time information from the border to the SARS head office or other off-site facility. Given the ongoing risk of load-shedding and its possible impact on connectivity, the Committee enquired about the ability of SARS to mitigate this to maintain the integrity of a SMART Border. SARS informed the Committee that as per its business continuity procedures, auxiliary power supplies were in place (namely generators and inverter/uninterrupted power supply solutions) to ensure the continuity of its operations. Through the SARS National Command Centre, it has 24-hour monitoring and management of its country-wide infrastructure ensuring that SARS systems and infrastructure are functional and where required, it appropriately responds to expeditiously resolve any outages. In addition, SARS is also planning to install solar-powered systems in a phased approach aligned to the roll out plan of SMART borders and its vision of a Smart Modern SARS.

2.2.3.3 Skilled Customs workforce

In terms of facilitating the movement of goods and people entering and exiting South Africa, Customs officials are either involved in trade facilitation activities, processing and auditing or border control and enforcement. Currently, SARS Customs has only 2 200 employees to do this work, compared to the Australian Border Force which has approximately 5 800 employees without any inland borders.

This capacity must be augmented in line with SARS Vision 2024, which necessitates an increase in data, risk detection systems, enabling tools and capabilities that would require a highly skilled workforce to operate and implement these capabilities. Although costly, this would have a significant return on investment for both trade facilitation and combatting illicit trade, and would greatly reduce the opportunity for bribery and corruption. This would exploit the exponential and innovative opportunities provided by increased access to data (big data), machine learning algorithms, artificial intelligence, as well as augmenting human effort with insights from data, whilst automating repetitive and routine activities.

In this regard, the effective implementation of Vision 2024 requires a breed of Customs officials with auditing and data analysis skills to identify trends from the analysis of data sets received to effectively detect non-compliance. Therefore, it must develop a high performing, diverse, agile and engaged workforce, and not merely expand its staff complement. Furthermore, it must expand its post-clearance audit capacity to apply assurance on the 95% of cross-border trade that is facilitated within seconds and cleared prior to the border.

The total SARS headcount has been on a declining trajectory over recent years. Since 2014, it has decreased by about 16% or 2 500 positions. The main job functions that have been impacted within the Customs Administration Division are the specialist skilled areas such as: Audit and Risk; Investigations; Debt Collection; Legal; Customs and Excise; Data Analytics/Science and Information Technology jobs. The primary reason for the reduction was attributed to the funding constraints experienced due to grant allocation reduction and SARS' ability to attract the required specialist skills. Over the MTEF period (2023/24 to 2025/26), SARS would require a minimum of 3 000 additional customs officials.

2.2.4 Implementation of the AfCFTA

The AfCFTA is the world's largest free trade area bringing together the 55 countries of the African Union (AU) and eight Regional Economic Communities to create a single market for the continent. The aim is to enable the free flow of goods and services across the continent and boost the trading position of Africa in the global market. The AfCFTA also has the potential to both boost intra-African trade by 52,3% by eliminating import duties and could double this trade if NTBs are also reduced. Therefore, collaboration among member states is essential to develop the necessary customs systems to enable harmonisation and the real-time exchange of

information, and to ensure that the necessary systems are in place to give effect to the Agreement.

According to SARS, the implementation of the AfCFTA certainly enhances the existing collaboration among member states in the Region when it comes to real-time information exchange. The International Customs community, as members of the WCO, is well advanced in the development of instruments, tools and standards that drive standard processes, a uniformed data model and tools for data integration, such as the Globally Networked Customs (GNC) concept.

In this regard, SARS has implemented a data exchange capability with its SACU partners, steering one of the GNC building blocks named “Your Export becomes my Import”. In SACU, there are three technology systems amongst member states that includes the Automated System for Customs Data, Crimson Logic and the SARS InterFront system. Through this initiative, SACU Customs administrations demonstrated that data can be exchanged through these tools and without all parties needing to be on a common system. SARS takes this experience into account and plays a leading role at the AU and specifically on programmes such as data exchange and AEO that supports the implementation of the AfCFTA.

2.3 Illicit Trade

Preliminarily, illicit trade has been defined by the OECD as an exchange in the control or possession of a good or service that a lawmaker (national or international) deems illegal, because the object of the exchange is dangerous or morally repugnant¹⁶.

The WCO defines illicit trade as any commercial practice or transaction related to the production, acquisition, sale, purchase, shipment, movement, transfer, receipt, possession or distribution of any illicit product defined as such by international law, or any licit product for non-licit purposes as defined by international law, as well as any conduct intended to facilitate such activities.¹⁷

2.3.1 Estimates of illicit trade within South Africa

¹⁶ SARS (2023)

¹⁷ Ibid

The following sectors have contributed to illicit trade, as follows¹⁸:

- Pharmaceuticals, Trade Misinvoicing estimates: \$61,2 million outflows
- Petroleum, Trade Misinvoicing estimates: \$7,7 billion outflows
- Pesticides, Trade Misinvoicing estimates: \$300 million outflows
- Precious metal and gems, Trade Misinvoicing: \$5,2 billion outflows
- Tobacco, Trade Misinvoicing: \$760 inflows
- Seizures estimated at \$190 million (2019)
- Miscellaneous, Trade Misinvoicing: \$33 billion (2013)
- Illicit rhino horn estimated at \$785 million.

2.3.2 Illicit Trade of Scrap Metal

The broader economic impact due to the loss of public infrastructure through theft cannot be underestimated. There has been an increase in theft of non-ferrous metals, which is then melted down into billets, and exported undetected. This has become a serious problem in South Africa. This sharp increase in theft can be attributed to the high international demand for copper and aluminium, as well as a sharp increase in prices for the materials, amongst other factors.

The sectors mostly affected by theft of non-ferrous metals are Communication, Rail Transport, Energy (Eskom) and other utilities. The Committee enquired what measures had been introduced or implemented by SARS to combat the illicit export of scrap metal. SARS informed the Committee that, in keeping with its strategic objective 3, it endeavours to detect taxpayers and traders who do not comply, and to make non-compliance hard and costly. Therefore, SARS continues to work with the steel industry and other government departments through the Metal Trade Task Force, chaired by the DTIC, as well as the Inter-Agency Working Group (IAWG) on Illicit Trade, chaired by SARS, maintaining effective collaboration in addressing developing areas of non-compliance. SARS informed the Committee that it uses a data-driven risk management approach, and, at a transactional level, the outcomes of the inter-agency engagements contribute to the development of risk rules, and documentary and physical intervention responses to address prevalent risks.

¹⁸ Ibid

According to SARS, through its risk and inspection efforts, such collaborations and partnership resulted in the inclusion of specific tariff headings in the interim control of export of scrap metal. In response to the identified risks, it activated automated risk rules to detect and respond to suspected non-compliance, and in addition, at entity levels, SARS deploys audit-based controls.

2.3.3 Progress Made in Combatting Illicit Trade

According to SARS, the customs frontline teams recorded 33 190 seizures cumulatively with a total estimated value of R17,9 billion over the 2016/17 to 2021/22 financial years. Most of the seizures involved miscellaneous goods, followed by cigarettes, narcotics, alcohol, medicaments, and clothing and textiles. These goods accounted for 90% of all the goods seized.

For April – December 2022, 4 285 seizures had been recorded for various commodities with an estimated value of R2,4 billion. The majority of narcotics seizures (74%) had been reported by the OR Tambo International Airport to the amount of R445,4 million. Some of the concealment methods included books, bottles, boxes, clothing, computer equipment, envelopes, folders, footwear, frames, jewellery, luggage, and makeup. There had been 21% more seizures conducted as compared to the first three quarters in the previous financial year.

In terms of cigarette seizures, Beitbridge had reported 62% of cigarette seizures to the value of R28,2 million. Cigarette seizures to the estimated value of R431 100 and R220 300 had been reported by Lebombo and Free State respectively. Concealment methods included luggage, light vehicles, cargo vehicles and local premises.

In terms of counterfeit Clothing, Textiles, Leather and Footwear (CTFL) seizures, 71% of seizures had been reported by OR Tambo International Airport to the value of R734 million. This was followed by Lebombo with seizures to the value of R9,1 million. From April 2021 until December 2022, 27 customs licences had been cancelled, and three licences had been suspended as a result of proven customs non-compliance.

2.3.3.1 Illicit Trade Unit and the National Rapid Response Team

SARS reports to the Customs National Rapid Response Team (CNRRT). The CNRRT and Illicit Trade Unit recorded a cumulative of 18 849 risk-based tactical interventions linked to illicit trade and customs fraud. This resulted in 4 232 detentions and 4 393 seizures with a total

estimated value of R1,7 billion from the 2018/19 financial year to December 2022. Furthermore, R270 million in enforcement revenue linked to these interventions had been raised and collected. This was additional revenue, which would not have been collected without the improved detection and execution enforcement capability.

Seizures mainly involved high risk commodities such as tobacco and cigarettes, CTFL, illicit fuel and liquor, and cobalt. This work is mostly done through inland joint raids and special operations in collaboration with other law enforcement agencies in line with the SARS strategic objectives to detect non-compliance and to collaborate with stakeholders to improve the tax ecosystem.

2.3.3.2 Criminal and Illicit Economy Activities Division

According to SARS, the Division completed 239 investigations, resulting in assessments to the value of R13,96 billion being raised for income tax and Value-added Tax (VAT) in the 2021/22 financial year. Letters of demand for Customs payments to the value of R1,75 billion had also been issued. The revenue recovered from these actions had been R8,22 billion for the 2021/22 financial year and R1,9 billion for the 2020/2021 financial year. Furthermore, the Division finalised 326 preliminary investigations, 212 profiles and 369 enquiries. The focus areas included fuel, tobacco, alcohol, CTLF, VAT Carousels – specifically relating to the gold sector, phoenixism¹⁹, abusive liquidation and business rescue practices, illicit financial flows, and tax evasion.

There had been 43 illicit economy related projects comprising of 547 active investigations, with an estimated prejudice value of R2 billion related to 42 investigations. Also, the Focused Investigative Audit Unit had 68 cases in progress (12 advance import payment, 50 transfer pricing adjustment cases and 6 voluntary disclosure programmes). Fifty-six cases had been finalised with an approximate revenue amount of R1,2 billion.

2.3.3.3 Collaboration with Other Government Agencies

¹⁹ The process of making a business insolvent in order to evade paying debts and then setting the business up again under a new name. (online Collins Dictionary)

The IAWG on Illicit Trade, which includes SARS, the DTIC, the International Trade Administration Commission of South Africa, and other law enforcement agencies, was running a campaign to discourage the public from buying illegal imports.

SARS enforcement highlights for the CTFL Goods work stream for September 2019 to September 2022:

- Additional revenue collection.
- Seizure values increased from R282,7 million in 2019/20 to R414,5 million in 2021/22.
- Additional revenue raised from 208 finalised audits including integrated audits on Customs, Corporate Income Tax and VAT triggered by undervaluation with an overall 56% success rate. This included a 71% success rate across frontline CTFL technical enforcement interventions to undervaluation and misdeclaration of CTFL imports.
- Thirty-eight cases referred for criminal prosecution, three cases litigated and won, with eight licences cancelled/suspended by the SARS Licensing, Registration and Cancellation Committee.

SARS enforcement highlights for the Steel and Gold work stream from April to September 2022:

- With respect to corrugated material and galvanised coil, SARS had worked on three cases. It reported for entity 1, R9,6 million had been raised on the under-declaration of values and prejudices on the duties and VAT. For entity 2, R4 million had been raised on the undervaluation of the values and prejudices on the duties and VAT. SARS would be initiating collection steps to recover the debt. For entity 3, helical wire matter, revised letters of findings had to be issued for incorrect tariff headings that had been utilised.
- With respect to the gold work stream, SARS indicated to the Committee that it had successfully defended various legal applications received from role-players within the gold industry and were busy executing ongoing enforcement tools, which should impact behaviour in the gold industry. The number of ongoing cases in civil investigations was 129, with 1 IEA (Tax) case finalised, with an assessment of about R33,9 million. Total VAT refunds stopped to date amounted to approximately R49,6 million until October 2022. Total assessments raised to date amounted to R62,5 million capital VAT on three cases.

The collaboration between SARS and other law enforcement agencies have yielded positive results in the pursuit of justice. SARS reported that there had been 49 cases referred for criminal prosecution, of which three cases had been won. SARS informed the Committee that the 49 Customs and Excise related cases were a combination of cases linked to the illegal importation of CTFL, the breakdown of these cases were:

- Thirty-eight cases were at varying stages of investigations, and once investigations were concluded, they would be referred to the National Prosecuting Agency (NPA) for prosecution.
- Three cases had been taken through the litigation process with the outcome in SARS favour.
- In eight cases, licences of traders had either been cancelled or suspended because of respective traders' non-compliance with the Customs and Excise Act (Act No. 91 of 1964).

Noteworthy, as highlighted in SARS' 2021/22 Annual Report, SARS had achieved a 97,7% success rate in the number of cases it had taken to court (via the NPA) for prosecution across all tax types and duties administered by SARS.

2.3.4 Education and Awareness Programmes to Reduce Illicit Trade

Communities around border areas within the country could play a critical role in combatting illicit trade and act as a first defence against illicit trade. Therefore, investment in education and awareness programmes, especially among these communities, about the risks associated with participating in and facilitating illicit trade and its impact on the broader economy could be a critical tool to combat illicit trade. The Committee enquired what education and awareness programmes the SARS had embarked on in relation to illicit trade, and whether any of these were targeted at these communities.

SARS informed the Committee that it had established the Taxpayer and Trader Education Division that drives this objective through the application of behavioural science, advanced research and knowledge management initiatives – that include surveys, outreach programmes, webinars, workshops, and educational products. In relation to creating public awareness around illicit trade, this past year SARS sought to provide clarity by hosting a webinar via the SARS TV channel on the subject of the economic impact of illicit trade. The audience was mainly stakeholders from the broader trading industry. The webinar was well received based on the

level of engagement and feedback from the attendees. This webinar is also publicly accessible via YouTube.

SARS noted the Committee's concern regarding a targeted education campaign directed towards the associated communities and in the next financial year it would include this as part of its Taxpayer and Trader Education Programme activities in the following ways:

- Focussed interventions would be developed based on research and data in particular areas with a high incidence of illicit trade.
- Multiple interventions to heighten awareness raising such as webinars; pamphlets; workshops; and a media campaign, etc.
- Strengthening partnerships with civil society organisations that are interested and affected by illicit trade in the country.

3 Site visits to Nkowankowa and Seshego Industrial Parks

The Committee originally planned to visit the Nkowankowa and Seshego Industrial Parks in August 2022, as part of its oversight programme. However, due to changes to the Parliamentary Programme, the visit had to be postponed. Notwithstanding the postponement of the visit, the Committee engaged the LEDET and its entity, the LEDA, owners of the two Industrial Parks, on 21 September 2022. The virtual engagement was two-fold: first, the Committee was briefed by the LEDET on the development and plans for the MMSEZ, followed by the LEDA on the development and plans for the Seshego and Nkowankowa Industrial Parks, as these industrial parks had received funding from the DTIC, as part of the IPRP. Therefore, the visit to these Industrial Parks in 2023 was a continuation of the oversight started in 2022.

3.1 Background

The IPRP was introduced in 2015 with the aim of reviving Industrial Parks that existed prior to 1994. At the time, the Industrial Parks brought some economic activities closer to townships and rural areas, thereby, creating employment opportunities in the surrounding areas. Businesses that were located within the Industrial Parks were heavily incentivised and when such incentives were discontinued post-1994, they relocated to cities or even other countries. The IPRP aims to facilitate broader economic and industrial development in townships and

rural areas where the Industrial Parks are located. The revitalisation programme includes security upgrades for the parks, improving critical infrastructure and factory refurbishments, as required.

The Seshego (Polokwane) and Nkowankowa (Tzaneen) Industrial parks are two of the five Industrial Parks in the Limpopo Province. These two Industrial Parks were among the thirteen Industrial Parks that had been revitalised since the inception of the IPRP in 2015. The DTIC had funded the two Parks for approximately R125,5 million, in turn the Parks have attracted investments of approximately R238,5 million with 2 466 employment opportunities.

3.2 Nkowankowa Industrial Park

In the engagement with the Committee on 21 September 2022, LEDA reported that the R40 million investment which was injected by the DTIC through the IPRP had been utilised to install security features in the Park. The security features worth approximately R23 million included the following:

- Installation of clear-view fencing and pedestrian gates and boom gates;
- Installation of closed circuit television (CCTV) and control room;
- Guard houses; and
- Refurbishment of High Mast Lights.

The remaining R17 million was used to refurbish three factories.

During the refurbishment of the Park, a total of 11 Small, Medium and Micro Enterprises (SMMEs) had been appointed, the refurbishment projects created 125 jobs. LEDA further reported that new tenants will move into the factories once ESKOM completed the electricity connections. Furthermore, LEDA was in the process of applying for additional funding for the second phase of the refurbishment.

LEDA also reported that following the refurbishment of the Industrial Park, it was able to attract both national and international tenants, including Peppadew and BS Dried Fruit. They also reported that as of September 2022, the Nkowankowa Industrial Park was at 73% occupancy and as a result 3 708 job opportunities had been created in the Park.

The Committee visited the following three companies as part of its walkabout:

3.2.1 Miya Roofing Manufacturers/Integrate Now (Pty) Ltd

Miya Roofing Manufacturers is a black-owned, South African manufacturer servicing hardware stores, developers and the public directly, among others. It manufactures high quality inverted box rib and corrugated roof sheeting, as well as ridges and flashing, in galvanised steel, colour, stainless steel or polycarbonate materials.

The company occupies a 1 169 m² factory in the Industrial Park and started its operations in 2021. It has created 37 jobs and is currently training 100 students in Metal and Manufacturing Engineering levels II, III and IV learnerships, as accredited by the Manufacturing, Engineering and Related Services Sector Education and Training Authority. It intends to absorb about ten students at the end of the learnership dependent on the electricity situation, among others.

The factory has the capacity to manufacture 30 000 metres of sheeting per day but manufacture based on orders received; therefore, it does not store ready-made stock. It is currently ISO 9001 certified and is in the process of obtaining ISO 45001 certification.

The company received funding from the Small Enterprise Finance Agency (SEFA) for two machines. Subsequently, the company purchased a third machine from the profit generated and built a machine in-house to manufacture flashings and barge boards. Its future plan is to move into a bigger factory, acquire more machinery and create more jobs.

The company reported that the local supply of steel had been negatively affected by load-shedding. This consequently impacted on its productivity due to a shortage of material.

3.2.2 P and J Food Supply

P and J Food Supply is a black-owned company manufacturing wholesale and retail mango atchar and also distributing food to schools. It is one of three atchar producing companies in the Industrial Park. The factory started its operation in 2015 and occupies a 1 335 m² factory in the Industrial Park. The atchar is mainly sold to wholesalers within the Limpopo and Mpumalanga Provinces. At full capacity, the factory can produce 20 000kg of atchar per day. The company employs 28 people, of which 18 are female.

The company noted that it had a challenge with accessing appropriate weighing equipment. Thus, it used the weighbridge to determine the weight of green mangoes that it purchases. Furthermore, the Committee observed that the roller door for the storage area had been damaged and was unable to close. LEDA reported that the damage was due to an accident and the door had been in this condition for quite some time. The Committee requested LEDA to fix the door as a matter of urgency, as its tardiness in resolving the matter affected the security of the tenant, and the reputation of the Industrial Park.

The Committee was also concerned that P and J Food Supply was not able to upscale its production to effectively compete with the large commercial producers due to economies of scale and lack of quality assurance certification.

3.2.3 Peppadew (Pty) Ltd

Peppadew (Pty) Ltd manufactures about 38 sweet piquanté pepper based products; and a range of spices for local, national and international distribution. In South Africa, it supplies chain stores including Spar, Woolworths, Checkers, Pick n Pay, as well as private accommodation and restaurants. About 70% of its products are exported to about 29 countries, of which the United States of America and a number of European countries are its biggest importing countries. Therefore, the company is subject to a number of additional international quality standards to maintain these trade relationships.

It operates from 14 factories in the Industrial Park covering an area of 33 140m². It started its operations in 1995. It is one of the largest employers in the Nkowankowa area. It has 188 permanent employees (59 African males and 129 Females), 543 annual rotational employees (128 African males and 415 African females), and 1 969 seasonal employees. Seasonal employment was so high, as the seeds of the peppers are removed manually for the fruit to be processed within 24 hours thereafter.

It receives its fresh produce from local farmers, of which 39 black farmers have been exclusively contracted to supply Peppadew. It supports the black farmers by providing seedlings upfront, as well as extensive agricultural services. In terms of the agricultural services provided, subject matter specialists assist them with land preparation, preparation for planting, fertiliser and chemical regimes, and harvesting. The cost of the seedlings is subtracted from the

proceeds of the harvest received about five to six months after planting. This cost is also provided interest-free.

There have been several issues with the supply of water from the local municipality to the general Nkowankowa area. Loadshedding had exacerbated the situation, in particular the ability of the municipality to pump water and the cost of diesel to supplement electricity shortages. To mitigate the supply shortages, Peppadew has built a number of water reservoirs and purchases water from private suppliers at 20 times the municipal rates. The Committee enquired whether Peppadew had considered using boreholes or sourcing its water from the Letaba River directly. The company responded that the Lepelle Northern Water Board was already exclusively sourcing its water from the Letaba River. However, only one pump was effectively working to provide water to the Nkowankowa region. Therefore, Peppadew was already receiving its water from the river and assisted the Water Board with diesel when there was a shortage to run their generators. Furthermore, it had drilled boreholes; however, the quantity and microbial quality of the water was not suitable for the production of agricultural products at international standards.

It reported that the most recent supply challenge had occurred since the preceding Saturday with some water supply having been restored that morning. During this time, it had depleted its storage capacity. As a result of this, the company had to send 2 000 employees home without pay, as it was unable to provide the necessary facilities to all employees in terms of personal health and hygiene requirements. It also had to determine whether it needed to cancel production for the foreseeable period until its reservoirs had reached capacity again, which also negatively impacted on emerging black farmers who would be unable to sell their harvested fruit to Peppadew if production was halted indefinitely.

The mayor of the local municipality indicated that the bulk water supply was a district municipality responsibility, and the development of a reservoir could assist in resolving the water supply challenge. Therefore, the matter should be escalated to the district municipality level. This matter had also been raised with a delegation from the Presidency visiting the Nkowankowa Industrial Park in October 2022. The Deputy Minister of Planning, Monitoring and Evaluation, Ms P Kekana, had encouraged Peppadew to remain in Nkowankowa Industrial Park given its employment contribution to the area.

In terms of alternative energy supply during loadshedding, Peppadew was operating three 600-800kVA 10-cylinder diesel generators. The company's production costs were significantly impacted by the costs to mitigate the energy and water supply.

The Committee enquired what worker and community upliftment and empowerment projects, including worker ownership programmes, Peppadew was involved in. Peppadew responded that 85% of its management consisted of previously disadvantaged individuals. Furthermore, it was considering a worker-ownership model in its value-added productive areas. Franchises were an option; however, before it empowered smaller businesses to produce its products, it needed a successful business with access to adequate and secure basic services.

Furthermore, it indicated that it had engaged one of the community groups, the Dan/Nkowankowa Concerned Group (DANKOW), to ensure that seasonal labour was recruited from the surrounding areas, especially where there was high unemployment. It also supported local feeding schemes at schools, built facilities for a local orphanage for AIDS orphans, and requested DANKOW to supply it with information of local schools that required assistance in building classrooms.

Peppadew reported that it had a good cooperative relationship with LEDA and the DTIC. It was also assisting LEDA to improve the conditions of buildings in the Industrial Park. In terms of its relationship with the DTIC, it had received support and attended several international trade pavilions over the last 20 years, as a heritage brand.

3.3 Seshego Industrial Park

The Seshego Industrial Park, in Polokwane, consists of 154 hectares, with occupation at approximately 123 hectares. The Park has a total of 77 factories and 57 tenants; thus, an occupancy rate of 79%. The tenants' profiles span across a number of sectors, which include manufacturing (20 tenants), agro-processing (2 tenants), services (36 tenants), and waste management (3 tenants). According to LEDA, the manufactured products produced at the Park were being sold locally, nationally and internationally. The employment contribution of the Park amounted to 1 059 direct jobs. The gender breakdown of the tenants was 49 males and eight female tenants, of which 48 were black and nine white, with one non-South African occupying space inside the Park. The majority of tenants at the Seshego Industrial Park were

SMMEs, and a small percentage of the Seshego Industrial Park is used by different Government Departments for storage including the Pharmaceutical Depot of the Limpopo Province.

Its revitalisation programme had been divided into four phases. The phases are described below:

- Phase 1 of the Programme covers security infrastructure upgrades, fencing, street lighting, top structures, and critical electricity requirements.
- Phase 2 deals with engineering designs and construction of new and existing roads, bulk water supply and sewerage treatment plants or industrial effluent control.
- Phase 3 deals with upgrades of electricity infrastructure and to build new top structures that were in line with the expansion programme of the industrial parks.
- Phase 4 deals with the development of sustainable industrial clusters in industrial parks.

The LEDA informed the Committee that phase 1 of the Seshego revitalisation programme had been completed in two phases, phase 1A and phase 1B, with the support of the DTIC to the value of R35 million. The Phase 1 project mainly covered the construction of perimeter fence, installation of CCTV cameras, construction of two Guard houses and a control room, installation of high mast lights, construction of concrete culvert and renovation of one factory unit.

According to LEDA, the completion of phase 1 attracted 14 new tenants, namely, Muffama Beleggings (Agro-processing), Matidi Holdings (Recycling), Premier Piping (Manufacturing), SEDA (Small Enterprise Development Agency) Limpopo Jewellery Incubator (Manufacturing), and Unicode Industriale (Manufacturing), among others. This reflects a total investment of R41,74 million within the Seshego Industrial Park since the completion of Phase 1.

It should be noted that Phase II of the revitalisation of the Seshego Industrial Park had not yet commenced. LEDA informed the Committee that the DTIC had approved the budget amount of R49,97 million to fund Phase 2 for the refurbishment of 11 warehouses (factories). One of the units had been identified to be converted into a Digital Hub. According to LEDA, Phase 2 would also include cleaning of storm-water channels and submission of As-Built-Drawings for approval by the municipality.

The Development Bank of Southern Africa (DBSA) had been appointed as the Implementing Agent. LEDA informed the Committee that the DBSA appointed SRSQS Quantity Surveyors as Principal Agents to monitor and control Phase 2. Furthermore, that once the DBSA finalised the procurement of a contractor, it would commence with work on Phase 2, and would regularly report on its progress.

The Committee visited the following three tenants within the Seshego Industrial Park:

3.3.1 Supported Employment Enterprises

The Supported Employment Enterprises (SEE) (formerly known as Sheltered Employment Factories) is reportedly a state-owned entity under the Department of Employment and Labour. It started operating in 1943 in Gauteng after World War II to assist war veterans that had become disabled as a result of the war. The SEE manufactures office furniture, home furniture, school furniture, hospital linen, uniforms and hospital linen. The factories seek to offer people with disabilities short to long term employment. The SEE now has 13 factories across South Africa, with the factory in Limpopo having been established in September 2019. The entity received R166,5 million towards its operations from the fiscus for the 2022/23 financial year²⁰.

The Limpopo factory occupies a 2 667 m² floor area in the Seshego Industrial Park and trades in textile products, mainly hospital linen. Currently, it supplies Groote Schuur and Tygerberg Laundry Hospitals, in the Western Cape, with theatre lotions. The raw material was purchased from Da Gama (Pty) Ltd, which is based in the Eastern Cape. It employed 46 permanent staff, of which 27 were female and 19 were male. Forty-two of the employees were youth living with disabilities and one was an adult living with disabilities.

However, the factory raised concerns about limited work available, which appeared to be managed centrally from its Head Office in Tshwane.

3.3.2 Limpopo Jewellery Business Incubator

The Limpopo Jewellery Business Incubator (LJBI), previously known as the SEDA Limpopo Jewellery Incubator, was established in 2009, in partnership with the European Union, to

²⁰ National Treasury (2022: 575)

contribute towards creating economic opportunities by developing and supporting emerging businesses from historically disadvantaged communities. Following its 12 years of existence, the LJBI seeks to reposition itself as a centre of excellence that is recognisable and has a strong brand in Limpopo, across the country, the SADC and internationally.

The LJBI focuses on generating sustainable small to medium enterprises drawn from different sectors, including Clothing, Leather and Textiles, Beauty and Cosmetics, with jewellery manufacturing remaining part of its core mandate. It transfers practical jewellery design and manufacturing skills, and offers business mentorship and coaching to ensure the availability of properly skilled young South Africans both in manufacturing and entrepreneurship. Other services it offers includes market access facilitation and funding for SMMEs. It was currently supporting 49 SMMEs. The SMMEs can sell their products at a kiosk run by the LJBI in Polokwane. Most of them also sell their products directly to the public.

It offers an in-person level III learnership programme over a period of 12 to 18 months offering three qualifications, a National Certificate in Jewellery Manufacturing, and Further Education and Training Certificates in Jewellery Designing and Goldsmith. Through the learnership, it provides theoretical and practical workplace training and industry outings. Learners who reach the artisan level are also given an opportunity to go for a trade test. It currently has around 100 learners.

It relies on funding from the SEDA, the NLC, the Department of Social Development (DSD), the Department of Public Works and Infrastructure through its National Youth Skills Programme, and the Mining Qualifications Authority. The NLC had funded some technical equipment for the learnerships, as well as the parking area and pause area for the learners.

During its visit, the Committee also visited two in-house SMMEs, Tlotlego Handcraft, a shoe, leather belt and bag manufacturer; and House of Kay Master, a clothing designer and manufacturer.

Tlotlego Handcraft is a small business using leather, wood and fabric to manufacture its handcrafted products. It designs and manufactures the products in-house, and sells its products at national and international fairs, as well as directly to the public. Currently, the products are entirely handmade, which takes a significant amount of time. One of its needs is to obtain

machinery to assist in manufacturing shoes to increase its economies of scale, and to reduce damage to the material.

During the visit, the Committee was informed that Tlotlego had been given notice by LJBI to vacate the premises by 31 January 2023, as LEDA had indicated that the SMME no longer qualified to be incubated on the LJBI's premises. This was particularly challenging, as the SMME was busy preparing for an international exhibition and did not have an alternative venue to move to, and was unable to afford the LEDA rates at alternative facilities within the Seshego Industrial Park due to the size of the facilities required and cash flow challenges. LJBI indicated that it had attempted to set up a meeting with LEDA since December 2022 to explain why the SMME was based at its premises. LEDA had committed to engage the LJBI and the SMME that day to resolve the matter. The Committee requested that the tenant be given at least three months to prepare for such a move.

The House of Kay Master designs and manufactures baby, children, women, men, traditional, and corporate clothes. Its vision was to grow to be able to supply the retail sectors. However, this would require more efficient machinery. It had submitted an application to SEFA with the assistance of SEDA. However, it had not received any response in this regard at the time.

