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PARLIAMENT

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REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

MONDAY, 14 MAY 2018

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National Assembly and National Council of Provinces

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(1) The ATC of 11 May 2018 indicated that the **Social Assistance Amendment Bill** [B 8 - 2018], introduced in the National Assembly and classified as a section 76 Bill, had also been classified as a Bill falling within the ambit of section 18(1) of the Traditional Leadership and Governance Framework Act, 2003 (Act No 41 of 2003). That entry was incorrect, and the Bill is not referred to the National House of Traditional Leaders.

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(1) **Civil Union Amendment Bill**, submitted by Ms D Carter, MP.

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National Assembly and National Council of Provinces

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COMMITTEE REPORTS

National Assembly

1. REPORT OF THE PORTFOLIO COMMITTEE ON SMALL BUSINESS DEVELOPMENT ON BUDGET VOTE 31 OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT FOR FINANCIAL YEAR 2018/19, DATED 10 MAY 2018

1. INTRODUCTION

The Portfolio Committee on Small Business Development ("the Portfolio Committee") having considered the Annual Performance Plans and Budget allocations of the Department of Small Business Development ("the Department") or ("DSBD") and its entities, Small Enterprise Finance Agency ("**sefa**") and Small Enterprise Development Agency ("Seda"), reports as follows **(10 May 2018): -**

1.1 Background

The Constitution of South Africa (Act No. 108 of 1996) recognises that the legislative authority has an important role to play in overseeing both the financial and non-financial performance of government departments and public entities. Section 27 of the Public Finance Management Act (No. 1 of 1999) makes provision for Ministers to table the annual budget for a particular financial year in the National Assembly before the start of that financial year. Whereas section 10(1)(c) of the Money Bills Amendment Procedures and Related Matters Act (No. 9 of 2009) makes provision for Ministers to table Strategic Plans and Annual Performance Plans for (APPs) their respective Departments, public entities or institutions, which must be referred to the relevant Portfolio Committees for consideration and adoption.

It is important for the strategic plans to be tabled within the stipulated period because the plans provide information for the budget appraisal process of the relevant Portfolio Committee. Strategic Plans identify strategically important outcome orientated goals and objectives against which public institutions medium-term results can be measured and evaluated by Parliament. Annual performance plans identify the performance indicators and targets that the institution endeavours to accomplish in the upcoming budget year. The annual performance plan shows funded service-delivery targets or projections. The annual budget sets out what funds an institution is allocated to deliver services and most importantly, indicates the resource envelope for the year ahead, and sets indicative future budgets over the Medium Term Expenditure Framework (MTEF). The budget covers the current financial year and the following two years.

At the beginning of each year following the State of the Nation Address (SONA) by the President, the Minister of Finance tables before Parliament, amidst great expectation and enthusiasm by South Africans, a detailed outline of the State's Budget: how much money will be or ought to be spent, on what, in that financial year. Thereafter, various government Departments present their budget votes before Parliament stipulating how they intend reconciling their resources with service delivery imperatives as outlined by the President of the Republic of South Africa in the State of the Nation Address. One of the main statutory functions of Parliament is to discuss, pass and oversee the State's Budget. The Department of Small Business Development Budget (Vote No. 31) was referred to the Portfolio Committee for consideration and reporting.

1.2 Purpose of the Budget Vote

The budget is a political and financial instrument that the government uses to ensure that its policy programmes are operationalised through the allocation of financial resources to the different spheres of government, specifically to programmes and projects. It reflects an outcomes centred public spending approach. It is further described as a tool that the government uses to evaluate the financing of its key policy objectives. It also used to evaluate whether the macro-economic perspectives of the Budget and the respective Budget Votes meet the requirements of government policies and give substance to the government’s five-year plan. Therefore, the purpose of Vote 31 for the Department is to promote the development of survivalist, small, micro, medium and co-operative enterprises that contribute to inclusive growth and job creation. In compliance with the referral by the National Assembly, the Portfolio Committee held briefings on April 25, 2018 with the Department of Small Business Development, Small Enterprise Development Agency and Small Enterprise Finance Agency to consider their annual performance plans and the Department budget vote.

1.3 Objectives of the Report

The objectives of the report are as follows: -

1.3.1 To describe and analyse the budget of the Department of Small Business Development over the 2018/19 financial year;

1.3.2 To report on its deliberations and consideration, which is essentially the unpacking and examining of the Department annual performance plan and its associated budget vote (Budget Vote 31) in relation to the strategic plan and;

1.3.3 To make recommendations concerning the endorsement, adjustment or rejection of budget vote 31 and any other recommendation regarding the implementation of the Department strategic plan.

1.4 The Portfolio Committee Process

The above exercise explains the significance of the budget and strategic plan process in the calendar of Parliament and the requirement for departments to table these on time to ensure that Parliament is provided with information required for its oversight work. On the of March 2018, the Minister of Small Business Development tabled to Parliament the annual performance plan of the Department for 2018/19 including for the entities, **sefa** and Seda for corresponding financial years for consideration and report.

Upon referral of these instruments by the National Assembly, the Portfolio Committee scheduled two extended briefing sessions, first with the Department of Public Service Administration (DPSA) on Wednesday 18 of April 2018, with second session held on Wednesday the 25th of April with the Department of Small Business Development, Small Enterprise Finance Agency and Small Enterprise Development Agency so as to afford them an opportunity present their annual performance plans and budget for the following financial years.

The engagements considered the past performance of the Department of Small Business Development and its entities. Minister Lindiwe Zulu could not make it to both sessions due to erstwhile commitments, Deputy Minister Cassel Mathale briefly attended the session on April 25, while the delegation was led by the Director General Prof Edith Vries, Accounting Authorities and Chief Executive Officers from the agencies. The Committee's consideration of Vote 31 involved a robust engagement with the leadership from the Department and the Director-General, Prof Edith Vries, on 25 April 2018 where they provided the context within which the Department and its entities annual performance plan(s) had been developed and presented. The budget was deliberated against the Departments strategic plan and government priorities as captured in the National Development Plan (NDP), Medium Term Strategic Framework (MTSF), New Growth Path (NGP) and State of the Nation Address (SONA) within the prevailing economic conditions, which can best be defined as tough, but stable.

2. OVERVIEW OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

2.1 Aim and Purpose of the Department

To support the radical transformation of the economy through the promotion and development of sustainable and competitive entrepreneurs, small businesses and co-operatives, that contribute to job creation and economic growth.

2.2 The mandate of the Department

The mandate of the Department is "to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, small businesses and co-operatives, and ensure an enabling legislative and policy environment to support their growth and sustainability".

2.3 Legislative and Policy Mandates

The directive of the Department is primarily premised on diverse sections of legislations and policies such as the White Paper on National Strategy for the Development and Promotion of Small Business (1995), Small Business Development Act (1980), National Small Business Act (1996), as amended in 2004, Companies Act (2008), Close Corporation Act (1984), Co-operatives Act (2005), Co-operatives Amendment Act (2013), Industrial Development Corporation Act (1940), Business Act (1991), Broad Black Business Economic Empowerment Act (2003), National Empowerment Fund Act (1998), Preferential Procurement Policy Framework Act (2011), Local Government Bylaws, Youth Enterprise Development Strategy, Strategic Framework on Gender and Women Empowerment Strategy, Innovation and Technology Strategy, National Development Plan (NDP), New Growth Path (NGP), the Industrial Policy Action Plan (IPAP), Agricultural Policy Action Plan (APAP) and 2014-2019 Medium Term Strategic Framework (MTSF).

2.4 Vision of the Department

A radically transformed economy through integrated and effective enterprise development and entrepreneurship promotion.

2.5 Mission of the Department

The coordination, integration and mobilisation of efforts and resources towards the creation of an enabling environment for the growth and sustainability of small businesses and co-operatives.

2.6 Values

The values and principles that underpin the DSBDs pursuit of its vision and mission are shared across the three entities, and are predicated on the principles of Batho-Pele as follows: -

- Innovation;
- Integrity;
- Professionalism;
- Customer-centric and;
- Commitment.

2.7 Strategic Outcome-Oriented Goals

2.7.1 Planning and policy coherence in the sector that promotes an enabling ecosystem for SMMEs and co-operatives;

2.7.2 Equitable access to responsive and targeted products and services that enable the growth and development of SMMEs and co-operatives;

2.7.3 An enhanced contribution to socio-economic development outcomes by the sector;

2.7.4 Sound governance and the optimal utilization of available resources;

2.7.5 A professional and capacitated small business development sector.

2.8 Proposed Programme Structure (2018/19)

Table 1: Proposed Programme Structure

PROGRAMME NO.	PROGRAMME NAME	SUB-PROGRAMMES
Programme 1	ADMINISTRATION	1) Ministry 2) Departmental Management (Office of the DG) 3) Corporate Management 4) Financial Management 5) Communications and Marketing
Programme 2	SECTOR POLICY AND RESEARCH	1) Research 2) Policy and Legislation (including IGR and Coordination) 3) International Relations and Trade Promotion 4) Monitoring and Evaluation
Programme 3	INTEGRATED CO-OPERATIVES DEVELOPMENT	1) Co-operatives Development 2) Co-operatives Programme Design and Support 3) Supplier Development and Market Access Support
Programme 4	ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP	1) Enterprise and Supplier Development 2) SMME Programme Design and Support 3) SMME Competitiveness 4) Entrepreneurship

Source: DSBD 2017 Strategic Plan

3. EXPENDITURE ANALYSIS BASED ON ESTIMATES OF NATIONAL EXPENDITURE

The Department's total expenditure over the MTEF period, including transfers to the Small Enterprise Development Agency, is expected to increase at an average annual rate of 22.6 per cent, from R1.5 billion in 2017/18 to R2.7 billion in 2020/21. This increase is mainly due to a Cabinet approved additional allocation of R2.1 billion over the term for the proposed small Enterprise Development Fund (EDF), which is expected to commence in 2019/20 financial year. Meanwhile, the Cabinet approved a baseline reduction of R131.1 million to the Department's budget over the MTEF period. This is likely to affect transfers to the agency by R123 million, and the Administration programme by roughly R8 million. To mitigate the impact of these reductions, the Department and the agency have been cautioned to implement stringent cost containment measures on areas that have negligible impact on service delivery.

3.1 Evaluating and Reviewing the Policy and Strategy

The information submitted to National Treasury on this indicator has not changed from the one submitted the previous financial year where the Department had planned to review the National Small Business Act (1996) and the Co-operatives Amendment Act (2013). The Department is also evaluating and revising the 2005 Strategy for the Development of Small Businesses and Entrepreneurship. The evaluation will allow for an evidence-based review of the strategy to ensure that it is relevant and responsive to business cycles, recent economic activities, and the socio-economic effects of high unemployment, inequality and poverty. To carry out these and other related activities, the department has provided R71 million over the medium term in the Sector Policy and Research programme

3.2 Increasing Support for Small Enterprises

The Department plans to continue to support black-owned small enterprises through, among others, Black Business Supplier Development Programme (BBSDP), which offers a cost sharing grant to small enterprises to acquire tools, machinery, equipment and business development training to a maximum of R1 million per applicant. An estimated 2 192 small enterprises are expected to benefit from the programme between 2018/19 and 2020/21 through an allocation of R858.9 million in the Enterprise Development and Entrepreneurship programme. The Department will deliver some of its programmes through the Small Enterprise Development Agency that is mandated to implement government's small business strategy. The agency's activities are funded through transfers from the department in the Enterprise Development and Entrepreneurship programme, which amount to R2.4 billion (36 per cent the department's total budget) over the MTEF period.

3.3 Developing and Supporting Co-operatives

The Department will continue providing financial support to cluster co-operatives through the Co-operatives Incentive Scheme (CIS) to a maximum of R1 million per applicant for primary co-operatives and R10 million per applicant for secondary co-operatives. The scheme intends to improve the viability and competitiveness of an estimated 232 cluster co-operatives over the MTEF period through the provision of working capital to lower the cost of doing business. Allocations to the scheme are set to increase at an average annual rate of 5.6 per cent, from R78.8 million in 2017/18 to R92.8 million in 2020/21, in the Co-operatives Programme Design and Support subprogramme in the Integrated Cooperative Development programme.

The department plans to host the annual International Cooperatives Day during the second quarter of each financial year over the medium term. The event will bring together cooperatives from all provinces and the Southern African Development Community to contribute to discussions and share latest methodologies to build the cooperatives movement. These events will provide such organisations with a platform through which they can access procurement and market opportunities in the public and private sectors. The event is budgeted for in the Co-operative Programme Design and Support subprogramme in the Integrated Co-operatives Development programme.

4. POLICY PRIORITIES FOR 2018/19

4.1 National Development Plan

The Department of Small Business Development was established in 2014 with an inclusive mandate of developing survivalist, small, micro, medium and co-operative enterprises ("Small Business") as defined in the National Small Business Act, 1996. It plays a vital role towards the implementation of chapters three (3) and six (6) of the National Development Plan (NDP) that deal with the economy and employment as well as rural inclusive growth. The NDP is the country's vision, with a target of creating 9.9 million new jobs from small businesses by 2030. The NDP identifies the important role that small, medium, micro and co-operative enterprises play in inclusive economic growth and employment. The plan articulates the benefits of increased coordination and support, incubation, and reduced costs of regulatory compliance for small enterprises to achieving a transformed and inclusive economy. Central to meeting the vision enshrined in the NDP is the implementation of the New Growth Path (NGP), the Industrial Policy Action Plan (IPAP) and the National Infrastructure Plan.

4.2 New Growth Path

The Department has a responsibility to implement various policy propositions for growth, decent employment and equity as captured in the New Growth Path (NGP). The NGP aims to create five (5) million jobs by 2020, and also forge a new and more inclusive, as well as labour intensive and efficient economy. According to the NDP (2011: 117), "the NGP is the government's key programme to take the country onto a higher growth trajectory". Of specific interest to the Department are three microeconomic policy propositions advocated in the plan, namely: -

4.2.1 Rural Development Policy

- emphasis on rural development and agricultural value chains;

4.2.2 Enterprise development in particular the promotion of entrepreneurship

- creation of one stop shop and single funding agency;
- strict adherence to a 30-day payment period or fiscal penalties for non-compliance;
- elimination of red-tape and;
- address exorbitant cost of space in shopping Malls;

4.2.2 Developmental Trade Policies

- Lobbying for a trade policy that endeavours to promote exports while addressing unfair competition against domestic producers i.e. recent developments on African Growth Opportunity Act (AGOA) being the latest example.

4.3 The Medium Term Strategic Framework

Following the adoption of the NDP, Cabinet decided in 2013 that the 2014-2019 MTSF should form the first five-year implementation phase of the NDP and mandated work to begin on aligning the plans of state organs with the NDP vision and goals. Thus, for the next five years the MTSF has made some priorities aimed at achieving radical socio-economic transformation through decent employment and inclusive growth. These focus areas will form an integral part in achieving set targets aiming to a radically socio-economic transformation. The Department of Small Business Development has been assigned to champion some of the priorities, namely, outcome four (4): Decent employment through inclusive growth, and outcome seven (7): Rural development. Key targets for the MTSF include:-

- An increase in the gross domestic product (GDP) growth rate from 2.5 percent in 2012 to 5 percent in 2019;
- An increase in the rate of investment to 25 percent of GDP in 2019;
- The share in household income of the poorest 60 percent of households rising from 5.6 percent in 2011/12 to 10 percent in 2019 and;
- A decrease in the official unemployment rate from 25 percent in 2013 to 14 percent in 2020.

4.3.1 Outcome Four

Outcome four proposes that employment intensive programmes and initiatives will receive top priority, especially those that target youth and women. According to the Strategic Plan of the Department the key sub-outcomes and the actions which constitute five-year plan and corresponding annual performance plans are sub-outcomes three (3), five (5) and eight (8).

4.3.2 Outcome Seven

Outcome seven’s overarching theme is ‘vibrant, equitable, sustainable rural communities contributing towards food security for all’ but the main areas of contribution for the Department is on sub-outcome six (6) “growth of sustainable rural enterprises and industry – resulting in rural job creation”.

4.4 State of the Nation Address

In the 2018 State of the Nation Address (SONA), President Matamela Ramaphosa impressed on a number of fundamental policy proposals to invigorate the small business sector. According to the Bureau for Economic Research (BER), out of 26 key promises made in the SONA 2018, the new administration has so far delivered on 19 points. Some of these undertakings in as far as the small business sector is concerned, include but not limited to: -

- He stressed that "Radical economic transformation requires that we fundamentally improve the position of black women and communities in the economy, ensuring that they are owners, managers, producers and financiers";
- The President further asserted that, "ultimately, the growth of our economy will be sustained by small businesses, as is the case in many countries. It was therefore our shared responsibility to grow this vital sector of the economy";
- He reiterated 2017 SONA assurances that government will honour its undertaking to set aside at least 30 percent of public procurement to SMMEs, co-operatives and township and rural enterprises;
- The government will continue to invest in small business incubation and encouraged big business to do the same;
- He applauded the establishment through the CEOs Initiative of a small business fund – which currently stands at R1.5 billion – as an outstanding example of the role that the private sector can play.

4.5 Planned Policy Initiatives

The Department has deferred all its planned policy initiatives for 2015/16, 2016/17 and 2017/18 to 2018/19 financial year. Obviously, these, particularly the review of the National Small Business Act and Co-operatives Act which by the way does not form part of the DSBD policy initiative or deliverable for the current financial year, have direct sway on the work, programme and budget of the Portfolio Committee. More so considering that the term of the Fifth Parliament ends in 2019. Also, in terms of the Portfolio Committee five-year strategy, the Committee had foresaw or recommended designing of the franchising regulations in order to curb the market domination and abuse by the few players on the economy. It remains unclear if these will be accomplished within this term. Table 2 below highlight four such initiatives: -

Table 2: Planned Policy Initiatives

POLICY	INTENT
NATIONAL SMALL BUSINESS ACT (NO. 102 OF 1996	o Continue with the amendment of the Act in order to take into account latest shifts and trends in global and national economic and small business environment, and best practice in terms of small business development approaches; o In the process of ensuring its alignment to the act, the Department will seek to identify gaps, in partnership with industry, in pursuit of covering all aspects of required support to the small business sector.
INTEGRATED STRATEGY ON THE PROMOTION OF ENTREPRENEURSHIP AND SMALL ENTERPRISES	o The evaluation of this Strategy having been concluded by DPME in Mar-18, DSBD can commence the review the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises, in order to remain relevant and to accommodate recent economic activities and business cycles, and respond to identified trends and opportunities; o The review will primarily be informed by the Improvement Plan, which will be crafted in response to the findings and recommendations of the Evaluation Report; and to design programmes that are flexible and responsive to the vision of achieving radical economic transformation.
MIDTERM REVIEW OF THE CO-OPERATIVES STRATEGY (2012-20220:	o Conclude the Midterm Review of the Co-operatives Strategy (2012-2022)**,** which may result in a revision of the Strategy and will inform the development of an integrated approach to co-operatives development.
MONITORING AND REPORTING FRAMEWORK ON THE 30% SET-ASIDE POLICY	o The 2017 Public Sector Supply Chain Review confirmed that, in 2016/17, government spent over R700 billion on the procurement of goods and services, as well as construction works; o If a 30% of that money were to be directed to SMME's, as it is now provided for in the 2017 Regulations of the **Preferential Procurement framework Act,** it would make a significant contribution to the sustainability of the SMME and cooperatives sector; o Apart from supporting by National Treasury) in the development of the new Public Procurement Act , DSBD will develop guidelines as well as a monitoring and reporting framework to guide departments as to their engagement with this important matter.

Source: DSBD 2017 Strategic Plan

5. BUDGET ANALYSIS

The budget and Medium Term Expenditure Framework (MTEF) allocations below support and contribute to the four expanded Strategic Goals as captured in the Department Strategic Plan and the 2018/19 annual performance plan. This section will explore budget allocations per programme for the 2018/19 financial year. Table 3 below breaks down the budget allocation per programme for 2018/19 compared to allocations for the previous financial years. The Department's total budget allocation, which includes transfers to Small Enterprise Development Agency, is expected to increase from R1.4 billion in 2017/18 to R2.7 billion by 2020/21 financial year. As alluded to earlier, this increase is mainly due to a Cabinet approval of an additional allocation of R2.1 billion over the term for the proposed small Enterprise Development Fund (EDF), which is expected to start during 2019/20 financial year.

However, baseline reduction in all government departments as directed by National Treasury will certainly influence few of the DSBD programmes. Most importantly, Seda MTEF budget allocation has been reduced by 5 percent from 2018/19 to 2020/2021 financial year. Accordingly, a number of strategic initiatives i.e. incubation expansion and one municipality one programme (OMOP) will have to be postponed or deferred due to limited resources. The Department's budget is dispersed across the following four programmes: -

- Programme 1: Administration;
- Programme 2: Sector Policy and Research;
- Programme 3: Integrated Co-operatives Development and;
- Programme 4: Enterprise Development and Entrepreneurship.

Table 3: Consolidated Budget Summary 2018/19

PROGRAMME (R'000)	AUDITED OUTCOME			MAIN APPROPRIATION	MTEF		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
ADMINISTRATION	22 376	66 447	98 925	121 597	124 729	134 448	143 216
SECTOR POLICY AND RESEARCH	11 707	11 692	13 848	18 107	22 413	23 546	25 031
INTEGRATED COOPERATIVES DEVELOPMENT	88 821	89 727	92 568	106 799	111 034	117 743	124 674
ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP	1 002 632	931 026	991 700	1 229 259	1 230 277	2 298 715	2 426 530
TOTAL	**1 125 536**	**1 098 892**	**1 197 041**	**1 475 670**	**1 488 453**	**2 574 452**	**2 719 451**

Source: DSBD Annual Performance Plan

Compared to the previous financial year, DSBD budget registered negligible increase to R1.48 billion from R1.47 billion. The bulk of the allocation of R1.2 billion goes to a new programme four (4), owing to transfers payable to Seda of R769 million. The agency's provision constitutes 52 percent of DSBD budget of R1.4 billion. Possibly, the variation that the Portfolio Committee has consistently been opposed to is the substantial allocation of DSBD budget to Programme 1 (Administration), a mere support function, which despite the budget cuts, its apportionment increased from R121 million in 2017/18 to R124 million in 2018/19 and, anticipated to reach R143 million during 2020/21 financial year. This is in spite of the vacancy rate target range of 10 percent having gone up to 11.9 percent from 9.8 percent during the previous financial year. Contrasted with the Department's three other core programmes, 2 - 4, each programme correspondingly received R22 million, R111 million and R1.2 billion.

5.1 Programme 1: Administration

The purpose of Programme 1 is to provide strategic leadership, management and support services to the Minister, Director-General, the Department and its entities. The programme is responsible, among others, for making certain that sound governance is in place, enhanced contribution to socioeconomic development outcomes, professional and capacitated small business development sector as well as guaranteeing that limited resources are utilised optimally. Programme 1 has been allocated R402 million over the MTEF period. Of this human capital constitutes R218 million while operational contribution equates to R166 million. For the current financial year Programme 1 is projected to increase to R124 million from R121 million in 2017/18.

The amount of R124 million allocated to the Programme during the current financial year is set to be appropriated among its sub-programmes which include, Ministry, Departmental Management, Corporate Services, Financial Management and Communications. According to the Department strategic plan the main cost drivers over MTEF beside human capital are in operations, wherein R58.7 million has been set aside for office accommodation, R32.4 million for travel and subsistence, and R27.1 million for the stabilisation of information and communications technology ("ICT") in the Department. Table 4 below provides an overview of the programme expenditure estimates for 2018/19 financial.

