*Wednesday, 12 May 2021*]

No 59—2021] THIRD SESSION, SIXTH PARLIAMENT

# PARLIAMENT

**OF THE**

# REPUBLIC OF SOUTH AFRICA

---

# ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

---

WEDNESDAY, 12 MAY 2021

---

# TABLE OF CONTENTS

## ANNOUNCEMENTS

### National Assembly



## COMMITTEE REPORTS

### National Assembly



### National Council of Provinces

# ANNOUNCEMENTS

## National Assembly

### The Speaker

**1. Appointment of member to chair Mini-plenaries on Budget Vote debates**

(1) The following member has been appointed in terms of Rule 54 to chair mini-plenaries on budget votes:

Ms T M Joemat-Pettersson.

# COMMITTEE REPORTS

## National Assembly

# 1. REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT ON THE 2021/22 ANNUAL PERFORMANCE PLANS AND THE BUDGET OF THE DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT AND ITS ENTITIES, VOTE 29, DATED 11 MAY 2021.

The Portfolio Committee on Agriculture, Land Reform and Rural Development (hereinafter referred to as the Portfolio Committee) examined the 2021/22 Vote 29: Agriculture, Land Reform and Rural Development and budget projections for the Medium Term Expenditure Framework (MTEF) period ending in 2023/24 financial year. The process entailed scrutiny of the 2021/22 Annual Performance Plans (APPs) and Budgets of the Department of Agriculture, Land Reform and Rural Development (hereinafter referred to as the Department), and the relevant National Public Entities during briefings held on 04 and 05 May 2021. Therefore, the Portfolio Committee reports as follows:

## 1. Introduction

This report accounts for the process embarked upon by the Portfolio Committee on Agriculture, Land Reform and Rural Development to consider Vote 29: Agriculture, Land Reform and Rural Development as tabled by the Minister of Finance, and the Five-Year Strategic Plans and Annual Performance Plans of the Department of Agriculture, Land Reform and Rural Development (hereinafter referred to as the Department), and relevant public entities as listed in Table 1. The Committee process followed the tabling of Strategic Plans, APPs and budget allocations by the Department and its national public entities in Parliament as required in terms of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999). The APPs outline the annual plans in line with Strategic Plans and the allocated budget as per the Estimates of National Expenditure (ENE) tabled by the Minister of Finance. These planning documents were tabled on 23 March 2021; and presented at briefing sessions on 04 and 05 May as shown in Table 1 of this report.

**Table 1:** Briefing Sessions by the Department and its Public Entities

| **Department and Public Entities under Vote 29** | **Date of briefing** |
|---|---|
| **Department of Agriculture, Land Reform and Rural Development** | 04 May 2021 |
| **Commission on Restitution of Land Rights** | 04 May 2021 |
| **KwaZulu-Natal Ingonyama Trust Board** | 04 May 2021 |
| **Office of the Valuer-General** | 05 May 2021 |
| **Agricultural Research Council** | 05 May 2021 |
| **Onderstepoort Biological Product** | 05 May 2021 |
| **National Agricultural Marketing Council** | 05 May 2021 |
| **Perishable Products Export Control Board** | 05 May 2021 |

During the scrutiny of the Strategic Plans and the APPs, the Portfolio Committee assessed whether the plans of the Department and Entities were aligned to the State-of-the-Nation Address (SONA) of February 2021, the National Development Plan (NDP) policy priorities and targets, the 2020-2024 Medium Term Strategic Framework (MTSF) and other key government policy priorities.

## 3. Overview of the Strategic Focus of the Department of Agriculture, Land Reform and Rural Development, 2021/22 Annual Performance Plan and Budget Allocation

### 3.1 The Department of Agriculture, Land Reform and Rural Development and its Core Functions

The main aim of the Department of Agriculture, Land Reform and Rural Development is to provide equitable access to land, integrated rural development, sustainable agriculture and food security for all. The Department's legislative mandate is derived from Sections 24(b)(iii), 25, and 27(1) of the Constitution of the Republic of South Africa (1996) that deal with environment and natural resources clause; property rights and land reform clause; and health care, food, water and social security clause - a framework for comprehensive rural development. The strategic focus of the Department in the current five-year strategic framework period is to accelerate land reform, catalyse rural development and improve agricultural production to stimulate economic development and food security. The seven Strategic Outcomes for the current MTSF period are aligned to MTSF priorities as shown in Table 2 below.