The LJBI indicated that loadshedding and water challenges posed a challenge for the incubation hub, its learners and supported SMMEs. It had sourced water to avoid having to send the learners home during the day. The Committee enquired what measures LEDA was taking to assist its tenants with electricity generation during loadshedding. LEDA indicated that it was in the final phase of procurement for the provision of electricity in its Industrial Parks through power stations.

LEDA was working on an investment drive to support SMMEs and assist them to grow and access larger markets. LJBI was also receiving funding from SEDA to upgrade the facility to house more SMMEs. However, it would need to clarify the ability to sublet to SMMEs with LEDA before upgrading the facility.

3.3.3 Zastronet

The company, owned by black industrialists, started setting up in November 2022 in a 700m² factory, which is being leased from LEDA for three years. It manufactures plastic-related

products, e.g. food-grade plastic bags, refuse bags and other related products. The products would be supplied to local retailers, and cash and carries, as well as waste material companies and to local municipalities. It had officially started production on 1 February 2023, and expected to be fully operational within the next six months.

The company had about 16 employees including operators, office staff and managers. Eight of the employees were locally based, three females and five males. It had also brought two employees from its Johannesburg company to train its operators on the use of the machines and to upskill them. It intended to increase the staff complement up to 32 employees as demand for the products increased.

The company was self-funded thus far. One of its key challenges was that it was using older technology to manufacture the plastic bags. The machines were sourced from its Johannesburg factory but would need to be upgraded in time to improve its production efficiencies. However, it would only seek funding once it had grown the market in Limpopo and proven that it was a functional manufacturer with a viable business case. This was also to determine the demand for the product and to be able to service the market immediately as the orders came in.

Currently, its market consisted of municipalities, hospitals, and the hospitality sector in the Limpopo province but it had been supplying these from its Johannesburg company thus far. The Committee indicated that the company should consider applying to the National Empowerment Fund (NEF) or the Industrial Development Corporation (IDC).

Furthermore, loadshedding impacted the daily production time negatively, as the machines had to be reheated for two hours once the electricity was restored.

3.4 Challenges of the Industrial Parks

LEDA, in the engagement with the Committee highlighted the following challenges in respect of the two Industrial Parks:

- Communities up-rising against illegal foreign nationals being employed in the Industrial Parks;
- The security of investors within the parks;
- Insufficient funds to recapitalise the portfolio;

- Low rental income, due to the pricing model, attributable to legacy pricing models that had been based on subsidisation; and
- Property being used as storage, which increased the occupancy level and rental income but had no direct impact on unemployment reduction.

3.5 Issues raised by the Committee

The following issues were raised during the engagement with LEDET and LEDA:

- ***Return on Investment:*** The Committee was of the view that the amount of money invested into the Industrial Parks had not been translating into the expected number of jobs opportunities. In response, it was noted that the industrial parks had been inherited from the previous dispensation and as such, most of them had to be revitalised and revamped to attract and retain tenants. The investment was mainly for refurbishment, which may not directly translate to a large number of jobs. However, the investments have helped sustain the jobs created and secure new tenants into the Industrial Parks.
- ***Job creation potential of Industrial Parks:*** The Committee had observed that the Industrial Parks tended to attract investors in sectors that were not labour-intensive. LEDA noted that it was difficult to control the type of tenants the industrial parks attracted while also sustaining the park with rental incomes.
- ***Challenges of water and electricity within the Industrial Parks:*** Industrial Parks that the Committee had engaged with all had challenges with water and electricity supply. Similarly, with the Seshego and Nkowankowa Industrial Parks, there was a challenge of water and electricity, hence the Committee noted this as a concern. LEDA stated that to resolve the electricity issue, which had been exacerbated by loadshedding, alternative energy solutions were being explored, including solar plants.
- ***State of other Industrial Parks in Limpopo:*** The Committee also enquired about the dilapidated factories in the Thulamela Municipality and Thohoyandou, which housed a number of black industrialists. The Committee particularly requested if there were plans to revive the areas so that they could strive for economic growth again. In response, LEDA said that Thulamela and Thohoyandou were different industrial parks in the province and

that almost all the former Bantustan states had some form of industrial park. In addition, it stated that an application had been made to the DTIC for further funding for revitalising of other industrial parks in the province through the IPRP. Further, it suggested that the Committee be given a report on the activities of the other industrial parks in the province.

There were a number of impediments or challenges with respect to the Industrial Parks managed by the LEDA. Due to the high unemployment levels, community unrest, especially in relation to foreign nationals working or being tenants, was common. Although the country was just recovering from the impact of the Covid-19 pandemic, LEDA had identified a number of challenges facing it, such as:

- Tenants failing to uphold their rental agreements. This, according to LEDA, was an ongoing challenge.
- Factories requiring ongoing building infrastructure maintenance with high maintenance costs.
- High costs associated with registration of deeds of properties built on “Permission to Occupy” basis.
- The mismatch between maintenance needs and historically low rental rate charged.
- Continuous load-shedding.
- The impact of rental debt on securing an unqualified audit.

Notwithstanding these challenges, LEDA informed the Committee that a number of opportunities emerged as a result of the IPRP, such as:

- Gradual rental rate increases, with some tenants entering into long-term leases, while supporting SMMEs with low rentals.
 - Multiple developing towns creating new opportunities for Industrial Parks.
 - Building strategic relationships with other government departments and Development Finance Institutions.
 - Entering into strategic partnerships with the private sector.
 - Investing in and building energy generating plants to counter loadshedding and improve the sustainability of LEDA.
- **Funding of LEDA:** The Committee enquired whether rental income was LEDA’s only source of revenue or whether it received any form of financial support from the Limpopo Provincial Government. LEDA informed the Committee that it should receive

approximately R140 million from rental income. However, the amount received was around R120 million due to various reasons. Annually, LEDA also received a grant, and over the last five years it had been funded by the provincial government in the excess of R500 million. LEDA, an amalgamation of various agencies within the provincial government, was the vehicle to provide the necessary services from cradle to grave for enterprises, industrial and economic development, as well as support for entrepreneurship. However, as a Schedule 3D public institution in terms of the Public Finance Management Act (Act No. 1 of 1999), LEDA should become sustainable and become profitable in the future. Current funding provided to LEDA was used to facilitate the revitalisation of Industrial Parks to ensure its sustainability, as well as to promote trade and investment on behalf of the province. During the year, LEDA continued with the refurbishment of the Seshego and Nkowankowa Industrial Parks. This accomplishment would not have been possible without the continuous support of the DTIC, who provided financial resources towards this process through its Critical Infrastructure Programme.

- ***Low Rental Rate/Lease agreements:*** Low rental income contributes to the inability of LEDA to maintain the bulk infrastructure within the Industrial Parks. Providing the necessary financial assistance to tenants within the Industrial Park is essential as they are the sources for job creation, especially within communities with high unemployment levels. Therefore, the provision of rental payment holidays, among others, could provide the catalyst that would ensure the sustainability of the tenant in the long-run. However, some of these negotiated lease agreements with tenants were long term and were legally binding. LEDA was negotiating, especially with new tenants, rental slightly below market price, correlating with the requirement of maintenance, and the payment of rates and taxes, on the properties. LEDA noted that some tenants had been facing challenges paying their leases; however, it did accommodate tenants when they were facing certain challenges. Despite these compromises, some tenants were issued with Letters of Demand, with 20 tenants evicted due to non-payment, as this impacted on the revenue stream of the Industrial Parks.
- ***Support for SMMEs:*** Support offered to SMMEs to ensure their sustainability in the long-run was of critical importance to the Committee. SMMEs located within the Industrial Parks were critical vehicles for job creation, therefore, providing the necessary critical infrastructure and financial support was essential. LEDA recognised the importance of

financial and non-financial support for SMMEs located within the Industrial Parks. It has been mandated to provide and secure the necessary funding, hence it made more provision for such support. However, because of funding challenges facing many developmental agencies, it has sought the support of other agencies such as SEDA, the NEF and the IDC operating in the province and have entered into collaboration agreements or Memoranda of Understanding. SMMEs within the Industrial Park requiring financial support were referred to these agencies to secure the necessary financial support that would ensure their sustainability as well as meeting their obligations in terms of the lease agreement.

- ***Funding for Phase 2:*** It was not clear from the presentation whether funding for the commencement of Phase 2 of the revitalisation programme at the Nkowankowa Industrial Park had been secured. Bulk infrastructure remained a major impediment to the success of the Industrial Parks and its ability to retain and attract new investors. According to the LEDA, the application for funding for Phase 2 of the IPRP was 99% complete. Furthermore, support from LEDA to initiate the revival of previously active economic areas, within the Thulamela Local Municipality, was critical for economic development of the greater Thohoyandou. With regard to Thohoyandou, the application had been submitted in 2021; however, it had not been approved due to a compliance issue related to the level of participation of the Province and the Municipality. LEDA was in the process of addressing all these concerns and intended to submit a new application by the end of February 2023.
- ***Audit findings:*** LEDA had received a qualified audit opinion on its consolidated financial statements and an unqualified opinion on the separate financial statements. These issues around the audit outcomes remained a concern for the Committee for the current financial year. The Committee enquired whether any steps had been implemented to mitigate against the current audit status. LEDA explained that the basis for the qualified opinion was that one of its subsidiaries' financial statements had been materially misstated. Therefore, the Auditor-General was unable to obtain sufficient appropriate evidence relating to the completeness of the assets in question.
- ***AfCFTA:*** LEDA had made reference to business opportunities provided for foreign nationals, especially within the Industrial Parks. This should be illustrated in the context of

the AfCFTA and SADC as foreign national participation in the Industrial Parks may be perceived as compromising the domestic economy, especially in terms of illicit trade. On the trade opportunities offered by AfCFTA, LEDA was entering into an agreement with the South African Local Government Association (SALGA) to open chapters in those provinces and districts that are close to the borders. The province was also linked to the Maputo Development Corridor through the Ba-Phalaborwa Spatial Development Initiative, a network of road and rail corridors connecting to the major seaports set to open up Limpopo and the surrounding regions for trade and investment. It was LEDA's intention to establish one-stop-shop facilities to give access to those precincts, district and municipalities to facilitate exports of products produced in the surrounding areas. To effectively use the benefits associated with the AfCFTA, it would become imperative to initiate capacity building programmes to professionalise the operation and management of Industrial Parks so that the tenants achieved maximum benefits from it. It should be noted that South African companies were already benefiting from the SADC Free Trade Area. LEDA supported a number of SMMEs through various pavilions and trade fairs on the African continent.

- ***Low occupancy rate in Industrial Parks:*** A concern for the Committee remained the failure of the Industrial Parks to have optimal occupancy. Addressing these impediments would lead to an increase in tenants and could potentially contribute to local economic development, growth, and employment creation. The Committee enquired to what extent there was transformation at senior management level, particularly for black people and women, within the Industrial Parks. LEDA/LEDET informed the Committee that the majority of properties, including the Industrial Parks, had been inherited. Many of these properties, such as shopping centres, had not been well maintained, which included the lack of maintenance of bulk infrastructure within the Industrial Parks. As a result of this failure and the ageing of properties, and with the competition with the development of new shopping centres, it had been difficult to attract new tenants. LEDA/LEDET recognised that failures to attract new tenants was also associated with ineffective promotion, as well as the lack of upgrading and refurbishment of facilities on these properties. A further challenge was that the upgrading of facilities could not happen in isolation, as it was not possible to know who the occupant or manufacturer of a particular factory would be. In overcoming this challenge, LEDA/LEDET was negotiating an agreement with new tenants that required upfront investment in the property through the provision of payment holidays,

among others. It should be noted that properties were not normally readily available for particular tenants.

- ***Municipal and Community support and outreach:*** Support from the municipality and the local communities was necessary for the success of Industrial Parks. Therefore, the Committee was of the view that the relationship with the municipality is a critical component in addressing the infrastructural challenges facing the Industrial Parks. Furthermore, having an effective communication model to ensure ongoing engagement with communities around the development and challenges facing the Industrial Parks is an important vehicle to obtain buy-in. It is important when considering the creation of Industrial Parks within a specific regions or to revitalise Industrial Parks that the issue of land or access to land is modelled on sound principles that take ownership and the impact on surrounding communities into account.

LEDA acknowledged that community involvement was a critical component in the development and success of a SEZ. Agreement among the national, provincial and local government, especially the hosting municipalities, was also essential. Municipalities' involvement was fundamental as they provided the necessary basic services to the SEZ. In terms of the governance structure, the SEZ Steering Committee in the province, involved all players, in particular the LEDET, as well as state-owned enterprises and agencies. Municipalities are included but only as observers. With respect to direct community participation, the SEZ has regular stakeholder engagements to update the community around developments. With respect to communal land, traditional leaders were part of the consultative process and only once communal land was released could development commence.

It was the objective that once the MMSEZ was fully operational it would act as the Industrial Gateway to Africa. Also it would become a source of significant investment, income and economic growth within the area. As a result of this, it would be important to ensure easy access to the MMSEZ and region. Therefore, it would be critical to revive the old airport between Makhado and Lamella, which falls under the Vhembe District Municipality. The airport referred to belonged to the Venda Government, which had been mostly used as a Civilian Airport. However, together with the provincial Department of

Transport and Community Services, consideration has been given to the revival of this airport to ensure greater connectivity with Polokwane, and OR Tambo in the future.

- ***District Development Model (DDM)***: The DDM had been initiated to address the “silo operation” that led to incoherence in planning and implementation that resulted in ineffective monitoring and oversight of government’s programmes. This lack of oversight led to limited service delivery and the failure to address the triple challenge of poverty, inequality and employment. The DDM was a new integrated district-based approach that aims to address service delivery challenges, localise procurement, facilitate job creation, promote and support local businesses, and contribute to the revival of rural economies. Therefore, the impact of the DDM and the role of municipalities in determining the impact of the DTIC’s IPRP is important. According to the LEDA/LEDET, the DDM objective was to crowd-in resources from all spheres of government, including agencies and municipalities, towards a particular development objective. Annually, at a provincial level, departments identified specific projects that have high value-addition within a particular municipality, whether at a district or local level. Through planning committees, a final list of projects was determined for a particular district with a clear understanding of its role in implementing the project. It should be noted that national and provincial governments were an integral part of the planning process.

In addition, the Integrated Development Plan process was integral to the success of the projects. It should be acknowledged that there had been some teething problems; however, with the current mega industrialisation projects one could see the impact of the involvement of district and local municipalities, especially in relation to the provision of bulk infrastructure. However, it should be noted that most district and local municipalities may not have the necessary capital to support a big project, such as an SEZ. It is therefore clear, that through the DDM, it may not be able to provide the necessary support or have the necessary technical skills, but through engagement with sector specific departments and agencies, such as the Department of Water Affairs and Sanitation, SALGA and the Department of Cooperative Governance and Traditional Affairs, it gets the support to deliver on their mandate.

4 Musina-Makhado Special Economic Zone

The Committee embarked on an impromptu/unplanned visit to the MMSEZ's northern site office. The SEZ consisted of two sites, one in Musina (northern side) and the other in Makhado (southern side). The northern side of the SEZ consists of 320 hectares, as gazetted, and cuts across a number of farms. It will be used for light manufacturing.

The overall budget for the first phase of construction was approximately R1,25 billion for roads, water, sewerage, electricity, and fencing. The team was currently constructing/installing bulk infrastructure on the northern side of the SEZ, and employed 16 people to do so. However, some of the work was being delayed by permissions being sought to move certain trees that have cultural significance.

The budget for the roads project was R300 million. Engineers had been appointed to upgrade the main road and develop the internal road infrastructure over a 24-month period. Work had started in December 2022. Thus far, the project was 18% complete and R25 million had been spent.

Other projects were expected to start in March 2023. The establishment of the northern side was expected to create almost 500 construction jobs for bulk infrastructure.

The SEZ Operator reported that it had good relationships with the surrounding communities, as there was an understanding of their roles in terms of SMME involvement and job opportunities. For example, SMMEs were given an opportunity to rent machinery to the contractors. There were also efforts being made to ensure employment absorption across the wards, including rural areas in Musina. In this regard, the calls for SMMEs and employment opportunities were communicated across all the wards through the ward councillors. It has also secured office space in Musina for a liaison office to assist in maintaining these relationships with the community. Councillors and traditional leaders were being engaged to facilitate the employment of people

The MMSEZ Operator reported that the Environmental Impact Assessment for the Makhado site had been approved.

5 National Lotteries Commission

5.1 Mandate

The NLC was established in terms of the Lotteries Amendment Act (Act No. 32 of 2013) to replace the former National Lotteries Board. In terms of the Act, the NLC's core mandate covers the following:

- Ensuring that the National Lottery and sports pools are conducted with all due propriety and in accordance with the relevant legislation and licence for the National Lottery, to protect the interests of all participants;
- Conducting research on worthy good causes that may be funded without lodging an application prescribed in terms of the Act (for so-called proactive funding);
- Inviting applications for grants from worthy good causes; and
- Promoting public knowledge and awareness about the lotteries and provisions of the Act, as well as educating the public regarding the process, requirements and qualifications relating to the application for grants in terms of this Act.

In addition, the responsibilities of the board of the NLC includes:

- Advising the Minister on the issuing of the licence to conduct the National Lottery;
- Ensuring that the net proceeds of the National Lottery are as large as possible, and managing and administering the National Lotteries Distribution Trust Fund;
- Monitoring, regulating and policing lotteries incidental to exempt entertainment, private lotteries, society lotteries and any relevant competition;
- Advising the Minister on the percentages of money to be allocated for application-based good causes for sports, arts, charities, and miscellaneous purposes;
- Advising the Minister on the efficacy of legislation pertaining to lotteries and ancillary matters;
- Advising the Minister on establishing and implementing a social responsibility programme in respect of lotteries;
- Making arrangements as may be specified in the National Lottery licence for the protection of prize monies and sums for distribution;
- Ensuring the proper governance of the NLC;
- Reviewing decisions of the distributing agency regarding applications for grants;

- Consulting with the Minister to determine categories of applications for grants that are excluded from funding; and
- Recovering any amount in relation to a grant which has been withdrawn, prohibited or reduced in terms of the legislation.

5.2 Background

The Committee's recent oversight focus on the NLC has been as a result of a presidential proclamation authorising the Special Investigating Unit (SIU) to probe alleged corruption and maladministration involving the NLC. This proclamation was signed and gazetted on 20 October 2021 by the President, Mr MC Ramaphosa.

In terms of the proclamation, the President authorised the SIU to investigate:

- Serious maladministration in connection with the affairs of the NLC;
- Improper or unlawful conduct by employees or officials of the NLC;
- Unlawful appropriation or expenditure of public money or property;
- Unlawful, irregular or unapproved acquisitive acts, transactions, measures or practices having a bearing upon state property;
- Intentional or negligent loss of public money or damage to public property;
- Offences in terms of the Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004); and
- Unlawful or improper conduct by any person, which has caused or may cause serious harm to the interests of the public - "or any category thereof".

Subsequent to this proclamation, the Committee engaged and received updates from the SIU on 2 March and 20 September 2022 on its investigation into alleged corruption and maladministration involving the NLC.

While the investigation had still been ongoing, it had uncovered substantive evidence of corruption and mismanagement linked to certain former board members and senior officials of the NLC, as well as certain non-profit organisations and individuals outside the NLC.

Furthermore, a number of governance concerns had been highlighted in relation to the operation of the NLC. Subsequently, a new board and Commissioner had been appointed.

The purpose of the oversight visit to the NLC was to receive a progress report on measures taken by the new NLC board to address governance concerns within the NLC. Furthermore, on measures to close the loopholes within the grant application and proactive funding processes to prevent further corruption and maladministration of National Lottery funds earmarked for social upliftment.

5.3 Discussion

The NLC briefed the Committee on the following key areas:

- The status of the fourth National Lottery Request for Proposal;
- An update on its operations;
- The revised grant funding model;
- The status on internal investigations; and
- The status on key vacant positions.

It informed the Committee that, as a regulator of the National Lottery, together with other lotteries and sports pools, it also has the responsibility of advising the Minister in terms of policy and matters relating thereto. Furthermore, the distribution of the funds, that it received from the National Lottery and sports pools to good causes was a critical responsibility of the NLC. According to the NLC, for the last financial year, R1,2 billion was distributed for good causes in line with the vision as outlined in the National Development Plan and the UN Sustainability Development Goals, as well as the vision for the AU. The NLC informed the Committee that the Board had appointed Ms J Scholtz as Commissioner with effect from 1 February 2023.

5.3.1 Status of SIU investigations

The NLC informed the Committee that the SIU investigations into allegations of maladministration and fraud at the NLC was still in progress. It was receiving regular updates from the SIU and the SIU had indicated that the next scheduled progress report on these investigations would be at the end of the 2022/23 financial year. The NLC indicated that it was

continuing with its collaboration and providing the necessary information and documentation to the SIU, if, and when requested to do so.

With regard to the SKX investigation into allegations of fraud, the NLC stated that the investigation had been completed and the necessary disciplinary action against the identified employee had commenced. A draft report had been under consideration for the forensic investigation, conducted by TSU, that had been instituted into allegations of fraud. This had been expected to be completed by 28 February 2023.

During the external audit for the 2021/22 financial year, the Auditor-General highlighted irregular expenditure. In line with National Treasury Regulations, the NLC was required to do an assessment, determination and investigation following this disclosure. Therefore, with regard to the Fundudzi and Maphosa investigations, the NLC indicated that these investigations around irregular expenditure had been completed. As a result of these investigations, five employees had been suspended, with one resigning, and disciplinary action had been instituted against the other four employees with the outcome still outstanding.

The recommendations made by the SIU with respect to maladministration and fraud were critical tools to ensure that the NLC moved towards becoming a reputable institution again. The Committee enquired whether these recommendations had been implemented and whether these recommendations had the desired outcome. The NLC reported that it had implemented the recommendations proposed by the SIU, which was reflected in the decision to place a moratorium on pro-active funding to close the gap around the continued access to funds. With regard to the identification of implementing organisations for proactively funded projects, it remained a challenge as the information around these projects was incomplete.

As a result of the SIU investigations, a number of projects, based on the recommendation from the SIU, had not received further funding. Where funding had been approved but only a small percentage had been utilised for the intended purpose, it was not clear from the NLC's presentation how it would recover the funds that had been fraudulently acquired and whether the outstanding funds would be allocated to complete legitimate projects, in future, once all investigations had been concluded.

The NLC also noted the slow pace of the SIU investigations, which impacted on suspended employees. The matter had been raised by the NLC and it needed to further engage the SIU so as to ensure faster progress with regard to the turnaround time with respect to those investigations.

5.3.2 Status of the Fourth National Lottery Request for Proposal

Section 13 of the Lotteries Act (Act No. 57 of 1997) requires that the Minister issues a Request for Proposal (RFP) before issuing a licence to conduct or operate the National Lottery. While the most recent RFP to appoint a new Lottery Operator had not yet been concluded, the NLC indicated that an initial proposal had been drafted and submitted to the Minister of Trade, Industry and Competition for his consideration. Following consultation with the Minister, the Board had subsequently revised the Fourth National Lottery Strategy.

It noted that it was important to prevent future litigation post-appointment of the fourth operator, as the RFP was inherently susceptible to the risk of litigation. The documentation of lessons learnt from the previous RFP process, together with the assessment of the subsequent litigation between the National Lottery Licence holder and one of its funding partners, were considered in drafting the current RFP.

The following mitigating controls were put in place to address this risk:

- The NLC to engage with development funding institutions to discuss how access to funding of the preferred and reserved RFP bidders can be managed;
- Bidders shall be restricted from issuing preferential shares as part of the capital structure;
- Bidders shall be restricted from having a clause in their agreement that allows for a take-over or the management of the National Lottery Licence and its operations;
- Bidders shall be required to disclose all agreements in existence with other parties at the time of submission of the RFP, who shall disclose financial interest to be derived from the awarding of the National Lottery Licence; and
- A panel of legal advisors shall be appointed to advise the NLC Board on potential litigation risks.

5.3.3 Update on operations

As at 31 December 2022, sales of lottery and sport pools tickets amounted to R4,72 billion, coupled with the contribution to the National Lotteries Distribution Trust Fund of R1,3 billion that indicates an increase of 6,2%. This increase reflected a return to pre-Covid levels in terms of the ability of the NLC to generate revenue from lottery sales.

The NLC informed the Committee that it had received 9 419 applications as a result of the initial call for applications, which had been suspended in August 2022. This was to allow for processing of the applications that had been received. According to the NLC, the intention had been to reopen the call for applications in November 2022. However, due to the high volume of applications received, which was in excess of R1,4 billion, it had resolved to close the call for applications for the 2022/23 financial year to process these applications.

The NLC informed the Committee that of the 9 419 applications received, it had adjudicated 7 834 applications, with 2 584 of these being approved. The remaining 1 585 applications would be adjudicated before the end of the 2022/23 financial year.

The Committee raised a concern regarding the composition of the Distributing Agencies and whether these reflected the necessary expertise required to ensure that applications related to Sport, Arts and Culture, or Charities were being adjudicated fairly. The NLC reported that currently only two distributing agencies' positions had been filled, with the distributing agency for charity's positions being vacant. With respect to whether the requisite expertise resided within the Sport and Recreation, and the Arts, Culture and National Heritage agencies, it should be noted that specialists within the specific areas were appointed to adjudicate applications.

5.3.4 Revised Grant Funding Model

The NLC, acknowledging the challenges around grant funding, informed the Committee that it had refocused and agreed on impactful and sustainable funding where one could see tangible results from the funding allocated to applicants.

As a result of the allegations and challenges associated with proactive funding, over the last few years, the Board had resolved to place a moratorium on all proactive funding. However, the only proactive funding released in the 2022/23 financial year had been in relation to flood relief for affected provinces.

With regard to application-based funding, the NLC informed the Committee that because of irregularities in relation to fraud and mismanagement of the allocated funds, the grant funding model had to be enhanced and strengthened. The NLC had thus embarked on a process to strengthen its internal controls through the following:

- Physical verification of all approved organisations, prior to funds being released. The NLC informed the Committee that funds were being withheld from some approved applicants because of concerns raised by RMB. This related to patterns of behaviour that had been identified where an immediate transfer would take place into an individual's bank account once funds were deposited into a beneficiary's account.
- Signing of affidavits by director(s) and management of the organisation prior to funding to ensure that the funds would be used for its intended purpose.
- Submission of bank statements to verify project spending. Although some organisations submit progress reports with some invoices, it did not reflect the actual use of funds. This would allow the NLC to verify actual spending through stamped bank statements on how much of the allocated funds had actually been used by an organisation at any given time.
- Regular monitoring of all projects. Previously this had been done on a sample basis, but the NLC had subsequently resolved that all funded projects would be monitored to ensure the implementation of these projects.

In order to protect NLC applicants and beneficiaries, a decision was taken to formalise activities regarding the assistance offered to prospective applicants by appointing and accrediting a panel of service providers. This was to ensure that programmes of the NLC, relating to funding reached the most marginalised communities by assisting with all the support and capacitation of prospective applicants. The Committee noted that a number of people serving on panels and those providing services to the NLC, such as legal and media, have been implicated in alleged lottery fraud and unethical behaviour. It, therefore, enquired whether the panels had been reconstituted in light of these allegations. Also whether any of the alleged perpetrators of fraud and corruption were still serving on these panels, and whether measures had been put in place to remove those service providers. According to the NLC, the panel of Legal Firms had been declared irregular and all new procurement had subsequently been terminated with immediate effect in September 2022. As an interim measure, the NLC had applied National Treasury Regulation section 16A6.6, namely that *“The accounting officer or accounting authority may, on behalf of the department, constitutional institution or public*

entity, participate in any contract arranged by means of a competitive bidding process by any other organ of state, subject to the written approval of such organ of state and the relevant contractors”. The same would apply to the procurement of media services which had been predominately single source deviations. The practice was no longer permitted and all procurement was being handled in line with National Treasury prescripts. The Service Level Agreement with Roadshow Marketing was terminated with immediate effect since the SIU’s finding and report.

5.3.4.1 Revised Research-Based (Proactive) funding

Section 2A(3) and (4) of the Lotteries Act (Act No. 57 of 1997), as amended, provided an opportunity for the NLC, its Board and the Minister to proactively fund worthy good causes that are aligned to the broader developmental agenda of the country such as the National Development Plan. This, according to the NLC, would assist it to support innovative projects with a greater impact, as well as emergency support for natural and other disasters, amongst others.

As a result of recent developments, the NLC informed the Committee that proactive funding would only be activated after in-depth research. The Board would approve the strategic areas for such research. Once the research was completed, it would approve funding for strategic projects which would then be allocated a percentage of the budget approved by the Board. The current Chairperson of the Board expressed that food security and gender-based violence were possible strategic areas for proactive funding, following the necessary due processes.

The NLC informed the Committee, that it intended, through its next call, to issue an expression of interest where it would identify strategic partners, with proven track records, to implement these projects. However, these identified strategic partners must be assessed and undergo a probity check, to ensure that they have sound governance and financial management control, prior to their appointment. This would ensure greater transparency with the funding process and close the gap pertaining to the identification of implementing organisations. According to the NLC, this would go a long way in achieving its outcomes of sustainable and impactful funding and minimising the negative perception around proactive funding.

Furthermore, there was a need to close legislative loopholes in terms of the process around proactive funding, as there were currently no regulations in this regard.

5.3.4.2 Grant funding model

The NLC informed the Committee that it had introduced measures, such as an inspectorate function that would focus on due diligence and compliance, once an application was received. In addition to pre-screening, the NLC would undertake a verification of directors and membership of non-profit companies, through the CIPC and the DSD respectively. Furthermore, the NLC would enhance its monitoring and evaluation capabilities by visiting organisations to verify their existence, credibility and ability to implement the project. The NLC acknowledged that it had previously failed to effectively monitor and evaluate projects, particularly proactively funded projects.

Notwithstanding the existing education and awareness programme across all provinces, there would also be a stronger focus on capacity building and development of grant holders. In the NLC's observation, there appeared to be a disjuncture/disconnection in terms of the understanding by grant holders of certain required processes, such as reporting, and regulations around deviation of agreements, once applications were approved and funds disbursed. The expanded programme would thus aim to close this gap.

A further key area of concern was its ability to detect and identify fraudulent trends. Currently, individuals are able to register multiple non-profit organisations and then apply to the NLC for funding with the intention to misuse the funds. The NLC was therefore embarking on a trend analysis to identify those individuals in future applications. The NLC further acknowledged that it was currently severely under-resourced with regard to its forensic investigative capacity but that it needed to strengthen its internal audit control mechanisms to ensure that it could account for money transferred to grant holders. It was of the view that the abovementioned changes would enhance and strengthen their internal controls over the medium term; however, there was still room for improvement.

The NLC informed the Committee that it was moving towards a more automated validation process in the grant funding system, in partnership with the CIPC and the Department of Home Affairs, from paper registration to online registration. This would also include the submission

of progress reports for compliance purposes. Furthermore, with the DSD, it would seek to strengthen its verification of application information received.