Table 4: Expenditure Estimates – Programme 1

Programme 1: Administration (R'000)	Audited outcome			Adjusted appropriation	Medium-Term Expenditure Estimates		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Ministry	22 376	29 898	29 691	33 102	29 176	30 729	32 924
Departmental Management	0	15 232	14 514	19 312	19 976	21 041	22 489
Corporate Services	0	21 317	33 456	46 956	51 178	56 220	60 295
Financial Management	0	0	14 929	15 186	17 541	19 275	19 901
Communications	0	0	6 335	7 058	6 858	7 183	7 607
Total	**22 376**	**66 447**	**98 925**	**121 614**	**124 729**	**134 448**	**143 216**
Economic classification							
Current payments	**21 264**	**63 479**	**96 022**	**116 840**	**119 135**	**128 674**	**137 149**
Compensation of employees	11 407	34 591	52 230	65 115	67 615	72 742	78 259
Goods and services	9 857	28 888	43 792	50 725	51 520	55 932	58 890
Transfers and subsidies	**0**	**0**	**25**	**0**	**0**	**0**	**0**
Households			25	0	0	0	0
Payments for capital assets	**1 112**	**2 968**	**2 878**	**5 774**	**5 594**	**5 774**	**6 067**
Transport equipment	1 080	0	0	3 000	0	0	
Other machinery and equipment	32	2 951	2 850	2 774	5 594	5 774	6 067
Software and other intangible assets	0	17	0	0	0	0	0
Payments for Financial Assets			28				
Total	**22 376**	**66 447**	**98 925**	**121 614**	**124 729**	**134 448**	**143 216**

Source: DSBD Annual Performance Plan

5.2 Programme 2: Sector Policy and Research

The purpose of Programme 2 is to create an enabling environment for the development and growth of sustainable small businesses and co-operatives through, among others, commissioning of research, development and review of policies and legislation(s), coordination and promotion of sound intergovernmental relationships, promoting the sector interests in the regional and global arena, as well as effective monitoring and evaluation of programmes to ensure the desired impact is achieved in contributing toward the creation of employment and economic growth. The budget allotted to this programme over the MTEF period is R70.9 million. It has four (4) sub-programmes, namely, Research, Policy and Legislation, International Relations and Trade, as well as Monitoring and Evaluation. For the current financial year the programme is allocated R22 million. Table 5 below is a brief indicative what each subprogramme will receive.

Table 5: Expenditure Estimates – Programme 2

Programme 2 (R'000)	Audited outcome			Adjusted appropriation	Medium-Term Expenditure Estimates		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Research	0	0	0	0	7 521	7 628	8 493
Policy and Legislation	11 707	11 692	13 644	7 229	4 852	4 947	4 940
Monitoring and Evaluation	0	0	0	6 657	2 887	3 166	3 326
International Relations	0	0	204	4 112	7 153	7 805	8 272
Total	**11 707**	**11 692**	**13 848**	**17 998**	**22 413**	**23 546**	**25 031**
							Economic classification
Current payments	**11 640**	**11 675**	**13 813**	**17 998**	**22 357**	**23 490**	**24 975**
Compensation of employees	9 783	9 908	10 252	10 799	10 779	10 819	11 627
Goods and services	1 857	1 767	3 561	7 199	11 578	12 671	13 348
Transfers and subsidies	**22**	**0**	**0**	**0**	**0**	**0**	**0**
Households	22	0	0	0	0	0	0
Payments for capital assets	**45**	**17**	**35**	**0**	**56**	**56**	**56**
Other machinery and equipment	45	17	35	0	56	56	56
Total	**11 707**	**11 692**	**13 848**	**17 998**	**22 413**	**23 546**	**25 031**

Source: DSBD Annual Performance Plan

5.3 Programme 3: Integrated Co-operatives Development

The Programme is accountable for creation of a conducive environment that facilitates the establishment, growth and development of co-operative enterprises through the development and review of legislation and policy, design, piloting and monitoring the impacts of support services and instruments, championing of functional partnerships and co-operation agreements, and the advocacy and thought leadership in advancing economic growth, job creation and social cohesion. The Programme has three subprogrammes, namely, Co-operatives Development, Co-operatives Programme Design and Support, as well as Supplier Development and Market Access Support. As a guardian of the Co-operatives Act, the Programme is responsible for providing leadership and implementation and governance oversight of the institutional arrangements arising from the Act.

During the MTEF period the Programme has been allocated R353 million, of which R111 million has been earmarked for the current financial year. The main cost drivers for the Programme are transfers to the tune of R264 million to, among others, CIS beneficiaries. The amount of R64.5 million has been allocated to human capital while R24.7 million has been assigned for operational requirements. The focus of the programme over the medium term will be on delivery of financial and non-financial support to co-operative enterprises.

Table 6: Expenditure Estimates – Programme 3

PROGRAMME 3 (R'000)	AUDITED OUTCOME			ADJUSTED APPROPRIATION	MEDIUM-TERM EXPENDITURE ESTIMATES		
	2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Cooperatives Development	3 393	3 949	6 847	7 976	10 728	11 871	12 667
Cooperatives Programme Design and Support	85 428	85 778	76 136	90 545	94 406	99 709	105 426
Supplier Development and Market Access Support			9 585	8 278	5 900	6 163	6 581
Total	**88 821**	**89 727**	**92 568**	**106 799**	**111 034**	**117 743**	**124 674**

							Economic classification
Current payments	**13 821**	**14 696**	**28 689**	**28 049**	**27 682**	**29 724**	**31 815**
Compensation of employees	11 647	13 375	23 554	22 546	19 768	21 544	23 170
Goods and services	2 174	1 321	5 135	5 503	7 914	8 180	8 645
Transfers and subsidies	**75 000**	**75 019**	**63 879**	**78 750**	**83 318**	**87 984**	**92 823**
Public Corporations	75 000	75 000	63 879	78 750	83 318	87 984	92 823
Households	0	19	0	0	0	0	0
Payments for capital assets	**0**	**12**	**0**	**0**	**34**	35	36
Other machinery and equipment	0	12	0	0	34	35	36
Total	**88 821**	**89 727**	**92 568**	**106 799**	**111 034**	**117 743**	**124 674**

Source: DSBD Annual Performance Plan

5.4 Programme 4: Enterprise Development and Entrepreneurship

During the MTEF planning, Programme 3, which focused on both on co-operatives and SMME support, was split into two budget programmes three and 4. Programme 4 is responsible for shaping a vibrant and suitable ecosystem for the development and growth of sustainable small businesses through various interventions i.e. the development and review of legislation and policy, the design, piloting and monitoring of the impact of support services and instruments, the promotion of local economic development and entrepreneurship, championing functional partnerships, and advocacy and thought leadership in advancing economic growth and job creation. One of the key and immediate deliverable for the Unit is the finalisation of the review of the National Small Business Act, implementation and institutionalisation of the Act.

Programme 4 has been allocated R5.9 billion over the MTEF with a sizeable portion of this amount going to Seda. The spending focus for the Enterprise Development and Entrepreneurship Programme over the medium term will be on the four (4) subprogrammes constituting the Programme, namely, Enterprises and Supplier Development Programme, SMME Programme Design and Support, SMME Competitiveness and Entrepreneurship. For the current financial year 2018/19 the Programme has been allocated R1.2 billion.

Table 7: Expenditure Estimates – Programme 4

Programme 4 (R'000)	Audited outcome			Adjusted appropriation	Medium-Term Expenditure Estimates		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Enterprise Development and Supplier Development	681 234	652 836	675 944	794 152	787 078	835 959	875 434
SMMEs Programme Design and Support	288 729	235 635	282 540	268 545	290 968	1 307 266	1 379 581
SMME Competitiveness	32 669	42 555	12 816	91 023	89 427	91 141	103 487
Entrepreneurship	0	0	20 400	75 539	62 804	64 349	68 028
Enterprise Development and Supplier Development	**1 002 632**	**931 026**	**991 700**	**1 229 259**	**1 230 277**	**2 298 715**	**2 426 530**
							Economic classification
Current payments	**54 158**	**47 603**	**40 136**	**41 800**	**51 893**	**54 343**	**58 361**
Compensation of employees	40 916	35 259	27 986	33 992	42 648	46 703	50 241
Goods and services	13 242	12 344	12 150	7 871	9 245	7 640	8 120
Transfers and subsidies	**948 020**	**883 230**	**951 492**	**1 187 396**	**1 178 280**	**2 244 263**	**2 368 056**
Departmental agencies and accounts	644 398	622 835	652 914	767 301	769 452	815 861	854 167
Public Corporations	287 302	243 625	298 409	420 095	408 828	1 428 402	1 513 889
Non-profit institutions	16 320	16 726	100	0	0	0	0
Households		44	69	0	0	0	0
Payments for capital assets	**454**	**193**	**72**	**0**	**104**	**109**	**113**
Other machinery and equipment	454	193	72	-	104	109	113
Total	**1 002 632**	**931 026**	**991 700**	**1 229 259**	**1 230 277**	**2 298 715**	**2 426 530**

Source: DSBD Annual Performance Plan

SMALL ENTERPRISE DEVELOPMENT AGENCY

6. MANDATE

Small Enterprise Development Agency (SEDA) is an entity of the Department of Small Business Development whose mandate include, inter alia, developing, nurturing, supporting and promoting small business ventures throughout the country, whilst ensuring their growth and sustainability in a harmonised fashion with various stakeholders. The Minister of Small Business Development is the executive authority of the agency and as such exercise oversight role over the agency as prescribed by the Public Finance Management Act. SEDA was conceptualised in 2004, through amendment of the National Small Business Act, amendment Act 29 of 2004, which essentially made provision for the incorporation of the Ntsika Enterprise Promotion Agency, the National Manufacturing Advisory Centre and any other designated institutions into a single Small Enterprise Development Agency under the Department of Trade and Industry (**the dti**). It is a schedule 3A national public entity in terms of the Public Finance Management Act (PFMA), Act 1 of 1999, as amended, and incorporated as a company in terms of the Companies Act, 2008.

7. LEGISLATIVE AND OTHER MANDATES

A broad legislative framework as outlined below governs Seda's work:-

Table 8: Seda Legislative Framework

	Name of Act	Purpose
1.	National Small Enterprise Act, No. 102 of 1996 amended by the National by the National Small Business Amendment Act, No. 29 of 2004	o To provide for the establishment of the Advisory Body and the Enterprise Promotion Agency; and; o To provide guidelines for organs of state to promote small business in the Republic; and to provide for matters incidental thereto.
2.	Occupational Health and Safety Act, No. 85 of 1993	o To provide for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery; o The protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work; o To establish an advisory council for occupational health

3.	Public Finance Management Act, No. 1 of 1999	o To regulate financial managenemtn in the national and provincial government; o To ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively and; o To provide for the responsibilities of persons entrusted with financial management in those governments and to provide for matters connected therewith.
4.	Cooperatives Act, No. 14 of 2005	o To provide for the formation and registration of co-operatives; the establishment of a co-operatives' advisory board; the windingup of co-operatives; the repeal of Act 91 of 1981; and connected matters.
5.	Basic Conditions of Employment Act, No. 75 of 1997	o To give effect to the right to fair labour practices referred to in section 23(1) of the Constitution by establishing and making provision for the regulation of basic conditions of employment; and thereby to comply with the obligations of the Republic as a member state of the International Labour Organisation; and to provide for matters connected therewith.
6.	Income Tax Act, No. 58 of 1962	o To consolidate the law relating to the taxation of incomes and donations, to provide for the recovery of taxes on persons, to provide for the deduction by employers of amounts from the remuneration of employees in respect of certain tax liabilities of employees, and to provide for the making of provisional tax payments and for the payment into the National Revenue Fund of portions of the normal tax and interest and other charges in respect of such taxes, and to provide for related matters.
7.	Labour Relations Act, No. 66 of 1995	o To facilitate the granting of organisational rights to trade unions that are sufficiently representative; o To strengthen the status of picketing rules and agreements; to amend the operation, functions and composition of the essential services committee and to provide for minimum service determinations; o To provide for the Labour Court to order that a suitable person be appointed to administer a trade union or employers' organisation; o To enable judges of the Labour Court to serve as a judge on the Labour Appeal Court; o To further regulate enquiries by arbitrators; to provide greater protection for workers placed in temporary employment services; o To regulate the employment of fixed term contracts and part-time employees earning below the earnings threshold determined by the Minister; o To further specify the liability for employer's obligations; and to substitute certain definitions, and to provide for matters connected therewith.
8.	Employment Equity Act, No. 55 of 1998	o To provide for employment equity; and to provide for matters incidental thereto.

9.	Promotion of Access to Information Act 2 of 2000	o	The purpose of this Act is to give effect to the constitutional right of access to any information held by the state, as well as information held by another person that is required for the exercise or protection of any right.
10.	Promotion of Administrative Justice Act 3 of 2000	o	The purpose of this Act is to give effect to the right to administrative action that is lawful, reasonable and procedurally fair and to the right written reasons for administrative action as contemplated in section 33 of the constitution of the Republic of South Africa, 1996 and to provide for matters incidental thereto.

Source: Seda Strategic Plan

8. SEDA STRATEGIC PILLARS

Vision

To be the centre of excellence for small enterprise development in South Africa.

Mission

To promote entrepreneurship and develop small enterprises by providing customised non-financial business support services that results in business growth and sustainability in collaboration with other role players.

Values

- Customer centricity;
- Nurturing;
- Innovation and;
- Responsible conduct.

Goal

Ensure that the small enterprise sector grows and increases its contribution to sustainable and equitable social and economic development, employment and wealth creation.

9. STRATEGIC OUTCOME ORIENTED GOALS

During the 2016/17 planning cycle the Department, SEDA and SEFA embarked on a joint planning process that culminated in the development of a Portfolio Strategic Framework 2015/16 - 2019/20 and will feed into an overall Strategic Framework for the entire Small Business Development Portfolio. The Framework has five Strategic Outcome Oriented Goals which are linked to the National Development Plan and the MTSF 2014-2019 Sub-Outcomes, which are: -

a) Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMMEs and co-operatives;
b) Equitable access to responsive and targeted products and services that enables the growth and development of SMMEs and co-operatives;
c) An enhanced contribution to socio-economic development outcomes by the sector;
d) Sound governance and the optimal utilisation of available resources and;
e) A professional and capacitated Small Business Development Sector.

The overall national outcomes that the DSBD and SEDA takes the cue from are the creation of decent employment through inclusive economic growth and vibrant, equitable sustainable rural communities contributing towards food security for all. The Results Based Management Framework below depicts how SEDA Strategic Themes links to the Strategic Oriented Outcome Goals, the expected intermediate and ultimate outcomes, as well as the government outcome of decent employment through economic growth.

9.1 Alignment of Strategic Themes and Outcomes

Table 9: Government Outcomes

Government Outcome 4: Decent employment through economic growth Government Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all			
Ultimate Outcome (Impact)	Increased contribution of small enterprises and co-operatives to the SA economy, and promotion of economic growth, job creation and equity.		
Intermediate Outcomes	o Increase in turnover of assisted small enterprises and co-operatives o Increased number of people employed in assisted small enterprises and co-operatives o Reduced mortality rate of assisted small enterprises and cooperatives		
SEDA Strategic Themes	Increased service delivery	Improved operational excellence	Increased stakeholder partnering

Source: SEDA Annual Performance Plan

10. SEDA PROGRAMME SUMMARY

Table 10: Programme Overview

Programmes	Purpose	Description
Programme 1: Enterprise Development	To support small businesses and cooperatives by providing them with needs based and growth oriented non-financial business development support, to ensure that their businesses are sustainable and contribute to the countries developmental goals of decreasing unemploy-ment and increasing economic contribution to GDP.	This programme is intended to support the achievement of the organisational capacity perspective of the balanced scorecard. By improving service access the organisation seek to ensure that supported enterprises and cooperatives are provided with business related information, advice, consultancy, training, coaching, mentoring and business development intervention to improve their business performance. These services aimed at providing solutions related to various business functions from production to human resources, finance, marketing, quality improvement and export development. Rural and township enterprises including cooperatives are prioritised by ensuring that must of the support offered is directed towards them
Programme 2: Seda Technology Programme	To provide technology and innovation oriented inter-ventions, including quality and product improvement support to small enterprises and cooperatives. To enable incubated clients to improve their survival rate beyond first challenging two years of business start-up by providing support to improve their product offering and other business development support.	This programme is intended to support the achievement of the organisational capacity perspective of the balanced scorecard. By improving service access the organisation seek to ensure that supported enterprises and clients are provided with incubation support, technological equipment and innovation support to improve their capacity and productivity. Another focus of the programme is to ensure that incubated clients are given tools to be self-sustainable post incubation period and are able to contribute meaningfully to the economy. The Quality and Standards interventions ensure that the products and services of the supported enterprises complies with the statutory and regulatory requirements and create market access.

Programme 3: Administration;	To provide strategic leadership and support to core delivery to ensure successful implementation of the organisations strategy. This includes monitoring organisations performance, strategic alignment with the shareholders expectations and capacitating the organisation to achieve its set objectives	This programme is intended to support the achievement of all the perspectives of the balanced scorecard i.e. organisational capacity, internal processes, finance and customer and stakeholder perspectives. By improving strategic alignment, stakeholder engagement, organisational performance increasing funding improving cost efficiencies including improving customer and stakeholder satisfaction the organisation seek to ensure that all non-core divisions are able to support, improve and optimise their functions to contribute effectively in the organisation performance.

Source: SEDA Annual Performance Plan

11. SEDA BUDGET ALLOCATION AND ANALYSIS

During the budget speech in February 2018, the Former Minister of Finance Malusi Gigaba announced far-reaching measures to curtail public spending to the tune of R85.7 billion. Of the R85.7 billion cut in government expenditure projected for the next three years, R53.4bn was peeled from national government budgets (particularly large programmes and transfers to public entities, at R30bn). The Department and its entities, Seda and **sefa**, were not spared from such budget cutbacks. Table 11 below details Seda's budget for the three year planning cycle as per the MTEF allocation. The agency's total budget for 2018/19 is R774 million down from R820 million in 2017/18 financial year. While Seda's MTEF allocation increased with R118,5 million from 2016/17 to 2017/18, for the current financial year this allocation has been cut by R123 million, an equivalent of five (5) percent from 2018/19 to 2020/21. According to the agency, this will certainly have implications on a number of strategic initiatives such as incubation expansion, the one municipality one product (OMOP) programme, and promotion of Seda's interventions in the key growth sectors that will either be delayed or postponed due to narrow resources.

Most of the fixed costs like office rental, goods and services increase with rates that are mostly above the rate of inflation, meanwhile the allocated budget amounts are increasing at minimal rates that are below the rate of inflation. This results in the amount available for programmes and projects being reduced accordingly as the total budget amount is limited. Seda has also experience reduced funding from partner organisations. Commitments have been made to service small enterprises and cooperatives in these areas, and Seda cannot close these service centres down due to reputational consequences. Seda is a service organisation and as such, needs to allocate adequate funds to the compensation of employees. The current allocation to compensation of employees is below the industry benchmark, due to available financial resources. The process of migrating programmes from the DSBD to Seda has not yet been finalised, and as such, the budget amounts associated with these programmes are not included in the tables below.

Table 11: Budget Summary (MTEF)

Income R'000	**Audited Figures**	**Draft**			
	FY 16/17	**FY 17/18**	**FY 18/19**	**FY 19/20**	**FY 2020/21**
SEDA- DSBD Budget from MTEF	481.5	575.8	580.2	648.2	677.7
STP-DSBD from MTEF Budget	152.3	176.5	159.2	167.7	176.5
External earnings	108.0	663.0	-	12.0	12.0
Other income	12.6	5.0	5.0	5.0	5.0
TOTAL INCOME	**754.4**	**820.3**	**774.5**	**832.9**	**871.2**
Expenditure R'000	**FY 16/17**	**FY 17/18**	**FY 18/19**	**FY 19/20**	**FY 2020/21**
Compensation of employees	300.2	330.3	352.6	376.4	401.8
Goods and services	453.6	472.0	403.1	436.8	448.8
Depreciation	18.3	18.0	18.8	19.7	20.6
Interest	-	-	-	-	-
TOTAL EXPENDITURE	**772.1**	**820.3**	**774.5**	**832.9**	**871.2**

Source: SEDA Annual Performance Plan

SMALL ENTERPRISE FINANCE AGENCY

12. MANDATE

The Small Enterprise Finance Agency (**sefa**) is a fairly new entity established in April 2012 through the amalgamation of South African Micro-Finance Apex Fund (SAMAF), Khula Enterprise Finance and Industrial Development Corporation's small business activities. It is incorporated as an entity in terms of the Companies Act of 2008 and Section 3(d) of the Industrial Development Corporation (IDC) Act, 1940, and thus a wholly owned subsidiary of the IDC. Section 3(d) of the IDC Act seeks "to foster the development of small and medium enterprises and co-operatives". The entity is ironically a schedule 2 (in line with the parent entity IDC) but not a schedule 3A entity like Seda. There are no provisions within the body of the PFMA dealing with subsidiaries as a corporate form, separate from their parent entities. Therefore, in a truest sense, the Minister of Small Business Development is not the Executive Authority and therefore her ability to exercise oversight responsibility over the agency as prescribed in the Public Finance Management Act is impaired.

13. LEGISLATIVE AND POLICY MANDATE

sefa's operations are governed and guided by a wide range of legislative requirements and government policies. The following are the key legislative instruments and government policies that inform **sefa**'s strategy and operational plans: -

Table 13: Applicable Legislations

National Legislation	Government Policy/Strategies
Industrial Development Corporation Act	White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995)
National Small Business Act (1996) as amended in 2004	Integrated Small Enterprise Development Strategy (2004)
National Credit Act	2011 State Owned Enterprise (SOE) Presidential Review
Financial Intelligence Centre Act (FICA)	New Growth Path (NGP)
Public Finance Management Act (1999, as amended)	Industrial Policy Action Plan (IPAP)
Treasury Regulation 29.1.3 requirements	National Development Plan (NDP)
Companies Act of 2011	Government's Medium Term Strategic Framework (MTSF) -Outcome 4: Create Decent Employment Through Inclusive Growth
Co-operatives Amended Act	
Short Term Insurance Act	
Consumer Protection Act, 2008	
Promotion of Access to Information Act, 2000	

Source: sefa APP 2018/19

13. SEFA STRATEGIC PILLARS

Vision

To be the leading catalyst for the development of sustainable small, micro, medium and co-operative enterprises through the provision of finance.

Mission

To provide simple access to finance in an efficient and sustainable manner to small, micro, medium and co-operative enterprises throughout South Africa by: -

- Providing loan and credit facilities to SMMEs and co-operative enterprises;
- Providing credit guarantees to SMMEs and co-operatives;
- Creating strategic partnerships with a range of institutions for sustainable SMMEs and co-operative enterprise development and support;
- Developing, through partnerships, innovative finance products, tools and channels to catalyse increased market participation in the provision of affordable finance.

Values

SEFAs values and guiding principles to deepen institutional culture and organisational cohesion are: -

- Kuyasheshwa: We act with speed and urgency;
- Passion for development: Solution-driven attitude, commitment to serve;
- Integrity: Dealing with clients and stakeholders in an honest and ethical manner;
- Transparency: Ensuring compliance with the best practice on the dissemination and sharing of information with all stakeholders;
- Innovation: Continuously looking for better ways to serve our customers.

Objectives

- Increase access and provision of finance to SMMEs and co-operatives and contribute towards job creation;
- Build an effective and efficient SEFA that is sustainable and performance driven.

14. ALIGNMMENT TO GOVERNMENT PRIORITIES

Pursuant to the 2016/17 and 2018/19 planning cycle, the Department, Seda and **sefa** embarked on a joint planning process that culminated in the development of a Portfolio Strategic Framework 2015/16 - 2019/20. This process feeds into an overall Strategic Framework for the entire Small Business Development Portfolio. Based on this framework, DSBD, **sefa** and Seda have agreed on five high level strategic outcome oriented goals for the period 2015/16 – 2019/20. The five high-level strategic outcome oriented goals, goal statements, national policy alignment and **sefa**'s contribution and goals are detailed below.