**Table 2:** Alignment of Department Outcomes and the 2020-2024 MTSF Priorities

| Department Outcome (OC) | MTSF Priority (P) |
|---|---|
| **1. Improved governance and service excellence** | P1: A capable, ethical and developmental state |
| **2. Spatial transformation and effective land administration** | P5: Spatial integration, human settlements & local government |
| **3. Redress and equitable access to land and producer support** | P2: Economic transformation & job creation and P5 |
| **4. Increased production in the agricultural sector** | P2 and P3: Education, skills and health |
| **5. Increased market access and maintenance of existing markets** | P2 and P7. A better Africa & world |
| **6. Integrated and inclusive rural economy** | P2 and P5 |
| **7. Enhanced biosecurity and effective disaster risk reduction** | P5 |

### 3.2 Overview of the 2021/22 Budget Allocation and the Medium Term Expenditure Framework Estimates of the Department

The total budget appropriated to the Department for the 2021/22 financial year is R16.9 billion, a slight increase from the R16.8 billion that was initially appropriated and later adjusted to R15.2 billion in 2020/21. The Department's budget will increase at an average nominal growth rate of 4.5 per cent during the medium term expenditure (MTE) period. As the Department constitutes both national and concurrent functions, approximately 52 per cent of the total vote appropriation goes to transfers and subsidies; and some of these have been the source of repeat audit findings associated with poor accountability and monitoring of the utilisation of funds transferred to provinces.

In line with the Department's key priorities for the medium term, more than half of the Department's total appropriation will be allocated to Programme 3: Food Security, Land Reform and Restitution, which was initially appropriated just under 50 per cent of the Department's total budget in the previous financial year. Despite its important and central role in agricultural production, biosecurity and management of agricultural disasters, Programme 2 will be allocated approximately 15 per cent of the Department's total appropriation while the Administration Programme will receive approximately 16 per cent of the total vote.

**Table 3: Medium-Term Expenditure Framework including 2020/21 Adjusted Appropriation**

| Programme/Branch | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 |
| **1. Administration** | **2 817 077** | **2 768 284** | **2 793 918** | **2 646 695** |
| *Ministry* | *63 564* | *72 912* | *72 524* | *66 938* |
| *Department Management* | *140 250* | *151 774* | *151 467* | *133 874* |
| *Internal Audit* | *52 950* | *59 328* | *59 540* | *53 535* |
| *Financial Management* | *248 544* | *266 488* | *266 384* | *234 326* |
| *Corporate Services* | *856 002* | *907 149* | *908 613* | *838 014* |
| *Provincial Operations* | *439 142* | *518 744* | *508 369* | *489 259* |
| *Office Accommodation* | *1 016 625* | *791 889* | *827 021* | *830 749* |
| **2. Agricultural Production, Biosecurity & Natural Resources Management** | **2 537 066** | **2 602 969** | **2 78 710** | **2 596 877** |
| *Inspection and Quarantine Services* | *573 355* | *513 727* | *503 854* | *502 417* |
| *Plant Production and Health* | *117 551* | *174 243* | *217 273* | *221 675* |
| *Animal Production and Health* | *327 624* | *351 080* | *382 462* | *391 402* |
| *Natural Resources and Disaster Management* | *268 616* | *277 935* | *282 180* | *285 714* |
| *Biosecurity* | *-* | *3 352* | *3 621* | *4 113* |
| *Agricultural Research Council* | *1 249 920* | *1 282 632* | *1 189 320* | *1 191 556* |
| **3. Food Security, Land Reform & Restitution** | **7 395 166** | **8 825 336** | **9 202 029** | **9 471 525** |
| *Food Security* | *2 068 071* | *2 072 062* | *2 110 589* | *2 166 454* |
| *Land Redistribution and Tenure Reform* | *841 680* | *965 099* | *956 517* | *960 312* |
| *Nat. Ext. Services & Sector Capacity Development* | *560 402* | *569 398* | *568 375* | *575 495* |
| *Farmer Support and Development* | *432 442* | *612 564* | *626 292* | *636 190* |
| *Restitution* | *2 922 339* | *3 512 866* | *3 817 737* | *3 969 080* |
| *Agricultural Land Holdings Account* | *448 040* | *937 986* | *965 860* | *984 942* |
| *Ingonyama Trust Board* | *22 192* | *23 517* | *24 391* | *23 781* |
| *Office of the Valuer-General* | *100 000* | *131 844* | *132 268* | *155 271* |
| **4. Rural Development** | **770 405** | **1 079 286** | **920 184** | **934 097** |
| *National Rural Youth Service Corps (NARYSEC)* | *294 641* | *178 774* | *174 690* | *175 522* |
| *Rural Infrastructure Development* | *453 780* | *874 347* | *718 695* | *731 485* |
| *Technology Research and Development* | *21 984* | *26 165* | *26 799* | *27 090* |
| **5. Economic Development, Trade & Marketing** | **670 063** | **886 317** | **908 026** | **963 250** |
| *International Relations and Trade* | *184 642* | *216 467* | *218 336* | *222 533* |
| *Cooperatives Development* | *33 019* | *78 538* | *87 245* | *88 700* |
| *Agroprocessing, Marketing & Rural Industrial Dev* | *391 817* | *530 473* | *540 348* | *588 536* |
| *Development Finance* | *13 163* | *13 534* | *13 562* | *13 710* |
| *National Agricultural Marketing Council* | *47 422* | *47 305* | *48 535* | *49 771* |
| **6. Land Administration** | **1 057 836** | **758 207** | **767 801** | **775 258** |
| *National Geomatics Management Services* | *523 622* | *540 884* | *539 281* | *546 216* |
| *Spatial Planning and Land Use Management* | *165 562* | *206 210* | *216 965* | *217 548* |
| *Deeds Registration* | *358 034* | *1* | *1* | *1* |
| *South African Council of Planners* | *4 035* | *4 140* | *4 263* | *4 335* |
| *South African Geomatics Council* | *4 333* | *4 572* | *4 741* | *4 655* |
| *Integrated Land Administration* | *2 250* | *2 400* | *2 550* | *2 503* |
| **Total** | **15 247 613** | **16 920 399** | **17 170 668** | **17 387 702** |