With the 2013 Lotteries Amendment Act, less onerous requirements for small grants up to R500 000 had been introduced. However, the NLC was of the view that these grants should be more impactful and the organisations funded should be sustainable. An impact assessment should be conducted to determine whether these small grants were actually impactful or whether the funding was only used to keep these organisations afloat given that they would be unable to apply for funding annually. The NLC also informed the Committee that it was reviewing the minimum requirements for accessing funding.

Although the Lotteries Act and regulations require that financial records be submitted, this requirement was not strictly enforced. Therefore, the NLC recognised that in light of the allegations of maladministration and fraud it must enforce legislative obligations to strengthen the organisation.

The NLC further recognised that enhanced and regular communication with its stakeholders would be a key element in rebuilding the reputation of the institution as it would enhance transparency in relation to its functioning and operations.

The Committee noted that the NLC had not utilised ward councillors, traditional leaders, local organisations and other public representatives to verify the existence of an organisation, and whether the land was available for a particular project's pre-approval. It enquired what measures the NLC would be implementing to ensure that these important role-players were incorporated into its verification process. The NLC indicated that it had recognised that the respective ward councillors, traditional leaders, and community leaders should be informed about the projects as part of the pre-verification of projects, thereby ensuring accountability.

5.3.5 Status on internal investigations

5.3.5.1 Status of infrastructure projects

The NLC informed the Committee that of the 14 proactively funded infrastructure projects, eight had been completed, and four were still in progress, with two projects placed on hold. The NLC reiterated that all these projects were currently under investigation by the SIU.

However, it was working in partnership with the DSD to provide assistance from social workers and for operational costs. A list of these projects are provided in the table below:

| Status of projects | Name of the organisations funded |
|--------------------|--|
| Completed | Caiphus Semanya Foundation (arts centre) Hlayisani Centre of Hope (Gender-based violence and disability centre) Matieni Community Centre (old age home) Zibsilor (drug rehabilitation centre) Nunnovation (multipurpose hall) Southern African Youth Movement (old age home) Southern African Youth Movement (drug rehabilitation centre) Abrina (drug rehabilitation centre) |
| Incomplete | WAR RNA (old age home) Ubusu Non-Profit Company (NPC) (old age home) Big Fish Arts (arts centre) Motheo Foundation (sports combo court) |
| On hold | Mushumo Ushavha Zwanda (old age home) Lethabong Old Age Home (old age home) |

The Hlayisani Centre of Hope in Mpumalanga had initially been funded to the amount of R13 million. However, an additional amount of R3,6 million had been allocated to complete the project. This project had been handed over by the DSD to the beneficiary and was operational at the time of reporting.

With respect to the Matieni Community Centre, the NLC informed the Committee that the organisation initially funded had not been able to implement the project, and with additional funding, the total spend to complete the project had been R38,3 million. Currently, the project was being managed by the local Catholic Church.

The NLC informed the Committee that as a result of the allegations against the institution, many NPCs that had initially been funded, were no longer interested to manage the projects. Therefore, a drug rehabilitation centre in Gauteng, initiated by Zibsilor, had a new implementing organisation with a total amount of R40,6 million having been made available to complete this project.

The NLC had received a request from a local municipality based in the Eastern Cape to take ownership of a completed multi-purpose centre, which had received funding to the amount of R36,3 million. The municipality had also requested additional funding in this regard. However, the amended Act of 2013 and its regulations prohibited funding for municipalities. Subsequently, the NLC had agreed that the municipality may have rights of use.

With regard to the drug rehabilitation centres in Mpumalanga and the old age home in Free State, the NLC informed the Committee that it was engaging the DSD to find suitable organisations to hand these facilities over to. With respect to the Northern Cape drug rehabilitation centre, the NLC informed the Committee that there were governance issues associated with the operation of the centre. However, it was in negotiations with the DSD to identify a NPC that could take over the facility. The NLC recognised that one of its weaknesses had been the lack of involvement by the DSD with regard to the infrastructure projects, as its involvement would have ensured that the right type of infrastructure had been funded given the local needs.

The four incomplete projects had received initial funding, with additional funding also being made available. The NLC recognised that in order to proceed with these projects, an independent structural integrity assessment must be completed to determine whether to complete these and the cost implications associated with completion of the projects. Credible engineers were required in this regard. The NLC had been engaging the IDC to assist it through its panel of engineers to determine the viability of the projects. These projects were also under investigation by the SIU on how monies had been utilised.

The two projects on hold were the Old Age Home projects in Mpumalanga and the Northern Cape valued at R30,4 million and R41,1 million, respectively. Both projects were under investigation by the SIU and based on its recommendation, funding was being withheld. With respect to the Northern Cape project, the community had informed the NLC that an Old Age Home was not required in the area.

5.3.5.2 Reported Allegations of Fraud from the anti-fraud hotline

The NLC informed the Committee that, during the tenure of Mr L October as Acting Commissioner, a credible anti-fraud hotline had been introduced, with the support of the DTIC.

The hotline had received 151 reported allegations of fraud, corruption, and maladministration between the first and third quarters of the 2022/23 financial year.

Between October and December 2022, eight cases had been reported, with preliminary assessments concluded. These allegations had been assessed and investigated by the internal audit unit through the necessary resources allocated by the DTIC. The NLC informed the Committee that the two matters reported in October related to the recruitment of two NLC officials. The matter had subsequently been referred to the NLC management for further action to be taken.

In November 2022, three cases related to fraud had been reported and had been referred for forensic investigation. One of the cases related to internal control improvement on its supply chain management processes.

The two cases reported in December had also been referred for forensic investigation, as it related to fraudulent incidents in relation to procurement. The investigations on all these cases should be completed by the end of this financial year. In its investigation, the NLC discovered that accurate recording of funding was a challenge, and, in some instances, no proof of funding could be found. The NLC informed the Committee that its internal forensic audit unit was severely under resourced and some cases had been referred to the South African Police Service (SAPS) for criminal investigations.

5.3.6 Status on key vacant positions

The NLC reported on four key senior positions that had been vacant, namely the Chief Financial Officer, the Chief Audit Executive, the Chief Operations Officer, and the Executive Legal Services.

With respect to the Chief Financial Officer, the Commissioner informed the Committee that interviews had been concluded and the name of the preferred candidate had to be submitted to the Board for its consideration. The projected date of appointment had been 1 March 2023, subject to the conclusion of all the necessary processes.

The interviews for the Chief Audit Executive had been concluded, with three preferred candidates having undergone competency assessment. The Commissioner informed the

Committee, that once she was in receipt of those reports, she would submit the recommendation to the Board for its consideration.

The Commissioner informed the Committee that the NLC had received a number of applications for the position of Chief Operating Officer through an open and transparent process. However, she had consulted with the Board to broaden the pool, and, thus, the NLC had also been embarking on a head-hunting exercise for a suitable candidate.

Given the scrutiny around the NLC, its processes and procedures around filling of vacancies should remain beyond reproach. Therefore, the process of head-hunting for a senior executive should be done with caution and only if the resultant recruitment process did not lead to an appointment that would justify such an approach. The NLC assured the Committee that headhunting would only be initiated following the traditional process of placing adverts, and the preliminary vetting of applications. Once this process had been completed and there was a view that the pool should be expanded, headhunting would commence.

With respect to the position of Executive Legal Services, the Commissioner informed the Committee that an advert would be placed on 5 February 2023 to call for applications. It expected an appointment to be made in this regard by 1 April 2023.

The Committee further enquired whether there had been any critical vacancies at a junior level that would impede the NLC from achieving its mandate. The NLC reported that a number of vacancies existed, especially at junior level. Furthermore, more resignations had occurred at senior levels such as the risk specialist, senior manager in finance, the internal audit IT specialist, and regulatory compliance manager. Currently, the necessary processes had been underway to fill these positions.

The Committee noted that, following the internal investigations by the NLC, as well as the SIU investigations, a number of senior managers and executives at the NLC had resigned either with immediate effect or during the process of internal disciplinary action being instituted. It enquired whether these individuals left the organisation with a 'golden handshake' or what measures were in place to prevent them from finding employment in the public sector. The NLC confirmed that a number of Executives had resigned before disciplinary action could be

instituted against them. It indicated that the pension of Mr P Ledwaba, the former Chief Operating Officer, had been frozen at the request of the SIU.

5.4 Unannounced visits to NLC projects

As part of its oversight visit, the Committee had intended to embark on unannounced visits to a number of NLC funded projects that had been approved between the 2019/20 and 2021/22 financial years. The selection of these projects had initially been based on lists of projects requested from the NLC for the Limpopo and Gauteng provinces. The initial lists had been limited in providing infrastructure-based projects given the ongoing SIU investigations, and identified projects tended to be more operational in nature or relatively small in scope.

5.4.1 Musina Arts Development

As part of its objective to do unannounced visit to NLC funded projects, the Committee visited the Musina Arts Development Project in Louis Trichardt, Limpopo. The project had received R1,65 million from the NLC for a festival, and other operational costs in the 2020/21 financial year. When the Committee arrived at the physical address provided, there had been no signs that the project had operated from that address. However, when approaching the owner of the business located at the address, he confirmed that he had assisted with the application for funding, and that the beneficiary had rented a portion of the property at the time to conduct business from there.

The owner had also contacted the beneficiary, who confirmed receipt of the funding and the utilisation thereof for the intended purposes. However, there had been no way that the Committee could verify this as there was no tangible evidence of these activities. As a result, on the first day of oversight, it became apparent that it would be difficult to verify whether any funded activities associated with arts and culture, such as festivals, among others, had indeed spent their funding appropriately.

In light of the above, the Committee revisited its approach and agreed to specifically request the NLC to only provide infrastructure-based projects in the areas where it would continue to undertake its other oversight. It received an updated list, which included educare facilities close to the Nkowankowa area and en route to Polokwane, as well as a list of SIU investigated projects. In terms of the educare facilities, most of these did not have specific addresses and given the time limitations would have been hard to locate.

It then opted to visit the Denzhe project in Tshwane, House Regeneration, on the third day of the oversight visit, and had requested the DTIC official in charge of Lotteries to visit an educare facility, Ntekuma Creche, in Mankweng, Limpopo, to verify that it existed and how it had utilised the NLC funding received, as its time constraints prohibited it from undertaking this visit.

5.4.2 Denzhe Primary Care Project

Denzhe Primary Care had been allocated proactive funding of R27,59 million for the construction of a new drug rehabilitation facility in Tshwane, Gauteng. However, the majority of the funds had not been used for the intended purpose and the matter had been independently investigated by the NLC and the results were shared with the SIU to investigate further. In addition, the matter had been reported to the SAPS for criminal investigation.

The founder of House Regeneration reported that he had approached the NLC, and the SAPS when it became apparent that his organisation had been used as a front to fraudulently access funds from the NLC. However, no action had been taken at the time. He had also written to the Minister of Trade, Industry and Competition and the Presidency, and the matter formed part of the SIU's investigations.

Based on an assessment by a certified engineer, the estimated expenditure on the buildings had been about R4,8 million and another R13 million would have been needed to complete the project and meet the required building standards. During the Committee's visit to the drug rehabilitation facility, it had engaged with the founder of the facility and viewed the buildings that had been constructed. It found that there had been shoddy workmanship, as most buildings appeared to have structural cracks, and one building had evidence of rising damp, lifting tiles and a part of its roof appeared to be caving in. The contractors had been appointed by Denzhe Primary Care and had not returned to fix any of the issues. Furthermore, it had been reported that equipment that had been promised had not been delivered as part of the allocated funding. House Regeneration has spent a substantive amount of money to attempt to complete and correct issues with the buildings.

5.4.3 Ntekuma Creche

The Crèche received funding of R3,8 million from the NLC for infrastructure development. In addition, the NLC had organised training for staff on Early Childhood Development. The funding had been utilised to construct the building for the crèche; to drill a borehole; for the sewerage system; and various furniture and equipment for the office and the children. It also covered staff salaries for a year. The DTIC official had indicated that based on her observations and the walkabout, the facility had been fully functional and professionally managed.

6 Concluding remarks

Based on its deliberations, the Committee drew the following conclusions:

- 6.1 In light of South Africa's commitment to the World Trade Organisation's Trade Facilitation Agreement and the recent African Continental Free Trade Agreement, the Committee was concerned by the under-funding of the South African Revenue Service, and its limited human resources. This under-resourcing undermined the ability of the South African Revenue Service to implement its mandate, especially in relation to facilitating trade and combatting illicit trade.
- 6.2 The Committee noted that the nature of the South African Revenue Service's mandate was for it to collect revenue for the State and, therefore, it should not purely be treated as a cost centre. Therefore, government should invest in efficiency improvements to optimise the South African Revenue Service's ability to collect revenue to benefit the fiscus, and to detect and address non-compliance.
- 6.3 Given the South African Revenue Service's modernisation drive, the Committee appreciated the need for technological upgrades to its infrastructure to improve its efficiency and to reduce corruption. This would require the upskilling/reskilling of existing customs officials and the recruitment of highly skilled staff, such as auditors and data analysts.
- 6.4 The Committee welcomed the progress the South African Revenue Service has made in combatting illicit trade in spite of its limited resources. However, it was concerned that communities adjacent to borders may be complicit in enabling illicit trade. It therefore

encouraged the South African Revenue Service to continue investing in education and awareness programmes targeting these communities to ensure that they understand the broader socio-economic implications of illicit trade. In addition, the Committee encouraged the South African Revenue Service to build partnerships with these communities to combat illicit trade.

- 6.5 Furthermore, it implored the South African Revenue Service to strengthen its co-ordination efforts with other government departments and entities that play an active role in facilitating trade, such as the Border Management Authority, the Department of Home Affairs, the National Regulator for Compulsory Specifications and the Department of Trade, Industry and Competition.
- 6.6 One of the key facets to enabling the sustainability of industrial parks is the ability to increase the occupancy rate and to earn rental income. However, this would require the Limpopo Economic Development Agency, as the owner of these industrial parks, to improve, maintain and invest in top structures of the factories/warehouses and bulk infrastructure, such as water, electricity and waste management, within its Industrial Parks. Thus, it could attract further investors, charge higher rents in proportion to the improved infrastructure, and could also have greater discretion to apply its developmental mandate in relation to start-ups. In this regard, funds should be ring-fenced by Limpopo Economic Development Agency for the maintenance and improvement of its Industrial Parks infrastructure, as well as the provision of security services.
- 6.7 The Committee noted that the Limpopo Jewellery Incubator Hub incorporated work space that it sub-let to small, medium and micro enterprises, as part of its incubation programme. This was to train small, medium and micro enterprises about the associated operating costs and to bridge the rental affordability gap, as the cash flow of most small, medium and micro enterprises that it housed was irregular; thus affecting their ability to afford rentals in the Industrial Parks. The Committee encouraged the Limpopo Economic Development Agency to review its rental model for small, medium and micro enterprises, to include smaller spaces for small, medium and micro enterprises and possibly sub-letting options to assist, in particular start-ups, with the affordability of rentals.

- 6.8 Furthermore, there was a call for the various stakeholders, such as the Department of Trade, Industry and Competition, the Department of Small Business Development, the Small Enterprise Finance Agency, the National Empowerment Fund, and Provincial Governments to find a sustainable solution in this regard.
- 6.9 in addition, the Committee was concerned by the negative impact of municipal service delivery challenges, in particular the supply of water, on the operation of small, medium and micro enterprises within the industrial parks, and the broader local economy, particularly on the ability to retain business investment in rural areas.
- 6.10 The Committee welcomed the visit by the Deputy Minister from the Department of Planning, Monitoring and Evaluation in the Presidency to the Nkawkowa Industrial Park last year.
- 6.11 In this regard, the Committee requested the DTIC, the Local Authorities and the Limpopo Economic Development Agency to engage with Peppadew to see how they could assist to resolve the bulk water supply challenge for Peppadew and the broader Industrial Park. Failure to do so could result in the closure of Peppadew and the loss of thousands of jobs.
- 6.12 The Committee commended Peppadew for its commitment to transformation and the upliftment of the surrounding communities. It encouraged Peppadew to pursue the proposed franchise model to expand production through smaller black manufacturing plants.
- 6.13 The Committee encouraged better coordination between all spheres of government to ensure the viability of industrial parks.
- 6.14 The Committee welcomed the progress made in the development of the northern side of the Musina-Makhado Special Economic Zone. It would continue its monitoring of the development bi-annually. It also welcomed the efforts by the Musina-Makhado Special Economic Zone Operator to involve local communities in the development of the Special Economic Zone.

- 6.15 With regard to the National Lotteries Commission, the Committee was of the view that notwithstanding the call to expedite the investigation process, the Special Investigating Unit should follow due processes and take the necessary time to conclude its investigations. As investigations were being concluded, the Special Investigating Unit should refer matters to the National Prosecuting Authority for prosecution.
- 6.16 With the proposed Revised Research-Based (Pro-active) Funding Model, the Committee supported the approach that the Board identifies specific strategic areas to be researched to inform the relevance of funding such projects. It was also important to consider how pro-active funding could assist with the triple challenges of poverty, inequality and unemployment in this regard.
- 6.17 While the Committee welcomed the Commission's process to adopt a new approach with regard to pro-active funding, it emphasised that any policy changes around the proactive funding should be accompanied by the necessary legislative amendments. This would provide the necessary legal certainty for future decisions around proactive funding. However, the Committee remained concerned about the indefinite timeframe for the moratorium on pro-active funding.
- 6.18 The Committee welcomed the recognition by the Commission that its due diligence with respect to pre- and post-monitoring of grant-funded projects had been flawed. It acknowledged the proposed changes to strengthen monitoring including the consideration of geographical markers to improve the location of projects, particularly in rural areas. Furthermore, it welcomed the Commission's commitment to move from "sample" monitoring to monitoring of all projects and to build its monitoring and auditing capacity.
- 6.19 Notwithstanding the progress report around the filling of vacancies, the Committee expressed its concern around the continued failure to fill these critical positions. Given the negative perceptions by most South Africans regarding the Commission, it was imperative that the appointment processes regarding these senior executives were expedited.

7 Acknowledgements

The Committee would like to thank the management and senior officials of the South African Revenue Service, the National Regulator for Compulsory Specifications, the Limpopo Department of Economic Development, Environment and Tourism, the Limpopo Economic Development Agency, the National Lotteries Commission, and the DTIC for their cooperation and transparency during this process.

The Committee also wished to thank its support staff in particular the committee secretary, Mr A Hermans; the content advisor, Ms M Sheldon; the researcher, Ms Z Madalane; and the committee assistant, Ms Y Manakaza, for their professional support and conscientious commitment and dedication to their work. The Chairperson wished to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive recommendations reflected in this report.

8 Recommendation

Informed by its deliberations, the Committee recommended that the House requests that the Minister of Trade, Industry and Competition should consider determining a timeframe, in consultation with the National Lotteries Commission, for ending the moratorium on proactive funding. This should also include legislative amendments (i.e. legislation or regulations) around the process in considering proactive funding.

Report to be considered.

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4. Report of the Portfolio Committee on Women, Youth and Persons with Disabilities on the Annual Performance Plan (Budget Vote 20) of the Department of Women, Youth and Persons with Disabilities for financial year 2022/24, dated 16 May 2023

The Portfolio Committee on Women, Youth and Persons with Disabilities, having considered the Annual Performance Plan and Budget of the Department in the Presidency for Women, Youth and Persons with Disabilities for 2022/23 on the 2 May 2023, the National Youth Development Agency on 3 May 2023 and the Commission for Gender Equality on 9 May 2023, reports as follows:

1. Introduction

As per the Announcement, Tablings and Committees (ATC) No. 48 of 13th April 2023, the Department of Women, Youth and Persons with Disabilities tabled its Annual Performance Plan for 2023/24 for consideration and report. The National Youth Development Agency's (NYDA) Revised Strategic Plan and Annual Performance Plan (APPs) 2022/23 was tabled for consideration and report as per the ATC No. 35 of 15 March 2023. The CGE's Amended 5 Year Strategic Plan of the Commission on Gender Equality for 2019 – 2024 and the Annual Performance Plan of the Commission on Gender Equality for 2023/24 was tabled as per the ATC No. 60 on 9 May 2023.

The Portfolio Committee on Women, Youth and Persons with Disabilities, in performing its constitutional oversight mandate, engaged with the Department of Women, Youth and Persons with Disabilities (hereafter referred to as the Department), the National Youth Development Agency (NYDA) and the Commission for Gender Equality (CGE) on their respective Annual Performance Plans for 2022/23 and revised Strategic Plans on 2nd, 3rd and 9th May 2023 respectively. The Auditor General of South Africa requested an opportunity to brief the Committee on its assessment of the Department's APP and NYDA's APP for the current financial year (FY) 2022/23 on 9 May 2023 but was unable to do so on the day. This report considers all matters pertaining to the Department, and thereafter the CGE and NYDA insofar as the tabled documents are concerned.

2. Mandate and strategic objectives of the Department

The Department of Women, Youth and Persons with Disabilities was Gazetted on 26 June 2019 following the Presidential Announcement of the sixth administration. At that stage, the Department was once again reconfigured and was charged with “taking the lead on socio-economic transformation and implementation of the empowerment and participation of women, youth and persons with disabilities through mainstreaming, advocacy, monitoring and evaluation.”¹ Subsequently, the mandate was changed to, “regulate the socio-economic transformation and implementation of the empowerment and participation of women, youth and persons with disabilities.”² The Department has reverted back to the original mandate as per its Annual Performance Plan 2023/24 as follows, “Lead on socio-economic transformation and implementation of the empowerment and participation of women, youth and persons with disabilities through mainstreaming, advocacy, monitoring and evaluation.”³

(a) Vision

The Department indicated that its revised vision is “A transformed, inclusive society free from all forms of discrimination and capable of self- actualisation.”⁴

(b) Mission

The revised mission of the Department is “To provide strategic leadership, advocacy and coordination to government departments and the country on mainstreaming socioeconomic empowerment of women, youth and persons with disabilities”⁵

(c) Constitutional mandate

“The Department derives its mandate from the Constitution of the Republic of South Africa, in particular, section 9 (3) which states that “the state may not unfairly discriminate directly or indirectly against anyone on one or more grounds, including race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth; and section 10 states that “Everyone has inherent

¹ Department of Women, Youth and Persons with Disabilities Strategic Plan 2020-2025, pg.10

² Department of Women, Youth and Persons with Disabilities (2023) Annual Performance Plan 2023/24, p.119

³ Department of Women, Youth and Persons with Disabilities (2023) Annual Performance Plan 2023/24, p. 119

⁴ Department of Women, Youth and Persons with Disabilities Annual (2023) Performance Plan 2023/24, pg. 119

⁵ Ibid

dignity and the right to have their dignity respected and protected.”

In order to give effect to its mandate, the Department will implement the following programmes as outlined in the APP of 2023/24:

- **Programme 1:** Administration, managed by three (3) sub-programmes – Departmental Management, Financial Management; Corporate Management and Office accommodation.
- **Programme 2:** Mainstreaming Women’s Rights and Advocacy, with four sub-programmes which are Management: Advocacy and Mainstreaming for the Rights of Women; Social Empowerment of Women (SEW); Economic Empowerment of Women (EEW) and the Commission for Gender Equality (CGE)
- **Programme 3:** Monitoring, Evaluation, Research and Coordination with four sub-programmes namely; Management: Monitoring, Evaluation, Research and Coordination; Research and Knowledge Management; International Relations, Stakeholder Management and Capacity Building and Monitoring and Evaluation: Women, Youth and Persons with Disabilities
- **Programme 4:** Mainstreaming Youth and Persons with Disabilities Rights and Advocacy with four sub-programmes namely; Management: Advocacy and Mainstreaming for Rights of Youth and Persons with Disabilities; Advocacy and Mainstreaming for the Rights of Youth; Advocacy and Mainstreaming for the Rights of Persons with Disabilities; and National Youth Development Agency Oversight.

3. Analysis of Budget for the Department of Women, Youth and Persons with Disabilities

According to the APP 2023/24, it has been aligned with the policy priorities of the Medium Term Strategic Framework 2019-2024 namely;

- Priority 1: A capable, ethical and developmental state: Mainstreaming of gender, youth and persons with disabilities empowerment and development institutionalised
- Priority 2: Economic transformation and job creation: Increased economic participation, ownership and access for women, youth and persons with disabilities
- Priority 3: Education, skills and health: Improved educational and health outcomes and skills development for all women, girls, youth and persons with disability.

- Priority 4: Consolidating the social wage through reliable and quality basic services: Increased access to development opportunities for children, youth and parents/guardians including access to menstrual health and hygiene for all women and girls.
- Priority 5: Spatial integration, human settlements and local government: Equitable access to land reform, housing, safe living environment, universal access and design and safe and affordable transport and ICT services.
- Priority 6: Social cohesion and safe communities: Reduced levels of marginalisation, stigmatisation and discrimination and violence against women, girls and persons with disability.
- Priority 7: A better Africa and world: Gender equality, youth and persons with disability agenda strengthened within multilateral institutions.

The ENE (2023) indicates that “Over the MTEF period, the department will continue to focus on addressing gender-based violence and supporting empowerment; promoting responsive planning, budgeting, monitoring and evaluation across government; supporting youth empowerment; and promoting the rights of people with disabilities.”⁶

3.1 Overview of 2022/23 Financial Year (FY)

In reflecting on the budget allocation and expenditure for the Department for the 2022/23 financial year (FY), data was sourced from what was submitted to the Standing Committee on Appropriations 3rd quarter expenditure. The following Table 1 provides a summary to illustrate the allocations and adjustments as well as increases or decreases to the allocations. Table 2 that follows, reflects the original appropriation, adjusted appropriation and expenditure as at 31 December 2022.

Table 1: Allocation and Adjustments as at 31 December 2022

| Programme | Budget R ‘million | | |
|---|--------------------------------|------------------------------------|---|
| | Allocation in February 2022 | Adjustments as at December 2022 | Increases and Decreases in allocations |
| Programme 1: Administration | 98.7 | 105.6 | 6.9 increase |
| Programme 2: Mainstreaming Women's Rights & Advocacy | 134.3 | 131.5 | 2.8 decrease |
| Programme 3: Monitoring, Evaluation, | 42.5 | 45.1 | 2.6 increase |

⁶ National Treasury (2023) Estimates of National Expenditure 2023, Vote 20: Women, Youth and Persons with Disabilities, p. 2

| | | | |
|---|----------------------|----------------------|-----------------------------|
| Research & Coordination | | | |
| Programme 4: Mainstreaming Youth & Persons with Disabilities' Rights & Advocacy | 711.8 | 709.5 | 2.3 decrease |
| TOTAL | 987.3 million | 991.7 million | 4.4 million increase |

“According to the National Treasury 2022 Estimates of National Expenditure (ENE) released in February 2022, the Department under Vote 20, initially received an annual appropriation of R987.3 million. Transfer payments are then done for two entities, namely the Commission for Gender Equality (CGE) and the National Youth Development Agency (NYDA). During the 2022/23 FY approximately R100.7 million was to be transferred to the CGE and approximately R681.3 million to the NYDA. This amounted to R782 million in turn leaving the Department with an operating budget R205 million. An additional R4 million was received during the year, bringing this to approximately R209 million.”⁷ As reflected in Table 1 above, Programme 1 Administration saw an increase from an original appropriation of R98.7 million to R105.6 million. Programme 2 saw decrease of R2.8million from R134.2 million to R131.5 million. Programme 3 also saw an increase (R2.6 million) in allocation from R42.5 million to R45.1 million. Programme 4 had a decrease in allocation of R2.3 million from R711.8 million to R709.5 million. Thus from the 3rd quarter SCOA expenditure report it appears that there was an overall R4 million increase in the Department’s budget

What was evident from the Q3 expenditure review was that the Department had underspent in all its programmes. The Administration programme continued to present the largest expenditure as a percentage of the Department’s programme budget as well as the overall operating budget. As indicated previously Programme 1 also saw an increase in allocation. Programme 4, the Rights of Persons with Disabilities spent the least amount of its programme budget at 50.7% which was similar to what as reported in last budget vote report, when this programme only spent 43.5%.^{8,9}

Table 2: Department budget 2022/23 as at 31 December 2022¹⁰

⁷ Levendale, C (2023) Overview: Department of Women, Youth and Persons with Disabilities Annual Performance Plan 2023/24 and Budget 2023/23, Parliamentary Research Unit, p. 7

⁸ Ibid

⁹ Levendale, C (2022) Overview: Department of Women, Youth and Persons with Disabilities - Annual Performance Plan 2022/23 and Budget 2022/23: Programmes 1, 2 and 3

¹⁰ Levendale, C (2022) Overview: Department of Women, Youth and Persons with Disabilities - Annual Performance Plan 2022/23 and Budget 2022/23: Programmes 1, 2 and 3

| PROGRAMME | ORIGINAL APPROP. | ADJUSTED APPROP. | Q3 TOT. BUDGET EXP. | % OF TOTAL PROG. BUDGET SPENT AS AT DEC 2022 | OP. BUDGET | Q3 OPER. BUDGET EXP. | % OF OPERATIONAL BUDGET SPENT AS AT DEC 2022 | % OF PROG. OPERATIONAL BUDGET SPENT AS AT DEC 2022 | REMAIN. OPERATIONAL BUDGET FOR Q4 |
|--------------|------------------|------------------|---------------------|--|---------------|----------------------|--|--|-----------------------------------|
| 1.Admin | R98.7m | R105.6m | R76.5m | 72.5% | R105.6m | R76.5m | 36.4% | 72.4% | R29.1m |
| 2.MWRA | R134.3m | R131.5m | R93.4m | 71% | R30.8m | R17.9m | 6.9% | 58.1% | R12.9m |
| 3.MWERC | R42.5m | R45.1m | R27.3m | 60.5% | R45.1m | R27.3m | 8.5% | 60.5% | R17.8m |
| 4.MYPDRA | R711.8m | R709.5m | R665.4m | 93.8% | R28.2m | R14.3m | 3.4% | 50.7% | R13.9m |
| Total | R987 | R991 | R826.6 | 86.9% | R209.7 | R136m | 64.8% | | R73.7m (35.1%) |

As reflected in Table 2 above, the Department spent significantly less having taken into consideration the transfer payments to the Commission for Gender Equality (CGE) and the National Youth Development Agency (NYDA). “The following reasons are recorded for over-and-underspending during quarters 2 and 3.

Programme 1:

During quarter 2, programme spending was higher than projected by R3.5 million as a result of payment to SITA in line with the new service level agreement signed during 2022/23. In quarter 3, lower spending was recorded on payment for capital assets (machinery and equipment).

Programme 2:

As at the end of quarter 2, the programme had underspent by R8.1 million – this was mainly as a result in finalising the legislation relating to setting up the NCGBVF as well as delays in finalising the tender process for an evaluation report on age-appropriate sexuality education in SA schools (R4.5 million). Lower spending on travel and subsistence also saw R2.4 million less than projected spending. In Q3, the programme spending was R1 million lower than projected - still related to the NCGBVF legislation and the schools’ evaluation processes.