Table 14: Portfolio Strategic Outcomes Oriented Goals

	Portfolio Strategic Outcome-Orientated Goal	Goal Statement	National Policy Alignment	sefa Contribution and Role
1.	Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMMEs and Co-operatives.	The Portfolio will drive policy and planning coherence, and an enabling ecosystem in the sector, by: Providing direction and leadership to the sector broadly and across all 3 spheres of government. Leading evidence based legislative, regulatory and policy review and refinement. Leading and strengthening IGR mechanisms and fora to improve coordination with national departments, agencies, provinces and municipalities.	NDP and MTSF Sub-Outcomes: 4.3.2: Measure and reduce delays and unnecessary red tape around authorisations needed for provincial investments. 7.6.1: Promote sustainable rural enterprises and industries in areas with economic development potential.	sefa will implement streamlined business processes to reduce application turnaround times and customer complaints. 45% of sefa funding will be channelled to priority rural provinces (Limpopo, Mpumulanga, Northern Cape, Eastern Cape, Free State and North West)
2.	Equitable access to responsive and targeted products and services that enables the growth and development of SMMEs and Co-operatives.	The Portfolio will ensure equitable access to responsive and targeted products and services by: Coordinating and integrating support services to small businesses and Co-operatives, in particular those in townships and rural areas.	NDP and MTSF Sub-Outcomes: 4.5.2: Township and rural economies supported and report on the impact in terms of the number of business supported, value of the grant approved and geographic location of the supported businesses.	sefa's loan programmes are targeted at the following groups – youth, women, rural communities, township owned businesses and business owned by entrepreneurs with disabilities.
3.	An enhanced contribution to socio-economic development outcomes by the sector.	The Portfolio will enhance the sector's socio-economic contribution by: Monitoring and evaluating the impact of investments made in small business development and the sector's contribution to economic growth and job creation, to inform evidence-based decision-making. Strengthening support to ensure the mainstreaming of the sector into the formal economy.	NDP and MTSF Sub-Outcomes: Outcome 4: Decent employment through inclusive growth. Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all.	sefa contributes to socio economic development by: In the 2018/19 FY sefa will fund 72 200 SMMEs and Co-operatives and in the process facilitate 74 443 jobs.

4.	Sound governance and the optimal utilisation of available resources.	The Portfolio will ensure sound governance, effectiveness and efficiency in its operations	NDP and MTSF Sub-Outcomes: Secondary to Outcome 12: An efficient, effective and development-oriented public service.	sefa's Governance, Risks and Compliance programme is focussed at ensuring effective institutional management aimed at pro-actively identifying and mitigating institutional risks, compliance and the effective utilisation of resources.
5.	A professional and capacitated SBD Sector.	The Portfolio will build a cadre of capable and skilled professionals in the sector, and among its own staff Building human resource capacity and promoting a culture of high performance. Supporting efforts to promote an entrepreneurial culture across society.	NDP and MTSF Sub-Outcomes: Secondary to Outcome 5: A skilled and capable workforce to support an inclusive growth path.	sefa will invest in a National Mentorship Programme to support its funded clients during the investment phase.

Source: sefa APP 2018/19

15. SEFA PROGRAMME OVERVIEW

In order to ensure effective implementation of the Corporate Plan, the following programmes have been formulated:

Table 15: Strategic Programmes

Programme	Strategic Programmes	Strategic Initiatives
• Access to finance for SMMEs and Co-operatives;	• Informal Sector and Micro-Enterprise Finance;	• Roll out Fresh Produce Market Project to two additional geographical areas; • Consolidate and strengthen strategic partnerships in under-served provinces & roll out approved projects; • Support MFI growth and development, new product development and new partnerships; • Partner with private and public institutions to offer crucial business development services needed by informal business that sefa cannot provide directly; • Raise funds from external sources (Corporates and International Donors) and use those funds as equity/quasi equity in niche intermediaries with mandates closely aligned to sefa and donor funding partners to improve the sustainability of end users;

	• Direct Lending	• Increased Development Impact; • Improved Financial Sustainability; • Client-Centricity Towards Client-Sustainability; • Enhancing Operational Efficiencies and Effectiveness • Automation of front-end processes.
	• Wholesale SME Lending	• Improve the sustainability of end users through the use of equity/quasi equity to fund niche intermediaries with mandates closely aligned to sefa and donor funding partners; • Expand the Structured Finance Solution (SFS) offering, in partnership with Direct Lending; • Build value adding partnerships to expand outreach to under-served Provinces; • Increase revenues through leveraging government, DFI, Donor, and ESD Resources; • Managing costs by maintaining a lean Wholesale Lending structure; • Preserve capital in Wholesale Lending business.
	• Co-operatives'Lending	• Leverage financial and non-financial resources of other role players into a holistic framework; • Develop a "Co-operative Growth Eco-system Plan"; •
	• Khula Credit Guarantee	• Extend coverage to include a wider range of financial institutions and commercial suppliers of inputs to SMEs; • Introduce flexibility of terms and conditions to increase attractiveness of products and services to targeted SME financiers. The aim is to re-engineer the scheme to facilitate the attractiveness and ease of use by participating institutions (new agreements, enhanced business processes and systems); • Develop, pilot and market new products and services to facilitate increased uptake of the indemnity facility. The following products and services will be developed and implemented; • Introduce risk-based pricing – develop and use a risk based premium pricing model.
• Post Investment/ Workout and Restructuring Management;	• The primary objectives of the unit are to manage the loan portfolio by reducing the current high levels of impairments from 45% in 2017/2018 to 36% in the 2018/2019 financial year and reduce it further by 100 basis points over the MTEF period.	• Implement a pro-active monitoring approach in the identification of early warning signals for portfolio investments; • Workout and Restructuring; • Mentorship and business support programme to develop client sustainability; • Collections; • Delinquent Loan accounts.

• Build an efficient and effective sefa that is performance driven and sustainable.	• Financial Management, Supply chain and Compliance.	• Cost Management; • Cash Preservation & Cash Management; • Raise Additional Funding Through External Donors; • Improved Financial Integrity and Automation
	• Human Resource Management.	• Impact; • Sustainability; • Productivity; • Effectiveness.
	• Information and communication technology (ICT).	• Improved ICT governance; • Network/Infrastructure management; • Application development.
	• Corporate Strategy and Reporting.	• Corporate planning and reporting; • Research Management and Information Dissemination; • Project Management Office (PMO); • New Product Development.
• Build a strong and effective sefa brand emphasising accessibility to SMMEs.	• The role of Marketing and Communication is to position and market sefa, its products and services to SMMEs and Co-operatives and to facilitate strategic engagements with key stakeholders.	• Enhance the sefa brand emphasizing accessibility of its products and service to SMMEs and Co-operation Enterprises; • Customer Relationship Management; • Stakeholder Engagement; • Build an effective Internal Communication Platform.
• Compliance, Governance, Enterprise Risk Management and Internal Audit.	• Operational Risks.	• Promote sustainability of sefa operations; • Continued compliance with new regulations and legislation; • Effective Reporting.
	• Credit Risk Management.	• Credit risk Appetite; • Greater Alignment between credit and business; • Optimise credit portfolio reporting; • Better segmentation or diversification of portfolio; • Revise Pricing Framework for Direct and Wholesale Lending; • Risk Quantification Develop and maintain credit risk models.
	• Internal Audit	• Assurance on core sefa business processes; • Create a sound Control Environment and assist Management to achieve organisational goals; • Improve Internal Audit Productivity/Effectiveness; • Improve Risk Management and Governance processes;
	• Company Secretariat and DRM.	• Enhanced governance practices; • Enhanced guidance and secretarial support to Board and Committees; • Compliance with applicable laws, policies and procedures; • Automation; • Strengthen DRM to effectively Support business decisions.

	• Legal Services	• Contracting – Facilitate the drafting of loan agreement and amendments based on committee decisions; • Represent and facilitate the resolution of all sefa legal disputes; • Institute and facilitate the process of legal collection where funded clients has reneged on the contract agreements.
• Property Management.	• Properties management programme.	• Sale and transfer of Properties; • Effective and efficient administration of the property portfolio; • Ensure that the sefa property portfolio is preserved.

Source: SEFA Annual Performance Plan

16. FINANCIAL CONSIDERATIONS

sefa operations are funded by the following revenue streams: (a) interest and dividends from loans and advances, bank deposits and cash; (b) fee income; (c) property rental income: and (d) an annual government subsidy (the MTEF allocation). Total income over the planning period of 5 years amounts to R2.7 billion, comprising of personnel expenditure, movement in impairments, investment property expenditure and other operating expenditure (office rental, travel, marketing and advertising, management fees paid to fund managers and legal fees). The main source of income for **sefa** remains the MTEF allocation of R725 million over the MTEF period with an average annual increase 3 percent over the period.

The Board approved budget cycle over the years 2018/19 to 2022/23. This budget incorporates the drawdown from the IDC facility. The loan facility amounts to R921 million, at zero percent (0%) interest rate and no raising fees. The loan is subject to 60 (sixty) month capital moratorium thereafter the loan shall be paid over a 120 month period. First instalment shall be on the 61st month following the first drawdown. This loan will be used for on-lending purposed only. Even though the facility amount to R921 million, **sefa** anticipates withdrawing only R640 million during the five (5) year period ending 2022/23. The IDC loan draw down is necessitated by the worsening cash status of **sefa** with the depletion of cash resources over the 5-year period because of high staff costs, high impairments rates and a worsened properties portfolio.

17. OBSERVATIONS

Having reflected on the Department, **sefa** and Seda strategic plans, annual performance plans and budgets for 2018/19, the Portfolio Committee hereby register the following observations and recommendations for consideration by the Department: -

17.1 The creation of the Department of Small Business Development in 2014 reaffirmed prominence of the small business segment to South Africa's economy, and the hope that it can lead the way to a more thriving future. The Portfolio Committee welcomes DSBD efforts to continually forge strategic partnerships with stakeholders in both the public and private sector. It notes, however, that the pace at which these partnerships are pursued has been rather sluggish. For instance, the Department has not cemented relations with other likeminded Departments i.e. the Department of Social Development ("DSD") to empower indigent households in order to moderate their dependency on social allowances, as well as Cooperative Governance and Traditional Affairs ("COGTA") in the development of, among others, feasibility studies and master plans at a ward level. Such interventions are necessary to attract investments;

17.2 The Committee notes that during the course of the budget vote process at the start of 2017, it was briefed that, during the DSBD interaction with DPME and National Treasury back in November 2016 as regards its 2017/18 APP, the Department had subsequently been encouraged to review its 2017/18 APP to strengthen oversight role over the entities in order to reduce duplication of functions, to review its Budget Programme Structure to reflect its core functions which are the coordination and oversight of sector performance, and to reflect its contribution towards the priorities of the economic sector as reflected in the 2014 - 2019 MTSF and the NDP. However, owing to delays in the finalisation of the 2017/18 annual performance plan, the Department had to revert to implementing the approved start-up structure with effect from 1 April 2017. After that, the review of the strategic plan and the 2018/19 APPbegan in earnest, and the two were successively concluded sometime in 2017. The revised strategic plan, informing the 2018/19 annual performance plan and budget have both been considered by the Portfolio Committee;

17.3 The Committee notes that the process stated hereinabove was supplemented by redesigning of the organisational structure to ensure alignment with the approved budget structure for 2018/19. According to the Department (31: 2018/19 APP) the "proposed organisational structure still has to be consulted with the DPSA and approved before implementation. It is anticipated that the implementation of the new structure will commence during April 2018". Regrettably, it seems the Department has flouted Public Service Regulations, annulled its own commitment as expressed in the APP and went ahead to implement an organisational structure that has not been agreed to;

17.4 DSBD presentations, strategic plan and annual performance plan, were preceded by DPSA appearance before the Committee on Wednesday the 18th of April 2018. The Committee noted contradictory information between the two presentations with respect to the organisational structure. According to DPSA, while "the Department has finalised the proposed organisational structure, a pre- consultation meeting with the DPSA has been requested as soon as possible to assess the proposed organisational structure for core and support functions, prior to formal submission to the MPSA". This, therefore, implied that the review of the organisational structure was and still a work in progress. Whereas on the 25th of May 2018 the Department informed the Committee that the "redesign of the organisational structure and alignment to the mandate and approved budget structure for 2018/19 Financial Year is complete. The finalisation of the redesign is undertaken in consultation with Department of Public Service and Administration (DPSA) and National Treasury (NT)";

17.5 When presenting the revised strategic plan on Thursday 10 May 2018, the Director General reiterated that the organisational structure mentioned on 17.4 above, was in fact aligned to the revised strategic plan and has been approved by DPSA. However, upon validating this information with DPSA, the Committee was informed that "according to DPSA records the approved structure of DSBD is not aligned to the strategic plan signed on 28 February 2018". Communique to the Committee further argued that "since the date of the issuing the letter (October 2017) the DSBD has not consulted the DPSA as is requested in the letter and required in terms of PSR 25(2)(a)(i) so as to align the structure to the strategic plan". An accompanying lettershared with the Portfolio Committee, written by then Minister Faith Muthambi to the Minister of Small Business Development Lindiwe Zulu, the Department was advised to address the following four issues:-

- Alignment of the private office to chapter eight (8) of the Ministerial Handbook for Members of the Executive and Presiding Officers on the establishment of Private Office in support of Members;
- The Department should ensure effective use of existing capacity, promote efficient and economic use of resources;
- Employment of persons additional to the approved establishment should be reflected on the organisational structure, and;
- Consider the issues raised by the Portfolio Committee on Small Business Development in the developmental of the organisational structure.

17.6 The Department approved its own revised strategic plan without properly subjecting it to government practices as required in terms of the Public Service Regulation Section 25(2) (a) (i) which posits, "Based on the strategic plan of the department, an executive authority shall –

(a) determine the department's organisational structure in terms of its core mandated and support functions -

(i) in the case of a national department or national government component, after consultation with the Minister and National Treasury".

The process followed by the Department is not consistent with this provision. Furthermore, it appears that the Director General misinformed the Portfolio Committee when she actually confirmed that the organisational structure was endorsed by DPSA when in fact this was not the case. Ordinarily, the revised strategic plan of the Department was not even supposed to have been tabled without these processes having been fully exhausted and mutually concluded between DPSA and DSBD as prescribed by the act.

17.7 The Committee further notes other potentially contentious propositions in the revised strategic plan (49: Strategic Plan) i.e. transfer of Enterprise Incubation Programme (EIP) and Shared Economic Infrastructure Facility ("SEIF") to Seda, Informal and Micro Enterprise Development Programme ("IMEDP") and Black Business Supplier Development Programme ("BBSDP") to **sefa**, and Co-operatives Incentives Scheme ("CIS") to Co-operatives Development Agency ("CDA"), an entity that does not up till now exist. These issues have not been canvassed nor discussed with the Portfolio Committee. Yet they have massive repercussions on the structure and budget of the Department;

17.8 The Portfolio Committee is accordingly concerned that trilateral discussions involving DSBD, Seda and **sefa** have been initiated on migrating certain programmes that are said "to be in line with the DSBD's value proposition model which clearly delineates roles between the DSBD and its agencies (46: 2018/19 Seda APP)". The Portfolio Committee has no thorough comprehension of what these organisational proposals entail i.e. implications on the budget, personnel, organisational structure and services delivery model. The Committee is similarly concerned that not so long ago, it interrogated Seda's capacity to deliver on its mandate without excessive utilisation of consultants, which is currently the norm with the agency;

17.9 In relation to 17.7 and 17.8, the Committee has furthermore received an anonymous letter lambasting the authoritarian nature of the method followed by the Director General of the Department during the migration process. The letter raises a number of concerns such as the structure of the Department having taken more than three years to complete, "even now as I speak there is no structure with an approval signature of the Minister of DPSA, the Department has incurred a huge over-expenditure on goods and services, there is a desperate lack of capacity in CIS, Co-operative Unit and BBSDP, with only five officials expected to serve nine provinces as well as DG having announced that CIS, EIP, BBSDP and IMEDP will be migrated to agencies without proper, open and honest discussions with staff on this matter";

17.10 The Portfolio Committee is worried at the period elapsed since the Department was proclaimed in July 2014 to date in relation to the progress registered. The Committee appreciates that "the complexity of establishing an effective and efficient department is often underestimated" but does not entirely agree with this assertion. During its interaction with the Portfolio Committee on the 18th of April 2018, DPSA made it crystal clear to the PC that, at the most, the process of creating a new and fully functional Department should not exceed eighteen (18) months. We are in year four (4) since the Department was announced but there is still no approved organisational structure;

17.11 Other strategic matters that the Portfolio Committee has condemned since 2015 perhaps as a consequent of continuous restructuring of the Department include among others, the issue of vacancies. The Committee noted the Director General utterances during her presentation on the 25th of April 2018 equating as success the reduction of vacancy rate from 23 percent in September 2015 to 11.9 percent in March 2018. But in the same manner not indicating that this was beyond the DSBD target range of ten (10) percent, while also not addressing tenacious vacancies in the senior management level i.e. Deputy Director General and Chief Director rank which in the Portfolio Committee vantage point, upsets the proficiency of the Department. There is no clear plan from the APP by when these posts would be filled;

17.12 The Portfolio Committee has observed that over a period of time its recommendations are generally not incorporated in the annual performance plans of the Department, Seda and **sefa**. They are therefore not budgeted for and often fall between the cracks i.e. timelines of the advertisements of the Advisory Body was presented to the Committee by the Director General. An undertaken was made that the process would be completed before the end of 2017. In addition, a number of other recommendations with financial implications i.e. institutional support structures, remedial action plan on projects visited by the Committee i.e. Mpumalanga, Free State, Eastern Cape and KZN Abalimi pilot project were presented to the Committee but nothing is being done to implement them;

17.13 The programme review initiative referred to on the revised strategic plan that "was not well thought out and rushed, which is why there were no strong recommendations on the operations and programmes offered by the agencies" is a matter that the Portfolio Committee has consistently contended. For instance, some programmes were transferred and others discontinued i.e. Isivande Women's Fund, this was done in spite of the Portfolio Committee assessment that such programmes were aligned to the mandate of the Department and should therefore be retained;

17.14 For two consecutive financial years, the Committee recommendations specifically in regards to programme review have not been factored into the annual performance plans of the Department, Seda and **sefa**. As a result, in an attempt to reconciling the differing viewpoints between the Department and the Committee, the Department has appeared twice before the Committee, first during November 2015, and again on the 23rd of November 2016. Notwithstanding, the programme review remains an incomplete initiative or exercise in the agenda of the Portfolio Committee. It is accordingly reflected as such in the Portfolio Committee Tracking Tool;

17.15 The Department and its entities, **sefa** and Seda, do not seem to have a clear strategy on how to leverage 30 percent public sector procurement set aside. The Portfolio Committee has made numerous suggestions to the Department and its entities for consideration when formulating APPs. Nevertheless, it is negligible number of these recommendations that are incorporated in all three APPs. Recently, the Portfolio Committee was forced to release Market Access Unit of the Department due to poor workmanship and sheer lack of understanding and appreciation of the significance of the market access. A while back, during the 2016 and 2017 BRRR process, the Committee recommended that on market access interventions, the Department needs to provide adequate support to projects, both financial and non-financial, lead an integrated process of nurturing small enterprises from inception phase right up to spearheading market access intervention programmes. Market access, access to finance, skills development and red tape, are four notable areas in the life of an entrepreneur that requires DSBD fierce response and clear-cut strategy;

17.16 There are also no strategies or plans to "utilise strategic levers that are available such as legislation, regulations, licensing, budget and procurement as well as Broad-based Black Economic Empowerment charters" to influence the behaviour of the private sector and drive transformation as announced by the Former State President during 2017 SONA. This is even though the Portfolio Committee having recommended to the Department, during 2016 and 2017 BRRR as well as 2016 and 2017 Budget Vote reports, to forge strong partnerships with the private sector and facilitate conceptualisation of the Wholesale and Retail Charter which in terms of the Committee timelines, was due for accomplishment during Quarter 1 of 2017/18 financial year;

17.17 During the 2017 Budget Vote the Portfolio Committee noted that for three consecutive financial years, budget allocation for Programme 2, a core unit in the Department had been miniscule. During the 2017/18 financial year, it did not only receive the lowest allocation but was also slashed by R4 million, from R26 million to R22 million, which when combined only amount to less than 2 percent of the total Departmental budget – 0.8 per cent less than in 2016/17. While Programme 1, a mere support unit, its allocation increased from R98 million in 2016/17 to R121 million in 2017/18. This trend looks set to continue during the current financial year. Compared with the Department's three other core programmes, 2 - 4, each programme respectively received R22 million, R111 million and R1.2 billion while Programme 1 got R124 million;

17.18 The Portfolio Committee commends the Department's proposed separation of programme three (3), into programme three (3) and (4), with dedicated Deputy Director Generals. However, it is equally important to underline the amount constituting "transfers and subsidies", which at the face value, appears enormous. The Committee notes that out of R1.4 billion allocated to DSBD, R1.2 billion, roughly over 84 percent of DSBD budget, equates to transfers and subsidies with DSBD disbursing and administering just over R480 million (BBSDP, CIS, NIBUS and EIP), Seda R769 million and IDC R10 million. This brings into question the role of the Department and its measure of success or output i.e. whether it exists to dispense grants, incentives, facilitate transfers to agencies and/or management of consultants;

17.19 The Committee also noted transfers of R10 million to Industrial Development Corporation (IDC) towards Customised Sector Programme (CSP). The basis for this transfer to IDC instead of **sefa** or Seda had never been explained to the Committee until recently. Nevertheless, the Committee records and pleased that this function and budget will be transferred to Seda during the current financial year;

17.20 All policy initiatives planned for 2015/16, 2016/17 and 2017/18 have been deferred to 2018/19 financial year i.e. finalisation of the review of the National Small Business Act, revision of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and review of the Integrated Strategy on the

Development and Promotion of Co-operatives (2012 - 2022). While during the course of its existence, the Department has not contemplated to evaluate the Co-operatives Amendment Act (2013), Co-operative Development Policy for South Africa or adopted the Portfolio Committee recommendation(s) to craft, inter alia, the Franchising industry regulations as narrated in the five year strategic plan of the Portfolio Committee. Accordingly, the latter three policy related initiatives do not appear on the revised strategic plan of the Department and therefore not likely to be reviewed during the fifth Parliament. Coincidentally nonetheless, the annual performance plan of the Department (29:2018) does cite "the amendment of the National Small Business Act and Co-operatives Act as key deliverables for MTSF (the same MTSF which its lifespan ends in 2019)";

17.21 As above, the Portfolio Committee has been consistent in its call for the creation of institutional support structures, and went further to implore DSBD to engage National Treasury with a view to ascertaining how much it would cost to put up these institutional mechanisms. The Co-operatives Amendment Act (2013) proposed the creation of the Co-operatives Development Agency ("CDA"), Co-operatives Advisory Council ("CAC"), Co-operatives Tribunal ("CT") as well as Co-operative Development Fund ("CDF") as a statutory body reporting to CDA. Not one of the agency has been created. The Committee is concerned that consecutive draft annual performance plans submitted to National Treasury, which include budget bids, have unusually excluded appeals for the creation of these agencies;

17.22 Furthermore, the Portfolio Committee records that throughout the four (4) year period of DSBD existence, the Department has strangely not delivered the National Small Business Advisory Body to represent and promote the interests of small business as directed by the National Small Business Amendment Act No 26 of 2003. The committee records and welcome recent undertaking by the Minister during the presentation of DSBD strategic plan that the process to appoint a small business Advisory Body will be concluded in two weeks' time;

17.23 The Economic Development Department (EDD) legally remains the Executive Authority for **sefa**. The public entity functionally reports to DSBD as its Executive Authority through a MoA between the Minister in line with a Cabinet directive and decision. However, in its own admission, the Department concedes, "this arrangement remains clumsy as the entity is required to report to two Portfolio Committees and Shareholder Compacts are unduly delayed because it has to be approved by the Boards of **sefa** and IDC and two (2) Ministers". Furthermore, the Committee observed during the DPSA presentation that "Government Technical Advisory Centre is in the process of developing a business case for the amalgamation of **sefa** (under EDD) and Seda (under DSBD) with the aim to amend the National Small Business Act". The APP has no clear plan or way forward on measures to remedy this predicament. From the Portfolio Committee point of view, it is not clear why EDD and DSBD signed a MoA to co-manage **sefa** as this arrangement is untenable and unusual;

17.24 The Committee noted recent termination of public sector contracts by Auditor General of South Africa ("AGSA") in particular that of KPMG. While the Committee cast no aspersions on the integrity of the financial statements produced by the embattled audit firm on behalf of **sefa**, the Committee nevertheless holds a view that it would be judicious and far-sighted of the Minister and **sefa** Board of Directors, in their respective capacities as shareholder and accounting authority, to engage the Auditor General on the matter to ascertain if all is above board with **sefa** financial statements. The Committee is on record having registered its misgivings with Auditor General's outsourcing of audit functions to third parties. The agency is presently going through financial strain pushing it to tap into IDC loan. According to the agency "the IDC loan draw down is necessitated by the worsening cash status of **sefa** with the depletion of cash resources over the five (5) year period as a result of high staff costs, high impairments rates and a worsened properties portfolio";

17.25 The secondment of **sefa** Chief Executive Officer to Seda Board of Directors is a step in the right direction. The Portfolio Committee is however expressly concerned that this secondment is not on an ex-officio basis. Additionally, it notes that **sefa** has failed to hold similar rule or principle to achieve the same purpose to appoint Seda Chief Executive Officer to its Board of Directors.