Source: DALRRD – Annual Performance Plan 2021 – 2022

## 3.3 Overview of the 2021/22 Budget Allocations and Programme Performance Plans

### 3.3.1 Programme 1: Administration

The Administration Programme received 16.4 per cent, which is the second largest allocation of the Department's total appropriation. The Programme's budget allocation of approximately R2.8 billion remains unchanged from the 2020/21 financial year's adjusted appropriation. As illustrated on Table 3, Corporate Support Services account for the largest chunk of the Programme budget at R907.1 million (32.8 per cent of Programme allocation), followed by Office Accommodation with R791.9 million (28.6 per cent). There is a reduction on the allocation for Office Accommodation sub-programme, which received approximately R1 billion in the previous financial year. For a Programme that receives the second largest appropriation from the Vote, the performance targets for the Administration Programme are not aligned with the financial resources allocated. As Administration is responsible for strategic leadership, management and support services to the entire Department, specific targets would have been expected particularly for legislative and policy review and development under the Corporate Support Services sub-programme, which receives almost a third of the Programme's budget. Further, during the consideration of the Upgrading of Land Tenure Rights Amendment Bill in 2020, the Department undertook to table the Communal Land Tenure Bill. However, the Bill had not been tabled at the time of consideration of this report and the APP lacks concrete plans to table the Bill in 2021/22. What has been stated is that the Department will develop a Communal Tenure Policy Position Paper. It thus leaves Parliament exposed to possible litigation because of the absence of a permanent comprehensive legislation envisaged in Section 25(6) of the Constitution.

For the Provincial Operations sub-programme specific targets would have been expected in respect of strengthening monitoring and evaluation (M&E) of projects that are implemented by provinces and other service providers, a weakness that has also been acknowledged by the Executive Authority. The Committee emphasised a need for stringent M&E mechanism with a renewed focus on project management, including monitoring of utilisation of grant funding awarded to projects as well as assessment of the socio-economic impact of programmes and projects funded by the Department.