Programme 3:

During quarter 2, lower than projected spending was recorded by R8.3 million. This was as a result of domestic and international travelling claims that were yet to be processed, an unfilled DDG post and no spending on Women’s day activities as these were paid for by the Department of Sport, Arts and Culture. In quarter 3, the lower than projected spending was still related to the vacant DDG post.

Programme 4:

During quarter 2, the programme recorded lower than projected spending of R5.7 million, mainly on goods and services due to travelling, venues and facilities, as well as delays in finalising a tender process for research on the harmonisation of disability rights. R3.2 million underspending was also recorded in quarter 3 as a result of limited travel and few in-person events.”¹¹

3.2 Budget allocation 2023/24

“Of the overall government budget of R1.077 trillion a total of R1.036 billion (0.1%) is allocated to the Department of Women, Youth and Persons with Disabilities, the majority of which is transfer payments to entities.”¹² According to the National Treasury 2023 Estimates of National Expenditure (ENE) released in February 2023, the Department under Vote 20, received an annual appropriation of R1.0336.4 billion. However, it must be noted that the Department facilitates transfer payments to two entities, namely the Commission for Gender Equality (CGE) and the National Youth Development Agency (NYDA). During the 2023/24 financial year, the Department is expected to transfer R94.1 million to the CGE and R733.3 million to the NYDA. This amounts to R829.3 million as reflected in Table 4 and 5 below. This means that the Department would be left with an actual operating budget of approximately R209 million to undertake its programmes and meet its targets for 2023/24. Before examining the key cost drivers, it is important to reflect on the budget changes year-on-year (2022/23 vs 2023/24) along with the breakdown of allocations per programme.

Table 3: Total appropriation including CGE and NYDA transfer payments¹³

| Programme | Budget | | Nominal rand increase / decrease in 2023/24 | Real rand increase / decrease in 2023/24 | Nominal Percent change in 2023/24 | Real Percent change in 2023/24 |
|------------------------------------|---------|---------|---|--|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| R million | | | | | | |
| Programme 1: Administration | 105,6 | 99,6 | - 6,0 | - 10,7 | -5,68 % | -10,09 % |
| Programme 2: Mainstreaming Women's | 131,3 | 124,5 | - 6,8 | - 12,6 | -5,18 % | -9,61 % |

¹¹ Ibid, p.8

¹² Ibid, p.9

¹³ Ibid, p.10

| | | | | | | |
|---|----------------|----------------|----------------|----------------|-----------------|-----------------|
| Rights & Advocacy | | | | | | |
| Programme 3: Monitoring, Evaluation, Research & Coordination | 45,1 | 47,8 | 2,7 | 0,5 | 5,99 % | 1,04 % |
| Programme 4: Mainstreaming Youth & Persons with Disabilities' Rights & Advocacy | 921,6 | 764,5 | - 157,1 | - 192,8 | -17,05 % | -20,92 % |
| TOTAL | 1 184,6 | 1 036,4 | - 148,2 | - 196,6 | -12,51 % | -16,60 % |

Table 3 reflects the total budget allocation, including the transfer payments to the CGE and NYDA. In addition, the table points to a decrease to the Department's budget of approximately R148 million (12.5%). Furthermore, it must be noted that the largest part of this decrease is in programme 4 and is as a result of the decreases in allocation for the Presidential Youth Employment Initiative (PYEI) for disbursement and use by the NYDA. This however does not impact on the Department's operational budget. While a decrease in the allocation for Programme 1: Administration is evident, it must also be noted that historically virements have been made during the financial year to off-set expenditure and/or over-expenditure in this programme. The following table will illustrate the nominal and real rand changes to the Department's budget excluding the transfer payments to the CGE and NYDA. This in essence provides an accurate assessment of the Department's operational budget year-on-year.

Table 4: Appropriation excluding CGE and NYDA transfer payments – operational budget

| Programme | Budget | | Nominal rand increase / decrease in 2023/24 | Real rand increase / decrease in 2023/24 | Nominal Percent change in 2023/24 | Real Percent change in 2023/24 |
|------------------|----------------|----------------|---|--|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| R million | 2022/23 | 2023/24 | | | | |
| 1: Admin. | 105,6 | 99,6 | - 6,0 | - 10,7 | -5,68 % | -10,09 % |
| 2: MWRA | 30,4 | 30,4 | 0,0 | - 1,4 | 0,00 % | -4,67 % |
| 3: MERC | 45,1 | 47,8 | 2,7 | 0,5 | 5,99 % | 1,04 % |
| 4: MYPWRA | 28,3 | 31,4 | 3,1 | 1,6 | 10,95 % | 5,77 % |

| | | | | | | |
|-------|-------|-------|-------|--------|---------|---------|
| TOTAL | 209,4 | 209,2 | - 0,2 | - 10,0 | -0,10 % | -4,76 % |
|-------|-------|-------|-------|--------|---------|---------|

Table 4 reflects a R10 million decrease in the real rand change when removing the CGE and NYDA transfer payments from the allocation. Hence the Department will have R10 million less to spend on meeting its targets for the 2023/24 FY. Furthermore, there are no significant increases to the core programmes (Programmes 2, 3 and 4). Thus the Department's total operational budget has not seen an increase year-on-year. Instead the Administration programme sees a nominal decrease of R6 million and a real rand decrease of R10.7 million. Notwithstanding that, this programme still received nearly 48% of the operational budget.¹⁴

Table 5: Department of Women, Youth and Persons with Disabilities Budget Summary¹⁵

| Programmes | 2023/24 | | | | 2024/25 | 2025/26 |
|--|------------------|---------------------|----------------------------|----------------|--------------|--------------|
| | Current Payments | Transfers Subsidies | Payment for Capital Assets | Total | Total | Total |
| 1. Administration | 95.7 | 0.0 | 3.8 | 99.6 | 102.9 | 106.6 |
| 2. Social Transformation and Economic Empowerment | 30.4 | 94.1 | - | 124.5 | 131.1 | 137.1 |
| 3. Policy Stakeholder, Coordination and Knowledge Management | 46.0 | 1.8 | - | 47.8 | 52.3 | 52.8 |
| 4. Mainstreaming Youth and Persons with Disabilities Rights and Advocacy | 31.2 | 733.3 | - | 764.5 | 535.4 | 561.8 |
| Total Expenditure Estimates | 203.4 | 829.3 | 3.8 | 1 036.4 | 821.6 | 858.3 |

Of the R209 million, R126.871 million (60.2%) of the Department's operating budget is allocated to Compensation of Employees, R76.498 million (36.5%) to Goods and Services, R3.808 million (1.8%) to Payments for Capital Assets and R1.8 million (1%) Transfers – Foreign governments and international organisations. The key cost drivers under Goods and Services for the Department is as follows:

- External Audit Costs: R4.4 million
- Property Payments: R8.5 million
- Venues & facilities: R12.9 million
- Travel & Subsistence: R14.9 million

¹⁴ Ibid

¹⁵ National Treasury (2023) Vote 20 Department of Women, Youth and Persons with Disabilities, Estimates of National Expenditure p.3

- Consultants: R19.7 million

These key cost drivers consume 79% of the Goods and Services budget (R60.4 million).

The next section provides a more in-depth analysis of the budgetary allocation per programme for the Department and a reflection of the targets.

3.3 Overview of Programmes for Department

3.3.1 Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the department. This programme is comprise of five sub-programmes namely;

- **Ministry:** Provide executive support to political principals.
- **Departmental Management:** Provide executive support, strategic leadership and management of the Department.
- **Corporate Management:** Provide effective human capital management, facilities and auxiliary management and ICT systems enables for the Department.
- **Financial Management:** Provide and ensure effective, efficient financial management and supply chain services. This included budget planning and expenditure monitoring; and the management of procurement, acquisition, logistics, asset, and financial transactions.
- **Office Accommodation**

The total allocation for this programme is R99.556 million which constitutes 47.5% of the Department's operational budget. As stated previously, this programme sees a nominal decrease of R6 million and a real rand decrease of R10.7 million. Table 6 outlines the expenditure under Programme 1 per sub-programme.¹⁶

Table 6: Sub-programme allocations for 2023/24

| Sub-Programme | 2023/24 |
|-------------------------|----------|
| Ministry | R20.886m |
| Departmental Management | R20.713m |
| Corporate Services | R25.939m |

¹⁶ Levendale, C (2023) Overview: Department of Women, Youth and Persons with Disabilities - Annual Performance Plan 2022/23 and Budget 2023/24, Parliament Research Unit

| | |
|----------------------------------|-------------------------|
| Financial Management | R23.445m |
| Office Accommodation | R8.573m |
| TOTAL | R99.556 million |
| Compensation of employees | R65.009m (65.2%) |
| Goods and services | R30.705m (30.8%) |

Even though the budget of the Administration Programme has decreased, it still consumes the highest proportion of funds and staff in the Department. To this end, the proportion of spending on Compensation of Employees has also increased year-on-year from 56.8% (2022/23) to 65.2% (2023/24)

The key cost drivers as per the APP 2023/24 are as follows:

- Compensation of Employees (R65.009 million) which constitutes 65.2% of the overall allocation for this programme.
- Good and services (R30.705 million) which constitutes 30.8% of the overall allocation for this programme.

As per the ENE 2023, the main cost drivers for Good and services are as follows:

- Property payment R8.6 million
- Audit costs: External R4.4 million
- Computer services: R4.3 million
- Travel and Subsistence: R3.0 million

The Department provides the following update on property/accommodation:

| OFFICE ACCOMMODATION | APPROPRIATION 2023/24 |
|-------------------------------------|------------------------------|
| MANAGEMENT FEE (Rental and Parking) | R4 773 000 |
| SAFEGUARD & SECURITY | R2 000 000 |
| CLEANING SERVICES | R1 800 000 |
| TOTAL | R8 573 000 |

The monthly rental, including 40 parking bays for officials as per the initial agreement amounts to R317 819 per month which equals R3 813 828 annually. During the relocation, an additional 66 parking bays had to be procured to accommodate officials to park in the Tramshed. This number has increased to 104 due to 18 additional posts, visitors parking, contract appointments, parking for government owned vehicles and the newly appointed Minister and Deputy Minister. The amount for the 104 parking bays amounts to R98 800 per month, which brings the total amount for Rental and Parking to R416 619 per month. The additional parking was only concluded in the 1st quarter of the 2023/24 financial year. Additional funding amounting to

R226 428 will be reprioritised from the baseline of Goods & Services in the department to ensure sufficient funding under Management Fee. The physical security for the department amounts to R2.188 284. The variance between this amount and the appropriation in the table will be augmented from cleaning services.

This programme has a staff compliment comprising of 75 posts and is earmarked to achieve 8 targets. Most of the targets are compliance related as listed below.

- i. Unqualified Audit opinion on predetermined objectives
- ii. Business Continuity Plan approved*
- iii. 100% payment of all valid invoices within 30 days
- iv. Unqualified Audit opinion on Annual Financial Statements
- v. Maintain a vacancy rate of less than 10% annually
- vi. 4 reports on Human Resource Plan implemented
- vii. 4 reports on Master Information Technology Strategy and Plan (MITSP)
- viii. 40% procurement spend on entities owned by women

*new target for 2023/24 FY

Overall, the targets for Programme 1 have remained fairly similar between 2022/23 and 2023/24 except for one new target that was introduced as noted above.

3.3.2 Programme 2: Mainstreaming Women's Rights and Advocacy

The purpose of this programme is to promote good governance regarding the rights and transformation of the social and economic empowerment of women. This programme consists of four sub-programmes namely;

- **Management: Advocacy and Mainstreaming for the Rights of Women:** Provides strategic leadership and management to the programme.
- **Social Empowerment of Women (SEW):** Promote good governance to further transformation, social justice and empowerment and rights for women.
- **Economic Empowerment of Women (EEW):** Mainstreams and promotes good governance to further transformation, economic justice, empowerment and rights of women.

- **Commission for Gender Equality (CGE):** Facilitates transfer payments to the Commission for Gender Equality, which promotes gender equality and respect for women's rights

Expenditure under Programme 2 is allocated as follows:

Table 7: Sub-programme allocation for 2023/24 in Programme 2¹⁷

| Sub-Programme | 2023/24 |
|---|--------------------------|
| Management: Advocacy and Mainstreaming for the Rights of Women | R3.846m |
| Social Empowerment of Women | R18.2m |
| Economic Empowerment of Women | R8.336m |
| TOTAL | R30.382 million |
| Compensation of Employees | R 16.655m (54.8%) |
| Goods and services | R13.727m (45.1%) |

The total programme allocation is R124.5 million which is inclusive of the transfer payment of R94.1 million to the Commission for Gender Equality (CGE), leaving the programme with an operating budget of R30.382 million. On closer examination, this programme's operating budget stagnated on R30.4 million in 2022/23 and in 2023/24. However, the Real Rand change was a R1.4 million decrease (4.67% decrease).¹⁸

From the operating budget of R30.382 million, R16.655 million (54.8%) is for Compensation of Employees and R13.727 million (45.1%) will go towards Goods and services. This programme consumes 14.4% of the Department's operational budget. The main cost driver under Goods and services is Consultants: Business and advisory services at R8.6 million (28.3% of G&S allocation) as per the Estimates of National Expenditure 2023. This is an increase from the previous financial year 2022/23 when R5.2 million was allocated. In addition, the other key cost drivers under Goods and Services are as follows:

- Venue and Facilities, R2.9 million (9.5% of G&S allocation) and
- Travel and subsistence, R1.8 million (5.9% of G&S allocation).

¹⁷ Levendale, C (2022) Overview: Department of Women, Youth and Persons with Disabilities - Annual Performance Plan 2022/23 and Budget 2022/23: Programmes 1, 2 and 3

¹⁸ Ibid

This programme has 22 posts and is earmarked to achieve 11 annual targets for the current FY as listed below:

- i. Progress report produced on the development of the WYPD Socio-Economic Empowerment Index
- ii. 4 interventions to support economic empowerment and participation of WYPD implemented
- iii. Progress report produced on the implementation of Strategy for economic empowerment of WYPD
- iv. 4 progress reports on implementation of WECONA Provincial Roll-Out developed
- v. 4 progress reports on implementation of the Sanitary Dignity Implementation Framework by provinces produced
- vi. 4 interventions to support empowerment and participation of women, youth and persons with disabilities implemented
- vii. 12 National Departments monitored on implementation of NSP GBVF
- viii. 9 provincial departments and 9 municipalities' plans monitored on the implementation of NSP GBVF
- ix. 18 Rapid Response Teams established
- x. 2 Reports on implementation of Comprehensive National GBVF Prevention Strategy developed
- xi. 2 National Gender Machinery meetings convened

This programme has remained largely the same since the previous FY 2022/23 APP except for the following target;

- 4 Quarterly reports on implementation of NSP on GBVF Monitoring Framework developed

It is unclear whether this target was discontinued or amended.

3.3.3 Programme 3: Monitoring, Evaluation, Research and Coordination

The purpose of this programme is to provide research, knowledge management, international relations, stakeholder management and monitoring and evaluation for women, youth and persons with disabilities. It comprises of four Sub-Programmes namely;

- **Management:** Monitoring, Evaluation, Research and Coordination: Provides strategic leadership and management to the programme.
- **Research and Knowledge Management:** To provide research and knowledge management services on transformation on rights of women, youth.
- **International Relations, Stakeholder Management and Capacity Building:** Manage and coordinates the provision of international relations, stakeholder participation and capacity building for women, young people and persons with disabilities.
- **Monitoring and Evaluation: Women, Youth and Persons with Disabilities:** To ensure effective government-wide monitoring and evaluation of policy priorities towards the transformation and empowerment of women, youth and persons with disabilities.

The total allocation for this programme is R47.840 million which constitutes 22.8% of the Department's operational budget. This allocation is R2.7 million more than in the 2022/23 financial year which is the nominal rand increase. However, when taking into consideration the Real Rand change, this programme only sees an increase of 1.04% to its allocation which amounts to R0.5 million. The table below outlines the expenditure under Programme 3 as follows:

Table 8: Sub-programme allocation for 2023/24 in Programme 3¹⁹

| Sub-Programme | 2023/24 |
|--|-----------------------------------|
| Management: Monitoring, Evaluation, Research & Coordination | R3.297m |
| Research & Knowledge management | R8.881m |
| International Relations, Stakeholder Management & Capacity Building | R24.139m |
| Monitoring and Evaluation: WYPD | R11.513m |
| TOTAL | R 47.840 million |
| Compensation of Employees | R26.998m (56.4%) |
| Goods and Services | R19.042m (39.8%) |

The programme has a total allocation of R47.840 million, of which R26.998 million (56.4%) is allocated for Compensation of employees and R19.042 million (39.8%) is allocated for Goods and services. Of the Goods and services budget, R6.7 million or nearly 35.2% is allocated for

¹⁹ Ibid, p. 20

Travel and subsistence as per the Estimates of National Expenditure for 2023. The other main costs drivers other than Travel and Subsistence under Goods and services are as follows:

- Consultants: Business and advisory services – R5.8 million
- Venue and facilities – R5.9 million

This programme has 26 posts and is earmarked to achieve 9 annual targets for the current FY as listed below:

- i. 2 Progress reports on the phase 2 piloting of the Integrated Knowledge Hub developed
- ii. 1 Research report on government priorities focusing on women, youth and persons with disabilities produced
- iii. 2 reports on compliance of government commitments with international and regional commitments of women produced
- iv. 10 national departments implementing Gender Responsive Planning Budgeting Monitoring Evaluation and Auditing Framework (GRPBMEAF)
- v. 1 monitoring report on the empowerment of women, youth and persons with disabilities produced
- vi. 1 evaluation conducted on empowerment of WYPD
- vii. 4 status reports on the implementation of the WYPD International Relations Strategy developed
- viii. 12 Stakeholder engagements conducted
- ix. 4 community mobilisation initiatives coordinated

This programme had removed the following targets as per the APP of 2022/23.

- 1 Status Report on the implementation of the National Gender Policy Framework developed
- 1 Status Report on the implementation of the Regulatory Framework for Women, Youth and Persons with Disabilities (WYPD) mainstreaming developed
- 2 progress reports developed on the implementation of the WYPD Stakeholder Management Framework

3.3.4 Programme 4: Mainstreaming Youth and Persons with Disabilities Rights and Advocacy

The purpose of Programme 4 is to promote good governance regarding the rights and transformation of the social and economic empowerment of youth and persons with disabilities.

The objectives of the programme are as follows:

- Promote the development and empowerment of young people by reviewing legislative frameworks to advance their rights over the medium term.
- Support, monitor and coordinate government's implementation of the 2015 White Paper on the Rights of Persons with Disabilities.

This programme is comprised of 4 sub-programmes namely;

- *Management: Advocacy and Mainstreaming for the Rights of Youth and Persons with Disabilities* provides strategic leadership and management to the programme.
- *Advocacy and Mainstreaming for the Rights of Youth* manages advocacy for and the mainstreaming of rights for young people, their social and economic empowerment, and transformation in their interests. This sub-programme also oversees the performance of the National Youth Development Agency.
- *Advocacy and Mainstreaming for the Rights of Persons with Disabilities* advocates for and the mainstreaming of rights for people with disabilities, their social and economic empowerment, and transformation in their interests.
- *National Youth Development Agency* makes transfers to the National Youth Development Agency.

The total allocation for this programme is R764.5 million which is inclusive of the transfer to the NYDA of R733.1 million. Its operational budget is R31.4 million (less the NYDA transfer) which constitutes 14.9% of the Department's operational budget - also the smallest allocation. When examining this programme's operating budget, the allocation for this programme is R3.1 million more than in the 2022/23 financial year.²⁰ However, when taking into consideration the Real Rand change, this programme only sees an increase of 5.77% to its allocation which amounts to R1.6 million.²¹ The expenditure under Programme 4 is allocated as follows:

Table 9: Programme 4 expenditure trends by sub-programme²²

²⁰ Matthews, T (2023) Department of Women, Youth and Persons with Disabilities: Analysis of Programme 4: 2023/24

²¹ Levendale, C (2023) Overview: Department of Women, Youth and Persons with Disabilities - Annual Performance Plan 2023/24 and Budget 2023/24

²² Ibid

| Sub-programme | 2023/24 |
|--|-----------------------------------|
| Management: Advocacy & Mainstreaming for the Rights of Youth and Persons with Disabilities | R682 000 |
| Advocacy & Mainstreaming for the Rights of Youth | R13.383 m |
| Advocacy & Mainstreaming for the Rights of Persons with Disabilities | R17.357m |
| Total | R31.422m |
| Compensation of Employees | R18.209m (57.9%) |
| Goods and Services | R13.024m (41.4%) |

Of the R 331.422 million, 57.9% (R18.209 million) of the budget is allocated to Compensation of Employees and R13.024 million to Goods and Services (41.4% of total operational budget). As per the Estimates of National Expenditure for 2023, the main costs drivers under Goods and services are for the following:

- Travel and Subsistence, R3.5 million (26.9%)
- Consultants: Business and advisory services, R4.2 million (32.3%) and
- Venue and facilities for R3.9 million (30%).

This programme has 20 posts and is earmarked to achieve 13 annual targets for the current FY as listed below:

Sub-programme: Advocacy and Mainstreaming Rights of Youth

- i. 4 NYP Implementation Monitoring Reports produced
- ii. South African Youth Development Bill processed to Cabinet
- iii. 4 NYDA quarterly monitoring reports produced
- iv. 4 National Youth Machinery Meetings convened

This sub-programme has remained largely the same except for the removal of one target from 2022/23 namely; International youth engagement reports produced.

Sub-programme: Advocacy and Mainstreaming Rights of Persons with Disabilities

- i. 2 reports produced on awareness raising campaigns on disabilities (Disability Rights Awareness Month and 365 days) *

- ii. Progress report produced on government departments that have developed implementation plans in line with the four frameworks
- iii. 5 advocacy manuals on Disabilities developed*
- iv. Draft Disability Advocacy and Mainstreaming Strategy produced
- v. Status report produced on compliance with national and international obligations for the rights of persons with disabilities
- vi. Analysis reports produced on draft Annual Performance Plans for national government Department
- vii. Evaluation report Produced on the implementation of the White Paper on the Rights of Persons with Disabilities*
- viii. 2 RPD machinery meetings convened
- ix. Research report produced on the evaluation of access to education support and services for children and young people with disabilities

*new indicators introduced for 2023/24 FY

4. National Youth Development Agency (NYDA)

4.1 Mandate of the NYDA

The NYDA derives its mandate from legislative frameworks such as the NYDA Act (54 of 2008), the National Youth Policy (2009-2014) and the Integrated Youth Development Strategy. Section 3 of the Act mandates the Agency to develop policy and an “Integrated Youth Development Strategy”. The Act further mandates the NYDA to “initiate, design, coordinate, evaluate and monitor all programmes aimed at integrating the youth into the economy and society, guide efforts and facilitate economic participation and empowerment, and the achievement of education and training”.

The role of the NYDA is thus to:

- Lobby and advocate for integration and mainstreaming of youth development programmes in all spheres of government, the private sector and civil society.
- Initiate, implement, facilitate and coordinate youth development programmes.
- Monitor and evaluate youth development interventions across the board and mobilise youth to actively participate in civil society engagements.²³

²³ National Youth Development Agency (2023) Annual Performance Plan 2023/24, p. 1

The NYDA values are underpinned by Accountability, Accessibility, Respect, Collaborative, Agility and Integrity. The NYDA's vision is a credible, capable and activist development agency that is responsive to the plight of South Africa's youth. Its mission is to mainstream youth issues into society through stakeholder coordination; and to facilitate and champion youth development with all sectors of society.

As per the Revised Strategic Plan (2020-2025) and APP 2022/23, the NYDA has now three programmes namely:

- **Programme 1: Administration** - The purpose of this programme is to enable effective and efficient capabilities for service delivery and supporting functions.
- **Programme 2: Operations** (includes: economic development through youth entrepreneurship, Jobs programme, and National Youth Service) The purpose of the programme is to enhance the participation of young people in the economy through targeted and integrated economic programmes, including skills and education programmes, and national youth services.
- **Programme 3: Integrated Youth Development** - The purpose focuses on fostering a mainstreamed, evidence based, integrated and result oriented youth development.

4.2 Analysis of Budget of the NYDA for 2023/24

According to the National Treasury 2023 Estimates of National Expenditure (ENE), over the medium term, the NYDA will continue to:²⁴

- Focus on implementing interventions to support skills development, entrepreneurship and the creation of employment for young people.
- The interventions will include providing financial and non-financial enterprise support; providing support to transition young people into the formal, informal and social economies; and linking young people to opportunities.

Thus over the MTEF period the NYDA intends to

²⁴ National Treasury (2023) Estimates of National Expenditure 2023. Vote 20, Department of Women, Youth and Persons with Disabilities, p.13

- Support 10 400 enterprises owned by youth and provide business development interventions to 87 000 young people at a projected cost of R990.9 million through the youth entrepreneurship programme. This would account for 43.4% of the NYDA's total projected expenditure.
- In addition, R329.3 million is allocated to assist youth find sustainable employment opportunities through the jobs programmes.
- The National Youth Service (NYS) programme has been allocated R335.1 million over the medium term to support young people and encourage them to stay engaged in service to their communities and build the spirit of patriotism, solidarity and social cohesion. Furthermore, as part of the Presidential Youth Employment Initiative, the NYDA has partnered with the Jobs Fund to implement the revitalised national youth service. This funding is expected to provide for project management costs, training and stipends for young people participating in the programme.
- The NYDA is expected to derive 84.6% of its revenue over the MTEF period through transfers from the Department. Moreover, the revenue is expected to decrease at an average annual rate of 6%, from R752.2 million in 2022/23 to R618 million in 2025/26 because allocations from the presidential employment initiative would be coming to an end in 2023/24.

In addition to the transfer payment received (R733 million), the NYDA's overall budget also includes interest income of R16 million and donor income of R112 million. In so doing, giving the NYDA an accumulative budget of R867 million for 2023/24. Table 10 below outlines the NYDA Revenue budget as presented to the Committee at the APP briefing for 2023/24.

Table 10: NYDA Revenue Budget

| DESCRIPTION | 2022/2023 ANNUAL BUDGET | 2023/2024 ANNUAL BUDGET | ANNUAL BUDGET CHANGE (2022/23) % |
|---|--|--|---|
| Department of Woman, Youth and Disability -Grant Income | R481 265 000 | R483 114 000 | 0,38% |
| Donor funded income | R64 133 417 | R112 231 850 | 75% |
| Interest income | R5 000 000 | R16 000 000 | 220% |
| Presidential Youth Employment Fund Income | R200 000 000 | R250 000 000 | 25% |
| Project Management Fees (Donor Funding) | R1 840 000 | R6 000 000 | 226% |
| Other income | - | - | 0% |
| Commitment rollover | - | - | 0% |
| Total Budget | R752 238 417 | R867 345 850 | 15% |

As per the ENE 2023, spending on Compensation of Employees (CoE) is expected to increase from R206 million in 2022/23 to R215.1 million in 2023/24 for 471 employees. CoE accounts for an estimated 24.4% (R215.1 million) of the NYDA's total expenditure for the current FY 2023/24. Goods and services accounts for 44.1% (R387.9 million) of the NYDA's total budget. The table below outlines the expenditure per programme as presented by the NYDA to the Committee at its APP briefing.

Table 11: NYDA Expenditure per Programme for 2023/24²⁵

| PROGRAMME | 2023/2024 |
|------------------------------|----------------------|
| Administration | R 100 501 126 |
| Economic Participation | R 200 167 804 |
| Integrated Youth Development | R 5 097 727 |
| Jobs Programme | R 53 971 186 |
| National Youth Service | R 289 608 007 |
| Sub-total of programmes | R 649 345 850 |
| Employee costs | R 218 000 000 |
| Total | R 867 345 850 |

Based on the aforementioned table, the NYS programme constitutes 33.4% of the NYDA's total allocated budget followed by Economic Participation constituting 23.1%. According to the table above, Compensation of Employees is a key cost driver accounting for 25.1% of the total budget.

In terms of the APP 2023/24, the programme allocation is noted as follows:²⁶

- **Programme 1** was allocated R134 974 million of which R64 488 million was earmarked for Compensation of Employees (CoE) and R70 486 million to Goods and Services (G&S).
- **Programme 2** was allocated R733 516 million of which R150 637 million was earmarked for CoE, G&S R305 604 million and R277 275 million to Transfers and subsidies.
- **Programme 3** was allocated R11 831 million all of which was earmarked for G&S.

4.3 Programme analysis for NYDA for 2023/24

²⁵ Matthews, T (2023) National Youth Development Agency (NYDA) Annual Performance Plan 2023/24 and Budget 2023/24, Parliamentary Research Unit

²⁶ Ibid

According to the NYDA's APP 2023/24, its programmes are linked to the following Medium-Term Strategic Framework (MTSF) outcomes namely;

- Decent employment through inclusive economic growth and nation building and social cohesion;
- Economic Development, Skills Development, and Education Programmes, aligned with employment and job creation; and
- the National Youth Service Programme, aligned to Skills Development, Social Cohesion and Nation building.

The 2023/24 APP, is said to “have a renewed focus towards youth entrepreneurship, job creation, and coordination of the National Youth Service Programme, across all sectors of society.”²⁷ Hence the Chairperson of the NYDA stated that the “over the medium term, implement youth development programmes to address the MTSF outcomes related to an efficient, effective and development-orientated public service in support of the young people of South Africa.”²⁸

For the current FY, the NYDA has earmarked to achieve 29 targets across three programmes as outlined below.

4.3.1 Programme 1: Administration

The overall outcome for this programme is an efficient and effective Agency characterised by good corporate governance and ethical leadership. This programme has a total of 11 targets of which 4 are new as listed below.

- i. 4 NYDA Quarterly Management Reports
- ii. R 250 million in value of funds sourced from the public or private sectors to support youth development programmes
- iii. 6 SETA partnerships established
- iv. 3 partnerships signed with technology companies

²⁷ National Youth Development Agency (2023) Annual Performance Plan 2023/24, p. 3

²⁸ Ibid, p.4

- v. Review and implement ICT Strategic Plan indicating 90% achievement of ICT targets in the plan by end of the financial year
- vi. Review and implement Integrated Communication and Marketing Strategy
- vii. Produce and approve the NYDA Strategic Risk Register by Ops Exco
- viii. Percentage preferential procurement spend on enterprises that are Youth-owned (30% youth owned, 40% women owned and 5% with persons with disabilities) *
- ix. Developed and implement organizational culture strategy indicating 50% of the plan*
- x. Developed and implemented customer service plan indicating 50% achievement*
- xi. 10 partnerships established with companies listed on the JSE*

*new targets for 2023/24

The following targets were removed which appeared in the previous APP of 2022/23

- Reviewed and Implemented Annual Workplace Skills Plan
- Annual Report on partnerships established with Disability organisations to promote youth development
- Reviewed annual SCM Procurement Plan and produced quarterly reports

4.3.2 Programme 2: Operations

The overall outcomes for this programme are as follows:

- Increased access to socio-economic opportunities, viable business opportunities and support for young people to participate in the economy.
- Increased number of young people entering the job market trained
- Increased co-ordination and implementation of NYS programmes across all sectors of society

This programme is comprised of three sub-programmes namely;

- Sub-programme 1: Economic Development through Youth Entrepreneurship – the purpose of which is facilitating and providing business development services to young people and to enhance their socio-economic well-being.
- Sub-programme 2: Decent and Sustainable Employment through Jobs Programme – the purpose of which is to facilitate and provide employment opportunities for young people, geared at increasing sustainable livelihoods.
- Sub-programme 3: National Youth Service – the purpose of which is to facilitate and co-ordinate the effective and efficient implementation of the National Youth Service Programmes across all sectors of society.