18. RECOMMENDATIONS

18.1 The Minister has a duty to appear before the Portfolio Committee before 31 May 2018, to explain in detail, the procedure followed and appropriate corrective measures the Minister would pursue against the Director General for failing to comply with Public Service Regulation Section 25(2) (a)(i), and also, for:

- Rendering DSBD non complaint with Parliamentary processes;
- Creating unnecessary conflict between DSBD and the Portfolio Committee;
- Misleading Parliament by repeatedly stating that DPSA had approved a structure aligned to the revised strategic plan when in fact this was not true;
- Making the Portfolio Committee on Small Business Development scheduled unplanned meeting outside of its calendar or that of Parliament;
- Creating a perception in the Department that, a Portfolio Committee of Parliament recommendations can be ignored arbitrarily by the officials without consequences.

18.2 In relation to observations 17.7 and 17.8 the Portfolio Committee is opposed to the revised strategic plan propositions that some of the functions, personnel and budget be outsourced to **sefa** and Seda. The Committee reservations with respect to **sefa** and Seda incapability to deliver is well documented. The Department should build its own internal capacity and that of local economic development (“LED”) in municipalities in order to take full control of its deliverables. The

Committee is therefore, and in principle, amenable to the revised strategic plan on condition that all unsettled or contentious issues of disagreements are resolved and/or rescinded as these may lead to unfunded budget. Such revision must have been concluded on or before the end of Q1 2018/19 financial year;

18.3 Pursuant to 18.2, and a complaint received incognito by the Portfolio Committee, the Minister must determine if the proposed relocation of programmes, staff, budget etcetera by the Department to its agencies was done in accordance to PSR Section 32 (1) (2) (3), which deals with 'transfer of functions' and include this report in her presentation to the Portfolio Committee as per 18.1 above. While the Portfolio Committee is clear on this matter, it is important however, to fully appreciate the decision-making process and criteria used when this process was embarked upon;

18.4 The DPSA reiterated its commitment recently to assisting the Department finalise the long outstanding issue of organisational structure. The Portfolio Committee wishes to recommend to the Department to conclude this matter before 31 May 2018, finalise appointments of Deputy Director Generals and Chief Directors before the end of Q2 2018/19 financial year, and bring down vacancy rate from a high of 12 percent to less than five (5) percent on or before end of Q3 2018/19 financial year;

18.5 The programme review initiative must now be concluded immediately. Subsequent to a resolution adopted on 23 November 2016, the Secretariat of the Portfolio Committee will schedule a date no later than 31 May 2018 for DSBD to present the final and approved programme review. The presentation to include process followed when the Department of Trade and Industry (**the dti**) handed over Isivande Women's Fund to IDC, which eventually passed it over to a fund manager, benefits to the intended recipients i.e. previously disadvantaged individuals more especially women, and a possible plan to retrieve funds from the fund manager before 2022;

18.6 As noted in the previous pages, the Portfolio Committee has no idea why DSBD andEDD entered into a MoA to co-manage **sefa** when DSBD proclamation in 2014 made it clear that **sefa** should report to DSBD. The Portfolio Committee Secretariat will facilitate a meeting with EDD Portfolio Committee with a view to proposing the nullification of the MoA. The respective Committees must push for the amendment of the IDC Act which established **sefa**. If the Secretariat is unsuccessful in scheduling a meeting between the two Portfolio Committees, the Chairperson(s) and Whips of the Committees must meet ideally before 31 May 2018 in order to put this matter to rest;

18.7 Pursuant to the aspirations of the Co-operatives Amendment Act (2013) whichadvocated for the creation of the Co-operative Development Fund, the Portfolio Committee hereby recommends that the Department must develop a well-articulatedframework for leveraging Co-operatives Financial Institution ("CFI") and Co-operative Banks to unlock access to capital for small enterprises. The revised strategic plan is mute on this and other critical issues that deals with access to finance. This frameworkor plan must be presented to the Portfolio Committee before the end of Q1 2018/19,and its finalisation to be effected once the PC has concluded its visits to Kenya and Spain by 31 September 2018;

18.8 The Portfolio Committee previously recommended that the Department and **sefa** must review the current model of using intermediaries which are generally not easy to monitor and commonly charge high interest rates. The Committee is of the view that there is a need to consider various models that are cost-effective and sympathetic to circumstances of micro and survivalist enterprises. A plan must presented to the Portfolio Committee before of Q2 2018/19 financial year;

18.9 Without strong private sector partnerships the Department is not likely to go further. In line with the call made by the former President during in the 2017 state of the nation address for the government "to utilise strategic levers that are available such as legislation, regulations, licensing, budget and procurement as well as Broad-basedBlack Economic Empowerment charters to influence the behaviour of the private sector and drive transformation", the Department, in particular the Market Access Unit must facilitate, with the private sector, the creation of the Wholesale and Retail Charterby Q3 of the 2018/19 financial year;

18.10 Furthermore and in relation to 18.9, the Portfolio Committee strongly recommends that a Market AccessUnit of the Department, urgently develop a detailed andrealistic Market Access Strategy, contents of which shall include plan(s) to leverage 30 percent procurement set aside before the end of Q2 2018/19 financial year;

18.11 The high failure rate of co-operative enterprises remains a constant reminder that CIS interventions without providing rudimentary support to co-operatives i.e. infrastructure, capital and market access, skills development and systematic elimination of inefficiency costs, have failed and therefore necessitate appraisal. In its current arrangement, CIS is essentially about distributing money to co-operatives with absolute zero monitoring and evaluation. The Committee is thus reiterating and stressing the urgency by the Department to finalise the review of the Co-operative Incentive Scheme before end of Q1 2018/19. As recommended in 18.8 above, the Committee restates that in providing support to co-operatives, the Department needs to understand underlying principles of the Co-operative Development Fund which is much more inclusive and developmental than CIS approach;

18.12 As previously recommended, the Minister is obligated in terms Section 2 of the National Small Business Amendment Act No 26 of 2003 to appoint members of theAdvisory Board before end of Q1 2018/19. Furthermore, the Department needs to engage National Treasury to ascertain how much it would cost to establish necessary institutional support structures i.e. Co-operatives Development Agency, Co-operatives Advisory Council, Co-operative Development Fund and Co-operatives Tribunal, including discussions with the Department of Higher Education concerning the Co-operatives Training Academy, outcomes of which must be reported to the Portfolio Committee before end of Q22018/19;

18.13 The Department must come up with a plan or strategy of retrieving small business functions and resources from other Departments estimated to be in the region of R15 billion. In the event that the Department encounter challenges in either retrieving those small enterprise's programmes left in various departments or in creating intervention strategies, the Department must inform the Portfolio Committee so that a process of engaging other relevant Committees, National Treasury, DPME and DPSA is activated before end of Q2 2018/19;

18.14 Pursuant to 18.13, the Department must jointly, with DPSA, DPME and National Treasury, develop a business case to transfer Rural Development from the Department of Rural Development and Land Reform ("DRDLR") in order to align the Department with injunctions and aspirations of the MTSF and NDP which directs that DSBD must "facilitate poverty reduction, social organisation, youth development and the development of cooperatives, rural enterprises and industries", a programme currently being implemented by DRDLR. The Department must report progress before the end of Q2 2018/19 financial year;

18.15 The review of the National Small Business Act needs to be concluded without delay and bill tabled before Parliament on or before end of Q2 2018/19. Pursuant to recommendation 8.25 of the 2017 BRRR Report, the bill must incorporate dispute resolution mechanisms i.e. Small Business Ombudsman. In addition, DSBD positionwith respect to the review of the Co-operatives Act (as amended) must be clarified to the Portfolio Committee as these have implications on the programme and budget of the Committee. So are reviews of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and review of the Integrated Strategy on the Development and Promotion of Co-operatives (2012 - 2022). These have been under policy initiatives for three consecutive financial years without a hint of what their statuses are.

Report to be considered.

[The following report replaces the Report of the Portfolio Committee on Higher Education and Training, which was published on page 425 of the Announcements, Tablings and Committee Reports dated 11 May 2018]

2. REPORT OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING ON CONSIDERATION OF THE BUDGET VOTE 15: HIGHER EDUCATION AND TRAINING, DATED 09 MAY 2018

1. INTRODUCTION AND MANDATE OF THE COMMITTEE AND THE DEPARTMENT

The Portfolio Committee on Higher Education and Training (hereinafter referred to as the Committee), having considered the 2015/16 – 2019/20 Strategic Plan, the 2018/19 Annual Performance Plan (APP) and budget of the Department of Higher Education and Training (hereinafter referred to as the Department), reports as follows:

1.1. Purpose of the Budget Vote 15 Report

The purpose of this report is to account in accordance with Rule 166 of the Rules of the National Assembly (NA) for work done by the Committee in considering the 2015/16 – 2019/20 Strategic Plan, the 2018/19 Annual Performance Plan and budget of the Department submitted in accordance with Public Finance Management Act, 1999 (Act. No 29 of 1999), Section 27 (1); and as referred by the Speaker of the National Assembly to the Committee in terms of Rule 338 for consideration and reporting.

1.2. Mandate of Committee

Section 55(2) of the Constitution of the Republic of South Africa stipulates that "the National Assembly (NA) must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) national executive authority, including the implementation of the legislation; and (ii) any organ of state". Rule 227 of the Rules of the National Assembly (9^{th} edition) provides for mechanisms contemplated in section 55(2) of the Constitution.

The Committee oversees the implementation of the following Acts:

Higher Education Act, 1997 (Act No.101 of 1997), National Student Financial Scheme Act, 1999 (Act No. 56 of 1999), Continuing Education and Training Act, 2006 (Act No. 16 of 2006), National Qualifications Framework Act, 2008 (Act No. 67 of 2008), Skills Development Act, 1998 (Act No. 97 of 1998), Skills Development Levies Act, 1999 (Act No. 9 of 1999) and General and Further Education and Training Quality Assurance Act, 2001 (Act No. 58 of 2001). The Department derives its mandate from section 29 of the Constitution of the Republic of South Africa and the legislation mentioned above.

1.3. Method

In preparation for the consideration of the Strategic Plan 2015/16 – 2019/20 and the Annual Performance Plan 2018/19 of the Department, the Committee considered key government policy documents relevant to the work of the Department, and the entities, including, among others, the National Development Plan (NDP) / the 2014 – 2019 Medium Term Strategic Framework (MTSF), and the 2018 State of the Nation Address (SONA), the Departments of Higher Education and Training and Finance on the 2017 Budgetary and Review Recommendation Report (BRRR).

The Committee convened a briefing session with the Auditor-General of South Africa (AGSA) on the audit outcomes of the Higher Education and Training Portfolio for the 2018/19 Annual Performance Plans on 14 March 2018. The Committee also considered an independent research analysis of the Department's 2018/19 APP and the Medium-Term Expenditure Framework (MTEF) budget on 25 April 2018.

2. OVERVIEW OF THE KEY POLICY FOCUS AREAS RELEVANT FOR THE DEPARTMENT

2.1. Relevant Government policy documents

2.1.1. The National Development Plan (NDP) Vision 2030 and the 2014 – 2019 Medium Term Strategic Framework (MTSF)

The 2014 - 2019 MTSF, which is a five-year strategic plan of government, forms the first five-year implementation phase of the NDP. The aim of the Framework is to ensure policy coherence, alignment and coordination across government plans as well as alignment with the budgeting process.

The Department is responsible for Outcome 5: "*A skilled and capable workforce to support an inclusive growth path*".

2.1.2. 2018 State of the Nation Address (SONA)

During the 2018 State of the Nation Address, Hon C Ramaphosa reaffirmed the fee-free education policy for children of the poor and working class. President Ramaphosa reaffirmed the government's position that fee-free higher education and training will be available to first-year students from households with a gross combined annual income of up to R350 000 per annum in 2018, and would be phased in over a period of five years.

The Honourable President also announced that government would work in partnership with business, organised labour and community representatives to create opportunities for young people to be exposed in the world of work through creating a million internships in the next three years, apprenticeships, mentorship and entrepreneurship. The President announced that measures would be put in place to set the country on a new path of growth, to create employment and further transformation. Social partners in the country would collaborate to build a social compact on which drivers of economic growth would be created. The President made a commitment to embark on a number of measures to address the unemployment challenges and to create jobs, especially among the youth. One such initiative would be a Jobs Summit to align the efforts of every sector and every stakeholder behind the imperative of job creation. Other measures to rebuild the economy included, the convening of an investment conference targeting domestic and international investors, to make the compelling investment opportunities to be found in the country.

The decline in manufacturing capacity would be addressed through the promotion of investment in key manufacturing sectors, and this would include localisation programmes. The President stressed the need to move young people into the centre of the economic agenda as they form a greater part of the labour force. There is a need to revive and grow the mining sector, attract investment, create jobs and set the industry on a new path of transformation and sustainability. Government will continue investment by setting aside at least 30 percent of public procurement to Small, Medium and Micro-Sized Enterprises (SMMEs). The focus would be on growing the agricultural sector by accelerating land redistribution programme not only to redress, but also to bring more producers into the agricultural sector and to make land available for cultivation. Government will also strengthen the tourism sector to create much-needed jobs. The President stated that government would establish a Digital Industrial Revolution Commission to develop capabilities in the areas of science, technology and innovation.

3. OVERVIEW AND ASSESSMENT OF THE 2015/16 – 2019/20 REVISED STRATEGIC PLAN OF THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING

3.1. Overview and assessment of the 2015/16 – 2019/20 Revised Strategic Plan and 2018/19 Annual Performance Plan of the Department

3.1.1. Revised Strategic Plan 2015/16 – 2019/20 of the Department

The Department has revised its 2015/16 – 2019/20 Strategic Plan to review some performance indicators to align with the new fee-free higher education policy as well as the increase in the baseline funding for the TVET sector. The revised performance indicators are as follows:

For the TVET Sector, the Department retained the threshold of headcount enrolment in the TVET College from 1.238 million to 710 535 over the remainder of the MTSF, revised the certification rates in TVET qualifications: National Certificate Vocational NC(V) Level 4, N3 and N6 to the original targets of 65 percent of the 2019 MTSF, and certificates issued to qualifying candidates within three-months of publication of results. The Department also revised the following performance indicators to the original targets of the 2019 MTSF: 100 percent of public TVET College examination centres conducting national examinations and assessments in compliance with national policy, 60 percent of funded NC(V) L4 students obtaining qualification within stipulated time, 30 percent of TVET College lecturers undergoing specified hours of work in their industry for specified period every two years from 2019, 5 000 students entering the foundation programmes by March 2017 and 90 percent of TVET institutions compliant to governance standards by 2019 and increasing every year thereafter. The target was revised from 100 percent. The performance indicator to have 484 111 qualifying TVET students obtaining financial assistance annually was revised from 200 000 to align with current funding provision. The performance indicator to have 5 000 additional beds for student accommodation in public TVET Colleges remains unfunded and discontinued for the remainder of the 2019 MTSF.

The Department introduced new performance indicators in the TVET programme, namely: to develop and approve three implementation reports on the operationalisation of each completed College campus, to develop and approve annual projections of budget estimates and implementation for TVET Colleges infrastructure needs, to develop and approve three reports on the implementation of the national infrastructure asset management system for TVET Colleges. For the University Education programme, the performance indicator on the number of eligible students obtaining financial assistance annually was revised from 205 000 to 300 000 to align with current funding provision.

For the Skills Development programme, the MTSF performance indicator to review eight skills development steering mechanisms was revised down to five from eight steering mechanisms. The Department noted that the review of the Skills Development Act, Grant Regulations and Grant Regulations guidelines would be influenced by the shape and form of the new SETA landscape. The Minister extended the current SETA landscape to 2020 to allow for broader and inclusive consultation with stakeholders, and therefore the envisaged review of the said steering mechanisms cannot be completed in the year 2018/19.

4. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT'S 2018/19 MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF) AND ANNUAL PERFORMANCE PLAN (APP) 2018/19

4.1. Overview and assessment of the 2018/19 Medium-Term Expenditure Framework (MTEF) Budget

Table 1: Overall Budget Allocation and Expenditure Estimates: 2018/19 financial year

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	2017/18	2018/19	2019/20	2020/21	2017/18-2018/19		2017/18-2018/19	
Administration	400.4	432.3	462.1	493.7	31.9	9.4	7.97 per cent	2.34 per cent
Planning, Policy and Strategy	66.3	80.2	86.1	93.9	13.9	9.7	20.97 per cent	14.66 per cent
University Education	41 931.7	59 147.1	73 295.7	80 666.2	17 215.4	14 131.9	41.06 per cent	33.70 per cent
Programme 4: Technical and Vocational Education and Training	7 460.2	10 739.7	12 982.5	14 585.1	3 279.5	2 719.6	43.96 per cent	36.45 per cent
Skills Development	249.4	262.6	279.8	297.0	13.2	- 0.5	5.29 per cent	-0.20 per cent
Community Education and Training	2 197.7	2 358.8	2 532.8	2 714.7	161.1	38.1	7.33 per cent	1.73 per cent
Subtotal	**52 305.7**	**73 020.7**	89 639.0	98 850.6	**20 715.0**	**16 908.2**	**39.60 per cent**	**32.33 per cent**

The Department's budget for the 2018/19 financial year, excluding direct charges against the National Revenue Fund amounts to R73.020 billion. This budget has increased by 28.4 percent (R20.715 billion) from R52.307 billion allocated in 2017/18. The overall budget of the Department inclusive of direct charges for the 2018/19 financial year amounts to R89.950 billion. The overall budget has increased by 24.3 percent (R21 871.8 billion) from R68 078.2 billion allocated in 2017/18. The budget will increase in the outer two years of the MTEF period to R107. 938 billion and R118. 670 billion in 2019/20 and 2020/21 respectively. Of the Department's budget excluding direct charges, 81 percent is allocated for spending in Programme 3: University Education, followed by Programme 4: TVET at 14.71 percent and programme 6: Community Education and Training at 3.23 percent.

4.2. Expenditure estimates per economic classification

Table 2: 2018/19 allocation and expenditure per economic classification

Economic Classification	Financial year			
	2017/18 Revised Appropriation	2018/19 Appropriation	2019/20 Appropriation	2020/21 Appropriation
	R'000	R'000	R'000	R'000
Current payments	8 669.6	9 391.5	10 370.7	11 133.7
Compensation of employees	8 282.3	8 957.0	9 637.7	10 360.5
Goods and Services	387.3	434.5	733.0	773.2
Transfers and subsidies	59 399.0	80 549.9	97 558.5	107 526.5
Payments for capital assets	9.6	8.6	9.3	9.9
Total	**68 078.2**	**89 950.0**	**107 938.5**	**118 670.1**

The Department's total budget for the 2018/19 financial year amounts to R89.950 billion, inclusive of R16.929 billion (R13.543 billion for SETAs and R3.385 billion for NSF) direct charges against the National Revenue Fund. The allocation for transfers and subsidies to the Departmental agencies and accounts, higher education institutions, foreign governments and international organisations, non-profit organisations amounts to R80.549 billion. This represents 89.5 percent of the Department's total allocated budget. The allocation has increased by 26.3 percent in 2018/19 from R58.399 billion allocated in 2017/18. An allocation of R59.010 billion which represents 73.3 percent of the total allocation for transfers and subsidies goes mainly to, higher education Departmental agencies (the National Student Financial Aid Scheme (NSFAS), Council on Higher Education (CHE), the South African Qualifications Authority (SAQA) and the universities subsidies and for capital expenditure.

The second largest allocation in terms of economic classification is for current payments, which amounts to R9.391 billion. This is made up of R8.957 billion for compensation of employees and R434.5 million for goods and services. The allocation for payment for capital assets amounts to R8.6 million for the 2018/19 financial year. The allocation has decreased by R1 million from R9.6 million allocated in 2017/18.

In terms of projected spending on goods and services, 25.1 percent (R109.029 million) of the total budget for goods and services is allocated to travel and subsistence line item. The budget has increased by 16.3 percent from R91.252 million in 2017/18 and it is projected to grow at an average of 52.8 percent between 2017/18 to 20120/2.

The second highest spending line item in goods and services is property payments, which increased by 12.3 percent (R8.494 million) from R60.736 million in 2017/18, followed by the allocation for computer services of R53.987 million. The expenditure on this line item is projected to increase by an average of 8.0 percent between 2017/18 and 2020/21. The allocation for spending on consumable supplies for 2018/19 amounts to R4.189 million. This is projected to increase significantly in the MTEF period by 57 percent to R11.369 million in 2019/20. The operating leases allocation increased from R9.287 million in 2017/18 to R13.421 million in 2018/19. The budget is projected to increase significantly in the two outer years of the MTEF period to R24.188 million in 2019/20 and R29.920 million in 2020/21 respectively. The Department noted that the main reason for the large increase between 2018/19 and 2017/18 was due to a once-off provision for additional parking during 2017/18 that is from 2018/19 provided for under Office Accommodation. In addition, the leases of some photocopy machines were not renewed and in some instances, smaller machine/cheaper machines were leased due to cost containment measures. The lease for the Minister's vehicles were only provided for during virement as the Department did not originally provide for that.

The allocation for operating payments line item for 2018/19 amounts to R12.990 million and it is expected to increase significantly in the outer two years of the MTEF period to R24.716 million 2019/20 and to R35.161 million in 2020/21.

The Department has effected cost-containment measures in line items such as consultants and business and advisory services, which decreased from R15.297 million in 2017/18 to R8.436 million in 2018/19, agency and support/outsourced services allocation decreased from R2.316 million in 2017/18 to R906 000 in 2018/19, venues and facilities allocation decreased from R8.547 million in 2017/18 to R1.765 million in 2018/19. Other areas where cost-containment measures were effected are contractors and legal services.

4.3. Overview and assessment of the 2018/19 MTEF budget allocation per programme and 2018/19 performance indicators and targets

4.3.1. Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The Programme has six sub-programmes, namely: Ministry, Department Management, Corporate Services, Office of the Chief Financial Officer, Internal Audit and Office Accommodation.

4.3.1.1. Overview and assessment of the 2018/19 MTEF budget allocation

For the 2018/19 financial year, the programme received a total allocation of R432.3 million. The budget increased by R31.9 million from R400.4 million in 2017/18. The programme's budget accounts for 0.59 percent of the Department's total budget excluding the direct charges. The budget is expected to increase in the MTEF period to R461.1 million and R493.7 million in 2019/20 and 2020/21 respectively. The bulk of the budget of the programme, 39.02 percent is allocated to sub-programme 3: Corporate Services, followed by sub-programme 4: Office of the Chief Financial Officer at 21.10 percent. Sub-programme 5: Internal Audit received the highest increase of 37.37 percent in nominal terms, followed by sub-programme 2: Departmental Management and sub-programme 1: Ministry by 13.54 percent and 11.46 percent respectively.

In terms of economic classification, R427.6 million is for current payments, of which R248 million is for compensation of employees and R179.7 for goods and services. The bulk of the budget on goods and services allocation, R68.3 million is allocated for property payments and followed by R37.5 million for computer services.

4.3.1.2. Overview and assessment of 2018/19 performance indicators and targets

The programme has three strategic objectives with six performance indicators spread across the strategic objectives. For the 2018/19 financial year, the programme has six targets, namely: to fill 90 percent of the approved positions, to resolve 100 percent of disciplinary cases within

90 days per annum, to reduce the average number of days to fill an advertised position to 180 days per annum, to pay creditors within 30 days, to achieve an unqualified audit and to implement 95 percent of Information Communication Technology (ICT) improvement initiatives.

4.3.2. Programme 2: Planning, Policy and Strategy

The purpose of this programme is to provide strategic direction in the development, implementation and monitoring of departmental policies and in the human resource development strategy for South Africa. The Programme has six budget sub-programmes, namely; Programme Management: Planning, Policy and Strategy; Human Resource Development Strategic Planning and Coordination; Planning, Information, Monitoring and Evaluation Coordination; International Relations; Legal and Legislative Services and Social Inclusion in Education.