### 3.3.2 Programme 2: Agricultural Production, Biosecurity and Natural Resources Management

This Programme has undergone a name change as it was previously called Agricultural Production, Health, Food Safety, Natural Resources and Disaster Management. However, its core mandate and sub-programmes have not changed except for the welcome addition of Biosecurity as a standalone sub-programme, which will put more focus on effective and efficient management of biosecurity threats to the agricultural sector. Programme 2's budget allocation has been stagnant as its average growth rate over the MTEF period is less than 1 per cent. The Programme received the third largest allocation of R2.6 billion (15.4 per cent of the Department's total appropriation). As illustrated in Table 3, close to half of the Programme's budget (49.3 per cent) will be transferred to the Agricultural Research Council (ARC) as a Parliamentary Grant, followed by the allocation to the Quarantine and Inspection Services sub-programme with 19.7 per cent of the Programme. However, both the allocations to the ARC and the latter sub-programme's budget allocation will be decreasing over the MTE period; the ARC by an average of 2 per cent and the Quarantine and Inspection Services sub-programme by an average of 4 per cent.

The focus on Biosecurity as a sub-programme was welcomed but there is a concern with the small budget allocation of R3.3 million (0.1 per cent of the Programme 2's total allocation) in light of the continuing disease outbreaks particularly the foot-and-mouth disease (FMD), which is costing the livestock industry significant losses in export revenue; as well as the recent outbreak of Avian influenza, which also has a negative impact on the growth and sustainability of the poultry industry. Both disease outbreaks also have a negative and significant impact on sector employment and job creation. In light of the frequency of climate change related natural disasters, a significant budget allocation and specific targets were expected for the Natural Resources and Disaster Management sub-programme, which plays a central role in the implementation of policies and frameworks to mitigate disasters in rural and agricultural areas. The sub-programme received R277.9 million (approximately 11 per cent of Programme 2's total budget).

### 3.3.3 Programme 3: Food Security, Land Reform and Restitution

While the purpose and focus of the Programme has not changed, there has been some re-arrangement of sub-programmes where Land Redistribution has been combined with Tenure Reform as one sub-programme and Property Management and Advisory Support has been removed as a sub-programme. Additionally, as has been a standard with some Programmes, the entities whose budget allocations are transferred through the Programme, have also been included as sub-programmes for budgetary purposes (see Table 3). Programme 3 received the largest allocation of R8.8 billion, which is approximately 52 per cent of the Department's total appropriation. About R7 billion of Programme 3's total appropriation, which is equivalent to 81 per cent of the Programme's total budget, is for transfers to provinces, entities and households. Of the transferred R7 billion, approximately R3.4 billion is for households (48 per cent of R7 billion) covers grant funding for land acquisition and development support. Further, about R2.2 billion will go to provinces and the rest of the allocation goes to entities and Departmental accounts.

The Restitution sub-programme, as discussed in detail in Section 4.1 of this report dealing with the Commission on Restitution of Land Rights, has been allocated R3.5 billion. It accounts for approximately 40 per cent of Programme 3's total budget (Table 3), followed by the Food Security sub-programme, which received R2 billion (23.5 per cent). As Table 3 shows, the allocation for Food Security is more or less the same amount it received in the previous financial year.

The stagnant budgetary growth in the Food Security sub-programmes is disappointing in light of the continuing hunger situation that has been compounded by the Covid-19 pandemic as most people have lost sources of income and other livelihood means. Another area of concern is that despite its mandated contribution to the implementation of the National Food and Nutrition Security Plan, the Department did not present a framework or a clearly defined indicator to measure food security but relies on quantitative targets that are implemented by provinces in the form of producer support programmes without measuring the actual impact of such programmes on food insecurity. The Committee noted the launch of the Blended Finance Initiative (BFI) with the Industrial Development Corporation (IDC) as well as interest from commercial banks as pronounced by the Executive Authority.

While the Department reported reservations about the Land Bank in light of the Bank's financial challenges and previous experience with the implementation of the Blended Finance programme, the rationale for partnering with the major commercial banks when the Land Bank is a state-owned bank that is mandated to develop and support the agricultural sector was questioned. Furthermore, despite the Department's reservations about the Land Bank and in light of the Department's poor accountability in respect of funds that were previously transferred to the Land Bank, an amount of R384.7 million will be allocated to the Land Bank through this Programme for the 2021/22 financial year; and a combined total of R1.2 billion over the MTE period ending in 2024. Additionally, despite the mentioned launch of the Blended Finance Initiative (BFI), the APP has no clear targets on BFI and Commercialisation of Black Producers for which the BFI was initially established.