This programme has a total of 11 (4+2+5) Annual targets as listed below:

- i. 2200 youth owned enterprises supported with financial interventions
- ii. 28 000 youth supported with non-financial business development interventions
- iii. 7000 jobs created and sustained through supporting entrepreneurs and enterprises
- iv. 1200 Business Development Support services offered to young people
- v. 30 000 young people capacitated with skills to enter the job market
- vi. 20 000 young people placed in jobs
- vii. 70 organisations and departments lobbied to implement NYS
- viii. 15 000 young people participating in NYS Expanded Volunteer Projects
- ix. 20 000 young people securing paid service opportunities
- x. 18 000 young people who have completed planned service activities
- xi. 4 000 young people transitioning out of NYS into other opportunities

The following targets were removed which previously appeared in the 2022/23 APP:

- Participate on the National Pathway Management Network to facilitate youth job placement opportunities
- Projects Produce an annual report on the NYS Programme

4.3.3 Programme 3: Integrated Youth Development

The overall outcome for this programme focuses on fostering a mainstreamed, evidence based, integrated and result oriented youth development. The annual targets (4 in total) are as follows:

- i. 5 impact programme evaluations conducted
- ii. Annual reports produced on IYDS, NYS programme and Disability Strategy
- iii. 6 youth status outlook reports produced
- iv. Develop a Youth Research Report in the country

The following target was removed which previously appeared in the 2022/23 APP:

- Develop a discussion document on youth development in the country

5. Commission for Gender Equality

5.1 Mandate of the CGE

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.

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) Monitor, evaluate and make recommendations on:

- Policies and practices of organs of state, statutory bodies and functionaries, public bodies or private businesses, to promote gender equality.
- Any existing law including indigenous law and practices.
- Government's compliance with international conventions with respect to gender equality.

b) Propose/recommend on:

- New law that may impact on gender equality or the status of women.

c) Develop, conduct or manage

- Educational strategies and programmes that foster understanding about gender equality and the role of the CGE.

d) Investigate and resolve conflicts

- On gender matters and complaints through mediation, conciliation and negotiation or referral to other institutions.

e) Liaise and interact

- With institutions, bodies or authorities with similar objectives to the Commission.
- With any organisation which actively promotes gender equality and other sectors of civil society to further the objectives of the Commission.

f) Prepare and submit reports

- To Parliament on aspects relating to gender equality.

In addition, the Commission for Gender Equality may:

- Conduct or order research to be conducted;
- Consider recommendations, suggestions and request 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”.

5.2 Analysis of the Commission for Gender Equality’s Budget 2023/24

For the 2023/24 financial year, the Commission for Gender Equality (CGE) received an allocation of R94.1 million through a transfer payment from the Department of Women, Youth and Persons with Disabilities. Of the total allocation, R65.4 (69.5%) of the CGE’s budget is allocated for Compensation of Employees, while R28.8 (30.6%) is allocated towards Goods and services. The Commission has repeatedly reiterated that it is a “human capital driven” institution, with its employees carrying out the bulk of its services, and as such the bulk of its funding is allocated for compensation of employees. Hence for 2023/24 the CGE has a total establishment of 109 employees.

Outcome 4, which is the outcome focusing on the operations and systems of the Commission, continues to receive the largest proportion of the budget. While the nominal rand change between 2022/23 and 2023/24 is approximately R9.346 million, when taking into account inflation, the real rand change in allocation is R5 million (5.48%) as reflected in the table below.²⁹

Table 11: CGE comparative analysis of Strategic Outcomes for 2022/23 – 2023/24³⁰

²⁹ Levendale, C (2023) Commission for Gender Equality: 2023/24 Budget and Annual Performance Plan, Parliament of RSA, Research Unit

³⁰ National Treasury (2023) Vote 20 Department of Women, Youth and Persons with Disabilities, Estimates of National Expenditure

| Programme | Budget | | Nominal Increase / Decrease in 2023/24 | Real Increase / Decrease in 2023/24 | Nominal Percent change in 2023/24 | Real Percent change in 2023/24 |
|---|--------------|-------------|--|-------------------------------------|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| R million | | | | | | |
| Strategic Outcome 1: An enabling legislative environment | 13,1 | 12,2 | - 0,9 | - 1,5 | -6,87% | -11,22% |
| Strategic Outcome 2: Gender equality promoted through information & education | 37,3 | 34,8 | - 2,5 | - 4,1 | -6,70% | -11,06% |
| Strategic Outcome 3: Monitoring & Research Investigations | 8,1 | 7,5 | - 0,6 | - 1,0 | -7,41% | -11,73% |
| Strategic Outcome 4: Renewed & effective organisation | 42,3 | 39,5 | - 2,8 | - 4,6 | -6,62% | -10,98% |
| TOTAL | 100,8 | 94,0 | - 6,8 | - 11,2 | - 6.75% | - 11.10% |

The figures in the table above have been taken from the ENE (2023), however the figures reflected in the CGE's APP 2023/24 and that which was presented to the Committee were different. Notwithstanding that, having examined the allocations outlined in the ENE the following can be deduced; SO1 consumes 12.9% of the overall budget, SO2 37%, SO3 7.9% and SO4 42%. Hence SO3 receives the smallest allocation and SO4 receives the largest proportion of the budget.

With respect to the CGE's Key Cost drivers for 2023/24 these were as follows³¹

- Travel and accommodation: R4 716 800
- Venue, catering and events: R2 612 500
- Professional and consulting services (audit): R2 141 557
- Professional and consulting services (admin support): R1 803 587
- Subscriptions/subscription software: R1 344 700
- Computer services/maintenance: R1 249 000

³¹ Ibid

The Commission will be spending R4 875 454 million on Professional and Consulting Services. This accounts for approximately 17% of the Goods and Services budget which includes the following:

- Audit fees – R2 141 557m
- Administrative support – R1 803 576m
- Litigation – R930 300

No detailed information is available in terms of the budgetary allocation per Strategic Outcome. No information on the current human resource capacity of the CGE is provided in the APP 2023/24 or presentation. The ENE 2023 indicates that the Commission has a total of 109 employees for 2023/24 and the majority (59) are employed at salary levels 7-10, while 30 are employed at salary levels 11-12.

5.3 CGE Programme analysis

The following section provides an overview of annual targets related to the 4 outcomes. Overall, the number of targets have remained the same (26). However, significant changes have been made within strategic outcomes with targets being removed or reworded, and new targets being introduced. No clarity or explanation is provided for any of these changes and the detail pertaining to targets are lacking. Notwithstanding that, the CGE noted the following 4 Strategic Outcomes which are outlined hereafter.

5.3.1 Strategic Outcome 1 (SO1): An enabling legislative environment for gender equality

The purpose of this SO is to evaluate legislation, policies, practices and mechanisms within public and private institutions and make recommendations to advance the gender transformation agenda. The 7 annual targets listed were as follows:

- i. 20 legislative inputs submitted per year
- ii. 2 systemic investigations conducted and a report thereof
- iii. 2 compliance monitoring projects undertaken (NSP, GBV, SDG or any other rights) per year*

- iv. 100% complaints attended to in accordance with the complaints manual versus received*
- v. 1 CGE Act review reports submitted*
- vi. Number of employment equity and GBV in workplace hearings conducted*
- vii. 2 legal proposals made to parliament for new legislation (this target is reflected in the table with quarterly performance information, but not in the “outputs” table)

*target new or amended

The following targets have been removed which previously appeared in the 2022/23 APP:

- 40 courts monitored and a report thereof
- 144 SAPS & TCCs monitored
- 1 CGE Act amendment Bill submitted to relevant authority, Progress report on the situational analysis and consultation processes for reviewing the Act
- 1 CGE initiated Bill submitted to relevant authority, Progress report on research on consultation processes for initiating the Bill

5.3.2 Strategic Outcome 2 (SO2): Gender Equality Promoted and Protected through information, education, investigations and litigations

The purpose of this SO is to conduct advocacy initiatives and public education interventions in the promotion of public understanding of gender equality and access to gender justice. The 6 annual targets noted were as follows:

- i. 24 communication initiatives conducted for public
- ii. 36 Gender and Development (GAD) Workshops conducted on CBOs, media, NGOs and leaders per year.
- iii. 18 gender mainstreaming sessions conducted (public and private sector) per year.
- iv. 72 Community radio education outreach sessions conducted per year
- v. 108 public education outreach sessions conducted for communities per year
- vi. 36 stakeholder engagements with like-minded institutions*

*This target is presented as new but was a target in 2021/22

5.3.3 Strategic Outcome 3 (SO3): Monitoring and research investigations on issues that undermine the attainment of gender equality and women’s empowerment conducted

The purpose of this SO is identify and monitor key issues that impact on gender equality, evaluate contributions by role-players to gender equality and make recommendations to promote and attain gender equality. The 3 annual targets noted were as follows:

- i. 6 gender equality research reports published per year*
- ii. 6 planned research projects conducted
- iii. 6 research reports disseminated through other initiatives (policy brief, media dialogue etc.) *

*new or amended target

It is unclear whether the following targets have been removed or amended as it appeared in the 2022/23 APP namely;

- 1 report on the country's compliance or CGE's influence on compliance with regional/international instruments
- 100% Annual Research Agenda initiatives implemented
- 100% research recommendations from previous financial years followed up and a report thereof
- 2 Policy dialogues

5.3.4 Strategic Outcome 4 (SO4): An efficient, effective & sustainable organisation that promotes good corporate governance

The purpose of this SO is to build and sustain efficient and effective organisational systems, operations and governance processes, for the optimal performance of the institution in executing its mandate. The 11 annual targets (all new) noted were as follows:

- i. Audit outcome achieved
- ii. 10% of repetitive audit findings
- iii. 80% progress on implementation of procurement plan
- iv. 4 document management improvement plan reports
- v. 2 operations digitised
- vi. 98% network uptime
- vii. 4 stakeholder relations management plan report
- viii. 10% variance on budget spent
- ix. 80% approved positions filled

- x. 80% Work Skills placement implemented
- xi. 100% compliance to standard operating procedures

It is unclear whether the following targets were discontinued or amended as it previously appeared in the 2022/23 APP namely;

- 75% Implementation of defined organisational effectiveness systems
- 100% Audit action plan of the previous financial year implemented
- 1 costed business plan submitted to Treasury for funding
- 100% risk mitigation plan implemented
- 75% Implementation of the business model as per defined criteria
- 4 update reports on the implementation of the Tracking Tool
- 10 Strategic partners engaged and a report thereof
- 100% expenditure on planned improvement initiatives
- 5% Vacancy rate
- 4 training and development initiatives conducted
- 100% compliance with legislative requirements in the compliance universe

6 Observations

Having met with the Department of Women, Youth and Persons with Disabilities, the NYDA and the CGE to scrutinise the respective amended Strategic Plans and Annual Performance Plan including the budget for 2023/24, the Committee made the following observations:

6.1 Department of Women, Youth and Persons with Disabilities

In terms of the Department of Women, Youth and Persons with Disabilities

6.1.1 General Matters

- The Committee commended the Department on changing their mandate by reverting back to the old mandate. However, the Committee noted with concern that there was no explanation for the change in mandate. Clarity was sought in that regard.
- The Committee was concerned that targets of the Department are not SMART and do not give effect to its mandate.
- The targets in their current form would impede conducting effective oversight on the Department.

- The Committee agreed to the Department tabling an erratum to the APP given the numerous concerns raised and asked when it would be tabled in Parliament.
- The Committee was concerned about the role of the Department in the last 4 years which is not clear in the Annual Performance Plan (APP).
- The Committee queried what happened to outstanding targets that were not met in the 2022/23 financial year and if this had an impact on the 2023/24 APP.
- Lack of integration: The Committee was concerned about the lack of integration and coordination between programmes within the Department as well as the lack of synergy between the NYDA and the Department of Women, Youth and Persons with Disabilities especially with Programme 4 of the Department.
- The Committee also enquired whether recommendations made by AGSA pertaining to the audit action plan were implemented and requested a progress report on the matter.

6.1.2 Organisational redesign, Structural changes & merger implications

- The Committee was also concerned about the merging of youth and disabilities into one programme and having discussed this issue at length with the Department and National Treasury in 2022.

6.1.3 Poor visibility and awareness of Department

- The Committee was concerned about the visibility of the Department in the Provinces, local municipal levels and within communities. The Committee was also concerned about the lack of understanding of the Department's mandate by its staff complement. As such the Committee questioned whether this lack of a clear understanding leads to the Department not effectively implementing its mandate.

Programme 1: Administration

6.1.4 Human Resources

- The Committee noted that there are additional 18 vacancies within the Department and questioned what positions and levels of such vacancies. To this end, the Committee noted that the APP lacked the requisite detail about human resourcing in the Department e.g. number of vacancies.
- The Committee requested an organogram that outlined the structure, position (function) and associated employee.

6.1.5 Use of consultants

- The Committee was concerned that the budget allocated to use of consultants has increased and requested more clarity on the issue.

6.1.6 Governance and accountability

- The Committee noted that issues raised in the Fluxmans report - an investigation into conduct of officials within the Department in 2014 - was still happening in 2023. This was concerning and thus the Committee questioned whether the recommendations contained in the report were ever implemented. To this end, the Committee was also concerned that the same people implicated in the report are still working in the Department and appeared to be embroiled in questionable conduct again.

6.1.7 Policy and Law Reform

- The Committee was concerned that the Disability Rights Bill has not been prioritised in 2023/24 as it did not feature as a target in the APP at all. To this end, the Committee questioned how the Department would account on what has been done with regards to the Disability Bill as this was a priority identified in the Strategic Plan.
- The Committee sought clarity about the 5 pieces of legislation developed by the Department in the 6th Parliament as a Strategic Priority and the associated time frames. The Committee also questioned how realistic the Department was tabling new legislation before the end of the 6th Administrative Term.
- The Committee also questioned whether the South African Law Reform Commission (SALRC) has drafted a discussion paper on the Disability Rights Bill. The Committee was not satisfied with the Department's response for not having developed the Disability Rights Bill and blaming the delay on the SALRC and Department of Justice. The Department was reminded that it would be the custodian of the proposed Bill and as such had to take the lead and responsibility in that regard as it did with the development of the National Council on Gender Based Violence and Femicide Bill.
- WEGE Bill: The Committee questioned how the Department intends tracking progress made with regards to the Women Empowerment and Gender Equality Bill given that it is no longer a KPI in the APP. The lack of a target in this regard was noted with concern as there was a disjuncture between what the political principals envisaged versus what appears as targets for 2023/24 in the APP.

Programme 2: Mainstreaming Women's Rights and Advocacy

6.1.8 Economic Empowerment - Interventions

- Interventions: The Committee was not satisfied with interventions such as e.g. workshops, conferences as measures for empowering women economically. The Committee made it clear such interventions would not lead to the economic empowerment of women on its own and therefore questioned the value of such once off events. To this end, the Committee was concerned that it would not be able to monitor the impact of such events to determine whether the Department enables the economic empowerment of women.
- The Committee questioned what was the Department's action plan to unblocking the supply chain opportunities e.g. procurement of offices and questioned if the Department had any strategy to deal with this.

6.1.9 Sanitary Dignity

- The Committee was concerned that the development of reports on Sanitary Dignity Programme (SDP) was an inadequate and weak target as it does not reflect the intended mandate of the Department. In addition, the Department's focus on WASH and sexual reproductive health as a service delivery department deviated from the Department's mandate which ought to be focussed on monitoring and evaluation, coordination and advocacy. The Committee reiterated again the targets should reflect the Department's mandate.
- The Committee was concerned about the lack of inclusion of women, youth and persons with disabilities in the value chain for sanitary products.
- The Committee was concerned about the lack of information and uniformity in implementation of the SDP across provinces.
- The Committee also raised concerns about sub-standard products and those that were not SABS approved that were being supplied by service providers in certain provinces.

6.1.10 Gender-Based Violence and Femicide (GBVF)

- **Rapid Response Teams:** The Committee requested more information on the establishment of Rapid Response Teams as there was little to no evidence of this based on the Committee's oversights to 4 Provinces. The existing RRT in KwaZulu-Natal were employed by an NGO whose funding was coming to an end and the municipality had not incorporated the teams into their structures.
- The Committee questioned what the Department was doing to ensure that police officials deal with cases of abuse and murder of women.

- The Committee raised with the Department the removal of targets related to GBVF, and the lack of reasons for this, as well as the Monitoring and Evaluation Framework.
- The Committee also noted the lack of funding for programme 2.

6.1.11 Women's Economic Assembly (WECONA)

- The Committee also questioned how women are going to benefit from the progress reports produced by the Department on the establishment of Women Economic Assembly in Provinces. To this end, the Committee queried the value of the Department producing reports based on reports that the WECONA would generate having established itself in 4 provinces. The Committee saw no value in producing reports based on reports.
- The Committee welcomed a target focussed on WECONA but noted that the target lacked specifics. As such the Committee, wanted to know what is the Department's role in all of the WECONA key areas such as steel, poultry and agriculture etc. Secondly, the Committee asked how the Department would be creating an enabling environment in its key role of coordination. The Committee requested the Department's programme of action for each area of WECONA.
- The Committee was concerned that key priorities with regard to advancing the wellbeing and empowerment of women was not reflected in the APP and questioned how then the Committee was going to monitor these priorities when they do not appear in the APP.

6.1.12 Programme 3: Monitoring, Evaluation, Research and Coordination

- The Committee questioned whether the Department is aware of the abuse of young boys as these issues are not mentioned in the APP.
- The Committee was concerned that there is no mention of collaboration with other government departments such as the Department of Basic Education, Higher education to ensure that young people benefit from programmes of government departments within the APP.
- The Committee questioned whether the Department was engaging with other government departments and municipalities to assess the uptake of women, youth and persons with disabilities.

Programme 4: Mainstreaming Youth and Persons with Disabilities Rights and Advocacy

6.1.13 Sub-programme: Advocacy and Mainstreaming the Rights of Youth

- The Committee questioned the nature of the relationship between the Department and the National Youth Development Agency especially Programme 4: Youth Development in terms of linking programmes and projects as this was not apparent in the APP.
- The Committee was also concerned by the Department's oversight role over the National Youth Development Agency as a target and requested clarity on the matter. This concern had been raised numerous times with the Department but it appears as if no heed was taken of the recommendation to amend the target.
- The Committee was also concerned that there were no new innovation and creative initiatives by the Department in the APP which could serve as a benefit for the country's youth.
- The Committee was concerned about the lack of outreach initiatives to engage young people.
- The Committee questioned what the Department was doing to enhance access for young people living in rural areas particularly, as they were disadvantaged by network challenges.

6.1.14 Sub-programme: Advocacy and Mainstreaming Rights of Persons with Disabilities

- **M&E of Disability Frameworks:** The Committee noted with concern the lack of key performance indicators on monitoring and evaluation on frameworks pertaining to disability and questioned what officials in that programme were doing.
- **Awareness Campaigns:** The Committee questioned the purpose of 2 reports produced on awareness raising campaigns on disability. The Committee was not satisfied with the target.
- **Advocacy manuals:** The Committee enquired about the nature, content and purpose of the advocacy manuals and the intended audience as this was not specified in the APP. The Committee also asked whether these manuals would require training for implementation.
- **Collaboration and Coordination:** The Committee questioned whether the Department worked collaboratively with other organisations, departments and institutions.
- **Economic Empowerment of persons with disabilities:** The Committee was concerned about how the Department monitored and evaluated the economic empowerment of persons with disabilities in the absence of a clear strategy.

- **Employment Equity:** The Committee raised concerns about how the Department monitored the employment of persons with disabilities within government departments and entities, as well as in the private sector.

6.2 National Youth Development Agency

In terms of the National Youth Development Agency, the Committee made the following observations:

6.2.1 General matters

- The Committee welcomed the APP, its prompt tabling, the manner in which the reporting has improved and the implementation of prior recommendations made by the Committee.
- The Committee requested more information on targets that were removed or discontinued as the APP did not provide the requisite detail in this regard.
- The NYDA is commended for its dedicated inclusion of youth with disabilities into its programmes.
- The Committee queried whether any improvements were made to the NYDA Charter of 2019 as no mention has been made of this in the APP under review.
- The Committee also noted with concern that there is no target on the performance of Board Members or any reflection of their work in Provinces. This was identified as a gap in the APP that would need to be addressed.
- The Committee noted with concern the manner in which the Chairperson of the Board was prepared to accommodate Board Members not at the venue and this was problematic as it had the potential of being viewed as nepotism which could lead to strained working relations.
- The Committee enquired about the relationship between the NYDA and the Department of Small Business especially around the She-trade programme of the DTI. The Committee noted that the programme could assist young women in rural areas and should be explored by the NYDA.
- The Committee also requested the NYDA to explain the regulatory burdens that do not support young people.
- The Committee was concerned about the accessibility of the NYDA for young people with disabilities and those living in rural areas. The Committee also raised concern about a lack of signage to identify NYDA offices.

- The Committee questioned whether the voucher programme was accessible and inclusive for persons with disabilities.
- The Committee was concerned about how the NYDA would realise the 4th IR when there is a challenge of network especially in rural areas thereby disadvantaging youth living in rural areas. Hence the Committee questioned how the NYDA would ensure that the network coverage in rural areas would increase as this would be a priority to further advance the development of youth.
- The Committee enquired whether NYDA was aware of youth who studied and worked abroad who died in those countries but the families in South Africa had challenges bringing the bodies back home to be buried.
- The Committee queried whether the NYDA was aware of the distribution of drugs and alcohol in institutions of higher learning. Taverns operate in many universities – this is an area of concern affecting youth that required attention.
- The Committee was concerned that the NYDA was not comparing South Africa with other African countries with regards to youth unemployment challenges and encouraged the Agency to look to the continent for regional answers and areas of best practice as well.
- The Committee also requested more clarity on the over-regulation of the business sector.

6.2.2 Board attendance

- The Committee noted with concern that only two apologies for Board Members were submitted in the Committee meeting whilst three Board Members were absent and enquired about the 3rd Board Member who was not in the meeting. The attendance at Committee meetings was noted as important opportunity for the Board to account on their activities individually and as a collective.

6.2.3 Collaboration with Department of Women, Youth and Persons with Disabilities

- The Committee enquired about the working relationship with the Department of Women, Youth and Persons with Disabilities especially the youth branch in terms of how to coordinate issues related to skills development, training, lobbying and advocating for issues related to young people. The Committee saw this as an area that needed to be strengthened.
- The Committee also noted that the NYDA has a very good strategy in sourcing donor funding and enquired if they could assist the Department of Women, Youth and Persons with Disabilities and CGE by sharing best practice in that regard.

- The Committee questioned whether the NYDA linked with what areas of the Women's Economic Assembly that the Department of Women, Youth and Persons with Disabilities intended working on. The Committee identified this as an area of collaboration with a focus on young women including young women with disabilities.

6.2.4 Finance

- The Committee noted that the NYDA indicator related to R250 million sourced for the 2023/24 FY was not equally distributed in terms of what the target for collection would be per quarter and requested more information on this.
- The Committee sought clarity about the interest of R16 million accrued. The concern expressed by the Committee was if the interest accrued was on account of money that has not been allocated timeously, as this would disadvantage youth in need of funding. The Committee was reassured and relieved that funds are disbursed without delay and interest accrued is channelled back into programmes that benefit youth.
- The Committee noted that the NYDA earned interest over a 12 month period and that was the forecast amount projected in the APP.
- The Committee also sought clarity on Project management fees earned from donors. The Committee was satisfied with the explanation provided by the NYDA in this regard.

6.2.5 Vacancies

- The Committee noted that the NYDA improved on the number of its vacancies from 85 in last year to 52 and asked by when these would be filled. The Committee also enquired whether the 52 posts are funded or unfunded.
- The Committee asked which of the 52 vacancies are critical and what type of specialists are required as per the vacancy list.
- The Committee queried what the difference was between critical and specialist posts.

6.2.6 Programme 1

- **Value of funds:** The Committee noted that R250 million has been allocated for PYEI for 2023/24 and that no further funding will be allocated after this year for the programme and questioned how this would affect the overall service rendered by the NYDA. The Committee acknowledged the value of the PYEI and thus was concerned with a significant decrease in funding for this financial year. In this regard, what would be the impact of non-funding of the PYEI programme going forward.

6.2.7 Programme 2: Operations

- The Committee requested clarity on indicator 3 & 4 for Programme 2 as it appeared to be very similar, even a duplication.
- The Committee enquired about the targets for each service area (Surveys & Digital Mapping, Sports & Recreation, Arts, Culture & Entertainment, Learner Support, Social Support Services, Solidarity & Care, Early childhood development/Early Learning, Food security & Child nutrition, and Community Works, Revitalisation & Greening programmes), the provincial allocation for each target and how will these targets be monitored. In order for the Committee to do effective oversight of the NYDA in this regard, more detailed information was required.
- The Committee questioned what the role of NYDA would be in giving effect to indicator 3 and 4 if the programme via these service areas were implemented by other arms of government.

6.2.8 Sub-programme 1: Economic Development through Youth Entrepreneurship

Grants

- The Committee questioned whether the NYDA monitors beneficiaries who received funding from the NYDA to ensure that they were utilising the funds effectively. This concern was in response to the Committee's recent oversight visit to Mpumalanga where beneficiaries were visited where some received multiple sources of funding and others with the potential to expand received limited funding. Hence regular monitoring and evaluation of grants allocated would assist the NYDA to identify not only best practice but challenges and trouble shooting.
- The Committee queried how the NYDA intends assessing the effectiveness of the market linkages and mentorship programme in the year ahead as these were important areas in which young entrepreneurs needed to be supported.

6.2.9 Sub-programme 2: Decent and Sustainable Employment through Jobs Programme

Youth with Disabilities

- The Committee commended the NYDA for improvement made with regards to persons with disabilities and enquired whether the NYDA engaged with the Department of Sport, Arts and Culture in light of the project funded by the NYDA in KZN at a special school with Sports for Change.
- The Committee also commended the NYDA for budgeting for targets towards persons with disabilities.

- The Committee was concerned by the number of people with disabilities who owned business supported by the NYDA based on what was presented.

6.2.10 National Youth Service (NYS)

- The Committee welcomed the NYDA's thorough analysis of the teacher assistant programme and indicated that this programme needs to be further strengthened.
- Notwithstanding that, the Committee queried what skills are gained by teacher's assistants in schools who are given only 3 months to assist at schools. The Committee was concerned that if skill acquisition was not linked to tangible outcomes it would diminish the value of the programme.
- The Committee queried whether these school assistants will be absorbed by the Department of Basic Education as the concern was about the sustainability of these temporary positions.
- The Committee also questioned why the Department of Basic Education was not employing young graduates to assist with homework in schools.
- The Committee was concerned that teacher assistant positions were not sustainable and questioned how the NYDA would ensure that the Department of Basic Education employs these young people on a permanent basis.

6.3 Commission for Gender Equality

In terms of the Commission for Gender Equality, the Committee's observations were as follows:

6.3.1 General

- The Committee welcomed the report but was disappointed by the late submission of the APP as well as the poor quality thereof.
- The Committee noted with concern that the majority of the targets were not SMART.
- The Committee noted with concern that all the targets planned for in Strategic Outcome 4 were new but none of these were coherent.
- The Committee noted with concern the lack of information on human resource in the APP.
- The Committee queried whether CGE had checked which targets were not met in 2022/23 and what should be done in 2023/24.
- The Committee noted with concern that the current APP is largely a cut and paste of the information contained in the APP for 2022/23 and sought clarity in this regard. The Committee questioned who must be held accountable for the poor quality document.

- The Committee was concerned that the CGE is not committed to their values, vision and mission and in turn not providing the respective services to the community.

6.3.2 Late Tabling of APP 2023/24

- The Committee was concerned that the APP for 2023/24 was not tabled on time in Parliament and requested reasons for the late submission.
- The Committee also questioned who should be held accountable for submitting the APP late to Parliament given that the CGE had a full complement of Commissioners at the time the 1st and 2nd draft of the APP was due which meant plenary had to approve it. Furthermore, five of the Commissioners are not new and hold institutional memory.
- The Committee sought clarity as to why the CGE was not adhering to the time-frames for submitting its APP and budget to Government and Parliament when these have been clearly communicated by DPME, National Treasury and Parliament.
- The Committee noted that the APP for 2023/24 is signed by the Deputy Chairperson and not the current Chairperson of the CGE and questioned why that was the case.
- The Committee questioned why the CGE tabled the APP knowing that it was not correct and poorly written. This was noted with concern.
- The Committee was concerned about the lack of internal control within the institution which led to late submission of the APP to Parliament. The Committee also wanted to know what are the systems in place to ensure that CGE will not submit APP or any other document late in Parliament as required by law.
- The Committee was also concerned that the CEO attributed the late submission of APP to Parliament to organisational culture which absolved her from taking responsibility. The Committee was not satisfied with the excuse.
- The Committee was concerned about the regression in performance by the CGE and noted that this will make it difficult for the Committee to request additional funding for the CGE to implement their mandate.

6.3.3 Finance

- The Committee was also concerned that the figures in power-point presentation, the ENE (2023) and the APP were different and requested clarity on the matter.
- The Committee was concerned that there is no breakdown of the budgetary allocation per Strategic Outcome.

- The Committee noted with serious concern the lack of financial information in the APP and questioned why there is no detailed information. To this end, the Committee questioned how the CEO, CFO and the Commissioners approved such an APP.
- The Committee was concerned that CGE forecasted and requested R94.1 million budget from National Treasury for 2023/24 which is very low and sought an explanation in this regard given that the complaints have always been that the CGE is under-funded.
- The Committee noted R930 000 budgeted towards litigation but was unclear what this was for given that the legal standing of the CGE had still not been resolved.

6.3.4 Strategic Outcome 1

- **Legislative submissions, Systemic Investigations:** The Committee noted with concern the lack of details around the legislative submissions and systemic investigations it intends undertaking. This paucity of information impedes effective oversight for the Committee.
- **CGE Initiated Bill:** The continuity of this target and relations to the target in 2023/24 was unclear.
- **Court, SAPS, TCC monitoring:** The Committee noted with concern that targets related to monitoring and evaluation of police stations and Thuthuzela Care Centres as well as court monitoring were discontinued and no longer appeared as targets in the APP under review. This was disconcerting to the Committee as this was important work for the CGE in terms gender-based violence and femicide. Hence the Committee questioned how the CGE would be monitoring government departments dealing with gender-based violence. The Committee was concerned that the targets and indicators have changed with no explanation provided in this regard. This was a concern particularly as the Committee had raised examples of instances where the CGE had not followed up on GBVF cases/complaints.