4.3.2.1. Overview and assessment of the 2018/19 MTEF budget allocation

The programme received a total budget of R80.2 million for the 2018/19 financial year. The programme's budget accounts for 0.11 percent of the Department's total budget excluding direct charges. The budget has increased by R11.9 million. R76 million of the programme's total budget is allocated to current payments, of which R65.9 million is for compensation of employees and R10.2 million for goods and services. The budget for transfers and subsidies to foreign governments and international organizations for the 2018/19 financial year amounts to R3.7 million. The payments for capital assets allocation amounts to R0.4 million.

4.3.2.2. Overview and assessment of 2018/19 performance indicators and targets

The programme has five strategic objectives with 10 MTSF performance indicators. For the 2018/19 financial year, the targets are: to develop and approve seven monitoring and evaluation reports, to develop and approve a report on student support services plan for the post-school education and training (PSET) sector, to develop and approve a report on management information system (MIS), to approve and publish a report on skills supply and demand bi-annually and to approve and publish a statistical report on PSET annually.

Besides the planned targets, the Department will also prioritise, among others: the development of an Integrated National Career Development System for South Africa, submission of Open Learning Policy Framework for PSET System for tabling at Cabinet, implementation of the Recognition of Prior Learning (RPL) coordination mechanism as required by the Minister's RPL policy, to implement Articulation Policy and student support plan for RPL candidates, and to implement statutory requirements of the South African Qualifications Authority (SAQA) and the three Quality Councils in terms of the National Qualifications Framework (NQF) Act, Social Inclusion and the Strategic Policy Framework for Disability in the PSET system.

4.3.3. Programme 3: University Education

The purpose of this programme is to develop and coordinate policy and regulatory frameworks for an effective and efficient university education system and to provide financial support to universities, the National Student Financial Aid Scheme and national institutes for higher education.

4.3.3.1. Overview and assessment of the 2018/19 MTEF budget allocation

The programme's budget for the 2018/19 financial year amounts to R59.147 billion. This budget increased by 41.1 percent (R17.215 billion) from R41.931 billion allocated in 2017/18. The budget is projected to increase in the two outer years of the MTEF period to R73.295 billion and R80.666 billion in 2019/20 and 2020/21 respectively. The programme budget accounts for 81 percent of the Department's total budget excluding direct charges against the National Revenue Fund. The bulk of the budget of this programme, R38.579 billion, is allocated to sub-programme 6: University Subsidies. This sub-programme accounts for 65.26 percent of the programme's budget. The sub-programme is responsible for making annual transfers to universities. The allocation for spending on this sub-programme increased by 22.12 percent (R6.991 billion) from R31.606 billion allocated in 2017/18. The significant increase in the budget is towards the realization of government's commitment that spending on universities as per percentage of Gross Domestic Product (GDP) will increase from 0.68 percent to 1 percent over the next five years.

The increase is also towards increasing earmarked grants to universities for the operationalisation of the three new universities (University of Mpumalanga, Sol Plaatje University and Sefako Makgatho University), Infrastructure Efficiency Grants to the 23 universities and increased clinical grants. The increase in subsidies will have knock on effects in addressing the underfunding of universities, and will improve their financial health. In addition, the allocation would also ensure that expansion of access to universities through infrastructure development is incrementally realised. For the 2018/19 financial year, an amount of R3.692 billion has been allocated for capital expenditure, of which R2.691 billion is allocated for the 23 universities and R638.5 million and R362 million for the University of Mpumalanga and Sol Plaatje University respectively.

The second largest allocation is in sub-programme 3: Institutional Governance and Management Support. This sub-programme monitors and supports institutional governance management, and provides sector liaison services. The allocation for spending in this sub-programme is R20.471 billion, which increased by 99.27 percent from R10.273 billion in 2017/18. This sub-programme accounts for 34.61 percent of the total University subsidies programme budget. The increased investment in this sub-programme is to support the realisation of the fee-free higher education policy as committed by government The bulk of the budget of this sub-programme, R20.334 billion is allocated to the National Student Financial Aid Scheme (NSFAS) for implementation of the fee-free higher education, especially for the 2018 first-time-entering students at universities. This will support enrolled TVET Colleges and university students from South African households with a combined annual income of up to R350 000 per annum.

TVET Colleges and university students eligible for financial assistance will be subsidised for full-cost of study, including: tuition fees, prescribed study material, meals, accommodation and /or transport allowances. This will have knock-on effects, thus ensuring that these students will not have any outstanding debts and student debts at universities will decrease; unemployment, poverty and inequality will be reduced when the graduates get employed and improve their earnings. The transfers to NSFAS grew at an average growth rate of 51.6 percent between 2017/18 – 2020/21 respectively. This sub-programme is also responsible for making annual transfers to the Departmental agencies: the CHE, the QCTO, SAQA, and the National Institute for the Humanities and Social Sciences (NIHSS).

In terms of economic classification, R79.1 million is allocated for current payments, of which R72.1 million is allocated for compensation of employees and R6.9 million is for goods and services. The allocation for transfers and subsidies for 2018/19 amounts to R59.067 billion, of which R20.451 billion is for the Departmental agencies and accounts and R38.559 billion is for transfers to higher education institutions.

4.3.3.2. Overview and assessment of 2018/19 performance indicators and targets

This programme has six strategic objectives and eight MTSF performance indicators. For the 2018/19 financial year, the programme has two planned targets, to have 14 monitoring and evaluation reports developed and approved per annum. In addition, the Department will also focus on, among others: the development of a fee regulatory framework for the Higher Education system, the development of the systems to support the piloting of the planned Central Applications Service, the piloting an expanded financial assistance and support model for funding academically deserving students from poor, working and middle class families, and the development processes to ensure the integration of agricultural, nursing and other public colleges currently under the governance of other National and Provincial Departments into the PSET system as national competencies governed under Higher Education and Training legislation.

This programme is also responsible for overseeing the implementation of the NDP/MTSF targets, which are amongst others: to enrol 1.7 million students in public higher education studies at universities, to produce 57 000 graduates in engineering sciences from universities, 45 000 graduates in natural and physical sciences, to produce 99 000 graduates in Initial Teacher Education from universities, to achieve 78 percent success rate at universities. With regard to progress in the achievement of these targets, the overall numbers of students enrolled in public higher education studies at universities show a slight decrease between 2015/16 from 985 212 to 975 837 in 2017/18. The decline was due to the under enrolment in student numbers at the University of South Africa (UNISA). This was firstly noted in 2014/15 financial year and has continued into the 2015/16 and 2017/18 financial year. The decline was partly due to changes in UNISA's admission policy, but also to their financial policies as students with bad debt could not be registered.

The Committee was informed during its oversight visit to the University of Fort Hare (UFH) that the enrolment targets were not achieved in the agricultural and science related programmes due to low numbers of learners who matriculated with Maths and Science. The Cape Peninsula University of Technology (CPUT) also reported to have not met its 2018 target on first-time entering students. There is a likelihood that the target may not be realised in 2018/19.

With regard to graduate output in engineering sciences, the cumulative achievement between 2015/16 – 2017/18 is 36 914. This is an indication that the Department is on track to achieve the MTSF target of 57 000 graduates in engineering sciences from by 2019/20. The cumulative graduate output in human and animal health sciences and physical and natural sciences achievement between 2015/16 – 2017/18 is 28 920 and 23 000 respectively. The graduate output in these programmes shows that the Department is on track to achieve the MTSF targets of 45 000 graduates in human and animal health sciences from universities and 36 000 in physical and natural sciences. The graduate output in initial teacher education is 61 945 and 7 585 for Doctoral studies. This shows satisfactory progress towards achieving the MTSF targets of 99 000 graduates in initial teacher education from universities and 12 000 doctoral graduates from universities respectively. The Department has already achieved the MTSF of 78 percent of success rate at universities and the 46 percent of universities academic staff with PhDs is also on track. The current achievement is 45 percent.

Of concern to note is the target of students in foundation programmes. The annual target of 36 000 students enrolled in foundation programmes has not been achieved since the beginning of the MTSF in 2015/16. The Department has attributed the under-achievement to the fact that UNISA has not enrolled students in foundation programmes. The Department has since revised down the annual target. The current achievement shows that the MTSF target of 36 000 students enrolled in foundation programmes annually will not be achieved.

4.3.4. Programme 4: Technical and Vocational Education and Training

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for technical and vocational education and training. The programme has five budget sub-programmes. The sub-programmes are: Programme Management: Technical and Vocational Education and

Training; Technical and Vocational Education and Training System Planning and Institutional Support; Programmes and Qualifications; National Examination and Assessment and Financial Planning.

4.3.4.1. Overview and assessment of the 2018/19 MTEF budget allocation

The programme's allocation for 2018/19 amounts to R10.739 billion. This is the second highest programme allocation, which accounts for 14.71 per cent of the total Higher Education and Training budget (R73.020 billion), excluding direct charges against the National Revenue Fund. The budget increased by R3.279 billion in nominal terms from R7.460 billion allocated in 2017/18. This represents an increase of 44 percent. The programme budget is projected to increase in the two outer years of the MTEF period to R12.982 billion and R14.585 billion in 2019/20 and 2020/21 respectively.

Sub-programme 2: TVET System Planning and Institutional Support is allocated the bulk of the programme's budget which amounts to R10.396 billion. This accounts for 96.80 percent of the programme's total budget. The sub-programme budget has increased by 46.84 percent from R7.080 billion allocated in 2017/18. The high increase is to cater for an additional allocation in subsidies to the TVET Colleges to R4.302 billion in 2018/19, which is an increase from R1.515 billion in 2017/18. The increased subsidy is due to the introduction of the TVET infrastructure baseline funding to refurbish campus buildings, purchase workshop equipment and maintain existing facilities. The increase in the baseline funding responds to the Committee's recommendation to have additional funding from the voted funds to ensure operationalisation of the new TVET College campuses, which are currently three (3); to address the infrastructure maintenance backlog and modernisation of equipment at the TVET Colleges workshops. Part of the funding will also go towards the 80 percent programme funding. Of the R10.739 billion total allocation for the programme, R6.276 billion is allocated for compensation of employees.

Sub-programme 3: Programmes and Qualifications received an allocation of R13.6 million from R9.5 million in 2017/18. This represents the second highest budget increase of 43.16 percent within this programme. The National Examination Assessment sub-programme received an allocation of R315.6 million, which decreased by 11.22 percent (R39.9 million) from R355.5 million allocated in 2017/18. The budget is projected to increase significantly in the two outer years of the MTEF period to R449.1 million and R650 million in 2019/20 and 2020/21 respectively. Sub-programme 1: Programme Management TVET received an allocation of R3.6 million in 2018/19. The budget decreased by R2.2 million from R5.6 million in 2017/18. This represents a decrease of 35.71 percent. The budget is projected to grow marginally to R3.8 million and R4.1 million in 2019/20 and 2020/21 respectively.

In terms of economic classification, R6.436 billion is allocated for current payments, of which R6.276 billion is allocated for compensation of employees and R160 million is for goods and services. The bulk of the budget on goods and services, R73.1 million is allocated for spending on travel and subsidies, followed by R35 million on training and development, R15.4 million on computer services and R11.2 million on consumables: stationery, printing and office supplies. The allocation for transfers and subsistence for 2018/19 amounts to R4.302 billion, of which R15.2 million is for Departmental agencies and accounts (transfer to ETDP SETA) and R4.287 billion is for transfers to TVET Colleges.

4.3.4.2. Overview and assessment of 2018/19 performance indicators and targets

This programme has five strategic objectives and 18 MTSF performance indicators. For the 2018/19 financial year, eight of the 18 performance indicators have planned targets. The targets are: to have three approved reports on the implementation of steering mechanisms for the TVET sector per annum, to have 16 monitoring and evaluation reports approved per annum, to a have a report on the operationalisation of each completed TVET Colleges campus approved, to have a report on the implementation of a roll-out plan for the construction of nine TVET College campuses approved, to have a report on annual projections of budget estimates and implementation for TVET College infrastructure needs approved, to have a report on the implementation of the national infrastructure maintenance plan for TVET College sector approved, to have a report on the implementation of the national infrastructure asset management for TVET Colleges and to have a report on the South African Institute for Vocational and Continuing Education and Training (SAIVCET) stakeholder engagements approved.

The NDP/MTSF targets is to have 1.2 million students enrolled in the TVET colleges by 2019/20. However, the Department has been underperforming in this target for over 3 years. The under-achievement was attributed to underfunding in terms of programmes and student funding i.e. NSFAS, inadequate physical infrastructure and human resource.

The NDP proposes an increase in the throughput rate of the TVET sector to 75 percent by 2030, in order to have a major impact on South Africa's skills profile. The certification rates in the NCV Level 4, N3 and N6 have been very low and have not been achieved as expected in the 2015/16 and 2016/17 financial years. A significant improvement has been recorded in the 2017/18 where targets were exceeded in the certification rates of both NC(V) Level 4, N3 and N6. For the 2018/19, the Department has increased the targets for certification rates of both NC(V) Level 4, N3 and N6 to the original MTSF target of 65 percent. This could be attributed to increases in funding towards the 80 percent programme funding and student funding through NSFAS, which it is hoped will address financial challenges that lead to poor performance.

The Colleges still grapple with the challenge of underqualified lecturers and, underprepared students, lack of foundation provision grants, inappropriate or lack of pedagogical training of lecturers and lectures without industry knowledge are found to be the major contributors to the underperformance in this area. Universities receive Foundation Provision Grants to support underprepared student so as to improve their success and throughput rate. Whilst, TVET Colleges also enrol underprepared students, there is no funding for provision of foundation programmes. It should be noted that the Department has revised the 2015/16 – 2019/20 Strategic Plan to bring back the original MTSF target of 5 000 TVET students enrolled in foundation programmes. For 2018/19, the target is to have 600 students enrolled in foundation programmes.

The Department reported that funding has not been secured to date for student enrolment in foundation programmes. The Department will pilot the offering of foundation programmes in nine (9) TVET Colleges in 2018, and the provision will be funded out of the National Skills Fund (NSF) project funds. The full roll-out is planned for 2019/20 and will factor enrolments for the foundation programmes into the annual enrolment targets. The Department has cautioned that it cannot predetermine at this stage that the

MTSF target of 5 000 students enrolled in foundation programmes will be achieved, given the absence of fiscal funding.

Notwithstanding the revision of the Strategic Plan to bring back the MTSF target of 5 000 TVET students enrolled in foundation programmes, from 2018/19, the target to have 50 percent of success rate in foundation programmes remains discontinued. It should also be noted that the significant increase in the baseline funding for the TVET sector has not translated into the increased headcount enrolment. The headcount enrolment is still capped at 710 535, far below the MTSF annual target of 1.2 million.

4.3.5. Programme 5: Skills Development

The purpose of this programme is to promote and monitor the National Skills Development Strategy. Develop a skills development policy and regulatory framework for an effective skills development system. This programme has four sub-programmes, namely: Programme Management – Skills Development; SETA Coordination; National Skills Development Services and Quality Development and Promotion.

4.3.5.1. Overview and assessment of the 2018/19 MTEF budget allocation

For the 2018/19 financial year, the programme received an allocation of R262.6 million, which represents 0.4 per cent of the total Higher Education and Training budget. The budget increased by R13.2 million from R249.4 million allocated in 2017/18. The budget is projected to increase in the outer two years of the MTEF period to R279.8 million and R297 million in 2019/20 and 2020/21 respectively. Sub-programme 2: SETA Coordination, which supports, monitors, reports on the implementation of the national skills development strategy at sectoral level by establishing and managing the performance of service level agreements with SETAs, and conducting trade test at the Institute for National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) received an allocation of R221.4 million, which accounts for 84.31 percent of the total budget of the Skills Development programme. The sub-programme is expected to grow at an annual average growth rate of 6.6 percent between 2017/18 – 2020/21 respectively.

Sub-programme 4: Quality Development and Promotion received the second largest allocation of R27.4 million, which increased by R0.5 million from R26.9 million in 2017/18. The sub-programme budget accounts for 10.46 percent of the total programme budget. Sub-programme 3: National Skills Development Services received an allocation of R10.2 million, which decreased by R2.3 million from R12 million in 2017/18. This sub-programme manages projects identified in the national skills development strategy, and advises the Minister on the national development policy and strategy.

In terms of economic classification, R127.8 million is allocated for current payments, of which R111.7 million is allocated for compensation of employees and R16.1 million is for goods and services. The allocation for transfers and subsidies amounts to R133.8 million. The payments for capital assets amounts to R1 million.

4.3.5.2. Overview and assessment of 2018/19 performance indicators and targets

For the 2018/19 financial year, the programme has four performance indicators/targets. The targets are: to have a report on the implementation of steering mechanisms for skills development approved, to have five SETA monitoring reports approved, to have 80-days average lead time from qualifying trade test applications received until the trade test is conducted and to have a national artisan development information management system approved.

The 2014 – 2019 MTSF set the targets to produce 24 000 artisans per annum in order to meet the needs of a growing economy. This five-year target of 24 000 is working towards meeting the target of 30 000 artisans produced per annum by 2030 as set by the NDP. The target was not achieved in 2015/16, however, there was a significant improvement in 2016/17 where the achievement of the target to have 21 110 new artisans qualified was achieved. Four of the five system targets were achieved in 2016/17, except a target on the proportion of SETAs meeting good governance. However, the target was achieved in 2017/18.

4.3.6. Programme 6: Community Education Training

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for community education and training. The programme has four sub-programmes, namely: Programme Management: Community

Education and Training; Community Education and Training Colleges Systems Planning, Institutional Development and Support; Financial Planning; and Education and Training and Development Support.

4.3.6.1. Overview and assessment of the 2018/19 MTEF budget allocation

For the 2018/19 financial year, the programme received a total budget of R2.358 billion. The programme's budget accounts for 3.23 percent of the Department's total budget excluding direct charges. The programme experienced a nominal increase of R161.7 million from R2.197 billion allocated in 2017/18. This represents a real increase of R38.7 million when factoring inflation. Sub-programme 2: Community Education and Training Colleges Systems Planning, Institutional Development and Support received the bulk of the programme's total budget amounting to R2.160 billion. This represents 91.60 percent of the programme's total budget. Sub-programme 3: Financial Planning receives R176.4 million for the 2018/19. The budget has experienced a nominal increase of R10.2 million from R166.2 million allocated in 2017/18.

R2.244 billion of the programme's total budget is allocated to current payments, of which R2.183 billion is for compensation of employees and R61.2 million for goods and services. The allocation for spending on compensation of employees increased by R153.2 million from R2.029 billion allocated in 2017/18. The bulk of the budget is allocated for goods and services at R26.3 million for consumables: stationery, printing and office supplies. Though the allocation for this line item is the highest, it has actually decreased by R4.4 million from R30.7 million allocated in 2017/18. The allocation for spending on travel and subsistence is the second highest spending line item at R9.3 million, which increased by R4 million from R5.3 million allocated in 2017/18. The training and development line item received an allocation of R9 million, which decreased by R3.3 million from R12.3 million allocated in 2017/18.

The allocation for transfers and subsidies amounts to R112.7 million. Of this amount, R2.8 million is allocated for transfer to the Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA) and R109.9 million is subsidies to TVET Colleges. The subsidy allocation to TVET Colleges increased by R6 million from

R103 million allocated in 2017/18. The allocation for subsidies to TVET Colleges is projected to grow to R116.9 million and R122.5 million in the 2019/20 and 2020/21 respectively. The payments for capital assets allocation amounts to R1.9 million.

4.3.6.2. Overview and assessment of 2018/19 performance indicators and targets

For the 2018/19 financial year, the programme will implement two performance indicators with the following targets: to have a report on the implementation of steering mechanisms for CET sector approved, and to have five CET monitoring reports approved.

The MTSF has set a target to have 34 000 headcount enrolment in the CET sector. The performance on this target could not be reported on for the 2016/17 financial year due to unavailability of data and the target was not achieved for the 2017/18. The NDP has set a target to have 1 million enrolments in the CET sector by 2030. Certification rate targets of 45 percent in CET formal qualifications have not been achieved. More student support mechanisms should be put in place to address the throughput rate.

5. COMMITTEE OBSERVATIONS

The following formed part of the Committee observations:

5.1. Programme 1: Administration

- The budget allocated for the Administration programme amounts to R432.2 million, which increased by 8.0 percent in nominal terms. The budget increase is 2.34 percent in real terms, when value has been adjusted to take inflation into account. All the six budget sub-programmes have received budget increases for the 2018/19 financial year, however, the percentage increases are below 4 percent in real terms. The Corporate Services sub-programme's budget, though increased nominally by R6.3 million from R162.4 million allocated in 2017/18, has decreased by R2.5 million in real terms when considering inflation. This sub-programme provides corporate services management support to the Department and Colleges in support of the attainment of its strategic objectives. Of significance to note is that Cabinet approved budget reductions of

R28.2 million in this programme over the medium term. The reduction would be accommodated by cost containment measures on various goods and services items, such as minor assets, outsourced services, travel and subsistence, computer services, and operating payments.

- The programme is responsible for providing strategic leadership, management and support services to the Department. The approved budget reductions of R28.2 million is of concern, given that since its establishment in 2009, the administrative capacity of the Department has been a constraint. There has been a consistent underperformance in meeting the targets to fill advertised posts within 180 days and to resolve the disciplinary cases within 90 days. The underperformance was due to lack of capacity in the Recruitment and Selection Unit. There have been delays in the implementation of the e-recruitment system to reduce turn-around time in the filling of vacancies by the Department and automating other processes that may bring efficiencies within the Department.

- The Department is still experiencing capacity challenges as a direct consequence of staff migration from the provinces and the delays in the approval of the organogram. The key administrative functions of the Department are still centralized at the head office due to insufficient capacity at regional offices. As a result, the Department does not have adequate capacity at the head office to attend to all human resources related queries, particularly from TVET and CET colleges.
- The position of the Deputy Director-General (DDG) for the CET Branch is still not filled and hence the incumbent in an acting basis, while the DDG position for the Policy and Strategy was filled on contractual basis and the delays in finalising the appointment processes were noted with serious concern.

5.2. Programme 2: Planning, Policy & Strategy

- The programme's budget for the 2018/19 amounts to R80.2 million, which increased 11.30 percent in real terms from R68.3 million in 2017/18. Five sub-programmes received budget increases of over 10 percent in real terms, while Social Inclusion in Education sub-programmes received an increase of 3.23 percent in nominal terms, which is a 2.16 percent decrease in real terms when factoring in inflation. Of great concern is that this sub-programme is responsible for promoting access to higher education and participation by all learners in training programmes; managing the development and maintenance of policy, programmes and systems for learners with special needs, and monitors the implementation of those policies. The marginal budget increase will impact negatively on achievement of transformation in the PSET sector.

- The programme is responsible for the creation of a credible institutional mechanism for labour market skills planning and the lack of management information systems (MIS) for the TVET and CET sectors impacted on the performance reporting of the sectors outputs.
- For the 2017/18 financial year, the Department planned to review the National Qualifications Framework Act for tabling in Parliament by end March 2018. However, there have been delays in the finalisation of the Bill.

5.3. Programme 3: University Education

- For the 2018/19 financial year, University Education programme is allocated a budget of R59.147 billion for the year 2018/19 and this budget increased by R17.2 billion from R41.931 billion in 2017/18. The bulk of this budget, 65.26 percent is spent on University subsidies. Driving this significant increase is the additional funding towards realising government's commitment to improve the baseline funding of institutions as per percentage of GDP, which will progressively increase from 0.68 percent to 1 percent over five-years. This will ensure that university operating cost are adequately funded. Furthermore, the additional funding will support the 2014-2019 MTSF priorities to increase enrolments of students in higher education studies at universities to 1.7 million by 2019/20, and graduates in scarce and critical skills, such as engineering sciences, human and animal health, natural and physical sciences, initial teacher education, doctoral and research masters, increasing success rate at higher education institutions. This is to increase mid to high-level skills to support government's economic priorities. The increased funding will also be geared towards expansion of infrastructure efficiency grants to address the infrastructure maintenance backlog at universities, construction of new teaching and learning facilities, including student housing.