There is no indication in the APP of what the funds allocated to the Land Bank under Programme 3 will be used for. The Committee was also concerned about the Department's inability to explain the linkage of the Blended Finance Initiative with other existing financial support programmes of the Department such as the Land Development Support (LDS) in Programme 3 and the Micro Agricultural Financial Institutions of South Africa (Mafisa) in Programme 5. Although the allocation to the Land Bank was not explained, the Department reported that the previous financial year's target for Blended Finance was removed from the revised 2020/21 APP after June 2020; and has been replaced in the current APP by smallholder producers receiving support from Mafisa loans. The latter target will be implemented through Programme 5 and there is an additional allocation to the Land Bank in that Programme.

Land Redistribution and Tenure Reform received an allocation of R965.5 million, a nominal increase of 14.7 per cent when compared to 2020/21. Whilst land redistribution remains a priority of government, a concern was expressed regarding the decrease in annual allocations over the next two years as shown in Table 3. For the 2021/22 financial year, the focus will be on fast tracking land delivery, settling restitution and labour tenants' claims (land tenure) and to ensuring adequate post-settlement support as detailed below. Some of the targets that the Department will deliver over the 2021 MTEF period are: Compliance with Communal Property Associations Act (Act No 28 of 1996), and 577 Communal Property Associations (CPAs) will be supported, and will increase by 100 in 2022/23. Over the MTEF period, 1964 CPAs would be having been supported to be compliant to the CPA Act. Whilst the Committee welcomed these initiatives, it expressed concerns about lack of details on the support mechanisms, especially implementation of the CPA Amendment Act. It further noted, with intensions to develop strategic oversight mechanisms, the following:

- Over the MTSF period, the Department will acquire 900 000 ha of strategically allocated land by 2024. In 2021, it undertook to acquire 33,777 hectares of strategically allocated land, of which 16 888 would be allocated to women, 13 511 ha to youth, and 3 377.7 ha to people with disabilities. With regard to farm dwellers and labour tenants access to land, the Department plans to acquire 6 800 ha by 2023/24.
- The number of labour tenants' applications settled will double up from 500 claims settled in 2020/21 to 1000 in 2021/22 and a total of 4 500 claims will be settled over the medium term. The Committee commended the initiative of oversight by the Special Master of Labour Tenants. What is required is a comprehensive national database on labour tenants' applications, indicating the number of claims settled and the number of claims outstanding.
- The Transformation of Certain Rural Areas Act, No. 94 of 1998 (TRANCRAA), applies to 23 rural areas in four provinces; the Western Cape, Northern Cape, Eastern Cape and Free State. where land historically reserved for people of mixed Khoisan and European descent is held in trust by the Minister of Agriculture, Land Reform and Rural Development. There are 12 such areas in the Western Cape, eight in the Northern Cape, two in the Free State and one in the Eastern Cape. In 2021, 12 areas would be transferred.

### 3.3.4 Programme 4: Rural Development

Programme 4 focuses on the following three sub-programmes: National Rural Youth Services Corps (NARYSEC); Rural Infrastructure Development and Technology Research and Coordination. For 2021, the programme allocation is R1.08 billion, an increase from an appropriation of R770.4 million in 2020/21. This increase is driven by a substantial increase of 92.7 per cent in the allocation to the Rural Infrastructure Development. The allocation to the NARYSEC has nominally decreased by 39.3 per cent. The Committee expressed concerns about the impact of the decrease as it will affect skills development and creation of job opportunities for rural youth. As a result, there is a noticeable decrease in the targeted number of youths to be trained through NARYSEC; from 1 916 in 2020/21 to 1 409 in 2021/22. Of great concern, for the Committee, was the fact that there were no targets for 2022/23 going forward. In addition, little is understood about the NARYSEC programme impact due to weak monitoring and evaluation.