6.3.5 Strategic Outcome 2

- **Complaints handling:** The Committee noted with concern the complete change to the target. The current target did not measure the intended outcome.
- **Stakeholder engagements:** It was unclear how the CGE intended measuring the impact of its stakeholder engagements. The Committee therefore questioned how the CGE would monitor and evaluate its activities.
- **Awareness raising:** The Committee was concerned that the awareness programmes of the CGE were not reflected in the APP.

6.3.6 Strategic Outcome 3

- **NSP on GBVF and NCGBVF:** GBV: The Committee enquired about the relationship between the Department of Women, Youth and Persons with Disabilities and the CGE in as far as the National Council on Gender Based Violence Bill is concerned.
- **Treaty compliance & Policy briefs:** Treaty Compliance: The Committee questioned how the CGE planned to monitor government department to ensure that international treaties are implemented in the country when the target was discontinued. The Committee questioned to what extent the CGE would be participating on regional and international platforms given that it had removed the target relating to monitoring treaty compliance.

6.3.7 Strategic Outcome 4:

- The Committee noted with concern that all targets from the previous FY 2022/23 were discontinued and replaced with 11 new targets.
- **M&E Framework:** The Committee noted with concern no reference to the M&E framework that was developed in the previous FY in the current APP nor was there any target related to it.
- **Code of Conduct:** The Committee noted that the Commissioner's Handbook and the policy governing relations between Commissioners and the Administration of the CGE were still incomplete and were not reflected as targets for the current FY 2023/24.

6.3.8 Human Resource

- **Vacancy Rate:** The Committee was concerned that the target related to vacancy rate had been changed and would not assess progress made. It appeared that the CGE has currently made provision for maintaining a vacancy rate of 20%. The Committee also questioned why the CGE was not aiming at an 8% vacancy rate or below as is common within the public sector.
- **Vacancies:** The Committee noted the overall lack of information on vacancies and human resource in general in the APP. The Committee enquired about the number of vacancies and why the positions have not been filled.
- The Committee was also concerned that the Chief Internal Auditor was suspended and the Committee was not aware of such issue and requested a full report on the matter.

6.3.9 Consultants

- The Committee was concerned by the CGE's use of consultants and questioned why the Commission was utilising these services. It brought into question what Commissioners and officials were paid to do at work if using consultants were being brought into to do the work of the CGE.
- The Committee noted with concern the substantive allocation for the use of consultants is very high.
- The Committee queried how much was paid to consultants, for what and how long.

6.3.10 Office lease

- The Committee was concerned that the CGE staff in the Western Cape Province, Cape Town branch have not had an office to work from for 4 months. The Committee noted that a lack of office space for the CGE was a disservice to the public in need of services as the offices were closed. The Committee questioned and enquired as to when will they engage with the Department of Public Works and whether timelines have been provided by the Department on occupation of office in the Western Cape Province.
- The Committee questioned why the CGE had not looked at the lease agreement of the Western Cape CGE Provincial offices and was not concerned that there is no office in the Province.

6.3.11 Legal Practice

- The Committee enquired about the tender issued by the CGE in July 2022 for a panel of attorneys and whether this had any bearing on the legal standing of the CGE with the Legal Practice Council.

6.3.12 Role of Commissioners

- The Committee enquired when new Commissioners were given the current handbook, was it signed and when was it signed. The Committee was concerned that the revised Commissioner's Handbook was long overdue and questioned when will this be submitted to the Committee.
- The Committee was also concerned about the policy between Commissioners and administration that was also incomplete and long overdue.
- The Committee was concerned about Commissioner attendance at Committee meetings and questioned how plenary is going to ensure that employees account for their work if

a Commissioner is not respecting Parliament by not attending meetings. The Committee questioned what action will be taken by the CGE in this regard.

- The Committee raised concerns about internal procedures, conduct and discipline amongst Commissioners, as well as the lack of consequence management by Plenary.
- The Committee was concerned by the lack of accountability shown by particular Commissioners in their reporting to Parliament.
- The Committee asked what is the role of Commissioners in giving effect to the entire APP and what is the plan in relation to this as this was not reflected in the APP under review. As such, the Committee questioned how Commissioners are to be held to account in this regard. The Committee also questioned what Members of the Committee can expect of Commissioners within their constituencies.

7. Recommendations

Having considered the Annual Performance Plan and budget for the Department, the Committee recommends to the Department of Women, Youth and Persons with Disabilities as follows:

7.1 The Department of Women, Youth and Persons with Disabilities should:

- i. The Department should reformulate its targets planned and ensure that these are SMART and in line with the revised Strategic Plan. The Department should submit an erratum to the current APP within in 2 weeks of the Budget Vote Debate 20 - scheduled for 23 May 2023 -having taking into consideration the recommendations proposed by the Committee. The Department should also present the revised APP to the Committee on a date to be determined.
- ii. The Department should provide a detailed report on the 18 additional vacancies in the Department.
- iii. The Department should provide a progress report on the implementation of the recommendations contained in the Fluxmans Report, as well as submission of the actual report.
- iv. In addition, the Department must as a matter of urgency address all HR matters as raised during the meeting.
- v. The Committee will engage with the Department of Justice and Correctional Services and the South African Law Reform Commission (SALRC) and request an update on the development of the Disability Rights Bill.

- vi. The Department should indicate which Government departments it intends assessing for the 2023/24 FY.
- vii. The Department should submit a detailed action plan on the key areas of WECONA and what it intends achieving for 2023/24.
- viii. The Department should remove the target on the its oversight role over the National Youth Development Agency and this should be replaced by a SMART target.
- ix. The Department should also submit a detailed report on the use of consultants.
- x. The Department should submit an operational plan which has activities for the implementation of the APP to the Committee.
- xi. The Department should develop awareness programmes within government structures and communities about its mandate and role.
- xii. The Department should work with the Department of Communications and Digital Technologies in expanding network access for young people in rural areas.
- xiii. In terms of the Sanitary Dignity Programme (SDP) the Department must provide capacity and ensure access to the market/value chain for women, youth and persons with disabilities. This must include e.g. manufacturing, supply, sourcing and resale, etc.
- xiv. The SDP should be streamlined across all provinces and implemented uniformly as per prescribed guidelines. This must include monitoring and evaluation of supply chain management, vetting of distributors, SABS approval and matters relating to procurement.
- xv. The target around the SDP framework must be included in the revised APP as it is a tool for monitoring progress in this regard.
- xvi. Targets related to GBVF must be reinstated in the revised APP and funding for programme 2 reconsidered in the budget.
- xvii. The target relating to the GBVF Monitoring and Evaluation Framework must be SMART to ensure maximum impact.

Having considered the Annual Performance Plan and budget for the NYDA, the Committee recommends as follows:

7.2 The National Youth Development Agency should:

- i. The NYDA should improve on its branding especially in rural areas to ensure that young people are aware of services being offered.

- ii. The NYDA should engage with the Department of Women, Youth and Persons with Disabilities and the CGE to share best practices on sourcing donor funding to improve the implementation of their respective mandates.
- iii. The NYDA should implement awareness programmes with Members of the Committee in their constituencies on services offered by NYDA on a quarterly basis.
- iv. The NYDA should work with the Department of Home Affairs and Department of International Relations and Co-operations to investigate teaching prospects for youth at overseas placements from a safety perspective.
- v. The NYDA should advertise the voucher programme more vigorously to ensure that young people are aware of it. To this end, the NYDA should also utilise radio stations to ensure that they reach out to young people including youth with disabilities who do not have access to online platforms to access information.
- vi. The NYDA should provide to the Committee a report on the cannabis project.
- vii. The Board Members should report back to the Committee after having discussed how they intend monitoring their performance on a quarterly and annual basis.
- viii. The NYDA should have a plan for Board Members and what they intend achieving for 2023/24. The plan should be linked to targets and associated Programmes as outlined in the APP for 2023/24 including the deployment plan to Provinces. The plan should be submitted to the Committee within 7 working days after the meeting of 3 May 2023. This report and should be presented to the Committee by the Office of the Chairperson of the Board at a date to be announced.
- ix. The NYDA should respond in writing to all questions/concerns raised by the Committee and submit within 7 days after the meeting of 3 May 2023.

Having considered the Annual Performance Plan and budget of the Commission for Gender Equality, the Committee recommends as follows:

7.3 The Commission for Gender Equality should:

- i. The CGE should reassess targets removed/discontinued particularly those related to the monitoring of police stations, Thuthuzela Care Centres, shelters and courts and include these in the amended APP.
- ii. The CGE should assess targets that do not link with the mandate of the CGE and remove these from the APP.
- iii. The CGE should submit an erratum to the APP within two weeks after the Committee meeting held on 9 May 2023.

- iv. The Commissioners should take a decision on the non-attendance of Commissioners' to Committee meetings.
- v. The Commissioners must ensure that the CEO is not working alone but with other senior management within the institution when compiling the APP.
- vi. The Commission should finalise the issue of the Legal Practice Council and this should be reflected in the APP for 2023/24, as well as provide information on the tender for the panel of attorneys.
- vii. The CGE should include more detailed information on litigation in its revised APP.
- viii. The CGE should submit to the Committee an organogram with names attached to each post, as well as indicating vacancies.
- ix. The CGE should submit the revised Commissioner's Handbook to the Committee at the next meeting.
- x. The CGE should address the outstanding and pending lease issues as a matter of urgency particularly for the office in Cape Town.
- xi. The CGE should submit a detailed report about the suspension of the Chief Internal Auditor.
- xii. As needed, request to present relevant and pertinent reports to the Committee to ensure that recommendations and concerns are addressed.

8. Conclusion

The Committee welcomes all the annual performance plans that have been submitted for consideration and report and will continue to ensure that astute oversight is conducted over the Department, the Commission for Gender Equality and the National Youth Development Agency.

Report to be considered.

National Council of Provinces

1. POLICY ASSESSMENT AND RECOMMENDATIONS REPORT OF THE SELECT COMMITTEE ON HEALTH AND SOCIAL SERVICES ON THE ANNUAL PERFORMANCE PLAN AND BUDGET OF THE DEPARTMENT OF SOCIAL DEVELOPMENT – VOTE 19, DATED 16 MAY 2023

The Select Committee on Health and Social Services (henceforth, the Committee) having considered and deliberated on Budget Vote 19 and the Annual Performance Plan (APP) of the Department of Social Development (henceforth, the Department) on 25 April 2023, reports as follows:

1. INTRODUCTION

Section 5(2) of the Constitution of South Africa (No. 108 of 1996) and Section 27(4) of the Public Finance Management Act (No.1 of 1999) set out the role of Parliamentary Committees in conducting oversight over government departments and entities. As part of conducting Parliamentary oversight, Committees have the constitutional mandate to scrutinise and approve the budgets of the Executive. In this regard, the Committee considered the APP and budget allocation of the Department of Social Development.

This report summarises a presentation received from the Department on the APP and Budget for the 2023/24 financial year and allocations over the Medium-Term Expenditure Framework (MTEF) period. The report entails the deliberations, observations and recommendations made by the Committee relating to Budget Vote 19.

2. STRATEGIC PRIORITIES

2.1 Vision, Mandate and Mission

The Department envisions a “*caring and self-reliant society*” and aims to help improve the lives of the poor and vulnerable by fulfilling the following:

- Reducing the levels of poverty, inequality, vulnerability and social ills;
- Empowering individuals, families and communities; and
- Having a functional, efficient and integrated sector.

The mission of the Department is to transform society by building conscious and capable citizens through the provision of comprehensive, integrated and sustainable social development services.

2.2 Policy Priorities for 2023/24 Financial Year

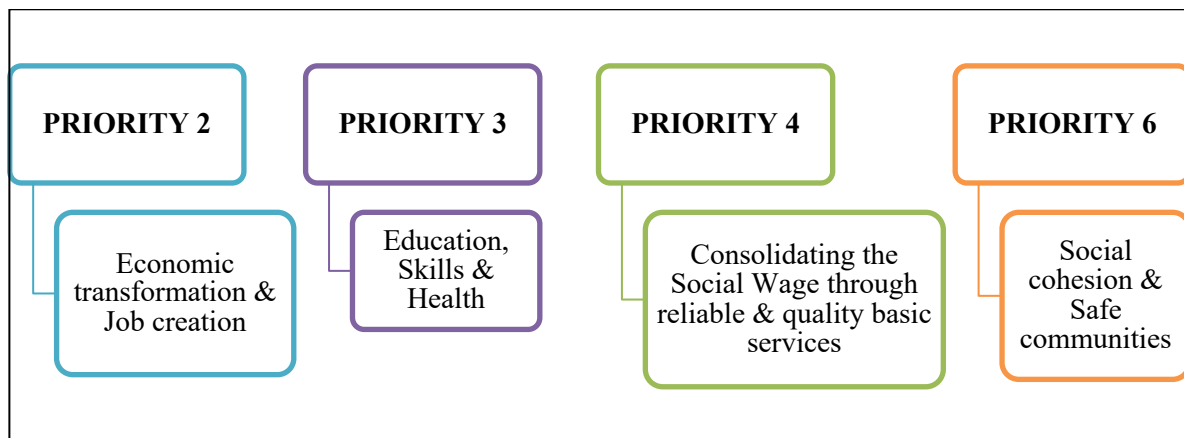
The policy priorities of the Department are aligned with Section 27(1)(2) of the Constitution of the Republic of South Africa. The Constitution gives effect to the right of everyone to have access to *sufficient food and water; and social security, including if they are unable to support themselves and their dependents, appropriate social assistance.*

The Department's Strategic Plan and APP are guided by the long-term vision of the country articulated in the National Development Plan (NDP): Vision 2030, the 2019-2024 Medium Term Strategic Framework (MTSF) and other overarching international and national policy frameworks, as the leading implementation tools to guide State organs. Guided by the aforementioned strategic frameworks, the Department's key outcomes for the 2019–2024 MTSF period are as follows:

- Implement the gender-based violence and femicide (GBVF) National Strategic Plan (NSP);
- Improve the optimisation of social welfare services;
- Optimise the social security legislative framework and develop appropriate norms and standards for service delivery;
- Strengthen the non-profit organisations (NPOs) legislative framework and thereby contribute to addressing some dimensions of increased monitoring activities that are being conducted by the Financial Action Task Force;
- Promote vibrant and sustainable communities; and
- Improved livelihood strategies and economic participation.

In addition, the policy priorities of the Department are in line with the aspirations of the NDP, MTSF, United Nations (UN) Sustainable Development Goals (SDGs), African Union (AU) Agenda 2063, and 2023 State of the Nation Address (SONA). As shown in Figure 1, these are economic transformation and job creation (Priority 2); education, skills and health (Priority 3); consolidating the social wage through reliable and quality basic services (Priority 4); and social cohesion and safe communities (Priority 6).

Figure 1: Selected MTSF 2019-24 priorities related to social development sector



The Department has a direct responsibility of doing the following:

- Implementing the National Strategic Plan to eradicate Gender-Based Violence and Femicide (GBVF).
- Improving the optimisation of social welfare services.
- Optimising the social security legislative framework and develop appropriate norms and standards for service delivery.
- Optimising the NPO legislative framework to promote good governance and accountability.
- Promoting vibrant and sustainable communities.
- Improving household food security.

3. BUDGET ANALYSIS FOR 2023/24

The Social Development sector provides social protection services and leads government efforts to forge partnerships through which vulnerable individuals, groups and communities become capable and self-reliant participants. This mandate is realised through the following

five budgeted programmes: Administration (Programme 1); Social Assistance (Programme 2); Social Security Policy and Administration (Programme 3); Welfare Services Policy Development and Implementation Support (Programme 4); and Social Policy and Integrated Service Delivery (Programme 5).

3.1 Financial Assessment

This budget analysis describes the Department's linkages between policy priorities, performance outcomes, budget allocations and expenditure trends.

As shown in Table 1, the DSD's overall budget for 2023/24 is, R263.0 billion¹ compared to R247.9 billion in the previous financial year (2022/23). This represents a nominal increase of 6.1 per cent, and real increase of 1.17 per cent. Over the medium term, the Department's expenditure is set to decrease to R258.0 billion by 2025/26.

Table 1: Overall 2023/24 budget of the Department by programme

| Programme R million | Budget | | Nominal Increase / Decrease in 2023/24 | Real Increase/ Decrease in 2023/24 | Nominal % change in 2023/24 | Real % change in 2023/24 |
|------------------------|------------------|------------------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Programme 1 | 513,7 | 426,4 | -87,1 | - 107,0 | -16,96% | -20,83% |
| Programme 2 | 239 132,6 | 253 841,8 | 14 709,2 | 2852,0 | 6,15% | 1,19% |
| Programme 3 | 7532,8 | 8086,5 | 553,7 | 176,0 | 7,35% | 2,34% |
| Programme 4 | 313,5 | 312,8 | -0,7 | - 15,3 | -0,22% | -4,88% |
| Programme 5 | 362,3 | 312,8 | -0,7 | -17,6 | -0,19% | -486% |
| Total | 247 884,9 | 263 029,3 | 15174,4 | 2888,0 | 6,1% | 1,17% |

Source: National Treasury (2023)

The Department vote is dominated by the *Social Assistance* programme, which constitutes 96.5 per cent of the overall departmental budget. *Social Assistance* growth from the previous year stays above inflation (6.15 per cent nominal and 1.19 per cent real). In 2023/24, nearly 19 million² beneficiaries received social grants. This figure is projected to decrease in the total number of grant beneficiaries from an estimated 26.6 million in 2022/23 to 19.6 million

¹ ENE. (2023).

² SASSA. (2023).

in 2025/26. This is because of the discontinuation of the coronavirus (COVID-19) Social Relief of Distress (SRD) Grant after 2023/24.³

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

- Administration (20.8 per cent);
- Social Welfare Policy development and Implementation Support (4.88 per cent); and
- Social Policy and Integrated Service Delivery (4.88 per cent).

3.2 Programme Analysis

3.2.1 Programme 1: Administration

The purpose of this programme is to provide leadership, management and support services to the Department and the sector. Table 2 shows how the budget is allocated in this Programme.

Table 2: Administration Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|--------------------------|--------------|--------------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Ministry | 44,4 | 44,0 | - 0,4 | - 2,5 | -0,90% | -5,53% |
| Department Management | 74,8 | 74,1 | -0,7 | -4,2 | -0,94% | -5,56% |
| Corporate Management | 170,9 | 169,5 | -1,4 | - 9,3 | -0,82% | -5,45% |
| Finance | 160,4 | 76,0 | -84,4 | -88,0 | -52,62% | -54,83% |
| Internal Audit | 17,0 | 16,7 | -0,3 | - 1,1 | -1,76% | -6,35% |
| Office Accommodation | 46,1 | 46,3 | 0,2 | -2,0 | 0,43% | -4,26% |
| Total | 513,7 | 426,6 | -87,1 | - 107,0 | -17,0% | -20,83% |

Source: National Treasury (2023)

The Administration programme voted allocation for 2023/24 totals R426.6 million, as compared to R513.7 million in the previous year (2022/23). This reflects a 17.0 per cent nominal decrease, and when taking into account the inflationary effect the programme budget declines in real term with –20.83 per cent. The Ministry sub-programme declines both in nominal and real terms from the previous year.

³ Ibid.

The goods and services allocation has decreased from R 290.7 million in 2022/23 to R207.8 million in 2023/24 financial year. Programme 1 increased its allocation of *machinery and equipment* from R2.7 million in the previous financial year to R2.8 million. In terms of audit costs, the external allocation has also increased from R17.7 to R17.8 million.

Personnel expenditure

The compensation of employees' allocation decreased from R217.2 million (2022/23) to R212.9 million (2023/24). Approximately 15.8 million will be allocated in 2023/24 for cost-of-living salary adjustments. This figure will increase to R16.0 million in 2024/25 and R16.2 million in 2025/26, respectively.

3.2.2 Programme 2: Social Assistance

Social Assistance transfers provide for the payment of social assistance grants to beneficiaries who qualify for social assistance in terms of the Social Security Act (No. 13 of 2004). It provides only funding related to payments to social assistance grant beneficiaries by the South African Social Security Agency (SASSA), and does not include salaries to staff. Table 3 depicts the budget for all grant types, including the SRD.

Table 3: Social Assistance Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|------------------------|------------------|------------------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Old Age | 92 145,8 | 99 104,0 | 6 958,2 | 2 328,9 | 7,55% | 2,53% |
| War Veterans | 1,0 | 0,4 | - 0,6 | - 0,6 | -60,00% | -61,87% |
| Disability | 24 703,9 | 26 800,8 | -2 096,9 | 845,0 | 8,49% | 3,42% |
| Foster Care | 4 057,1 | 3 791,1 | -266,0 | - 443,1 | -6,56% | -10,92% |
| Care Dependency | 3 874,8 | 4 091,7 | 216,9 | 25,8 | 5,60% | 0,67% |
| Child Support | 77 224,4 | 81 877,6 | 4 653,2 | 828,6 | 6,03% | 1,07% |
| Grant-in-Aid | 1 900,9 | 2 106,6 | 205,7 | 107,3 | 10,82% | 5,64% |
| SRD | 35 224,8 | 36 069,7 | 844,9 | - 840,0 | 2,40% | -2,38% |
| Total | 239 132,6 | 253 841,8 | 14 709,2 | 2 852,0 | 6,2% | 1,19% |

Source: National Treasury (2023)

Social Assistance increases from R239.1 billion in 2022/23, reaching R253.8 billion currently. The focus is on providing income support to socially vulnerable groups such as the

elderly, persons with disabilities, and caregivers of children. The 2023/24 allocation to the programme stays above inflation, representing a real increase of 1.19 per cent.

Expenditure under this programme is dominated by the *Old Age* and *Child Support* grants, which are allocated R99.1 billion and R81.9 billion, respectively. Both grant-types record above-inflation increases – that is, 2.53 per cent and 2.02 per cent real growth, respectively. The strongest growth in expenditure is projected for the *Grant-in-Aid* (i.e. 5.64 per cent real growth). *Grant-in-Aid* is an additional grant to recipients of the Old Age, Disability or War Veterans grants, who require regular care from another person due to their physical or mental status. In the year under review, the disability grant allocation increases by 8.49 in nominal terms and 3.42 in real terms. While Care dependency grant increases by 5.60 in nominal terms and 0.67 in real terms. The SRD grant provides temporary income support (R350), food parcels and other forms of relief to people experiencing undue hardship.

Most of the social grants experience above-inflation increases for 2023/24, with the exception of the following:

- War Veterans (61.87 per cent);
- Foster Care (10.92 per cent); and
- *SRD* (2.38 per cent).

The below inflation changes indicated for the three grants types listed above, is linked to projected numbers for the 2023/24 financial year.

3.2.3 Social Security Policy and Administration

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

Table 4: Social Security Policy and Administration Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|---------------------------------------|---------|---------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Social Security Policy Development | 70,2 | 69,4 | -0,8 | -4,0 | -1,14% | -5,76% |
| Appeals Adjudication | 41,4 | 41,1 | -0,3 | -2,2 | -0,72% | -5,36% |

| | | | | | | |
|---|----------------|----------------|--------------|--------------|-------------|--------------|
| Social Administration Grants | 7 343,6 | 7 898,0 | 554,4 | 185,5 | 7,55% | -2,53% |
| Social Grants Fraud Investigations | 72,0 | 72,3 | 0,3 | -3,1 | 0,42% | -4,27% |
| Programme Management | 5,7 | 5,6 | -0,1 | -0,4 | -1,75% | -6,34% |
| Total | 7 532,8 | 8 086,5 | 553,7 | 176,0 | 7,4% | 2,34% |

Source: National Treasury (2023)

Social Security Policy and Administration programme increased from R7.5 billion in 2022/23 to R8.1 billion in 2023/24 financial year. This represents an increase from the previous year both in nominal (7.4 per cent) and real terms (2.34 per cent). In this voted allocation of this programme, the *Social Grants Administration* sub-programme, increased in nominal terms (7.55 per cent), but decreased in real terms (2.53 per cent) in 2023/24 financial year. Appeals and Adjudication sub-programmes show a nominal decrease of R03 million and a real decrease of R2.2 million in the 2023/24 financial year.

3.2.4 Programme 4: Welfare Services Policy Development and Implementation Support

This programme creates an enabling environment for the delivery of equitable developmental welfare services through the formulation of policies, norms and standards, and best practices.

Table 5: Welfare Services Policy Development and Implementation Support Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|--|--------------|--------------|--|-------------------------------------|-----------------------------|--------------------------|
| | 2022/23 | 2023/24 | | | | |
| Service Standards | 31,5 | 31,2 | -0,3 | - 1,8 | -0,95% | -5,58% |
| Substance Abuse | 20,9 | 20,8 | - 0,1 | - 1,1 | -0,48% | -5,13% |
| Older Persons | 19,3 | 19,2 | -0,1 | - 1,0 | -0,52 % | -5,17% |
| People with Disabilities | 13,7 | 13,7 | 0,0 | - 0,6 | 0,00% | -4,6 % |
| Children | 80,1 | 79,2 | -0,9 | -4,6 | -1,12% | -5,74% |
| Families | 10,7 | 10,6 | 0,1 | -0,6 | -0,93% | -5,56% |
| Social Crime Prevention & Victim Empowerment | 76,6 | 69,6 | -0,7 | -2,9 | 0,91% | -3,80% |
| Youth | 12,7 | 77,3 | - 0,1 | - 0,7 | -0,79% | -5,42% |
| HIV and AIDS | 43,1 | 12,6 | 0,3 | -1,7 | 0,70% | -4,01% |
| Social Worker Scholarships | 0,0 | 43,4 | 0,0 | 0,0 | 0,0% | 0,0-% |
| Programme Management | 4,8 | 0,0 | 0,0 | -0,2 | 0,00% | -4,67% |
| Total | 313,5 | 312,8 | - 0,7 | - 15,3 | -0,2% | -4,88% |

Source: National Treasury (2023)

The voted allocation for Programme 4 decreases from R313.5 billion in 2022/23 to R312.8 billion in 2023/24, which denotes a nominal decrease of 2.0 per cent, and a real decrease of

4.88 per cent. This decline is driven by reductions in allocations to the *Project Management* and *HIV and AIDS* sub-programmes; these declines in real terms with 4.67 per cent and 4.01 per cent, respectively. The voted allocations to the Older Persons and People with Disabilities sub-programmes are both below inflation. That is, they are declining by 5.17 per cent and 4.6 per cent, respectively. Over the medium term, the programme's budget shows declines by average rate of 1.1 per cent.

3.2.5 Programme 5: Social Policy and Integrated Service Delivery

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

Table 6: Social Policy and Integrated Service Delivery Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/34 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|---|--------------|--------------|---|---|--------------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Social Policy Research & Development | 6.7 | 6.6 | -0.1 | -0.4 | -1.49% | -6.09% |
| Special Projects & Innovation | 12.5 | 12.4 | -0.1 | -0.7 | -0.80% | -5.43% |
| Population Policy Promotion | 39.5 | 39.1 | -0.4 | -2.2 | -1.01% | -5.64% |
| Registration & Monitoring of NPOs | 42.8 | 42.3 | -0.5 | -2.5 | -1.17% | -5.78% |
| Substance Abuse Advisory Services & Oversight | 7.1 | 7.1 | 0.0 | -0.3 | 0.00% | -4.67% |
| Community Development | 30.4 | 30.1 | -0.3 | -0.7 | -0.99% | -5.61% |
| NDA | 219.3 | 220.1 | 0.8 | -9.5 | 0.36% | -4.32% |
| Programme Management | 4.0 | 3.9 | -0.1 | -0.3 | -2.50% | -7.05% |
| Total | 362.3 | 361.6 | -0.7 | -17.6 | -0.2% | -4.86% |

Source: National Treasury, (2023)

The allocation for Programme 5 decreases from R362.3 million to R361.6 million, denoting a nominal decrease of 0.2 per cent translating to a 4.86 per cent real decrease. The National Development Agency (NDA), an entity of the Department, is located within this programme. The NDA sub-programme budget has increased by under R1 million in this programme, transfer to the NDA are from R219.3 million in 2022/23, to R 220.1 million in 2023/24 financial year. This shows a nominal increase of 0.36 per cent, but a 4.32 per cent in real terms. Over the medium term, the programme's budget shows an average growth rate of 3.1 per cent.⁴

⁴ ENE (2023:361).

Concerning *strengthening community participation*, the *Community Development* sub-programme allocation decreased from R30.4 million (2022/23) to R30.1 million in 2023/24 financial year.⁵ This shows a nominal decrease of 0.99 per cent and 5.61 in real terms in the 2023/24 financial year.

With regards to *registration and monitoring of NPOs*, a total amount of R42.3 million (2023/24) as compared to R42.8 million in 2022/23 financial year has been allocated to the *Registration and Monitoring* sub-programme, resulting in the nominal decrease of 1.17 per cent and a real decrease of 5.78 per cent.

4. MEASURING SERVICE DELIVERY AND FINANCIAL PERFORMANCE

Key to realising service delivery is prioritising human resources, in line with the NDP. Thus, there should be adequate social workers and welfare practitioners, who are qualified and well capacitated to provide quality care to the most vulnerable. Currently, there are 18,300 social welfare practitioners in the system. The Department recognises that approximately 55,000 social welfare practitioners are needed. However, the target for this MTSF period is only 31,744.

4.1 Overall Performance Targets

The Minister's executive performance agreement (EPA) comprises of 41 targets as shown in Table 6. There are 35 targets in the Department's APP, 1 in the NDA APP and 5 in the SASSA APP.

Generally, there is alignment between targets of the DSD APP 2023/24, the National Annual Strategic Plan (NASP) and the MTSF. However, only 6 of the 7 NASP targets are met. The NASP indicators have been reduced from 8 to 7. The NASP indicator on the number of social professionals including the indicator for the Compensation Fund were dropped.

⁵ *The Department aims to strengthen community engagements in 34 districts through implementing the community mobilisation and empowerment framework, which promotes the use of household and community profiling to inform service and support provision. It also aims to link 2 per cent of grant recipients with sustainable livelihood opportunities, including through the Expanded Public Works Programme.*

Table 6: Overall performance targets

| Department Programme | P 1 | P 2 | P 3 | P 4 | P 5 | Sub-Total | NDA | SASSA | DSD Portfolio |
|---------------------------|---------|-----|-----|-----|-----|-----------|-----|-------|---------------|
| APP 2022/23 | 14 | 1 | 8 | 22 | 22 | 67 | | | |
| APP 2023/24 | 10 | 1 | 7 | 23 | 20 | 61 | 17 | 36 | 115 |
| APP % Contribution | 16 | 2 | 11 | 38 | 33 | 100 | | | 100 |
| EPA Targets | 6 | | 2 | 14 | 13 | 35 | 1 | 5 | 41 |
| NASP Targets | | | 1 | 2 | 3 | 6 (of 7) | | | 6 |
| MTSF Targets | 3 | | 3 | 13 | 9 | 28 | 1 | 3 | 32 |
| ERRP ⁶ Targets | 4 | 2 | 2 | 1 | 4 | | | | |
| BRRR ⁷ | Aligned | | | | | | | | |

As of 1 April 2022, the Early Childhood Development (ECD) function moved to the Department of Basic Education (DBE). However, the EPA targets on ECD need to be reassigned to the Minister of Basic Education by the Department of Planning, Monitoring and Evaluation (DPME) formally.