- Significant budget increase is effected in sub-programme 3: Institutional Governance and Management Support received an allocation of R20.471 billion, which is an increase of 99.27 percent from R10.273 billion in 2017/18. The allocation reaffirms government's commitment to implement fee-free higher education policy. Over 90 percent of this budget is allocated to NSFAS to progressively implement the new funding policy, starting with the first-entering students at universities in 2018. The funding will also support TVET College students from households with a combined income of up to R350 000. The additional allocation is a progressive realisation of the of the constitutional right of access to education and training to the students from poor and working class families.
- The headcount enrolment target of 985 212 and 975 837 students enrolled in public higher education studies at universities has not been achieved in 2015/16 and 2017/18 financial years. The inadequate registration systems at the University of South Africa (UNISA) continues to have a negative impact on the overall enrolment target for the sector. The under-enrolment has also been reported at the University of Fort Hare and the Cape Peninsula University of Technology for the 2018 academic year, and this would impact negatively on the achievement of the headcount enrolment target.
- The annual target of 36 000 university students enrolled in foundation programmes has not been achieved since the beginning of the MTSF in 2015/16. The Department has attributed the underperformance to the fact the UNISA has not enrolled students in foundation programmes. The Department reported to the Committee during an oversight visit to UNISA in January 2018 that the state budget for foundation provision for UNISA was zero for 2018/19, pending approval of its foundation programmes. The projected headcount intake into foundation programmes, subject to the approval of their programmes, is 13 879 students in 2019. This

will continue to impact on the achievement of the MTSF annual target of 36 000.

- The graduate output in PhD studies has been growing since the 2015/16 to 2017/18. Of concern to note is the low enrolment of Black South African students and women in the programmes, as was reported at the University of Fort Hare during the Committee's oversight visit in January 2018. This will in the long run contribute to the slow transformation in the university sector and in the labour market. The undertaking by the Minister to establish a Ministerial Task Team to investigate the challenges is commendable.
- The inadequate number of black academics at senior management positions in universities remains a challenge. The Department's interventions, such as the Staffing South Africa's Universities Frameworks (SSAUF) through the New Generation of Academics Programme (NGAP) are welcomed as they are aimed at redressing equity challenges in the staff demographics at universities.
- It is concerning that five universities produce 55 percent of postgraduate qualifications while 21 produce the rest.
- The under-utilisation of e-learning in higher education as an alternative means of teaching and learning remains a challenge given the inadequate spaces at contact learning institutions.
- Whilst the university success rates remain positive at 78 percent, the number of students that complete their three-year programmes within a regulated time remains a concern.
- The recurring student protests in higher education institutions over the delays in the payment of students' allowances (for transport, accommodation, meals and book) by NSFAS remains a serious concern. The poor coordination and lack of integration of NSFAS IT systems with the universities compounds the situation.

5.4. Programme 4: Technical and Vocational Education and Training

- This programme received an allocation R10.739 billion, which increased by R3.297 billion from 2017/18. This represents an increase of 44 percent. The budget is projected to grow to R14.585 billion in 2020/21. The additional increase is to support the NDP mandates to expand access to skills programmes that address labour market's need. Driving the budget increase is the additional allocation for infrastructure refurbishment and maintenance of TVET

Colleges buildings, allocation for purchasing of modern workshop equipment and allocation to increase TVET programme costs from the current 54 percent to the 80 percent by 2022/23. The funding will address inefficiencies in the sector and improve the quality of teaching and learning. Over the MTEF period, additional allocation will be made from R400 million in 2019/20 and R422 million in 2020/21 for the operationalisation of the new three TVET college campuses, and R161.9 million in 2019/20 and R290.1 million in 2020/21 for the TVET college examination services function.

- Notwithstanding the significant increase in the baseline funding for the TVET sector, it should be noted that the baseline increase has not catered for the increase in the headcount enrolment. Headcount enrolment in the TVET Colleges remains capped at 710 535 for the remainder of the MTSF. Consequently, the MTSF target of 1.2 million headcount enrolment will not be realised.
- The Department revised the 2015/16 – 2019/20 Strategic Plan to align the targets with the original MTSF targets in line with the funding increase. The certification rates for the NC(V) Level 4, N3 and N6 were revised upward to the original MTSF target of 65 percent. The targets of 30 percent of TVET College lecturers undergoing specified hours in their industry for specified period every two years, 5000 students entering foundation programmes were revised to the original MTSF targets. The targets on the number of qualifying TVET students obtaining NSFAS financial assistance annually was revised upward to align with the current funding provision.
- Whilst the Department has revised the Strategic Plan to implement the performance indicator of 5 000 students entering foundation programmes to the original MTSF targets, there is no funding from the fiscus to fund the target. For the 2018/19 financial year, the Department will pilot the 600 student enrolment in foundation programmes in nine (9) colleges and this would be funded out of the National Skills Fund project funds. The Department has warned that it cannot predetermine at this stage that the MTSF target of 5 000 entering foundation programmes would be achieved, given the fiscal constraints. The funding of the target through the NSF project fund is not sustainable.

- The programme has received an additional baseline increase to address infrastructure maintenance backlogs at TVET Colleges. The additional funding still does not cater for the MTSF target to have additional 5 000 beds at public TVET colleges by 2019. The target remains discontinued for the remainder of the MTSF period.
- There has been a significant improvement in the reduction of the NC(V) certification backlog. However, the historic backlog of 80 000 NATED certificates and diplomas, as well as the GETC certification backlog remain a serious concern.
- The inability of the State Information Technology Agency (SITA) to assist the Department with a reliable data management system for the TVET sector remains a serious challenge. This has serious implications in the certification and resulting of candidates enrolled in the colleges.
- The inadequate number of suitably qualified lecturers in the TVET sector continues to have serious implications for teaching and learning. As a result, the throughput and certification rates at colleges are low.
- The target of 1.2 million students enrolled in the TVET colleges by 2019/20 has not been achieved 2015/16 and 2016/17 financial years. The underachievement was attributed to underfunding in terms of programmes and student funding, i.e. NSFAS, inadequate physical infrastructure and human resource. The certification rates in the NCV level 4, N3 and N6 have been not been achieved as expected in the 2015/16 and 2016/17 financial years. A significant improvement has been recorded in the 2017/18 where targets were exceeded in the certification rates of both NC(V) Level 4, N3 and N6.
- There is noted disparity in the targets set for the TVET sector and the university sector. The Department specified university sector targets for scarce and critical skills that require improved graduate outputs, while such targets are not set for the TVET sector.
- There has been a significant improvement in the reduction of the NC(V) certification backlog. However, the historic backlog of 80 000 NATED certificates and diplomas, as well as the GETC certification backlog remain a serious concern.

- The backlog in the processing and payment of student allowances by NSFAS remains a critical challenge for the sector. There is an indication of poor integration between NSFAS and colleges IT systems. Compounding the situation are the delays by colleges in submitting student enrolment data to NSFAS for processing their applications.
- The shortage of student residences in the TVET sector remains a serious challenge, including the backlog in infrastructure maintenance.
- The delays in the filling of vacant positions in the TVET sector remains a serious challenge since the human resource functions of the Department are centralized at its head office.
- The delays in the finalization of post provisioning norms for the TVET sector remains a challenge.

5.5. Programme 5: Skills Development

- The programme received an allocation of R262.6 million for 2018/19, which increased by R13.2 million from 2017/18. This represents a nominal increase of 5.3 percent, which is a decrease of 0.2 percent in real terms when factoring inflation. Sub-programme 3: National Skills Development Services received a decreased allocation of R10.2 million in 2018/19 from R12.5 million in 2017/18. This sub-programme manages projects identified in the national skills development strategy, advises the Minister on the national skills development policy and strategy. The budget reduction in this sub-programme will have adverse effects on the work of the Branch and the critical advisory function on the skills development policy and strategy.

- The allocation in this programme will enable the Department to focus on improving the public skills development system my managing performance of service level agreements with SETAs more effectively. The funding will also enable the Department to ensure that the NDP/MTSF related targets to produce 21 188 artisans per annum by 2019, and to create 140 000 work-based learning opportunities annually are achieved.

- The Committee was concerned about the duplication of functions among the SETAs, which served interrelated sectors.

- The Committee was concerned that some SETAs developed performance indicators just to enroll learners and not to qualify them.
- The Committee was concerned about the poor monitoring of the SETAs by the Department and the Auditor-General found that the targets set in most of the SETA' APPs for 2018/19 financial were not well defined and some SETAs had duplicated performance indicators or targets.
- The low uptake of trade assessment at INDLELA remains a concern. The Department should put systems in place to improve the accessibility of INDLELA to the public.
- The target of artisan qualifications has been met over time and qualification output has been high in this regard. However, this raises a new challenge due to the industry's inability to absorb the high numbers of newly qualified artisans. This significant issue has been mirrored in several sectors and professional qualifications.

5.6. Programme 6: Community Education and Training

- The CET programme received an increased allocation of R2.358 billion in 2018/19 from R2.197 billion allocated in 2017/18. It should be noted that 94.7 percent of the increase, R153.2 million is allocated for compensation of employees, while 3.7 percent of the total budget increase, R6 million is for the subsidies to CET Colleges. Furthermore, 92.6 percent of programme 6: CET's total budget is allocated for compensation of employees. The current inflation adjusted budget for the CET sector will not enable the Department to: standardize the conditions of services of the CET college staff, and to address maintenance needs of the teaching and learning facilities to provide adequate teaching and learning materials, strengthening governance and management.
- The Department has developed the National Senior Certificate for Adults (NASCA) to provide a general educational pathway for adults who have completed the General Education and Training Certificate (GETC NQF Level 1), and for people who have left school without an exit-level qualification, and provides the opportunity to acquire a school-leaving certificate, one which allows for the possibility of access to higher education also. The Department has also developed a General Education and Training Certificate for Adults (GETCA). The Department reported on 29 November 2017 that it has not been in a position to determine the implementation date for the two qualifications as funding has not been allocated, despite the

submission of funding bids to National Treasury. This is of great concern because without the required funding, this sector will not be able to realise its full mandate of providing lifelong learning opportunities to the out of school youth and adults.

- There are functions that cut across the SETAs, such as addressing the low-level of youth and adult language and numeracy skills to enable additional training. This seeks to provide all young people leaving school with an opportunity to engage in training or work experience, or improve their employability. The partnerships between the SETAs/NSF and the CET Colleges are grossly inadequate or non-existence in this regard.
- There is still inadequate implementation of skills development programmes to respond to the local economic needs.
- Enrolment rates are not increasing in line with the projected NDP targets and the certification rate target has also not been achieved as planned. The success of the students is crucial and needs to be addressed urgently. There has been a significant increase in the number of learners who need to rewrite their matric as opposed to learners who require short-term skills programmes in the CET sector.
- The Committee noted that the Department has inherited different practices, as well as disparate funding and administrative regimes. This has placed some administrative strain on the Department.
- The delays in the finalisation of harmonization of conditions of service of CET lecturers have noted with serious concern. Funding constraints have also seen rising protest action by CET lecturers' union for the standardization of conditions of service as well as lack of address of CET infrastructure needs.
- The CET colleges do not have the capacity to administer funds for their operational expenses. The TVET colleges manage the procurement processes on behalf CET colleges. This has a negative impact in the day-to-day management of CET colleges' operations since they do not have control over their budget.
- The inadequate student enrolment data impacts on student certification in the CET sector, especially the General Education and Training Certificate (GETC) programme.

- Teaching and learning in the CET sector remain a concern. As a result, the certification and throughput rates of the sector remain very low.

6. SUMMARY

The Department of Higher Education and Training received a total allocation of R73.020 billion, excluding direct charges from the National Revenue Fund. The budget increased by R20.715 billion from R52.307 billion allocated in 2017/18. The increase in the baseline funding is to cater for the implementation of fee-free education policy to support enrolled TVET Colleges and university students from South African households with a combined annual income of up to R350 000 per annum. TVET Colleges and university students eligible for financial assistance will be subsidised for full-cost of study, including: tuition fees, prescribed study material, meals, accommodation and /or transport allowances. Funding for NSFAS increased from R10.1 billion in 2017/18 to R20.334 billion in 2018/19.

The increase in funding will go towards increasing government spending on universities as per percentage of Gross Domestic Product (GDP) which is expected to increase from 0.68 percent to 1 percent over the next five years, as well to increase earmarked grants to universities for the operationalisation of the three new universities (University of Mpumalanga, Sol Plaatje University and Sefako Makgatho University), Infrastructure Efficiency Grants to the 23 universities and increased clinical grants.

The TVET College sector has also benefitted from the increase in the baseline funding due to the introduction of the TVET infrastructure baseline funding to refurbish campus buildings, purchase workshop equipment and maintain existing facilities. Notwithstanding the significant increase in the baseline funding, no funding provision has been made towards increasing headcount enrolment in the TVET sector. Headcount enrolment remains capped at 710 535 for the remainder of the MTSF period. The target to have 5 000 additional beds for students in the public TVET Colleges will also not be implemented due to lack of funding.

In line with the baseline funding increase, the Department has revised its 2015/16 – 2019/20 Strategic Plan. The targets that were revised downwards due to underfunding were revised upwards for the remainder of the MTSF. These are: NC(V) Level 4, N3 and N6. For the 2018/19 were revised to the original MTSF target of 65 percent. The following targets which were discontinued due lack of funding: 30 percent of TVET College lecturers undergoing specified hours in the industry for specified period every two years, 5 000 students entering foundation programmes were revised to the original MTSF targets. The targets on the number of qualifying TVET and university students obtaining NSFAS financial assistance annually were revised upwards to align with the current funding provision. New performance indicators were also introduced in the TVET programme, to monitor and report on infrastructure development as a result of the introduction of infrastructure maintenance grants for the sector.

7. RECOMMENDATIONS

The Committee recommends that the Minister of Higher Education and Training consider the following:

7.1. Programme 1: Administration

- The programme has received a budget reduction of R28.2 million over the MTEF period. Despite the assurance by the Department that the reduction will be accommodated by cost-containment measures, the operational budget of the Department has been constraint and the reduction will further compound the current challenges. Without adequate funding, the Department will continue to experience capacity constraints to implement the planned targets, especially in the Corporate Services sub-programme. Consideration for additional funding should be made towards improving the administrative capacity of the Department.
- The capacity to deal with recruitment and selection challenges need to be addressed. The implementation of the e-recruitment system should be fast tracked to eliminate the processing of the large volume of applications received for advertised posts. In addition, the Department should consider appointing a Director to deal with administration.
- The centralisation of the Department's HR functions at the head office contributes to the significant delays in resolving queries from TVET colleges and other institutions. The capacitation of regional offices should be prioritised to support PSET institutions at regional and provincial levels.

- The filling of the Deputy Director General (DDG) positions for programmes 3, 4 and 6 should be fast tracked.

7.2. Programme 2: Planning, Policy & Strategy

- A credible management information system is critical to inform and create credible and reliable labour market skills planning for the country. The lack of management information systems (MIS) to provide reliable data for the TVET and CET sectors performance outputs should be urgently addressed. The development of a reliable and functional management information system (MIS) for the CET, TVET and Skills Development programmes should be prioritised. This will enable the programmes to plan and for efficient use of resources.
- The marginal budget increase for the Social Inclusion in Education sub-programme will impact negatively on achievement of transformation in the PSET sector and the goals of equity and redress. Consideration for additional funding should be made towards this programme to support social inclusion policy implementation, including monitoring and evaluation.
- Career development services is critical to ensuring that learners are provided with information to make better career choices. Requisite funding should be made available for the implementation of career development services.
- Career guidance at the high school level needs to be further address and should start earlier in Grade 8 and 9 to support the objectives and targets of the DHET. School career guidance should also be orientated to TVET, CET Colleges and SETA programmes.
- The Department must ensure that it schedules to Parliament the National Qualifications Framework Amendment Bill (NQF Amendment Bill) and the Skills Development Amendment Bill.
- The National Student Financial Act should be reviewed to align with the new funding policy, especially that NSFAS is no longer granting loans to students from 2018 onwards.

7.3. Programme 3: University Education

- Given the new fee-free education policy and additional funding to progressively increase the university subsidies to 1 percent of the GDP, the Department should finalise the funding framework for the university sector. Furthermore, the Department should expedite the policy development to inform the new funding policy, including the ethical conduct policy for NSFAS beneficiaries to curb the corrupt use of allowances by both TVET College and university students.
- The Department should engage with the student leadership in the higher education sector to clarify the implementation of fee-free higher education for the poor and working class students.
- The sporadic student protests in higher education over the inability of NSFAS to process the outstanding claims from students is a cause of concern. The Department should ensure that the inefficiencies in the administration of student funding in higher education by NSFAS are eliminated to stabilise the sector.
- The student support services in higher education should be expanded to eliminate the low throughput and high drop-out rates.
- The Department should investigate the under enrolment of students in some programmes at universities and put in place mitigation strategies to ensure that that the MTSF headcount enrolment is achieved. Furthermore, the Department should monitor that UNISA develop foundation programmes so as to increase throughput rates of students in distance learning.
- The student support services in higher education should be expanded to eliminate the low throughput and high drop-out rates.
- The University Education Branch should strengthen its monitoring and evaluation function over the higher education institutions to ensure that there is value for the huge investment made in the sector.
- Both universities of Mpumalanga and Sol Plaatje have been opened and construction is ongoing. It is important that the construction process is adhered to ensure that construction targets are met within the set timeframe. This is largely due to the operational costs of the universities being insufficient due to fiscal constraints which is reducing the construction process and targets of the universities. Currently the construction process is nearing the completion of the

second phase (meant to have been completed in 2014/15) whereas it is meant to be at the fourth phase (meant to have been completed in July 2017). This is important for both universities contribution to boosting expansion, production of mid to high level skills moving towards the NDPs 2030 target of 1.6 million enrolments and to ensure enhanced access to the public higher education system.

- Lessons and experiences should be drawn from the Health Sciences (medical doctors, nurses and social workers) as well from the Fundza Lushaka bursary programme on the execution of a community service graduate programme. These are practical programmes which the Department can use in its drafting of a community service programme for beneficiaries of fee-free higher education.
- The Department of Human Settlements must be engaged to provide assistance to ensure that additional student accommodation is provided. As in the university sector the TVET sector must also engage in public-private-partnerships as a means of acquiring accommodation for students.

7.4. Programme 4: Technical and Vocational Education and Training

- The baseline funding increase of R3.297 billion to the programme is welcomed, including the projected annual average growth rate of 25 percent to the budget and the approved allocations for operationalisation of the new three TVET college campuses and the examination services function. The additional allocation for infrastructure refurbishment and maintenance as well as for purchasing of workshop equipment is commendable, as it would ensure relevancy and alignment of practical work with industry. Notwithstanding the significant increase in the baseline funding for the TVET sector, no funding provision has been made towards increasing headcount enrolment, which would remain capped at 710 535 and additional 5 000 beds in public TVET Colleges to address the shortage of student's accommodation.
- The commitment to enrol 1.25 million students in TVET Colleges will not be met within the Medium Term Strategic Framework (MTSF) due Department retaining the cap of headcount enrolment

710 535. This hinders the Department from working towards ensuring the NDP target of increasing participation rates in TVETs to 25 percent, which would accommodate about 1.25 million enrolments by 2030. As the Department is working on introducing the revised budgeting, enrolment and strategic planning processes in Colleges, it must address the resource related and efficiency factors inhibiting the desired growth in the sector. It must also ensure the finalisation of the draft policy for administration/ management of student admission for TVET colleges.

- Strengthening the governance and management of TVET colleges is at the core of ensuring that the structural challenges the sector confronts are addressed. It is important that there is proper management and governance of TVET colleges. The TVET branch in its development of common standards for governance, management and leadership as well as the framework for monitoring and evaluation of the quality of governance in TVET Colleges must ensure that the College Council Charter is annually reviewed and optimally implemented by Colleges, capacity-building programmes for senior managers are continuously conducted to ensure that they are optimally equipped to perform their responsibilities. Academic boards must also be strengthened so that they are able to contribute qualitatively in improving the college programme offering. Sourcing funding for the South African Institute for Vocational and Continuing Education and Training (SAIVCET) is important in providing support to colleges by upgrading the technical knowledge and pedagogical skills of existing staff in TVET and community colleges, and promoting the professionalization of lecturers, instructors and trainers and developing innovative curricula for the TVET Colleges.
- The Department committed to develop TVET College-based mathematics and science foundation programmes to assist students to take up careers in engineering, science and technology. Progress in realising this commitment has been impacted by a lack of funding, because the TVET sector does not have foundation provision grants unlike the university education sector. The Foundational Learning Programme (FLP) at NQF Level 1 has been conceptualised. The Department needs to discuss and consult the

Quality Council for Trades Occupations for it to be developed and implemented.

- The Committee also notes that funding for the implementation of the target of 5 000 TVET students enrolled in foundation programmes is funded through the National Skills Fund, and the target for 2018/19 to enrol 600 students in the pilot foundation programmes at nine TVET Colleges is not sustainable. The lack of voted funds to support the implementation of this programme poses a sustainability risk to its planned full-scale rollout. Consideration for additional voted funds should be made towards ensuring these MTSF targets are implemented.
- The inability of the State Information Technology Agency (SITA) to assist the Department with a reliable data management system for the TVET sector remains a serious challenge. This has serious implications in the certification and resulting of candidates enrolled in the colleges.
- The Committee has noted disparity in the targets set for the TVET sector and the university sector. The Department should specify targets in terms of scarce and critical skills or graduate outputs in different programmes in order to address areas of severe skills shortage. The Department should use the Labour Market Intelligence Report to inform the target setting for the TVET sector.
- The financial management systems and procurement policies should be strengthened at TVET Colleges given that additional funding will be allocated and for procurement of contractors for infrastructure maintenance.
- The TVET sector should enter into a social contract with the Department to deliver a predetermined output to inform and justify budget allocations and expenditure.
- Apprentices should be utilised to participate in the construction of new college campuses. This will provide a practical learning opportunity and valuable experience. In addition, it should result in a cost saving.
- The eradication of the backlog of 80 000 NATED certificates and diplomas should be prioritised.

- The NATED curriculum is outdated and does not respond to the needs of the economy. The Department working with the QCTO should finalise the reconstruction of the NATED curriculum.
- A progress report on the NC(V) curricula review must be provided and it is important that the Departments of Basic Education is included in this review as it also offers vocational programmes as part of its three streams model.
- The review of the TVET examination cycle should be prioritised to eliminate archaic exam system which is costly.
- Teaching and learning in the TVET sector remain a concern. The Department should fast track the expansion of universities offering TVET lecturer qualifications to improve the quality teaching and learning in the sector.
- The poor throughput and certification rates in the TVET sector is a concern. The Department should support TVET colleges in enhancing their student support services.
- The poor IT systems of TVET colleges hamper on the ability of NSFAS to process the payment of outstanding claims from students due to incomplete student enrolment data. The TVET ICT systems should be improved.
- The finalisation of the staff provisioning norms for the TVET sector should be prioritised.

7.5. Programme 5: Skills Development

- The budget reduction in sub-programme 3: National Skills Development Services of R2.3 million in 2018/19 is of concern, given the critical role of the sub-programme to manage projects identified in the national skills development strategy, advises the Minister on the national skills development policy and strategy. The budget reduction will have adverse effects on the work of the Branch and the critical advisory function on the skills development policy and strategy. Consideration for additional funding should be made to ensure that the sub-programme achieves its mandate.
- The workplace training and the work- integral learning (WIL) must be at the core of the training system. Partnerships remain central to Workplace training, measures should be put in place to encourage more universities to build strong partnerships with TVETs, industry

and SETAs as highlighted in the third National Skills Development Strategy. There is a need to improve the data supply to assess the accuracy of reporting mechanisms and impact of the mandatory grant that SETAs give to employers.

- The Department must complete its finalisation process of the SETA Workplace Based Learning Programme Agreement Regulations.
- Consideration must also be taken on the contribution that the Human Resource Development Strategy is making towards skills development.
- All spheres of government should take a lead in providing training in the public sector. More needs to done by government departments in recruiting graduates not only to provide training but as a means to address skills shortage.
- The training systems requires a close cooperation between educational institutions and industry. It is therefore of importance that amongst other components of such a system the training of artisans through apprenticeships and learnerships (as part of work integrated learning) is prioritised so that by 2030 the country is producing 30 000 artisans per an annum. Furthermore, to ensure the success of these artisans, it is important to ensure that proper systems or partnerships are in place to create sufficient workplaces to absorb certified artisans. It is important that the public sector increases the availability of training spaces. The National Artisan Development Strategy remains central in contributing to the growth of the economy.
- The Department should provide an update on the examination process that it has embarked on to ascertain the appropriateness and adequacy of the legal framework for the enforcement of compliance by all government departments to the provisions of the Skills Development Act (SDA) and Skills Development Levies Act.
- The Departments of Higher Education and Training and Public Service and Administration need to develop a working document on how they will collaborate to ensure that there are efforts to significantly increase internships and work-based opportunities in the public sector. This primarily because the coordination of internships in the public service is the responsibility of the Department of Service and Administration as directed by the Human Resource Development Strategy of South Africa.