### 3.3.5 Programme 5: Economic Development, Trade and Marketing

Development Finance has been added as a standalone sub-programme under Programme 5; and the entity, National Agricultural Marketing Council, added as a sub-programme as its Parliamentary Grant is transferred through the Programme. Of the Programme's total budget of R886.3 million for the 2021/22 financial year (Table 3), R530.5 million (59.9 per cent) will be allocated to the Agroprocessing, Marketing and Rural Industrial Development sub-programme and R216.5 million to the International Relations and Trade sub-programme (24 per cent). The Committee remains concerned with the Programme's targets that mainly constitute reports and training activities without clear details on some of the targets including how the usefulness (value for money) and impact of training activities will be assessed. As an example, the Department has targets to support 71 new agricultural enterprises and 15 new non-agricultural enterprises. While there is no description of non-agricultural enterprises, in both instances the methods of assessment and verification are the same including receipt of services through Farmer Production Support Units (FPSUs) by both categories of enterprises. The APP provides no explanation on why non-agricultural enterprises will be receiving services through FPSUs, which were established to support farmers.

Although approximately 60 per cent of Programme 5's budget will go to the Agroprocessing, Marketing and Rural Industrial Development sub-programme, there are no specific targets for agroprocessing, through which the NDP expects the sector to create 1 million jobs by 2030. The previous target that has since been abandoned, was training of agroprocessing entrepreneurs. For the target on AgriBEE Fund applications that will be finalised, which is based on a percentage, there is no baseline to provide an indication of how many applications does the Department normally receives and finalise in a year, based on previous experience. This is important as a measure of its transformation interventions as some producers are not aware of the AgriBEE Fund or how to apply for it. In addition to what will be allocated to the Land Bank under Programme 3, the Department will transfer an additional R40.6 million to the Land Bank under this Programme for 2021/22 (a combined total of R139.3 million over the MTE period). The assumption is that the funds will be used for the AgriBEE Fund and Mafisa, which have been historically administered by the Land Bank. Mafisa provides loans to smallholder producers through intermediaries.

**3.3.6 Programme 6: Land Administration**

The purpose of the programme is to provide and maintain an inclusive, effective and comprehensive system of planning, geospatial information and cadastral surveys; legally secure tenure; and conduct land administration that promotes social, economic and environmental sustainability. It consists of six sub-programmes; namely, National Geomatics Management Services (NGMS); Spatial Planning and Land Use (SPLU), Registration of Deeds Trading Account; and South African Geomatics Council. The Committee welcomed the following undertakings: (i) Completion of 75 per cent of phase 1 of the Electronic Deeds Registration System, (e-DRS); and (ii) To submit the Deeds Registries Amendment Bill and memorandum of the Bill to the Minister for consideration. The Committee expressed concerns about a continuing trend of failure to meet legislative programme; for example, the Communal Land Tenure Bill that was expected to be tabled in Parliament in 2020 as mentioned above.

The budget allocation has decreased from an adjusted appropriation of R1.06 billion in 2020/21 to R758.2 million in 2021/22 due to a transfer of R358 million to the Deeds Registration. The NGMS received a largest share of the total programme allocation, accounting for 71.3 per cent in 2021/22. The NGMS and SPLU account for 98.5 per cent of the total programme allocation. The Committee, in welcoming the allocation, expressed a need for stringent oversight to ensure that improved land administration and spatial planning for integrated development could be realized, in particular, clarification of the roles of various national departments (DALRRD, COGTA and the Department of Planning, Monitoring and Evaluation) in the implementation of the Spatial Planning and Land Use Management Act (SPLUMA).

## 4. Overview of the Strategic Focus of the Public Entities of the Department, their 2021/22 Annual Performance Plans and Budget Allocation

The Department, as discussed above, oversee the operations of a number of national public entities of different status. For example, the status of the Commission on Restitution of Land Rights is currently under review with intension to ensure that it is fully autonomous as envisioned in the founding legislation. Table 4 below illustrates budget allocation for each entity.

**Table 4.** Budget Allocation to Entities for the MTEF Period 2021/22 – 2023/24

| **Entity** <br> **R Million** | **2020/21 Adjusted Appropriation** | **MTEF Period Estimates** | | |
|---|---|---|---|---|
| | | **2021/22** | **2022/23** | **2023/24** |
| **1.** Commission on Restitution of Land Rights | - | - | - | - |
| **2**. Ingonyama Trust Board | 22 192 | 23 517 | 24 391 | 23 781 |
| **3.** Office of the Valuer-General | 100 000 | 131 844 | 132 268 | 155 271 |
| **4.** Agricultural Land Holdings Account | 448 040 | 937 986 | 965 860 | 984 942 |
| **5.** Agricultural Research Council | 1 249 920 | 1 282 632 | 1 189 320 | 1 191 556 |
| **6.** Onderstepoort Biological Products | - | - | - | - |
| **7.** National Agricultural Marketing Council | 47 422 | 47 305 | 48 535 | 49 771 |
| **8.** Perishable Products Export Control Board | - | - | - | - |
| **Total** | **1 867 574** | **2 423 284** | **2 360 374** | **2 405 321** |