The Department reported as follows:

- Indicators for food security have been expanded with an indicator on the number of learners benefitting from school feeding schemes at public schools.
- The EPA target on the percentage of eligible applicants in receipt of COVID-19 SRD grant of R350 per month is not an APP target.
- The SASSA APP makes provision for processing of COVID-19 SRD applications with a target of 95%.

Overall, the Department set itself 61 annual performance targets for the 2023/24 financial year. Compared to the previous financial year, the Department reduced its targets from 67 in 2022/23 financial year. Targets of APP's DSD, SASSA and the NDA represent a collective count to illustrative scope of oversight.

4.2 Legislation

In respect of legislation, the Department reported the following to the Committee:

⁶ ERRP refers to the Economic Reconstruction and Recovery Plan.

⁷ BRRR refers to the Budget Review and Recommendations Report.

Following the processing of the Children's Amendment Bill in Parliament in 2022/23, the Department will finalise the Children's Act and develop regulations. The Older Persons Amendment Bill and the White Paper on Social Development are underway.

In 2023/24, the Department intends to submit three Bills to Cabinet and subsequently to Parliament. These are the draft SASSA Amendment Bill, Victim Support Services Bill and NDA Amendment Bill. In addition, the Department plans to draft a White Paper on Comprehensive Social Security in the 2023/24 financial year.

5. COMMITTEE DELIBERATIONS

Having considered the APP and the budget of the Department, this section summarises the Committee deliberations.

- The Committee wanted to know how the Department will deal with the declining budget.

The Department stated that there was a decrease in the Social Assistance Programme; and that the SRD will be excluded from the next financial year. The Department indicated that it even though it has been underfunded historically; it has always managed to do a lot with very little money. The allocation is inadequate for all the responsibilities the Department has. However, there are no drastic cuts from National Treasury in this financial year. The Department stated that it is important to note that there is better co-operation between itself, SASSA and NDA to assist with this by creating a stronger impact with the small budget. In addition, the Department has strategies in place to deal with the reduction in funds. It was stated that the shift of the ECD function to the DBE might be partially attributed to the reduction in funding.

- Is there a database of payments made to military veterans?

The Department stated that military veterans that it deals with are those who served in the Korean War and World War II. These veterans are phasing out, and are different from the ones dealt with by the Department of Military Veterans.

- The Committee noted with concern, the crisis of the renewal of expired SASSA cards, the lack of communication around the issue, load shedding as well as the challenges faced by the South African Post Office (SAPO), issues around the Post Bank and whether a card less system is envisaged.

The Department and SASSA are seeking solutions to the crises regarding the issues stated. There is continuous engagement with the Post Bank who unfortunately inherited a bad banking system.

- Is there a way to assist the social workers to get permanent positions?

The Department stated that funding was secured to deal with social workers on a contract basis for the years 2020, 2021 and 2022 – thus, not as permanent employees. Some provinces contracted them within their budgets. The Department’s engagement with National Treasury is ongoing, in this regard.

- The Committee asked about the period and process of reapplication for the R350 grant. In addition, the Committee wanted to know about the impact will it have on poor and vulnerable communities, how the grant serves the unemployed but doesn’t compare to the standard of living and when the basic income support grant will be made effective

The Department clarified that the new R350 grant application requirement stems from the new legislation. Monthly checks are done and if a given account’s threshold increases the grant is stopped. The grant is predominantly accessed by active adults (job seekers). More details will be communicated to the public directly. It is clear that the R350 SRD grant is insufficient. Research has shown that R663 is the least amount of money that could possibly be spent per month- the poverty line. Orphans have been given an increase. Unfortunately, the value of the R350 SDR grant has not been approved to increase. There is however continuous conversation with treasury around this issue, as the grant amounts to R9 a day which is a clear problem.

- The Committee wanted to know how the community-based programmes will be rolled out. Whether there was co-operation between other government departments relating to issues around GVB, HIV and AIDS the achievements and challenges

The Department stated that good work is being done by the various departments in this regard as well as SAPS. The Committee will be given access to reports on these matters. Integration and collaboration is imperative, and an accountability structure. There are programmes in place – there is a package of services (from the Department of Health, DBE and others). The implementation of an integration model will assist with the intervention model.

- The Committee was concerned about pending legislation and if will be finalised within the sixth parliament.

The Department informed the Committee that the Fund Raising Amendment Bill has been referred to the Select Committee. The Portfolio Committee is dealing with the Older Persons Bill, and the Children's Bill will be introduced in the current financial year.

- The Committee wanted to know what the plan is for combatting corruption.

The Department stated that investigating is ongoing, which will to binding consequences.

6. RECOMMENDATIONS

Having considered the budget and the APP of the Department the Committee makes the following recommendations:

- *Expand the SRD grant:* The Minister should continue to engage with National Treasury regarding increasing the SRD grant to help combat poverty. An update report should be submitted to the Committee in the next quarter.

- *Strengthen human resources:* The Minister should ensure that there is a viable strategy to address the challenge of social work services in the country. The strategy should be tabled in Parliament in the 2023 calendar year and implemented subsequently.
- *Improve policies:* The Minister should also ensure that SASSA strengthens its human resource policies on vetting and implement academic clearance of its employees as one of the measures to prevent fraud and corruption, and hold management accountable.
- *Fill vacant positions:* The Minister should ensure that the Department fills vacant positions, particularly those at Executive-level such as the Director-General and Deputy Director-General within the 2023 calendar year. In addition, the Minister should ensure that acting positions do not last more than six months in the Department and entities. An update should be provided to the Committee at the beginning of every briefing meeting.
- *Strengthen collaboration:* The Minister should ensure that the Department and entities work closely with other departments in the social cluster, civil society and community members. In this regard, clear and realistic indicators that spell-out the programmes that are planned or implemented collaboratively should be set and reported to the Committee every six months. In addition, the Department should facilitate stakeholder workshops to address key issues such as food insecurity and preparedness for future pandemics, substance abuse, and a review of the role the social development sector has played in alleviating poverty.
- *Be innovative:* The Department (and entities) should find innovative and sustainable ways of providing social services whilst working towards realising its vision. A clear plan with milestones and timeframes should be presented to the Committee within the 2023/24 financial year.
- *Strengthen internal controls:* The Department should ensure that there are systems in place to prevent irregular, fruitless and wasteful expenditure (within the Department and its entities). In addition, the Department should strengthen its monitoring systems and submit reports to the Committee (in this regard) every six months.

7. CONCLUSION

The Committee commends the hard work of the Ministry and the entire social development sector in implementing programmes that are geared at reducing the levels of inequality and vulnerability in the country. The Committee encourages the Department to strengthen its systems so that its services are not compromised and reach the intended beneficiaries. In addition, the Department is encouraged to set realistic goals, collaborate with relevant stakeholders and find innovative and sustainable ways of realising its vision of a caring and self-reliant society.

Unless otherwise indicated, the Department of Social Development should respond to the Committee's recommendations in three months from the day the report is adopted by the House.

The Select Committee on Health and Social Services supports Budget Vote 19.

Report to be considered.

2. POLICY ASSESSMENT AND RECOMMENDATIONS REPORT OF THE SELECT COMMITTEE ON HEALTH AND SOCIAL SERVICES ON BUDGET VOTE 18: HEALTH, ANNUAL PERFORMANCE PLAN OF THE DEPARTMENT OF HEALTH, DATED, 16 MAY 2023

The Select Committee on Health and Social Services (henceforth, the Committee), having considered and deliberated on Budget Vote 18: Health, together with the 2023/24 Annual Performance Plan (APP) of the Department of Health (henceforth, the Department) on 02 May 2023, reports as follows:

1. INTRODUCTION

Section 5(2) of the Constitution of South Africa and Section 27(4) of the Public Finance Management Act (No.1 of 1999) set out the role of Parliamentary committees in overseeing the performance of government departments and entities. As part of conducting Parliamentary oversight, Committees have the constitutional mandate to scrutinise the budgets of the Executive. In this regard, the Committee considered the APP and budget allocation of the Department of Health.

This report summarises the presentation received from the Department of Health focusing on the 2023/24 Annual Performance Plans and, as well as allocations over the medium-term expenditure framework (MTEF) period. This report details the deliberations, observations and recommendations made by the Committee relating to Budget Vote 18.

2. STRATEGIC PRIORITIES

2.1 Vision, Mission and Mandate

The Department envisions a “long and healthy life for all South Africans”. The Department aims to realise its vision through the prevention of illness, disease and the promotion of healthy lifestyles. In addition, it aims to consistently improve the health care delivery system by focusing on access, equity, efficiency, quality and sustainability.

2.2 Policy Priorities

The policy priorities of the Department are aligned with the Constitution of the Republic of South Africa (1996). The Constitution gives effect to the right of everyone to have access to equality (Section 9) and health care services (Section 27) including children (Section 28). In addition, Schedule 4 of the Constitution reflects health services as a concurrent national and provincial legislative competence.

The Department's Strategic Plan and APP are derived from the National Development Plan (NDP): Vision 2030, United Nations Sustainable Development Goals (SDGs) and the mandate from the 2019-2024 Medium Term Strategic Framework (MTSF).

The NDP identifies demographics, burden of disease, health systems and the social and environmental determinants of health as the key areas for intervention required to improve the health system in the country. Nine goals for health have been identified in the NDP, namely:

- Average male and female life expectancy at birth increased to 70 years;
- Tuberculosis (TB) prevention and cure progressively improved;
- Maternal, infant and child mortality reduced;
- Significantly reduced prevalence of non-communicable chronic diseases;
- Injury, accidents and violence reduced by 50% from 2010 levels;
- Health system reforms completed;
- Primary Health Care (PHC) teams deployed to provide care to families and communities;
- Universal health coverage achieved; and
- Health posts filled with skilled, committed and competent individuals.

The planned National Health Commission is aimed at preventing and reducing the burden of communicable diseases. The Department envisages a number of health system reforms, including improved health facility planning, Health Management Information System, and quality of care.

In addition to the NDP, the health sector is also guided by the health sector Ten Point Plan and the United Nations (UN) Sustainable Development Goals 2030 (SDGs). The Department's Strategic Plan consists of two impact statements derived from the 2019-2024 MTSF, which are

linked to 18 outcomes. Figure 1 shows the 2019-2024 MTSF Priority related to the Department's five-year strategic goals.

Figure 1: MTSF Priority 3 (Education, Skills and Health) impact statements

| MTSF Priority 3 (Education, Skills and Health) - Impact Statements | |
|---|---|
| A. Life expectancy of South Africans improved to 66.6 years by 2024 and 70 years by 2030. | B. Progressively achieved universal health coverage for all South Africans. All citizens protected from the catastrophic financial impact of seeking health care. |

The key policy priorities of the Department include the following:

- **National Strategic Plan (NSP) for HIV, TB and STIs (2023 – 2028):** The fifth generation of the NSP was launched in 2023. This NSP will ramp up efforts to reach the 95-95-95 goal. This includes all provinces scaling up paediatric HIV treatment that is more effective and easier for care-givers to administer. TB remains the leading cause of death in the country. More focused measures will be implemented to tackle both TB and HIV in order to transition to the 95-95-95 targets set for both TB and HIV.
- **Reduce Non-Communicable Diseases (NCDs):** The 2022–2027 NSP for the Prevention and Control of NCDs will be implemented to reduce the rapid growth in NCDs including, amongst others, cancer, diabetes, and mental health. Changing behaviour, raising awareness of status regarding hypertension, diabetes and cholesterol, as well as preventing complications that result in disabilities, are key priorities. The Department is also prioritising a multi-sectoral approach to the communities' reproductive needs, with a focus on younger women.
- **Facilitate the implementation of the National Health Insurance (NHI) service.** The Department will continue to prepare for the implementation of the proposed NHI. The Department is still in the process of developing and implementing the Electronic Health Record (EHR) that will collate all the patient's health data and information into one digital record, providing complete and up-to-date information at the point of care.

- **Improvement of health system infrastructure:** The Department will continue to implement the 10-year National Health Infrastructure Plan, which includes maintenance and refurbishment of health facilities.

3. BUDGET ANALYSIS FOR 2023/24

3.1 Consolidated Health Budget 2023/24

The public health budget spans across the national department, its entities and the provincial Departments of Health. The consolidated budget for 2023/24 totals R259.2 billion, down from R259.4 billion in the previous financial year. Table 1 provides a breakdown of the 2023/24 budget, by functional and economical classification.

Table 1: Consolidated spending by functional and economic classification, 2023/24

| | Compensation of Employees | | Goods and Services | | Capital spending and transfers | | Current transfers and subsidies | | Interest Payments | | Total | |
|----------------------------|---------------------------|--------|--------------------|--------|--------------------------------|--------|---------------------------------|--------|-------------------|--------|-------|---------|
| | R billion | Amount | % | Amount | % | Amount | % | Amount | % | Amount | | % |
| Consolidated Health | | 163.6 | 63.1 | 76.1 | 29.4 | 13.3 | 5.1 | 6.2 | 2.4 | 0.0 | 0.0 | 259.2 |
| Total Expenditure | | 701.2 | 31.3 | 305.2 | 13.6 | 192.8 | 8.6 | 685.0 | 30.5 | 349.5 | 14.4 | 2 242.6 |

Table 1 shows the following:

- A significant segment of the consolidated health expenditure, 63.1%, is dedicated to *compensation of employees (COE)*, which totals R163.6 billion, up from R159.6 billion.
- Consolidated health expenditure on *goods and services* totals R76.1 billion, down from R78.9 billion, which constitutes 29.4% of overall health expenditure.
- Consolidated health expenditure also makes provision for R13.3 billion (5.1%) allocated to *capital spending and transfers*, and R 6.2 billion (down from R6.4 billion in the previous year) for *current transfers and subsidies* (2.4%).
- There is no allocation for *interest payments*. However, given that Provinces are known to run high levels of accruals, this is likely not accurate - suppliers are probably charging interest for late payment.

3.2 Financial Assessment of the Department's Budget (2023/24)

As shows in Table 2, the Department receives R60.1 billion, down from R64.6 billion in 2022/23. This represents a decrease of 6.9% in nominal terms (11.2% in real terms). This reduction is the result of the once-off allocations for the coronavirus (COVID-19) response in 2021/22 and baseline reductions effected over the 2021 MTEF period.

Table 2: Overall 2023/24 budget of the Department by programme

| Programme R million | Budget | | Nominal Increase / Decrease in 2023/24 | Real Increase/ Decrease in 2023/24 | Nominal % change in 2023/24 | Real % change in 2023/24 |
|------------------------|-----------------|-----------------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Programme 1 | 786,1 | 800,9 | 14,8 | -22,6 | 1,9% | -2,9% |
| Programme 2 | 1 534,1 | 1 542,6 | 8,5 | -63,6 | 0,6% | -4,1% |
| Programme 3 | 26 916,7 | 24 641,7 | -2 275,0 | -3 426,0 | -8,5% | -12,7% |
| Programme 4 | 5 153,6 | 3 007,4 | -2 146,2 | -2 286,7 | -41,6% | -44,4% |
| Programme 5 | 22 641,6 | 22 582,0 | -59,6 | -1 114,4 | -0,3% | -4,9% |
| Programme 6 | 7 523,5 | 7 536,8 | 13,3 | -338,8 | 0,2% | -4,5% |
| Total | 64 555,7 | 60 111,4 | -4 444,3 | -7 252,2 | -6,9% | -11,2% |

Source: National Treasury (2023)

The two largest programmes, namely Programme 3: *Communicable and Non-Communicable Diseases* (R24.6 billion) and Programme 5: *Hospital Systems* (R22.6 billion), jointly constitute 78.6% of the total budget allocation.

Programme 4: *PHC Services*, declines 41.6% from R5.2 billion to R3.0 billion. The smallest budget item (constituting only 1.3% of the total budget) is Programme 1: *Administration*, which increases by 1.9% from R786.1 million to R800.9 million.

In terms of economic classification, the bulk of the NDoH budget (R56.3 billion or 93.4 per cent) consists of transfers and subsidies. This figure includes R54.2 billion to Provinces and municipalities, R189.8 million to Non-Profit Organisations (NPOs), and R1.9 billion to departmental agencies and accounts.

- Current payments constitute a total value of R2.6 billion, which represents 4.3% of the total budget allocation.

- Compensation of employees declines from R812.1 million, to R682.1 million. This 16% decrease is of concern.
- Most of the current expenditure (R1.9 billion) is allocated to Goods and Services, constituting approximately 73.1% of the total current payments.
- The largest share of expenditure goes to Contractors at R601.2 million.
- Expenditure items that also receive a large share of the Goods and Services budget are Inventory: Medical supplies R115.7 million, and Consultants: Business and advisory services R303.2 million.
- Operating leases amount to R105.5 million. Travel and subsistence is at R139.2 million.
- Capital assets is allocated R1.3 billion. Buildings and other fixed structures are allocated R1.2 billion, and Machinery and Equipment is allocated R112.4 million.

3.2.1 Spending priorities for 2023 MTEF

Over the medium term, the Department will continue to focus on the prevention and treatment of communicable and non-communicable diseases, overseeing PHC services, phased implementation of the NHI, supporting tertiary health care services, investing in Public Health Infrastructure and developing the health workforce.

- Phased implementation of the NHI continues. Over the MTEF, R8.8 billion is allocated for NHI activities - the NHI Indirect grant is allocated R6.5 billion. R2.1 billion is allocated to Provincial Health Departments through the Direct NHI grant. This will be used for contracting PHC doctors, and mental health and oncology service providers. R174.2 million is earmarked for capacitating the Department's NHI unit and building its health technology assessment.
- The District Health Programmes grant (previously known as the HIV, TB, malaria and community outreach grant) is allocated R25.0 billion per year over the medium term to fund the prevention and treatment of HIV and TB. The target is for 7 million people per year to receive ARV treatment by 2025/26.
 - R10 million per year in 2023/24 and 2024/25 are allocated to the Communicable Diseases sub-programme in order to provide for the COVID-19 no - fault compensation scheme.

- *Overseeing PHC services:* Port Health Services' function will be shifted from the NDOH to the newly established Department of Home Affairs (DHA) entity, the BMA. R162 million will be shifted in 2023/24, R171.1 million in 2024/25 and R178.9 million in 2025/26. Approximately 295 employees will be shifted to the BMA. The NDOH will continue to provide policy guidance to the BMA on port health services. The reasons and mechanism for the shift of the Port Health function needs to be examined by the Committee.
- *Investing in health infrastructure:* About R22.2 billion will be transferred to Provinces through the Health Facility Revitalisation grant. R4.7 billion is managed by the Department on behalf of Provinces through the health facility revitalisation component of the NHI grant. These grants are aimed at accelerating the construction, maintenance, upgrading and rehabilitation of new and existing health system infrastructure, as well as providing medical equipment required to render health services. This will include the on-going construction of the Limpopo Central Hospital, which will be the first central hospital in the province.
- The National Tertiary Services grant is allocated R14 billion in 2023/4, and R14.7 billion in 2024/25 and R15.3 billion in 2025/26 in Programme 5: Hospital Systems. The grant compensates provincial departments for providing tertiary services to patients from elsewhere. The grant has a developmental component earmarked to establish tertiary services in provinces with limited access to them. In this regard, oncology services will be rolled-out in Mpumalanga and Limpopo to reduce referrals to Gauteng hospitals.
- *Developing human resources for health.* Under Programme 6: Health System Governance and Human Resources additional allocations are made to the statutory human resources component of the Human Resources and Training grant to ensure students can complete their medical internships and community service. This grant now totals R7.8 billion over the MTEF. For further development and training of existing health workers, the training component of the grant is allocated R8.5 billion over the same period.

3.2.2 Conditional Grants

In terms of direct grants, the Department administers R54.2 billion in 2023/24. The largest grant is the District Health Programmes grant, which receives R26.9 billion, followed by the

National Tertiary Services grant with R14.1 billion, and the Health Facility Revitalisation grant with R7.1 billion.

With regard to the indirect grants, the NHI indirect grant is allocated R2.5 billion.

3.3 Programme Analysis

3.3.1 Programme 1: Administration

The purpose of this programme is to provide leadership, management and support services to the Department and the sector. Table 2 shows how the budget is allocated in this Programme.

Table 3: Administration Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|-------------------------|--------------|--------------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Ministry | 44,0 | 42,0 | -2,0 | -4,0 | -4,5% | -9,0% |
| Management | 10,2 | 10,1 | -0,1 | -0,6 | -1,0% | -5,6% |
| Corporate Services | 391,4 | 428,3 | 36,9 | 16,9 | 9,4% | 4,3% |
| Property Management | 163,7 | 168,9 | 5,2 | -2,7 | 3,2% | -1,6% |
| Financial Management | 176,9 | 151,6 | -25,3 | -32,4 | -14,3% | -18,3% |
| Total | 786,1 | 800,9 | 14,8 | -22,6 | 1,9% | -2,9% |

Source: National Treasury (2023)

Programme 1's budget increases by 1.9% in nominal terms (and decreases by 2.9% in real terms) from R786.1 million in 2022/23 to R800.9 million in 2023/24. Corporate Services is the largest sub-programme, of which its allocation increases by 9.4% in nominal terms and by 4.3% in real terms. Financial Management decreases, from R176.9 million to R151.6 million, representing a 14.3% decrease in nominal terms and 18.3% decrease in real terms.

In terms of economic classification, 98.5% of the budget is allocated to *current payments*. *Compensation of employees* amounts to R249.4 million, down from R250.1 million in the previous financial year. Approximately R539.3 million is allocated to *goods and services*. This includes R126.6 million for *operating leases*, R56.2 for *property payments* and R51.0 million for *travel and subsistence*.

3.3.2 Programme 2: NHI

The purpose of this programme is to achieve universal health coverage by improving the quality and coverage of health services through the development and implementation of policies and health financing reforms.

Table 4: NHI Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|---------------------------|----------------|----------------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Programme Management | 6,9 | 7,1 | 0,2 | -0,1 | 2,9% | -1,9% |
| Affordable Medicine | 56,0 | 56,0 | 0 | -2,6 | 0% | -4,7% |
| Health Financing & NHI | 1 471,2 | 1 479,5 | 8,3 | -60,8 | 0,6% | -4,1% |
| Total | 1 534,1 | 1 542,6 | 8,5 | -63,6 | 0,6% | -4,1% |

Source: National Treasury (2023)

This programme's budget increases by 0.6% in nominal terms (decreases by 4.1% in real terms). A total of R793.1 million is allocated for *current payments*, of which R700.1 million is for *goods and services*, and R554.3 million or 70.0% of the goods and services budget is spent on contractors. In terms of *transfers and subsidies*, R694.7 million is transferred to *provinces and municipalities*. *Capital assets* is allocated 54.8 million.

3.3.3 Programme 3: Communicable and Non-Communicable Diseases

The purpose of this programme is to develop and support the implementation of national policies, guidelines, norms and standards, and the achievement of targets for the national response needed to decrease morbidity and mortality associated with communicable and non-communicable diseases. Develop strategies and implement programmes that reduce maternal and child mortality.

Table 5: Communicable and Non-Communicable Diseases Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|-------------------------|----------|----------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Programme Management | 7,9 | 7,9 | 0 | -0,4 | 0 | -4,7% |
| HIV, AIDS & STIs | 24 568,2 | 24 379,8 | -188,4 | -1 327,2 | 0,8% | -5,4% |

| | | | | | | |
|---|----------|----------|----------|----------|--------|--------|
| TB Management | 27,6 | 28,6 | 1,0 | -0,3 | 3,6% | -1,2% |
| Women's Maternal & Reproductive Health | 17,4 | 17,6 | 0,2 | -0,6 | 1,1% | -3,6% |
| Child, Youth & School Health | 28,3 | 28,0 | -0,3 | -1,6 | -1,1% | -5,7% |
| Communicable Diseases | 2 151,3 | 60,5 | -2 090,8 | -2 093,6 | -97,2% | -97,3% |
| Non-Communicable Diseases | 83,9 | 86,6 | 2,7 | -1,3 | 3,2% | -1,6% |
| Health Promotion & Nutrition | 32,2 | 32,6 | 0,4 | -1,1 | 1,2% | -3,5% |
| Total | 26 916,7 | 24 641,7 | -2 275,0 | -3 426,0 | -8,5% | -12,7% |

Source: National Treasury (2023)

This programme budget decreases from R26.9 billion to R24.6 billion, ostensibly due to the R2.1 billion reductions in the Communicable Diseases sub-programme after the COVID-19 interventions in the previous years.

Approximately 98.9% is allocated to the *HIV, AIDS and STIs* sub-programme, amounting to R24.4 billion in 2023/24. This represents a nominal decrease of 0.8% (a decline of 5.4% in real terms). The *Communicable Diseases* sub-programme allocation decreases by 97.2% (97.3% in real terms). The remaining six sub-programmes combined receive approximately 1.1% of the programme's budget. This includes the *Tuberculosis Management; Women's Maternal and Reproductive Health; Child, Youth and School Health; Non-Communicable Diseases; and the Health Promotion and Nutrition* sub-programmes.

3.3.4 Programme 4: Primary Health Care (PHC)

The purpose of this programme is to develop and oversee the implementation of legislation, policies, systems, norms and standards for a uniform, well-functioning district health system, including emergency, environmental and port health services.

Table 6: PHC Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|-----------------------------|---------|---------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Programme Management | 7,0 | 6,9 | -0,1 | -0,4 | -1,4% | -6,0% |

| | | | | | | |
|---|---------|---------|----------|-----------|--------|--------|
| District Health Services | 4 909,9 | 2 951,1 | -1 958,8 | -2, 096,6 | -39,9% | -42,7% |
| Environmental & Port Health Services | 228,4 | 40,8 | -187,6 | -189,5 | -82,1% | -83,0% |
| Emergency Medical Services & Trauma | 8,4 | 8,6 | 0,2 | 0,2 | 2,4% | -2,4% |
| Total | 5 153,6 | 3 007,4 | -2 146,2 | -2 286,7 | -41,6% | -44,4% |

Source: National Treasury (2023)

This Programme's budget declines by 41.6% in nominal terms from R5.2 billion to R3.1 billion. The *District Health Services* sub-programme decreases from R4.9 billion in the previous year, to R3.0 billion in 2023/24, a reduction of 39.9% nominally, and 42.7% in real terms.

Environmental and Port Health Services declines by 82.1% (R187.6 million) from R228.4 million to R40.8 million in 2023/24. R162 million is shifted from this programme as the Port Health function is moved to the BMA, a newly created entity in the Department of Home Affairs.

3.3.5 Programme 5: Hospital Systems

The programme's purpose is to develop national policies and plans for all levels of hospital services to strengthen the referral system and facilitate the improvement of hospitals. Ensure that the planning, coordination, delivery and oversight of health infrastructure meet the country's health needs.

Table 7: Hospital Systems Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|--|----------|----------|---|--|-----------------------------|--------------------------|
| | 2022/23 | 2023/24 | | | | |
| Programme Management | 5,0 | 5,0 | 0 | -0,2 | 0% | -4,7% |
| Health Facilities Infrastructure Management | 8 320,6 | 8 542,5 | 221,9 | -177,1 | 2,7% | -2,1% |
| Hospital Systems | 14 316,0 | 14 034,5 | -281,5 | -937,1 | -2,0% | -6,5% |
| Total | 22 641,6 | 22 582,0 | -59,6 | -1 114,4 | -0,3% | -4,9% |

Source: National Treasury (2023)

The total budget for Programme 5 remains stagnant, declining 0.3% in nominal terms and by 4.9% in real terms.

The 2023/24 allocation to the *Health Facilities Infrastructure Management* sub-programme increases by 2.7% in nominal terms from R8.3 billion in 2022/23 to R8.5 billion in 2023/24, which is a decline of 2.1% in real terms.

The *Hospital Systems* sub-programme decreases by R281.5 million from R14.3 billion in 2022/23 to R14.0 billion in 2023/24, representing nominal decrease of 2.0% and a 6.5% decline in real terms. Approximately 97.5% of programme funding is transferred to provincial departments through the Health Facility Revitalisation and National Tertiary Services (conditional) grants.

3.3.6 Programme 6: Health Systems Governance and Human Resources

Policy and systems development for the planning, managing and training of health sector human resources, and planning, monitoring, evaluation and research in the sector is this programme's purpose. In addition, the programme provides oversight to all public entities in the sector and statutory health professional councils in South Africa.

Table 8: Health Systems Governance and Human Resources Programme budget allocation

| Programme R million | Budget | | Nominal change in 2023/24 (Rand value) | Real change in 2023/24 (Rand value) | Nominal % change in 2023/24 | Real % change in 2023/24 |
|--|---------|---------|---|---|-----------------------------------|--------------------------------|
| | 2022/23 | 2023/24 | | | | |
| Programme Management | 8,2 | 8,1 | -0,1 | -0,5 | -1,2% | -5,8% |
| Policy & Planning | 7,1 | 7,3 | 0,2 | 0,1 | 2,8% | -2,0% |
| Public Entities Management & Laboratories | 1 954,6 | 1 936,7 | -17,9 | -108,4 | -0,9% | -5,5% |
| Nursing Services | 10,3 | 10,1 | -0,2 | -0,7 | -1,9% | -6,5% |
| Health Information, Monitoring & Evaluation | 71,9 | 72,5 | 0,6 | -2,8 | 0,8% | -3,9% |
| Human Resources for Health | 5 471,3 | 5 502,0 | 30,7 | -226,3 | 0,6% | -4,1% |
| Total | 7 523,5 | 7 536,8 | 13,3 | -338,8 | 0,2% | -4,5% |

Source: National Treasury (2023)

Programme 6 remains stagnant increasing by only 0.2% in nominal terms and decreasing by 4.5% in real terms in 2023/24. The *Human Resources for Health* sub-programme receives R5.5 billion, which is an increase of 0.6% in nominal terms from the previous financial year's total, a real decrease of 4.1%. The *Public Entities Management* sub-programme receives R1.94 billion, a decrease by 0.9% in nominal terms (that is a 5.5% decrease in real terms) from the previous year's allocation of R1.95 billion.

The *Nursing Services* sub-programme decreases by 1.9% in nominal terms from R10.3 million to R10.1 million in 2023/24, a decline of 6.5% in real terms.

4. MEASURING SERVICE DELIVERY AND FINANCIAL PERFORMANCE

Overall, the Department's APP responds to key diagnostics provided by the Presidential Health Summit Compact; recommendations from the Lancet Quality Commission; recommendations by the Health Market Inquiry; and the South African Demographic and Health survey.

However, following resource constraints that were exacerbated by the COVID-19 pandemic, it is concerning that the Health Budget declines by 6.9 percent in the 2023/24 financial year. The health budget is expected to grow by only 0.4 percent over the MTEF, compared to average growth rate of 8.3% between 2019/20 – 2022/23. This is due to baseline reductions in the 2021 Budget, which included the HIV and AIDS and Tertiary Services conditional grants. Notwithstanding, the COVID-19 vaccine programme which was a prominent part of the health budget previously is now integrated into the Department's routine services.