- An impact assessment must be produced on the contribution of the NEDLAC partners to workplace to Commitment one to five of the National Skills Accord.
- Regular stakeholder workshops with workforce strengthening programmes (i.e. Harambee and others) to foster private and civil society engagement and partnerships and also to gain insight into the impact and outputs of the DHET and PSET initiatives in terms of its ultimate objective: *"A skilled and capable workforce to support an inclusive growth path".*
- SETAs need to assist in finding options within their sectors to report on non-funded employer training as these numbers are not validated and captured for artisan data reporting.
- A partnership needs to be established wherein the private and public sector are able to collaborate on issues related to skills development and employability. The Human Resource Development Council is a best-practice space for such partnership development and its role in identifying and supporting the Department targets and outputs need to be further strengthened, including the Labour Market Intelligence Partnerships.
- SETAs should be contracted to produce the skills identified as being required by the economy, i.e. 3/6/12 month courses that have an output of specific skills that will address skills shortage linked to the skills development targets.
- The low national artisan pass rates remain a concern. The Department should put mechanisms in place to improve the national artisan pass rates.
- The low uptake of trade assessment at INDLELA remains a concern The Department should put systems in place to improve the accessibility of INDLELA to the public.
- The finalisation of the new SETA landscape should be prioritised to address the uncertainties regarding the future of the SETAs and the duplication in their skills development programmes.

7.6. Programme 6: Community Education Training

- In order to meet the targets of the NDP of 1 million headcount enrolment, the CET colleges need to be responsive to the needs and challenges of the communities that they service by offering appropriate and quality programmes. This requires that there should be requisite funding and proper infrastructure to support colleges. The CET branch should look at innovative ways such as expanding its partnership networks to ensure that it prioritises the challenge of infrastructure so that it progressively turnover around its ability to deliver quality teaching and learning. CETs should also look into forming partnerships with business and other sectors within the area that they are located in an effort to provide appropriate skills.

- Consideration for additional funding should be made towards funding functions that cannot be funded through the NSF/SETA partnerships as they are not a once-off projects and require sustainable funding. These are the standardization of conditions of services of the CET college staff, the maintenance needs of the teaching and learning facilities, provision of adequate teaching and learning materials, strengthening governance and management.
- The Minister of Finance in the response to the 2017 BRRR indicated that the Department should use all available resources allocated for the CET sector, including the funding from the skills development levy institutions to improve delivery as efficiently as possible within the available resources over the medium term. In light of this, the Department should work together with the SETAs and the National Skills Fund to reprioritize funding from the skills levy to improve the role and performance of the CET Colleges as they do with the TVET Colleges.
- There are functions that cut across the SETAs, like the addressing the low-level of youth and adult language and numeracy skills to enable additional training. This seeks to provide all young people leaving school with an opportunity to engage in training or work experience, or improve their employability. Partnerships between the SETAs/NSF and the CET colleges should be encouraged in this regard.
- The establishment of financial management systems and procurement management at CET Colleges should be expedited.
- The poor certification rates of CET colleges should be improved by improving teaching and learning in the sector.
- The harmonization of the conditions of service of CET educators should be prioritised.

- Progress on the post-establishment for CET Colleges should be reported to the Committee.
- The identification of under-utilised public infrastructure country wide to be used as public community learning centres (PCLC) to address infrastructure challenges must be prioritised.
- CET Colleges should enter into a social compact with the Department to deliver a predetermined output to inform and justify budget allocations and expenditure.

Report to be considered.

[The following report replaces the Report of the Portfolio Committee on Higher Education and Training, which was published on page 469 of the Announcements, Tablings and Committee Reports dated 11 May 2018]

3. REPORT OF THE PORTFOLIO COMMITTEE ON HIGHER EDUCATION AND TRAINING ON CONSIDERATION OF THE BUDGET VOTE 15: HIGHER EDUCATION AND TRAINING, WITH REFERENCE TO THE NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS), THE COUNCIL ON HIGHER EDUCATION (CHE), THE QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (QCTO) AND THE SOUTH AFRICAN QUALIFICATIONS AUTHORITY (SAQA), DATED 09 MAY 2018

1. INTRODUCTION AND MANDATE OF THE COMMITTEE

The Portfolio Committee on Higher Education and Training (hereinafter referred to as the Committee), having considered the 2015/16 – 2019/20 Strategic Plans, the 2018/19 Annual Performance Plans and budgets of the National Student Financial Aid Scheme (NSFAS), the Council on Higher Education (CHE), the Quality Council for Trades and Occupations (QCTO), and the South African Qualifications Authority (SAQA), reports as follows:

1.1. Purpose of the Report

The purpose of this report is to account in accordance with Rule 166 of the Rules of the National Assembly for work done by the Committee in considering the 2015/16 – 2019/20 Strategic Plans, the 2018/19 Annual Performance Plans and budgets of NSFAS, the CHE, the QCTO, and SAQA submitted in accordance with Public Finance Management, 1999 (Act No. 29 of 1999) Section 27 (1); and as referred by the Speaker of the National Assembly to the Committee in terms of Rule 338 for consideration and reporting in terms of Rules 339 and 340 respectively.

1.2. Mandate of Committee

Section 55(2) of the Constitution of the Republic of South Africa stipulates that "the National Assembly (NA) must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i) national executive authority, including the implementation of the legislation; and (ii) any organ of state". Rule 227 of the Rules of the National Assembly (9th edition) provides for mechanisms contemplated in section 55(2) of the Constitution.

The Committee oversees the implementation of the following Acts:

Higher Education Act, 1997 (Act No.101 of 1997), National Student Financial Scheme Act, 1999 (Act No. 56 of 1999), Continuing Education and Training Act, 2006 (Act No. 16 of 2006), National Qualifications Framework Act, 2008 (Act No. 67 of 2008), Skills Development Act, 1998 (Act No. 97 of 1998), Skills Development Levies Act, 1999 (Act No. 9 of 1999) and General and Further Education and Training Quality Assurance Act, 2001 (Act No. 58 of 2001).

1.3. Method

In preparation for the consideration of the Strategic Plan 2015/16 – 2019/20 and the Annual Performance Plan 2018/19 of the entities, the Committee considered key government policy documents relevant to the work of the Department, and the entities, including, among others, the National Development Plan (NDP) / the 2014 – 2019 Medium Term Strategic Framework (MTSF), and the 2018 State of the Nation Address (SONA), the Departments of Higher Education and Training and Finance on the 2017 Budgetary Review and Recommendation Report (BRRR).

The Committee convened a briefing session with the Auditor-General of South Africa (AGSA) on the audit outcomes of the Higher Education and Training Portfolio for the 2018/19 Annual Performance Plans on 14 March 2018. The Committee also convened meetings with NSFAS and the CHE on 18 April 2018 and the QCTO and SAQA on 19 April 2018.

2. OVERVIEW OF THE KEY POLICY FOCUS AREAS RELEVANT FOR THE ENTITIES

2.1. Relevant Government policy documents

2.1.1. The National Development Plan (NDP), Vision 2030 and the 2014 – 2019 Medium Term Strategic Framework (MTSF)

The 2014-2019 MTSF, which is a five-year strategic plan of government, forms the first five-year implementation phase of the NDP. The aim of the Framework is to ensure policy coherence, alignment and coordination across government plans as well as alignment with the budgeting process. The Department is responsible for Outcome 5: "*A skilled and capable workforce to support an inclusive growth path*".

The NDP commits NSFAS to support an increased in participation rates at Technical and Vocational Education and Training (TVET) Colleges and in the higher education sector. It states that all students who qualify for the National Student Financial Aid Scheme should be provided with access to full funding through loans and bursaries to cover the costs of tuition, accommodation and other living expenses.

For the Quality Assurance Councils, both the NDP and the MTSF make a call for the education, training and innovation system, which should cater for the different needs and produce highly skilled individuals and for the production of graduates of the post-school system to have adequate skills and knowledge to meet the current and future needs of the economy and society. The White Paper for Post-School Education and Training further commits them to ensure that there are no dead ends within the post-school education and training system.

2.1.2. 2018 State of the Nation Address (SONA)

During the 2018 State of the Nation Address, Hon C Ramaphosa reaffirmed the fee-free education policy for children of the poor and working class. President Ramaphosa reaffirmed the government's position that fee-free higher education and training will be available to first-year students from households with a gross combined annual income of up to R350 000 per annum in 2018, starting with the first-time entering students at universities.

3. OVERVIEW AND ASSESSMENT OF THE NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS) 2015/16 – 2019/20 REVISED STRATEGIC PLAN, 2018/19 APP AND MTEF BUDGET

3.1. NSFAS Mandate

The National Student Financial Aid Scheme (NSFAS) was established in terms of the National Student Financial Aid Scheme Act, 1999 (Act No. 56 of 1999). Its main mandate is to provide loans and bursaries to eligible students, developing criteria and conditions for the granting of loans and bursaries to eligible students in consultation with the Minister of Higher Education and Training, raising funds, recovering loans, maintaining and analysing a database, undertaking research for the better utilisation of financial resources and advising the Minister on matters relating to financial aid for students.

3.1.1. Analysis of the revised 2015/16 – 2019/20 Strategic Plan

In light of the pronouncement of fee-free education policy, NSFAS revised its 2015/16 – 2019/20 Strategic Plan to adjust the MTSF targets in line with the new funding policy. NSFAS has revised upwards the two targets, the number of eligible TVET College students obtaining financial aid and the number of eligible university students obtaining financial aid as follows:

Table 1: Revised impact indicator after fee-free education pronouncement

No	Impact indicator	DHET 2019/20 before new policy	DHET Revised 2019/20 MTSF	Baseline (2017 academic year)	2018 academic year (projection)	2019 academic year (projection)	2020 academic year (projection)
3	Number of eligible TVET College students obtaining financial aid	200 000 eligible TVET College students obtaining financial aid	481 111 eligible TVET College students obtaining financial aid	230 469 eligible TVET College students obtaining financial aid	293 925 eligible TVET College students obtaining financial aid	400 920 eligible TVET College students obtaining financial aid	420 367 eligible TVET College students obtaining financial aid
8	Number of eligible university students obtaining financial aid	205 000 eligible university students obtaining financial aid	300 000 eligible university students obtaining financial aid	230 068 eligible university students obtaining financial aid	290 184 eligible university students obtaining financial aid	377 050 eligible university students obtaining financial aid	469 978 eligible university students obtaining financial aid

3.2. Overview and assessment of the NSFAS 2018/19 MTEF and 2018/19 Annual Performance indicators and targets.

3.2.1. Overview and assessment of the NSFAS 2018/19 Medium-Term Expenditure Framework (MTEF) Budget

For the 2018/19 financial year, NSFAS received a total budget of R24.7 billion. The budget is made up of R1.6 billion entity's revenue (R23.9 million from administration fees and R1.5 million of interests), R23.1 billion (R20.0 billion DHET Loans and Bursaries; R269.1 million

DHET Administration Grant, R1.5 billion from other government departments, R1.5 billion Department agencies and accounts and R252.1 million from higher education institutions). The overall budget is projected to grow to R35.5 billion and R40.2 billion in the two outer years of the METF.

The significant increase in the budget is towards the realisation of the fee-free education policy as pronounced by government and reiterated by President Ramaphosa in the 2018 State of the Nation Address. The increase, especially the DHET Loans and Bursaries from R12.3 billion in 2017/18 to R20.1 billion in 2018/19 is to expand access to education and training of students TVET College and university students coming from poor and working class households with an average annual income of up to R350 000 per annum. Of this programme budget, R22.8 billion is allocated for bursaries and R102 million is for operations. Budget for bursaries is projected to grow by 66.5 percent over the MTEF period.

In terms of expenditure estimates for the 2018/19 financial year, programme 1: Administration budget amounts to R191 million. The programme received a budget cut of R15.6 million from R206.5 million allocated in 2017/18. Student-Centred Financial Aid programme received a total budget of R22.9 billion. The budget increased significantly by R12.8 billion from R10.4 billion allocated in 2017/18.

In terms of economic classification, R181.6 million is for compensation of employees for the 2018/19 financial year. The allocation for compensation of employees accounts for 0.78 percent of the NSFAS total budget. The budget increased by 15.78 percent (R24.7 million) in nominal terms from R156.7 million in 2017/18, which is an increase of 9.74 percent in real terms when factoring inflation. The allocation for spending on goods and services for 2018/19 amounts to R103 million. This budget accounts for 0.44 percent of NSFAS total budget. The budget for spending on good and services decreased by R17.1 million, which represents a 14.26 percent decrease from R120.224 million in 2017/18. The budget is also projected to grow to R108.6 million and to R144.753 million in 2019/20 and 2020/21 respectively.

Transfers and subsidies received a total allocation of R22.8 million, which accounts for 98.74 percent of the total budget of the entity. The budget is expected to grow R33.503 billion and R38.117 billion in 2019/20 and 2020/21 respectively. Payments for capital assets allocation for the 2018/19 financial year amounts to R8.6 million. The budget decreased by

39.95 percent (R5.7 million) from R14.3 million in 2017/18. The budget for payments for capital assets will further decrease to R6.4 million and R6.7 million in the two outer years of the MTEF.

3.2.2. Analysis of the Annual Performance Plan (APP) 2018/19

The National Student Financial Aid Scheme has two budget programmes, Administration and Student-Centred Financial Aid. The targets have been developed under four perspectives, Financial Perspective, Stakeholder Perspective, Internal Process Perspective and Learning and Growth Perspective.

3.2.2.1. Programme 1: Administration

The purpose of the programme is to conduct the overall management, administration and governance of the entity and to provide efficient and effective support services to sustain the new student-centred operating model. This programme received an allocation of R191 million for 2018/19. The budget will among others support its Internal Processes Perspective achieve a clean audit and to maintain Corporate Governance of Information and Communication Technology Assessment Standards. NSFAS also planned to complete LBC 360-degree assessment for 70 percent of employees in levels 11 and above and to have an employee engagement index of 80 percent.

3.2.2.2. Student-Centred Financial Aid

The purpose of this programme is to improve the provision of financial aid to an increasing number of eligible students and to improve the efficiency of the application and funding of students. The Programme has four service units: Loans and Bursaries Administration, sBux, Contact Centre and Research and Policy.

The programme received an allocation of R22.9 billion for the 2018/19 financial. The budget will enable the Scheme to continue its focus on increasing the amount of funds (Rand Value) by raising R11 million from new funders and to increase the amount of money recovered from debtors by 25 percent on the 2017/18 actual collections. The Scheme will also focus in 2018/19, to have 80 percent of all applications received by 30 November, where provisional funding decisions are communicated to applicants by 31 January each year, to disburse allowances directly to students at have 24 institutions, to pay first instalment amounts of

80 percent of students to the institution within 30 days from Loan Agreement Form Schedule of Particulars (LAFSOP) acceptance, to pay first instalment of allowances to 90 percent of students (where NSFAS disburses directly to students) within 10 days of LAFSOP acceptance date, to have 90 percent of amounts due to institutions in respect of LAFSOP accepted by 30 November which are paid to institutions by 31 December each year, to have 90 percent of allowances due to students in respect of LAFSOPs accepted by 30 November (where NSFAS disburses directly to students) which are paid to students by 31 December each year and to produce four research reports for the better utilisation of financial resources.

4. OVERVIEW AND ASSESSMENT OF THE COUNCIL ON HIGHER EDUCATION (CHE) 2015/16 – 2019/20 REVISED STRATEGIC PLAN, 2018/19 APP AND MTEF BUDGET

4.1. The CHE Mandate

The South African Council on Higher Education (CHE) is an independent statutory body established in terms of the Higher Education Act No. 101 of 1997, as amended. The mandate of the CHE as the Quality Council for Higher Education is to advise the Minister of Higher Education and Training on all higher education issues, and is responsible for quality assurance and promotion through the Higher Education Quality Committee (HEQC).

4.2. Overview and assessment of the CHE 2018/19 MTEF and 2018/19 Annual Performance indicators and targets.

4.2.1. Assessment of the overall budget allocation and expenditure estimates: 2018/19 financial year.

For the 2018/19 financial year, the CHE has a total of R55.6 million. The budget increased by R1.0 million in nominal terms, and decreased by 3.42 percent (R1.9 million decrease) in real terms when factoring in inflation. The budget allocation is projected to grow by R3.1 million in 2019/20. A significant increase is projected for the last year of the MTEF period, 2020/21 to R181.8 million. The increase is meant to accommodate the institutional audit that would be conducted.

The budget of the CHE is shared among the four programmes, Administration, Institutional Quality Assurance, Research, Monitoring and Advice and Qualifications Management and Programme Review. Administration budget for the 2018/19 is R23.4 million, which decreased by 22.67 percent in real terms from R28.6 million allocated in 2017/18. This programme accounts for 42.05 percent of the total allocation of the CHE. Institutional Quality Assurance received an allocation of R16.8 million, which accounts for 30.32 percent of the CHE's total budget. The budget increased by 4.14 percent in nominal terms from R16.2 million allocated in 2017/18. The programme budget is projected to increase to R100.2 million in 2020/21 in line with the CHE's overall budget increase in the same period. The increase is to cater for institutional audits. Research, Monitoring and Advice and Qualifications Management and Programme Review received allocations of R6.3 million and R9.0 million respectively.

In terms of economic classification, R33.5 million is for compensation of employees for the 2018/19 financial year, which accounts for 60.37 percent of the total budget. The budget for compensation of employees increased by 0.75 percent in nominal terms, which is actually a decrease of 4.50 percent in real terms. The budget is projected to grow to R59.3 million in the 2020/21. Allocation for goods and services amounts to R20.5 million, which decreased by 3.39 percent in nominal terms from R21.2 million allocated in 2017/18. The budget for goods and services is projected to increase to R120.7 million in 2020/21. Payments for capital assets amounts to R1.5 million.

4.2.2. Analysis of the Annual Performance Plan (APP) 2018/19

The CHE has four budget programmes, namely: Administration, Institutional Quality Assurance, Research, Monitoring and Advice and Qualifications Management and Programme Review. The programmes have a combined total of 54 targets planned for the 2018/19 financial years.

4.2.2.1. Programme 1: Institutional Quality Assurance

The purpose of this programme is to advance the realisation of Strategic Goal 1. The programme develops and implements processes to inform, assure, enhance, and promote quality in higher education institutions (HEIs). The programme has three sub-programme, Programme Accreditation, Quality Enhancement Project (QEP): up to 2017/18 financial year, and Institutional Audits: from 2019. For the 2018/19 financial year, the programme will focus on producing 2 reports on institutional assessments on quality assurance systems, to have 75 percent of submitted applications with a Higher Education Quality Committee (HEQC) outcome within 12 months after the appointment of an evaluator, to have 80 percent of submitted applications with a HEQC outcome within 18 months after the appointment of an evaluator, to have 75 percent of reports tabled at an HEQC meeting 12 months after a site visit, to have piloted revised workflows for programme accreditation and to have Phase 2 institutional submissions analysis report approved.

4.2.2.2. Programme 2: Qualifications Management and Programme Review

This programme seeks to advance the realization of strategic goal 3 of the CHE by managing a single integrated national framework of higher education qualifications as a subset of the National Qualifications Framework (NQF); developing qualification standards; and undertaking national reviews in selected programmes and qualification levels. The programme has three sub-programmes: Management of the Higher Education Qualifications Sub-Framework (HEQSF), Development of Qualification Standards and National Reviews with a combined total of eight (8) targets.

For 2018/19, the CHE planned to develop and approved one policy by end of March 2019, to have 2 reports on HEQCIS uploads to the National Learners Record Database (NLRD), to develop and review 3 standards (Doctoral Qualifications, Bachelor of Commerce and Bachelor of Sports Coaching), to develop 2 reports on completed major milestones in each national review by end of March 2018 (approved national report on Bachelor of Laws – Phase 3 and approved activities report on Doctoral qualifications – phase 1).

4.2.2.3. Research, Monitoring and Advice

This programme is responsible for researching and monitoring trends and developments in higher education and fostering critical discourse on contemporary higher education issues and providing advice on strategy and policy. The programme has four sub-programmes, Research, Monitoring, Advice and Global trends in quality assurance.

For the 2018/19 the programme have 1 publication recording research findings published and shared by the end of March 2019, to host one event, to have one Vital Stats publication produced and shared by March 2019, to have two Advisory reports submitted to the Minister, and to have 80 percent of requests for advise responded to the Minister of Higher Education and Training by the end of March 2019.

4.2.2.4. Administration

The purpose of this programme is to provide strategic direction, corporate services, enabling systems, structures and facilities in support of the core functions. The programme has five sub-programmes, Human Resources Management, Information and Communication Technology, Facilities Management, Finance and Supply Chain Management and Office of the Chief Executive Officer.

For the 2018/19 financial year, the programme to, among others, to produce 1 report on the implementation of an integrated online CHE management information system, to develop 2 ICT policies and review 1 framework, to review and approve 4 policies, to have 31 staff training interventions, to have 85 percent of approved posts on the organisational structure filled, to have 2 finance and supply chain management policies, framework, guidance and procedures developed and approved, to have 100 percent average of eligible suppliers paid within 30 days, and to have 5 international partnerships and cooperation activities or events.

5. OVERVIEW AND ASSESSMENT OF THE QUALITY COUNCIL FOR TRADES AND OCCUPATION (QCTO) 2015/16 – 2019/20 REVISED STRATEGIC PLAN, 2018/19 APP AND MTEF BUDGET

5.1. The QCTO Mandate

The QCTO was established as a juristic person in 2010 in terms of the Skills Development Act (SDA), 97 of 1998 as amended in 2008. The QCTO is one of three Quality Councils (QCs) responsible for a part of the National Qualifications Framework (NQF), which is the Occupational Qualifications Sub-Framework (OQSF).

5.2. Overview and assessment of the QCTO 2018/19 MTEF and 2018/19 Annual Performance indicators and targets

5.2.1. Assessment of the overall budget allocation and expenditure estimates: 2018/19 financial year

The QCTO budget for the 2018/19 financial year amounts to R114 million. The budget is made up of R27.380 million from the voted funds (DHET Grant Allocation) and R86.7 million allocated in terms of the SETA Grant Allocation. The budget increased by R18.7 million, which represents 19.7 percent in nominal terms, from R95.3 million allocated in 2017/18. The overall budget is projected to increase by 17.4 percent over the MTEF period. The voted funds (DHET Grant Allocation) are projected to grow by an annual growth rate of 4.3 percent between 2017/18 – 2020/21.

In terms of economic classification, R63.1 million is for compensation of employees for the 2018/19 financial year. The allocation for compensation accounts for 55.35 percent of the QCTO's total budget. The budget increased by 19.85 percent (R10.5 million) in nominal terms from R52.6 million in 2017/18. The budget is projected to grow to R74.4 million and 87.9 million in the two outer years of the MTEF respectively. The allocation for spending on goods and services for the 2018/19 amounts to R44.2 million. This budget accounts for 38.73 percent of the QCTO's total budget and has increased by 16.64 percent from the allocation of R37.9 million in 2017/18. Allocation for capital expenditure for the 2018/19 is R6.7 million and the budget increased by 42.14 percent (R2 million) from R4.7 million in 2017/18.

5.2.2. Analysis of Annual Performance Plan (APP) 2018/19

The Council has retained its three budget programmes, which are: Administration, Occupational Qualifications and Quality Assurance.

5.2.2.1. Programme 1: Administration

The purpose of the Programme is to enable QCTO performance through strategic leadership and reliable delivery of management support services. This programme falls under the Strategic Outcome Oriented Goal 1: To create a sustained organisation.

The Programme had one indicator in 2015/16. For 2018/19, the Council will approve an ICT MSP implementation plan and implement Marketing and Communication Strategy.

5.2.2.2. Programme 2: Occupational Qualifications

The purpose of the Programme is to ensure that occupational qualifications registered on the Occupation Qualifications Sub-Framework are available and Skills Development Providers (SDPs) that offer occupational qualifications are accredited within a reasonable period and ensure credibility of providers. This programme falls under the Strategic Outcome Oriented Goal 1: Competent people in priority trades and occupations. This Programme is fundamental in delivering on the mandate of the organisations as stipulated in the Skills Development Act.