Source: DALRRD – Annual Performance Plan 2021 - 2022

### 4.1 The Commission on Restitution of Land Rights (CRLR)

The CRLR was established as an autonomous institution by the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994) to solicit land claims, investigate them and attempt to resolve them through negotiation and mediation. In 2021, unlike the period 2020, the Commission on Restitution of Land Rights tabled its own Strategic Plan and APP, though it still accounted under as sub-programme of Programme 3. In terms of its plans, the total number of claims to be settled over MTEF are 1347, of which 240 will be settled in 2021/22. The Committee noted that the target was a decrease of four compared to the reduced target of 244 claims settled in 2020/21. Further, a total number of claims to be finalised over MTEF are 1 266, 316 of which would be finalised in 2021/22 – increase to the reduced estimated figure of 295 claims finalised in 2020/21. Restitution allocation, under programme 3, received the largest share of the allocation for programme. Its allocation for 2021/22 is R3.51 billion, i.e. 39.8 per cent of the total allocation for programme 3. Whilst the allocation was R3.6 billion, it was however adjusted downward to R3.3 billion due to reprioritisation, a trend that continues until 2023/24. As it would be expected, Restitution Grants takes up 78.8 per cent of the total budget of the Commission because it covers funding for land acquisition and financial compensation.

Some of the concerns of the Portfolio Committee can be summarised as follows:

- The pace of settlement of land claims and clearing the backlog claims was a concern and the Committee wanted to the Commission to set clear targets for these key areas
- Whilst the new approach was welcome, there was a concern around vacancies in the Commission which affects the capacity to research, settle and finalise land claims
- The Commission was implored to focus on finalisation of policies in order to address the existing claims, including the post-1998 land claims that were put in abeyance due to Court order.
- The question of 1913 cut-off date was a subject for discussion and it was a matter being dealt with through the Constitutional amendment process.

### 4.2 KwaZulu-Natal Ingonyama Trust Board (ITB)

The KwaZulu-Natal Ingonyama Trust Board is a land management agency that ensures that commercial activity on communal land is developmental and beneficial to local communities. The KwaZulu-Natal Ingonyama Trust Act (1994) makes provision for the 2.8 million hectares of land spread across KwaZulu-Natal (KZN) to be held in trust and managed on behalf of communities. The Ingonyama Trust Board administers the affairs of the trust. The ITB's activities are guided by four strategic outcomes, namely: improved corporate governance and service excellence;

improved stakeholder relations; improved security of land tenure and improved coordination of human settlement on communal land.

For 2021/22, the ITB operations are organised into two Programmes; namely, Administration (including corporate services and financial administration sub-programmes) and the Land and Tenure Management. Whilst the ITB has presented its budget during the meeting of the Portfolio Committee, such budget was not included in the tabled Strategic Plan and the Annual Performance Plan (APP). The APP does not clearly articulate how the ENE's 2021/22 allocation for the ITB, of which R23.5 million is transfers from the Department, would be spent. The PowerPoint slides submitted for presentation shows that the transfers from the Department is R29.96 million. With interest of R41 thousand, the total funding for the Ingonyama Trust Board is R30 million. The allocation for administration of the ITB has been in decline over the last three years, especially salaries and Board Members fee. The Trust income is R79.2 million comprising rental income of R75.3 million, contractual royalty income of R1.2 million, servitude compensation and other R1.5 million, sugar cane sales of R1 million. The total expenditure for the Trust is R243 million.

*Administration* Programme provides administrative support to the ITB which administers the affairs of the Ingonyama Trust. The Committee noted that this Programme has been expanded to include what used to be Traditional Council Support Programme. The Committee made the following observations:

- The programme has four targets; namely, to sign 10 agreements with relevant stakeholders annually for the next four years (2021/22 to 2024/25); to capacitate 10 Traditional Councils each year for the four years; to approve five policies annually for the next four years. The Committee was concerned about capacity to develop policies because, in 2019/20, it approved only 2 of the 5 policies.
- The Committee noted that the ITB emphasises capacitation of traditional councils in its interventions, the projects around educational awards and other community benefits are not clearly spelt out in the plans. Therefore, the provision to ensure that the Trust exist for the benefits and material welfare and social well-being of communities on the Trust land is yet to be fully demonstrated in the plans.