4.1 Overall Performance Targets

Over the 2023 MTEF, the Department's focus will be on:

- Preventing and treating communicable and non-communicable diseases;
- Overseeing PHC services and the shift of port health from the PHC programme to the newly established Department of Home Affairs entity, the Border Management Authority (BMA);
- Strengthening the health system and preparing for NHI;
- Supporting tertiary health care services;
- Investing in health infrastructure;

- Supporting tertiary health care services in provinces; and
- Developing the health workforce.

4.2 Legislation

In respect of legislation, the Department reported the following to the Committee:

- There is notable progress in the processing of the NHI Bill. Oral submissions on the NHI Bill took place and the clause-by-clause review by the Portfolio Committee on Health has been completed.
- Legislation to manage medico-legal claims will be developed.

5. COMMITTEE DELIBERATIONS

Having considered the APP and the budget of the Department, this section summarises the Committee deliberations.

- The Committee enquired whether there were mechanisms in place to assist provincial health departments with better audit outcomes.

The Department reported that it provides support through the CFO Forum and it works closely with SAICA to assist provincial departments with financial management and audit outcomes. In addition, there are regular meetings with the Auditor-General's office and the Department monitors the roll-out of grants.

- The Committee noted with concern that there have been severe budget cuts especially with PHC services.

The Department reported that it has reprioritised its budget and look into surgery and oncology backlogs.

- The Committee requested a status update on the construction of the Limpopo Academic Hospital.

It was reported that a contractor has been appointed and is setting-up the site. Construction is envisioned that work will start within two months. The work permit has been granted and the project is estimated to create many jobs. The anticipated deadline is 2028.

- The Committee enquired how the patient registration system.

The Department stated that individual registrations recorded on the HPRS between 2014-2023 is 65million across 3 000 health facilities. Patients are given a unique registration number (master patient index), which enables the health practitioner access to their medical records across facilities. The numbers may be inaccurate due to deaths, undocumented persons as well as those immigrating. There is continuous consultation with the Department of Home Affairs in this regard before scaling it up. The Department is still embarking on the journey of having a standardised and shared electronic health record. Equipment is being purchased and rolled-out. The electronic health record will take approximately five years to implement. It is very costly to develop and implement. The model will be applied to TB and HIV patients first. Currently the Medical Aid Schemes Act does not allow for the sharing of information, so those on medical aid cannot be seen on the public health register.

- The Committee enquired about what the Department will do regarding infants and young children suffering from malnutrition, the backlog in mental assessments and increase in medico-legal claims. In addition, the Committee wanted to know the status of surgery backlogs and what plans are put in place to overcome this challenge.

Forensic observation is the responsibility of the South African Police Service (SAPS) and the Department of Justice and Correctional Services. However, it is unlikely that the mental assessments backlog will end.

- The Committee noted with concern the various services lacking at the Robert Mangaliso Sobukwe Hospital in the Northern Cape province, which include the loss of files, long waiting periods for cancer treatment, backlogs in obstetrics, and lack of materials and human resources

The Department noted the many challenges at the hospital and is committed to working with the Northern Cape to address them. In addition, the Department reported that the hospital has an HPRS. It was highlighted that it is important for health service users to make use of the suggestion boxed in health facilities, and make suggestions of how services should be improved.

- The Committee enquired on how much COVID-19 vaccines were lost due to them not being used or expired, and total cost thereof.

It was reported that 21 million Johnson & Johnson doses were procured. In addition, 7.7 million Pfizer doses were procured. No stock was written off and no new vaccines were procured. The total cost is about R1.9 billion. The Department is still dealing with the initial contracts as it had procured in bulk. Around 33.8 million doses have been issued.

- The Committee noted with concern the lack of available medications at clinics and small hospitals for chronic patients (that is, anti-retro viral treatment and hypertension, diabetes medication).

The Department requested names of health facilities where medication (chronic) is not available, as it is the opinion of the Department this is not the case. The Department has up-to-date medicine visibility system. At times there are pockets of shortages which are addressed speedily so that pharmacists can cope with the demand.

- The Committee enquired as to why NHI indicators were reduced and what the impact of COVID-19 was on the NHI and an update on NHI spending.

The previous NHI indicators depended on the NHI Bill being passed. Currently the NHI Bill is going through the parliamentary process. The office of the Auditor-General advised the Department to focus on two measurable indicators (as the previous ones were unreliable). The NHI grant will prepare the health system for the new functions.

In addition, the Department indicated that the capitation system is going to the backbone aimed at testing some of the interventions that will be undertaken to ensure that the NHI is implemented according to plan, and ensure that suitable people are employed.

- The Committee noted with concern the issue of strikes and the impact of the recent labour unrest on the public health sector.

The Department noted the constitutional right for workers to strike and thus withdraw labour. However, noted that essential services/frontline workers staff are obliged not to. The Department then emphasised the importance of implementing law for the benefit of the vulnerable public and avoid issues that lead to grievances from the workforce.

- What is the progress in refurbishing Charlotte Maxeke Hospital?

At Charlotte Maxeke Hospital, five work packages were introduced. The dry package was completed last April. The second packages, which included detailed structural damages, was

completed last March, in partnership with Stellenbosch University. Temporal access to parking was completed last year, and remedial works in blocks 4 and 5 will be completed at end of 2023. Facility-wide prevention of fires is additional work that will be completed in 2026.

- The Committee requested the cost for infrastructure of hospitals and clinics in KwaZulu-Natal.

The maintenance budget includes infrastructure, the upgrades and refurbishing as well as renovations. 2023/2024 budget of R3.4billion. R22.3billion is budgeted for the next 3 years. Provinces comply by means of DOH inspections. All phases are monitored for performance of contractors and ensuring quality work.

- The Committee sought an update on the North West health department, which was placed under administration.

A close out report was tabled in Parliament, and guidance is awaited.

- The Committee noted with concern the issues regarding backlogs in the forensic services. *The backlog is being reduced. This involves the work of the department of Justice and SAPS. the DOH assists where it can.*

- The Committee noted with concern the decreased budget of the Department, which would have a negative impact on the delivery of health services.

The DOH is working to address these budget issues.

- The increase on the burden of communicable and NCDs remains a concern to the Committee.

Hypertension and diabetes are behavioural diseases. Changes in behaviour are advised as a starting point. The Committee can assist communities by encouraging them to walk, exercise, stop smoking and drinking alcohol, lessen their salt intake, which can greatly assist.

- The Committee enquired about the steps the Department has undertaken to mitigate the impact of the fire at Charlotte Maxeke Hospital and the restoration of oncology services.

Five work packages were created to deal with the hospital, ie, dry store, structural damage, access to parking (block 4 &5), facility compliance and block 1 completed.

6. COMMITTEE RECOMMENDATIONS

The Select Committee recommends that the Minister of Health should consider the following:

- *Consult regarding budget constraints:* The Department should engage the National Treasury in order to address the budget constraints.
- *Strengthen human resources for health:* The Department should provide a report on the placement of interns and community service doctors. In addition, the Department should brief the Committee on its strategy to retain critical human resources.
- *Strengthen inter-governmental relations (IGR) and public-private partnerships (PPP):* The Department should collaborate with provincial departments in prioritising the procurement of essential health technology for cancer management and a
- *Address service backlogs:* The Department should furnish the Committee with a report from the National Health Laboratory Service (NHLS) on the forensic chemistry test backlog. In addition, the Department should submit a progress report on Charlotte Maxeke Hospital following the fire and the restoration of oncology services. In addition, the Department should provide a detailed report on the obstetric and oncology backlogs at Robert Mangaliso Sobukwe Hospital.
- *Reduce medico-legal claims:* The Department should provide the Committee with a detailed report on its efforts to strengthen the management of medico-legal claims. In addition, the Department should provide a report on how it is assisting provincial departments in this regard.
- *Address infrastructure challenges:* The Department should provide infrastructure technical support to provincial departments in order to develop their capacity to plan and manage health infrastructure delivery. The Department should furnish the Committee with an action plan aimed at addressing infrastructure backlogs and existing gaps. In addition, the Department should provide a detailed report, including the cost thereof, of all planned infrastructure projects.

- *Ensure quality rural health services:* The Department should ensure the implementation and investment on strategies aimed to mitigate the impact of load shedding on the delivery of health services and report to the Committee quarterly.
- *Provide support to provincial departments:* The Department should furnish the Committee with a report of the support it has been providing to provincial departments in relation to financial management. In addition, the Department should facilitate a two to three day session with affected provincial departments to review the progress and challenges faced in implementing quality health systems and good financial management.
- *Strengthen monitoring:* The Department should strengthen its monitoring of the implementation of the Auditor-General's findings on key areas of internal controls and financial management, target-setting, implementation of plans and reporting thereof.

7. CONCLUSION

The Committee commended the work of the Department whilst cautioning it to put systems in place at health facilities, in response to the nation-wide blackouts. The Committee encouraged the Department to strengthen inefficiencies that can negatively affect the implementation of the NHI, and improve oncology services in the country.

Unless otherwise indicated, the Department of Health should respond to the Committee recommendations in three months from the day the report is adopted by the House.

Report to be considered.

3. POLICY ASSESSMENT AND RECOMMENDATIONS REPORT OF THE SELECT COMMITTEE ON HEALTH AND SOCIAL SERVICES ON THE ANNUAL PERFORMANCE PLAN AND BUDGET OF STATISTICS SOUTH AFRICA - VOTE 14, DATED 16 MAY 2023

The Select Committee on Health and Social Services (henceforth, the Committee), having considered and deliberated on Budget Vote 14 and the Annual Performance Plan (APP) of Statistics South Africa on 05 May 2023, reports as follows:

1. INTRODUCTION

Section 5(2) of the Constitution of South Africa and Section 27(4) of the Public Finance Management Act (No.1 of 1999) set out the role of Parliamentary committees in overseeing the performance of government departments, public entities as well as Chapter 9 and 10 institutions. As part of conducting Parliamentary oversight, Committees have the constitutional mandate to scrutinise the budgets of the Executive. In this regard, the Committee considered the Statistics South Africa (Stats SA) Annual Performance Plan (APP) and budget allocation.

In considering the strategic plan and APP, the Committee ensured that Stats SA plans and budget allocation serve the needs and aspirations of the users of the statistics. Budget allocation serves as a key instrument for the government to promote socio-economic development. Budget allocation plays a critical role as an economic instrument of the government to reflect on the country's socio-economic policy priorities by translating priorities and political commitments into expenditures. The budget serves as a vital tool to operationalise government activities towards the achievement of its intended priorities. Further, the budget highlights the constraints and trade-offs in policy choices.

On 05 May 2023, the Committee considered a presentation on the APP and budget allocation of Stats SA. This report summarises the presentation received from Stats SA focusing on the 2023/24 APP and budget allocations over the medium-term expenditure framework (MTEF) period. This report details the deliberations, observations and recommendations made by the Committee relating to Budget Vote 18.

2. STRATEGIC PRIORITIES

2.1 Mandate

Stats SA is a national government department accountable to the Minister in the Presidency for Planning, Monitoring and Evaluation. Stats SA has a separate budget vote from the Department of Planning, Monitoring and Evaluation (DPME). Stats SA activities are regulated by the Statistics Act (Act No.6 of 1999), which ensures independence from political interference in the production and dissemination of official statistics. According to the Statistics Act, the purpose of official statistics is to assist organs of state, businesses, other organisations and the public in planning, decision-making, and monitoring or assessment of policies.

The Act makes provision for the appointment of a Statistician-General (SG) whose role in statistical production in the country is first, as the National Statistical Authority to inform stakeholders on the economy and society by:

- Collecting, compiling and disseminating a wide range of economic, social and population statistics.
- Developing and maintaining a database for national statistics on businesses and enumeration areas; and
- Liaising with other countries and statistical agencies as well as representing Stats SA and South Africa in statistical activities internationally.

The main responsibility of Stats SA is thus to provide relevant and accurate statistics by using internationally approved practices to inform users of the dynamics of the economy and society. Stats SA is mandated through the Statistics Act [No.6 of 1999] to coordinate statistical production from organs of state, the private sector and other institutions to facilitate proper planning, decision making and monitoring and evaluation of policies and projects. Stats SA is guided by the 10 fundamental principles of official statistics of the United Nations, as well as the 6 principles adopted by the African Union in carrying out its function.

Stats SA is committed to using scarce resources to deliver quality basic statistics as it invests in and strengthens partnerships with various stakeholders within the data ecosystem.

2.2 Policy Priorities for 2023/24 Financial Year

The National Development Plan (NDP): Vision 2030 highlights the need for South Africa to build a State that is capable of playing a developmental and transformative role. This requires the State to formulate and implement policies that support that role. The NDP and the 2019-2024 Medium Term Strategic Framework (MTSF) are informed by statistical information provided by Stats SA, which publishes more than 250 statistical releases per annum. The publications present statistical research that measures the development and transformation of the economy and society in a range of contexts.

Changing economic and societal realities have expanded the demand for statistical information: more detailed statistics are needed and more frequent if policies are to be responsive and effective. Statistics in the public domain must be of high quality. Responding to the increased demand for high-quality statistics will require a national effort and collaboration and partnerships between the producers and the users of statistics.

The key priorities for 2023/24 are as follows:

- Tabling the draft amendment Bill (Statistics Act) in Parliament;
- Sustaining the quality of national indicators;
- Driving a transformation and change agenda;
- Dissemination of Census 2022 results to the nation; and
- Conducting the Income and Expenditure Household Survey.

3. BUDGET ANALYSIS

Stats SA releases over 250 surveys every year on employment, labour, poverty and other socio-economic statistics. Such statistics are aimed at providing evidence-based information to policymakers, the private sector, academics and non-governmental organisations as well as planners across all spheres of government. This work is fulfilled through the following budgeted programmes: Administration (Programme 1); Economic Statistics (Programme 2); Population and Social Statistics (Programme 3); Methodology and Statistical Infrastructure (Programme 4); Statistical Support and Informatics (Programme 5); Statistical Operations and Provincial Coordination (Programme 6) and the South African National Statistics System (Programme 7).

3.1 Financial Assessment

This budget analysis described the Department's linkages between policy priorities, performance outcomes, budget allocations and expenditure trends.

The overall budget allocation in the 2023/24 financial year is R2 691.7 billion, which is a decrease compared to R2 999.4 billion allocated in the 2022/23 financial year. See Table 1.

Table 1: Budget per programme

| Programme | Budget | | Nominal Increase/ Decrease | Real Increase/ Decrease | Nominal Percent change | Real Percent change |
|--|----------------|----------------|----------------------------|-------------------------|------------------------|---------------------|
| | 2022/23 | 2023/24 | 2023/24 | | 2023/24 | |
| R million | | | | | | |
| Programme 1: Administration | 740.8 | 744.9 | 4.1 | -28.0 | 0.55% | -3.78% |
| Programme 2: Economic Statistics | 288.0 | 288.6 | 0.6 | -11.8 | 0.21% | -4.11% |
| Programme 3: Population and Social Statistics | 283.4 | 291.1 | 7.7 | -4.8 | 2.72% | -1.71% |
| Programme 4: Methodology and Statistical Infrastructure | 145.0 | 155.7 | 10.7 | 4.0 | 7.28% | 2.76% |
| Programme 5: Statistical Support and Informatics | 310.9 | 324.2 | 13.3 | -0.7 | 4.28% | -0.21% |
| Programme 6: Statistical Operations and Provincial Coordination | 1 185.8 | 842.7 | -343.1 | -379.4 | -28.93% | -31.99% |
| Programme 7: South African National Statistics System | 45.5 | 44.5 | -1.0 | -2.9 | -2.20% | -6.41% |
| Total | 2 999.4 | 2 691.7 | -307.7 | -423.6 | -16.09% | -45.45% |

Source: Estimates of National Expenditure 2023

The budget allocated represents a decrease of -45.54 per cent in nominal terms due to the Census budget which was a once-off project. However, in real terms, the total budget for Stats SA decreased by -16.09 per cent in the 2023/24 financial year. Over the medium term, the department will continue to focus on modernising its operating model, implementing a continuous population survey and releasing the results of Census 2022 in 2023/24 and strengthening statistical reforms. Expenditure is expected to decrease at an average annual rate of 0.6 per cent from R3 billion in 2022/23 to R2.9 billion in 2025/26 as allocations for Census 2022 get phased out.

Stats SA will be modernising the operating model to deliver its product and service better, faster and more cost-effectively. This includes introducing and implementing various innovative technologies over the medium term to optimise and automate operations, including digital data collection methods for household surveys such as the census. To carry out the modernisation project, R186.5 million is allocated over the MTEF period. Stats SA will utilise

the budget to conduct a national income and expenditure survey to measure living conditions by collecting data on household income and expenditure patterns. A budget of R492 million is allocated over the MTEF in the Poverty and Inequality Statistics.

Stats SA concluded Census 2022 and plans to publish and disseminate the results in July 2023. This will be done through media campaigns and electronic tools at the national, provincial and district levels. Stats SA has budgeted R18 million for the publishing of the results.

3.2 Programme Analysis

3.2.1 Programme 1: Administration

The purpose of the programme is to provide strategic leadership, management and services to the department. The Administration programme has four sub-programmes, which are: Department Management, Corporate Services, Financial Management Services, Internal Audit and Office Accommodation. The strategic intention of the programme is focused on driving the outcome of transformed capability. The programme will align itself with the strategy of digitisation through the automation of processes. The provision of support to projects, including the Census 2022 project, will utilise all facets of automated processes. A cost-effective strategy to reduce the major cost driver in surveys, which, apart from the compensation of employees is the utilisation of vehicles, will be explored.

The programme is allocated R744.9 million for the 2023/24 financial year. Programme 1 budget intends to achieve the production of a report on support provided to the Income and Expenditure Survey (IES) 2022/23 compiled, 25% phase 2 of prioritised Management Information Repository (MIR) functionalities developed, three business process mapped, one transformation and change management plan (2024/25) compiled and one digital business transformation plan implemented. Stats SA will also conduct one business impact analysis and report on risk, anti-corruption and integrity management support to IES 2022/23. The Department planned to increase by 3% in women's representation at the SMS level, by 2% increase in youth employment and 0.2% in people with disabilities. The Department intends to reduce fruitless and wasteful expenditures by 75% in this financial year.

Personnel expenditure

The primary cost driver is the compensation of employees. Within the remaining goods and services budget, the primary cost drivers related to fleet management services, travel and subsistence, and communication. Office accommodation is funded from programme 1. Previously, Cabinet approved a total of R44.1 million in relation to the Compensation of Employees (CoE) in the 2022/23 financial year. In addition, an allocation of R132.3 million over the medium term has been made, for filling critical positions within the organisation, which have been outstanding for several years.

3.2.2 Programme 2: Economic Statistics

This programme aims to produce economic statistics to inform evidence-based economic development and transformation in line with internationally recognised practices. Programme Management for Economic Statistics provides strategic direction and leadership. There are six sub-programmes, which are as follows: business cycle indicators, structural industry statistics, price statistics, private sector financial statistics, government financial statistics and national accounts.

The objective of the programme is to produce economic indicators to inform evidence-based planning, monitoring, evaluation and decision-making for use by the public and private sectors by publishing monthly, quarterly, annual and periodic statistical releases on various industries in the private and public sectors.

The programme is allocated R288.6 million in the 2023/24 financial year. The programme focuses on providing insightful data. It produces a range of statistics describing the dynamics of the economy and its links to job creation, economic growth, the environment and society. The programme is considering different approaches to ensure that the business operating model becomes more agile. This is possible through an increase in the use of technology during the data collection phase of the statistical value chain, aimed at improving efficiency. The intention is to reduce the costs of the current operating model and broaden the scope of available data.

3.2.3 Programme 3: Population and Social Statistics

The purpose of the programme is to produce population, demographic, labour market and social statistics to inform socio-economic development. Programme 3 contributes to the strategic objective to sustain national population and social indicators to inform evidence-based

planning, monitoring and decision-making for use by the public and private sectors through publishing numerous series such as labour market and employment surveys.

The programme is allocated a budget of R291.1 million for the 2023/24 financial year. In real terms, the budget allocated has increased by 2.72 per cent as compared to the previous financial year of R283.4 million.

The programme will ensure that the ever-increasing demand for data and information in the country is met by increasing its responsiveness to user needs. The programme will continue to sustain the quality of key national indicators and to increase responsiveness to users' basic statistical needs and demands. This will be achieved by collecting and analysing data across a range of themes including domestic tourism, transport, governance, crime and safety, employment, poverty and inequality, and the demographic profile of the country.

The outputs produced under this programme contribute immensely towards the monitoring of the MTSF 2020-2024, the NDP goals and indicators, Agenda 2063 and the Sustainable Development Goals (SDGs).

Programme 4: Methodology and Statistical Infrastructure

The purpose of the programme is to set standards, statistical frames, and methodologies and conduct statistical research. The main objective of the Programme is to improve the quality and methodological soundness of statistical information by researching, developing, reviewing and applying statistical methods, standards, classification and procedures in the statistical value chain annually. Further, this programme monitors and evaluates the methodological compliance of statistical operations by conducting independent evaluations of statistical practices annually. In addition, it ensures complete and accurate sampling frames to enhance the quality of economic and social statistics by maintaining and updating frames for business and geographic information annually.

The programme is allocated a budget of R155.7 million for the 2023/24 financial year. In nominal terms, the programme's budget has increased by 7.38 per cent as compared to R145.0 million in the 2022/23 financial year. The programme contributes towards achieving the organisational strategic outcomes of the agile operating model and interconnected statistical system. The programme's main intent is to ensure the availability of and access to relevant

statistical standards and classification for Stats SA and SANSS partners. Geo-enabled statistical frames and geospatial support services to Stats SA and the external stakeholder community enable the creation and use of geospatial frames, the application of geospatial tools and support on geo-statistical analyses.

Programme 5: Statistical Support and Informatics

This programme enables service delivery programmes by using technology in the production and use of official statistics. The main objective is to modernise business processes by building enterprise architecture and applying emerging technologies for data collection, processing and the dissemination of statistical information over the medium term. The Programme further aims to enable the department's production of official statistics by providing a technology infrastructure that is reliable, sustainable and cost-effective over the medium term to inform policy through the use of statistical geography.

The programme promotes and provides better access to official statistics. The programme contributes to enhancing public confidence and trust in statistics and investing in the learning and growth of the organisation. Moreover, the programme collaborates with partners to build and maintain a reliable sampling frame for household surveys by updating the spatial information frame annually. In addition, it increases awareness of and the use of official statistics by the government and the public on an ongoing basis by reaching out to stakeholders and responding to user queries, educating users and improving accessibility to and the ease of use of statistical information.

The programme is allocated a budget of R324.2 million for the 2023/24 financial year. In nominal terms, the budget has increased by 4.28 per cent as compared to the 2022/23 financial year. The programme exists to utilise technology to optimise the data ecosystem to service current user needs and to meet unmet user needs as defined in the Integrated Indicator Framework (IIF) from potential users. The programme intends to achieve the implementation of the branding strategy which aims to place stakeholders at the centre of operations by delivering products and services that are in line with user requirements. Furthermore, the programme aims to position Stats SA as a leader within the data ecosystem, to innovate interactive platforms by re-engineering the website to improve accessibility and use of statistical products and services.

Programme 6: Statistical Operations and Provincial Coordination

The purpose of the programme is to collect and process data and interact with stakeholders and users at provincial and local levels to inform policy implementation and support decision-making through statistical information. It engages stakeholders through platforms and provides effective communication services.

The programme is allocated R842.7 million in the 2023/24 financial year. The budget decreased from R1 185.9 billion compared to R842.7 million in the current financial year. The decrease in the budget was due to the ring-fenced budget intended to deliver Census 2022 project. The Department has implemented the fourth South African population census in the democratic era and will be disseminating results at all levels in the 2023/24 financial year. The implementation of the multi-modal approach for surveys will be tested in the year under review. The statistical outputs of the census form the baseline of the statistical information system in the country and provide the most comprehensive statistics at the lowest geographic level to provide insights on various socio-economic phenomena, including District Development Model. The programme plays a key role over the medium term to disseminate and promote the use of statistical information for informed decision-making at provincial and local levels.

Programme 7: South African National Statistics System

The purpose of the programme is to develop and coordinate the national system in South Africa. The objective of the Programme is to ensure that national statistics are produced based on common statistical standards and principles by providing statistical support and advice on an ongoing basis and certifying statistics as official annually. It manages the distribution of statistical information by establishing and providing mechanisms, platforms and criteria for sharing data annually. It drives statistical reporting by coordinating the compilation of statistical reports in line with the integrated indicator framework annually.

The programme is allocated R44.5 million in the 2023/24 financial year. In nominal terms, the budget decreased by -3.28 per cent compared to R25.5 million in the 2022/23 financial year. The focus of the programme is to table the Statistical Amendment Bill in Parliament in the 2023/24 financial year thereafter implementation and rollout will commence. The development and implementation of the National Strategy for Development of Statistics (NSDS) will build capacity and strengthen coordination amongst entities of the National Statistics System (NSS). Through the NSDS, NSS entities will be able to set up statistical plans informed by the

Integrated Indicator Framework (IIF). All data that will be used to report on the IIF will be taken through a quality assessment process using the South African Statistical Quality Assessment Framework (SASQAF).

4. MEASURING SERVICE DELIVERY AND FINANCIAL PERFORMANCE

As the National Statistical Coordinator, Stats SA promotes coordination among producers of official and other statistics to advance quality, comparability and optimum use of official statistics and to avoid duplication by:

- Formulating quality criteria and establishing standards, classifications and procedures.
- Providing statistical advice; and
- Promoting a public culture of measurement.

4.1 Overall Performance Targets

Stats SA has a vacancy rate of 20.7% as of the end of September 2022, which continues to increase due to declining financial resources in the budget allocation of the compensation of employees (CoE). It has embarked on a comprehensive reprioritisation process, which continues and highlights the need to fill critical posts. Females represent more than 54% of the total staff complement. The inability to fill vacancies over the last five years has impacted negatively meeting employment equity targets, especially at senior management levels. Women in SMS posts represent 41.3% of filled SMS posts.

The coronavirus (COVID-19) pandemic has compelled the organisation to assess and test the use of a multi-modal approach (that is, the use of Computer-Assisted Web interviews (CAWI), computer-assisted telephone interviews (CATI) and computer-assisted personal interviews (CAPI)) for data collection to minimize contact between fieldworkers and respondents. The use of a multi-modal approach provides respondents with an option to be enumerated without any physical contact with a Stats SA official should they wish so. Census 2022 was the first multi-modal Census in South Africa and will form the proof of concept for all other surveys in Stats SA. This requires reskilling staff to be able to meet the new requirements of work methods in a digital and/or agile operating environment, and investing in the statistical infrastructure at a provincial and local level.

4.2 Legislation

The cabinet approved the Statistics Amendment Bill in September 2022. The Bill will be tabled in Parliament. The cost related to the legislative reform and other activities concerning statistical reforms is budgeted at R144.8 million over the medium term.

5. COMMITTEE DELIBERATIONS

Having considered the APP and the budget of Stats SA, this section summarises the Committee deliberations.

The Committee enquired about which recruitment strategies Stats SA is implementing to attract statisticians. In addition, the Committee asked about the types of skills training and bursaries it offers.

Skills training partnerships have been developed with the Universities of Stellenbosch and Cape Town. Stats SA is looking into potential partnerships. Stats SA developed a marketing and communication programme to introduce statistics to various stakeholders including ambassadors living on diplomatic missions, provincial departments and the media. There are trainers in the nine provinces and 52 districts and statistics packages loaded on government systems. With this Stats SA has the mechanism of empowering departments. Stats SA is also developing and recruiting interns so that they can be data scientists and analysts. Stats SA is looking at acquiring 54 interns for the current financial year. There is a mathematics skills programme at the provincial level. Stats SA will be more active in disseminating the Census report.

The Committee enquired when Stats SA (and the Ministry in the Presidency) will finalise the amendments to the Statistical Act to drive statistical coordination in the country.

The Amendment Bill was discussed at a Cabinet level. It has been approved and will be submitted to Parliament. Stats SA is waiting to see whether it will be introduced as a priority bill for 2023/2024.

The Committee enquired as to whether Stats SA has a staff retention program.

Stats SA relies on the DPME/DPSA strategy. The DPSA package strategy only allows for promotion within the level that the employee is at, for example, a notch increase. It is thus very restrictive. The focus is on short-term training programmes.

The Committee enquired as to why Stats SA has so many Acting positions, and how long it would take to fill the existing senior vacant positions.

There was no recruitment for five years, only internal promotions. There is currently a huge recruitment drive and continuous meetings with National Treasury to look at the vacancy rate. The current forecast is that Stats SA will exceed expenditure due to the recruitment drive and increases in levels 11 and 12. Two acting senior positions will be finalised shortly, and two will be concluded at a later stage, in consultation with National Treasury.

6. RECOMMENDATIONS

The Select Committee recommends that Stats SA, through the Minister in the Presidency, gives attention to the following activities:

Finalise the legislative process: Stats SA should expeditiously finalise and table amendments to the Statistics Act (1999) to drive statistical reform in the country timeously to Parliament. The amendments of the Act should firmly respond to the evolving environment, with particular emphasis on statistical coordination, the data revolution, state-wide statistical service and institutional arrangements.

Strengthen capacity building and inter-governmental relations: Stats SA should consider adopting a programme aimed at capacitating all government departments and local government on key statistical findings to assist all spheres in planning, policy-making, evidence-based decision-making and budgeting.

Reduce vacancies: The vacancy rate of 20.7% has to be drastically reduced by undertaking a recruitment drive to strengthen the departmental workforce to continue producing quality, reliable and timeous statistics for the nation and the international world.

Initiate gender mainstreaming and development internally: Stats SA should prioritise balancing its employment equity targets by ensuring capable women are appointed to senior management positions.

Contribute to youth economic development: Stats SA should commit to a certain percentage of youth being equipped with the necessary skills and employed.

Find plausible funding strategies: Stats SA should develop and/or find plausible and cost-effective funding strategies for implementing surveys.

Explore efficient data collection and dissemination tools: Stats SA should explore efficient ways of collecting data and disseminating it to the relevant sectors and the public. However, it should ensure that the efficient methods are effective and do not compromise data quality and the capacity of employees. In addition, Stats SA should use systems that do not compromise the reliability and validity of collected data.

7. CONCLUSION

The Committee recognises that statistics are a vital source that should be used for evidence-based policy-making, planning, monitoring, evaluation and reporting. The Committee commends Stats SA for producing reliable and accessible statistics; and hopes to see official statistics used to plan and allocate fiscal resources. Further, the Committee encourages Stats SA to work closely with both the private and public sectors in developing and utilising the required skills in this field.

Unless otherwise indicated, Stats SA should respond to the Committee's recommendations within three months from the day the report is adopted by the House.

The Select Committee on Health and Social Services support Budget Vote 14.

Report to be considered