For 2018/19, the Council planned to recommend 30 prioritised occupational qualifications to South African Qualifications Authority (SAQA) for registration on the Occupational Qualifications Sub-Framework (OQSF); to monitor 100 percentage prioritised registered occupational qualifications with enrolment (based on new Occupational Qualifications Development Model); to have 90 days average turnaround time from date of receipt of duly completed accreditation application to date of issuance of accreditation letter to skills development providers offering newly registered occupational qualifications (in working days); to have 90 days average turnaround time from date of receipt of duly completed accreditation letters to skills development providers offering NATED Report 190/1 part qualifications(in working days); to have 40 Learner Qualifications Development Facilitators enrolled on training programme to facilitate the development of occupational qualifications; and to have 4 reports on reconstruction N4-N6 part qualifications submitted for consideration to the Occupational Qualifications Committee.

5.2.2.3. Quality Assurance

The purpose of this Programme is to establish and maintain standards for Quality Assurance of Assessments and Certification for Occupational Qualifications on the Occupational Qualifications Sub-Framework. The programme also falls under Strategic Outcome Oriented Goal 1: Competent people in priority trades and occupations. There are two strategic objectives under this programme which are: to ensure that the Quality Assurance System for the implementation of registered occupational qualifications is functional, effective and efficient; and Certification: Learner achievements of qualifications on the OQSF quality assured and certified as prescribed in QCTO policies.

The programme planned to have 100 percent of Assessment Centre Accreditations processed within the turnaround time (30 working days); to process 100 percent of Assessment Quality Partner (AQP) delegation approvals; to monitor 100 percent of Quality Assurance Partners (QAPs) against QCTO compliance standards; to have 8 of 8 quality assurance functions delegated to QAPs (SETAs and SAQA accredited Professional Bodies) taken up by the QCTO; to have N4-N6 part qualifications quality assured against QCTO standards; to have 100 percent Certificates issued within the turnaround time (21 working days); to submit 100 percent of learner achievement data to the NLRD in accordance with the NLRD specifications; and to have 100 percent of verifications requests for certificates issued by the QCTO verified within turnaround time (5 working days).

6. OVERVIEW AND ASSESSMENT OF THE SOUTH AFRICAN QUALIFICATIONS AUTHORITY (SAQA) 2015/16 – 2019/20 REVISED STRATEGIC PLAN, 2018/19 APP AND MTEF BUDGET

6.1. The SAQA Mandate

The South African Qualifications Authority (SAQA) is a statutory body established in terms of the South African Qualifications Act, (Act No. 58 of 1995). It continues to exist under the National Qualifications Act (Act No. 67 of 2008). The NQF Act positions SAQA as the oversight body of the NQF and the custodian of its values. SAQA is responsible for coordinating the work of the Quality Councils (Umalusi, Council on Higher Education, and the Quality Council for Trades and Occupations) and other NQF partners.

6.2. Overview and assessment of the SAQA 2018/19 MTEF and 2018/19 Annual Performance indicators and targets

6.2.1. Assessment of the overall budget allocation and expenditure estimates: 2018/19 financial year

SAQA’s total for the 2018/19 financial year, is R135.4 million. The budget increased by 13.6 percent (R16.2 million) in nominal terms from R119.1 million in 2017/18. The budget is projected to grow to R139.9 million and R147 million in 2019/20 and 2020/21 respectively. Of the total budget R66.7 million is a government grant from the Department of Higher Education and Training. The DHET grant to SAQA is projected to increase to R70.4 million in 2019/20 and R74.3 million in 2020/21 respectively.

The budget is shared among the six budget programmes, Administration and support, Recognition and Registration, National Learners Records Database Including Verifications, Foreign Qualifications Evaluation and Advisory Services, Research and International Liaison.

The Administration Support programme received an allocation of R68.8 million for 2018/19, which increased by 24.36 percent (R13.5 million) in nominal terms from R55.3 million in 2017/18. This programme accounts for 50.82 percent of the total allocation of SAQA. Foreign Qualifications Evaluation and Advisory Services received an allocation of RR29.7 million, which accounts for 21.95 percent of the SAQA's total budget. The budget increased marginally by 0.35 percent in nominal terms, which represents a decrease of 4.88 percent in real terms from R16.2 million allocated in 2017/18. In the two outer years of the MTEF period (2019/20 and 2020/21) the programme budget is projected to increase to marginally to R31.4 million and R33.1 million respectively. The National Learners Records (NLRD) database including, Verifications received an allocation of R18.1 million, which is the third largest programme allocation, followed by Recognition and Registration programme at R10.0 million. The two programmes accounts for 13.41 percent and 7.41 percent of the total SAQA budget respectively.

In terms of economic classification, R89.8 million is for compensation of employees for the 2018/19 financial year. The budget increased by R5.0 million from R84.7 million in 2017/18 and it is projected to increase to R94.7 million and R99.9 million in the two outer years of the MTEF period. The allocation for goods and services amounts to R40.4 million and allocation for payment capital assets amounts to R5.2 million. The budget for payment for capital assets is projected to decrease to R3.9 million and R3.6 million in 2019/20 and 2020/21. This is mainly due to the projected decrease in the allocation of computer equipment.

6.3. Overview and assessment of the 2018/19 Annual Performance Plan (APP)

SAQA has six budget programmes, Administration, Registration and Recognition, National Learners Records Database and Verifications, Foreign Qualifications Evaluation and Advisory Services, Research and International Liaison.

6.3.1. Programme 1: Administration and Support

This programme covers the activities of the Executive Office and the following Directorates: Human Resources; Information Technology, Finance and Administration; Advocacy, Communication and Support and International Liaison.

For the 2018/19, SAQA through its executive Office will: monitor and oversee the implementation of the NQF Implementation Framework for 2015 – 2020, complete a report on progress with implementation of Ministerial Guidelines, negotiate with the Department of Justice to get updates for Register of Fraudulent Qualifications, develop a new Action Plan for Articulation, provide advice to the Minister of HET on all requested matters, or as and when deemed necessary, provide input and comments on draft polices/ legislation if required, to establish Articulation Ombuds function if approved by the Minister.

With regard to Finance and Administration, the Authority focus on achieving a clean audit and 100 percent compliance with National Treasury requirements. For the Human Resources, SAQA planned to submit Workplace Skills Plan, Annual Training Report and Employment Equity Plan by the stipulated deadline, to approve 100 percent of staff contracts and assess 100 percent of staff, and to recognise and reward 100 of staff who qualify.

On Information Technology, SAQA planned to migrate three directorate documents from DocBox file shared folders to Knowledge Management System, to update and get approval for the revised ICT Enterprise Architecture, to provide evidence of compliance with catalogued IT governance legislation, regulations and codes of best practice. For Advocacy, Communication and Support, the Authority planned to have implementation of the recommendations of the review of the NQF Advisory Service, to record of 3.8 million interacting with content on SAQA/NQF digital platforms, and to maintain over 90 percent rating for awareness.

6.3.2. Programme 2: Registration and Recognition

The programme is responsible for advising the Ministers and informing policy-makers and making recommendations on all matters relating to the NQF in South Africa; Coordination of the work of education and training partners to ensure systemic coordination, coherence, articulation and implementation in overseeing the further development of the NQF to the benefit of learners, in line with and responsive to national education and training imperatives. The programme also registers high quality, nationally relevant and internationally comparable qualifications and part-qualifications that meet national criteria and articulate across sub-frameworks, and to recognise Professional Bodies and register professional designations on the NQF.

For the 2018/19, the programme planned to process 100 percent of qualifications and part-qualifications recommended by the QCs, to process 100 percent of applications for the recognition of professional bodies and registration and their professional designations, to monitor 100 percent of professional bodies that were recognised in the 2016/17 financial year, against the policy and criteria, and to monitor all qualifications registered from 2009 for learner uptake and de-register qualifications with no learner uptake after two years of registration.

6.3.3. Programme 3: National Learners Records Database and Verifications

The programme is responsible to maintain and further develop the National Learners' Records Database (NLRD) as the key national source of information for human resource and skills development in policy, infrastructure and planning. The targets planned for the 2018/19 are to: receive data from QCs twice a year and load 100 percent of all data that meet the criteria, to receive from professional bodies twice a year and load 100 percent of all data that meet criteria, to make available all 7 searchable databases at least 95 percent of the time and to produce a report per quarter on learner achievements added to the NLRD. With regard to the verifications project, to process 100 percent of applications received for the verification of national qualifications in the financial year, to invoice 100 percent of clients within 30 days of closing a batch and to produce a progress report for each quarter within 15 days after the end of the quarter.

6.3.4. Programme 4: Foreign Qualifications Evaluation and Advisory Services

The programme maintains and develops SAQA's role as the national source of advice on foreign and domestic learning and qualifications. The targets planned for the year are: to produce a monitoring report on the implementation of the approved Policy and Criteria for the Evaluation of Foreign Qualifications within the South African NQF, as amended, with specific reference to the framework for the recognition of deviation and exception cases, and to register and activate 100 percent of all applications for further processing.

6.3.5. Programme 5: Research

This programme is responsible for advising the Minister of Higher Education and Training, and to inform policy-makers and make recommendations on all matters relating to the NQF and education and training in South Africa; to conduct/commission research together with research partners, and publish reports on issues of importance to the development and implementation of the NQF, including periodic studies of the impact of the NQF, to produce a detailed report on progress made with current partners, to finalise and get Board approval for the 2017 NQF Impact Study Report, to commence with the conceptualisation of the 2021 NQF impact Study and to provide support for Articulation Ombuds if required.

6.3.6. Programme 6: International Liaison

The programme contributes to the development of a world class NQF for South Africa through collaboration with international partners on matters concerning qualifications frameworks. For 2018/19, SAQA planned to produce two documents on international best practices, to produce one benchmarking report or convene a benchmarking workshop, to attend two international forums, to produce trend reports, to convene one stakeholder workshop, and to produce/review one guideline policy.

7. ALIGNMENT OF NSFAS, CHE, QCTO AND SAQA 2015/16 - 2019/20 STRATEGIC PLANS AND THE 2018/19 APPS WITH THE RELEVANT FRAMEWORKS AND INSTRUCTIONS.

The Strategic Plans and the Annual Performance Plans of NSFAS, the CHE, the QCTO and SAQA meets the technical requirements as prescribed by the National Treasury Strategic Plan and Annual Performance Framework. The Strategic Plans of the Entities contain the elements such as a vision, mission and values of the organisation; legislation and policy; situational analysis and strategic outcome oriented goals of the entity. They also contain the strategic objectives, which stipulate the programmes purpose, objectives, resource consideration and risk management.

The APPs contain the updated situation analysis, revisions of legislative and other mandates and overview of budget estimates and the Medium-Term Expenditure Framework. (MTEF). They also detail the programmes and sub-programmes, programme purpose, for each programme, reconciling performance targets and budget, SMART annual and MTEF targets for strategic objectives, programme performance indicators with SMART annual and MTEF targets and quarterly targets for indicators.

Section 53(3) of the PFMA states that a public entity must submit a budget in terms of subsection (1) may not budget for a deficit and may not accumulate surpluses unless prior written approval of the National Treasury has been obtained. Sub-section 53 (4) further states that the accounting Authority for such a public entity is responsible for ensuring that expenditure of that public entity is in accordance with the approved budget. The CHE, the QCTO and SAQA have not budgeted for deficits nor surpluses. Their total income equals the total expenditure estimates. The National Student Financial Aid Scheme has not adhered to Section 53(3), its projected expenditure estimates of R23.5 billion for the 2018/19 is R1.2 billion lower than the total revenue of R24.7 billion.

NSFAS, the CHE, the QCTO and SAQA have also effected cost-containment measures in their projected spending for the 2018/19 financial year. This is in adherence of National Treasury Instruction No. 02 of 2016/1 on Cost containment measures.

8. OBSERVATIONS

The following formed part of the key observations:

8.1. National Student Financial Aid Scheme

- The significant increase in the funding of the entity from R15 billion in 2017/18 up to R38 billion in 2020/21 is commendable. The increase will assist the entity in the implementation of fee-free higher education aimed at increase access for students coming from the poor and working class family households. The additional allocation of R105 million over the MTEF aimed at supporting and improving its administration to enable effective management of the increased funding is commendable. This will address the IT and human resources challenges and to improve turnaround times in the processing of applications, disbursement of funds to students and institutions.

- The upward review of the MTSF targets for eligible TVET Colleges and university students obtaining financial aid to align with the new funding policy is commendable as this will ensure both access to and success of students in the PSET system. It is commendable that the policy will provide the full cost of study for students, which will ensure improved retention and success rates.
- The delays by students at higher education and training institutions in signing the loan agreement forms and schedule of particulars (LAFSOP) continue to hamper the ability of the entity to administer the payment of student allowances. In addition, the poor integration between NSFAS and the institution's IT systems compounds the situation.
- The entity continues to struggle in recouping outstanding debts from its former beneficiaries.
- The inefficiencies with the roll-out of the student-centred model contributes to the sporadic student protests across the PSET institutions. The communication between NSFAS and the PSET institutions is a cause of concern.
- The sBux system used by NSFAS for the payment of student allowances in PSET has serious shortcomings. Moreover, the ability of the entity to monitor and detect the abuse of the system by students remains a challenge.
- The entity's visibility and accessibility to the public remains a concern. NSFAS has been struggling to acquire new premises which could be easily accessible to the public.
- The stakeholders in the PSET sector, in particular the student leadership does not seem to understand the new fee-free education policy. This has resulted in some students resisting to sign the loan agreement forms.

8.2. Council on Higher Education

- The Council has a total budget of R55.6 million for 2018/19, which increased by R1.0 million in nominal terms and decreased in real terms by 3.42 percent when factoring inflation. Of importance to note is that the DGET Grant allocation to the CHE is not growing significantly and this impact on the ability of the Council to improve its administrative capacity to discharge its quality assurance, accreditation of higher education qualifications, maintaining the Higher Education Qualification Sub-Framework. Furthermore, the mandate of the Council is expanded without commensurate funding. The funding constraints will further jeopardize its work to support the higher education and training sector and by ensuring that the goal of providing quality higher education in South Africa which is internationally comparable is realised.

- The budget allocation for compensation of employees for the 2018/19 financial year decreased by 4.50 percent in real terms, and this has put a strain on the Council to fill critical posts because there is no room within the current budget to increase personnel.
- The Higher Education Act, 101 of 1997 section 10 (1) (b) and (c) provides that the CHE can derive income from services rendered. The CHE is deriving income from services is uncertain as the Council cannot predetermine the number of application requests and it would be risky to budget on income uncertainty.
- The delays in the filling of vacant posts are a cause of concern.
- The use of external expertise/peer academics who at time do not deliver on time or to the expected quality remains a challenge.
- The turn-around time in the processing of applications for accreditation from private higher education institutions remains a concern.

8.3. Quality Council for Trades and Occupations

- The QCTO total budget for 2018/19 is R114 million, which increased by R18.7 million from R95.3 million allocated in 2017. The DHET Grant allocation to the SETA is R27.4 million. National Treasury approved a budget cut of R1 million over the MTEF period, which will adversely affect the work of the Council. Compounding the financial constraints, is the SETA Levy Grant annual fluctuation which makes it extremely difficult for the QCTO to plan ahead. There is already an estimated decline of R1.051 billion in the collection of the skills levy for the 2018/19 financial year. This will impact on the QCTO as 70 percent of its come is from the SETAs.
- The focus of the entity's work for the 2018/19 is quality assurance and development new occupational programmes to address skills shortages in critical sectors to grow the economy as well as the

review of the NATED outdated curriculum. This is critical in increasing the skills pool of the country. Similar to the CHE, the mandate of the QCTO is also expanded by the implementation of the new policies and there is no funding to support the expanded mandate.

- Furthermore, if the entity does not get additional allocation, the bulk of the activities supporting quality assurance of trades and occupational programmes will still have to be conducted by the SETAs and professional bodies with the QCTO retaining accountability through a light touch quality assurance approach.
- The Skills Development Act makes provision for the QCTO to generate income from other sources. However, the income generated from other sources is very minimal and the receipt thereof is uncertain. The entity is unable to pre-determine the number of requests it can receive for verification and certification.
- The NATED curricula for TVET colleges is outdated and not responsive to the demands of the economy. There have been delays in the reconstruction of the NATED curricula. However, the entity indicated that it has made some progress in reconstructing the N4-N6 programmes categorized as business and general studies. Furthermore, engagements are underway with the University of Witwatersrand and Venda to reconstruct the engineering programmes.
- The progress in the training and development of people with short-term skills required by the economy is not commensurate with the expectations in society.
- The low uptake of trade assessments of candidates with experiential learning, but not formal qualifications remains a concern towards achieving the NDP target of producing 30 000 artisans per annum by 2030.

8.4. South African Qualifications Authority

- SAQA's budget for 2018/19 is R135.4 million, which increased by 13.6 percent from R119.1 million in 2017/18. R66.7 million of this budget is DHET Grant Allocation. SAQA received a budget cut of R2 million over the MTEF period. The budget The ability of the entity to oversee the development and implementation of the NQF, continue verification of qualifications will be limited by resource constraints. SAQA is unable to maintain its IT infrastructure with the current limited funding available. The goal of the entity in becoming a technology-driven organisation is severely hampered by a lack of funding.

- The entity has been able to achieve more with less over the years, its mandate is expanding without commensurate funding. The new mandates include overseeing of the implementation of 2017 Articulation Policy for the Post-School Education and Training System in South Africa, the establishment of an Articulation Ombuds Function by SAQA to respond to requests from public to resolve issues relating to articulation, and the implementation of the National Policy on the Misrepresentation of Qualifications. The Department of Higher Education and Training will table to Parliament the National Qualifications Amendment Bill, and this envisaged may further expand the mandate of the QCs.
- The inability of government departments/entities to settle their outstanding debts with SAQA remains a serious concern given the limited resources of the entity. As a result, SAQA has suspended the verification services to all clients that have outstanding debt for longer than the 30 days. The matter was reported to the DHET and Public Service Commission. Moreover, SAQA has amended its policy so that if debtors do not pay, the outstanding debt would be handed over to collection agencies. The government departments and entities would be liable for legal collection costs.
- The ability of the entity to oversee the development and implementation of the NQF given its limited resources is commendable.
- The entity has appointed its first black female Chief Financial Officer (CFO) since its establishment.
- The entity needs to raise an additional R10 million at minimum to maintain its status quo and significant increases in excess of the usual inflationary increase to its baseline funding going forward.
- SAQA is unable to maintain its IT infrastructure with the current limited funding available. The goal of the entity in becoming a technology-driven organisation is severely hampered by a lack of funding.

- SAQA has submitted the issue of its budget to the Minister of Higher Education and Training and the Department consistently over many years. However, the response has not been positive, instead and the entity was informed about the R2 million.

9. SUMMARY

The work of the Quality Councils, including SAQA continues to support the national policy to create seamless, coordinated PSET system that is responsive to the needs of individual citizens, employers in both the public and private sectors, as well as broader societal and development goals. The focus on improving quality assurance of the higher education programmes and trades and occupational programmes in the PSET sector as well as ensuring articulation between the different components of PSET sector, and to ensure that students never gain a terminal qualification that prevents them from gaining further training in other institutions is commendable.

The National Student Financial Aid Scheme supports government's priority to increase access of students to TVET Colleges and higher education institutions to meet the NDP/MTSF priorities. The Scheme received an allocation of R24.7 billion in 2018/9. Funding allocation for the Scheme will grow by an annual average growth rate of 51.6 percent between 2017/18 – 2020/21 to progressively support implementation of fee-free education policy. In line with this new funding provision, NSFAS has also revised upwards the targets of the eligible TVET College and University students obtaining financial assistance to align with the new funding provision that is aimed at benefiting students coming from poor and working class family households with gross annual income of R350 000 per annum. The new funding provision will cater for first entry university students and phased in over a five-year period. The President reiterated in his State of the Nation Address (SONA) 2018 that funding increases will also be determined by the growth in the economy.

The quality councils (QCs) and SAQA are operating with very limited resources at their disposal. There has been a decline in the past two financial years in the government subsidies which is their biggest portion of their budget. As much as legislation enables these QCs to derive their income from other sources, it has proved difficult to generate increased income from these unpredictable revenue sources. The entities emphasised that if additional funding is not allocated to fund their expanding mandate, there is a risk in the achievement of their APP 2018/19 performance indicators.

10. RECOMMENDATIONS

The Committee recommends that the Minister of Higher Education and Training consider the following:

10.1. National Student Financial Aid Scheme

- The Department working with the NSFAS must progressively work towards completing the full review of the NSFAS Act and Regulations. The full review was meant to have been completed in March 2018.
- NSFAS must strengthen its plans to ensure that necessary improvements are put in place to increase its capacity to implement its new mandate of administering and rolling- out free education.
- NSFAS must indicate how and what measures will be put in place to overcome the challenge of loan recoveries.
- The Department working with institutions and NSFAS must introduce student support systems to ensure that those benefitting from NSFAS receive additional academic and psycho- social support to increase their chances of success.
- The integration of NSFAS IT systems with that of the universities and TVET colleges should be fast tracked to eliminate the inefficiencies in the processing of outstanding claims by students.
- The entity should embark on a stakeholder dialogue to communicate the implementation of the student-centred model, which seems to be less understood by students in the PSET sector.
- The entity should prioritise the processing of outstanding claims due to students as far back as 2016.
- The entity should fast track the process of acquiring new premises which would be easily accessible to the public.

10.2. Council on Higher Education

- The MTSF states that to deliver the skills needed by the economy, one of the key actions is to put in place a post-school articulation policy to ensure greater articulation between the different components of post-school education and training, and to ensure that students never gain a terminal qualification that prevents them from gaining further training in other institutions. The CHE has been assigned more functions through the Draft National Policy on the Misrepresentation of Qualifications and to implement the Articulation Policy for the PSET System in South Africa. Consideration for additional funding should be made for the CHE to improve its administrative capacity as well as to implement the unfunded mandates.

- The filling of critical vacancies should be prioritised to improve the internal capacity of the organization.
- The appointment of permanent senior academics to assist with the backlog in the processing of applications for accreditation from private higher education institutions should be fast tracked.
- The Department must in-line with the first objective of the CHE (to improve the CHE's role as a quality assurer) assist the CHE to deal with the high volume of applications for accreditation.
- As per the NDP, the quality councils need to review how they achieve their mandates in-line with building a strong and streamlined quality assurance and qualification system.

10.3. Quality Council for Trades and Occupations

- The expansion of the entity's mandate should be followed by requisite funding.
- The reconstruction of the NATED curriculum should be fast tracked so that it responds to the needs of the economy.

10.4. South African Qualifications Authority

- Additional allocation should be made to the entity's baseline allocation to enable it to exercise its mandate effectively.
- The simplification of the NQF should be undertaken to allow for smooth articulation in the post-school education and training sector.
- The filling of the vacant board position should be prioritised.
- SAQA needs to look into measures on how to retain its staff in order to increase its senior management level.
- SAQA must look at how it can legislatively compel government debtors to ensure that they settle their outstanding debt. A list of these government debtors must be submitted to the committee.

10.5. Other recommendations

- The Committee noted with great concern the budget pressures that the Quality Councils, including SAQA experienced. Of great concern to note was the budget cut of the QCTO by R1 million and SAQA by R2 million over the MTEF period. The Committee further noted that the mandates of the QCs, including SAQA have expanded without commensurate funding. The new mandates include the implementation of an Articulation Policy for the Post-School Education and Training System in South Africa, the establishment of Articulation Ombuds function by SAQA and the implementation of the National Policy on the Misrepresentation of Qualifications. The Department of Higher Education and Training will table to Parliament the National Qualifications Amendment Bill, and this envisaged may further expand the mandate of the QCs. It is therefore critical that additional funding be considered to adequately fund the QCs to ensure that South Africans have access to education and training of the highest quality and that the graduates of the post-school education and training system have adequate skills and knowledge to meet the current and future needs of the economy and society as envisaged by the National Development Plan.
- The Committee should engage with the Standing Committees on Appropriations and Finance on the underfunding of the QCTO, the CHE and SAQA.

Report to be considered.