- The ITB has recurring Auditor-General's audit findings and opinion, i.e. an adverse opinion on the consolidated Annual Financial Statements of the Ingonyama Trust Board. As separate entities, the ITB obtained a qualified audit opinion based on the non-disclosure of the full extent of the irregular expenditure and the Ingonyama Trust obtained an adverse opinion based on the following issues: Property, plant and equipment/ (land valuation disclosure), Non-disclosure of Investment Property and Expenditure, i.e. non-recognition of municipal rates as an expense and liability in the financial statements. These matters remain unresolved because different interpretation of GRAP standards and the PFMA. The Committee noted that the APP does not present clear and measureable indicators on how the ITB intends to address the Auditor-General's audit findings and opinion.

### 4.3 Office of the Valuer-General (OVG)

The Office of the Valuer-General (OVG) was set up in terms of the Property Valuation Act (PVA), No.17 of 2014. It is listed as Schedule 3A public entity in terms of the Public Finance Management Act, 1999. Its function is to conduct valuation of properties identified for land reform purposes, and to assist other departments that have requested valuation services for purposes of acquiring or disposing of property. The OVG is funded through transfers from Programme 3 (: Food Security, Land Reform and Restitution). Transfers to the OVG decreases from R143.2 million in 2021/22 to R135.6 million in 2023/4 in line with Cabinet approved budget reductions. Of the R143.2 million transferred to the OVG in 2021/22, R12.4 million (8.7%) is for the Administration Programme, R56.8 million (39.7%) is for valuations and R74.0 million (51.7%) is for operations. A large portion of the budget allocated to the Administration and Valuations programmes is for compensation of employees (COE). As an example, the allocation for COE is 71.8 per cent of the total budget for the Valuations Programme in 2021/22.

The Committee noted that the OVG seeks to implement the corruption and fraud prevention mechanism which will be approved in the second quarter but implemented from the fourth quarter. A concern was that this is one of the outputs that were meant to be achieved in the previous financial year, thus raising questions of the capacity of the OVG to deliver on its mandate. The

Committee called for prioritisation of the recruitment of the Valuer-General and the Chief Operations Officer.

With regards to valuations, targets for valuations could not be met due to capacity constraints. However, this financial years, the OVG still plans to complete all valuations requested by clients within the specified times. The OVG will enter into service level agreements with clients to ensure speedy completion of valuations. The committee welcomed the process flow which indicated that an average of 50 days will be taken to issue a valuation certificate despite previous years' failures. Further commitments welcomed by the Committee were: completion of all backlog valuations in 2021/22 and enhancement of data management capability. It noted that, although the presenter reported that the APP was approved by the Minister, the initial copy tabled in Parliament was not signed by the Minister. A further concern was the Ministerial Advisory Panel had not completed the review of the Property Valuation Act, despite plans indicating that the work was meant to be completed in 2020.

### 4.4 Agricultural Research Council (ARC)

The ARC was established in terms of Section 2 of the Agricultural Research Act, 1990 (Act No. 86 of 1990). For the 2021/22 financial year, the ARC has been appropriated an amount of R1.28 billion through the Department's Programme 2. The transfer constitutes baseline allocation for operational expenditure and capital expenditure (averaging R111 million per annum). The ARC is operating on zero budgeting and due to the constrained national fiscus, from the current financial year onwards, the entity is not expecting the additional funding it used to receive from the Department of Science and Innovation. Personnel costs remain the highest cost driver, constituting 60 per cent of total expenditure for 2021/22 and consuming approximately 90 per cent of the Parliamentary Grant (PG) on average per year. The ARC plans to reduce costs by approximately R300 million over a period of 2 to 3 years.

Through its Sustainability and Financial Turnaround Plan and for the medium term, the entity will be focusing on optimisation of personnel costs (to 60 per cent of the PG); consolidation of the Pretoria campuses from eight to three (pre-feasibility assessment is reportedly underway); rationalisation of unutilised and underutilised land and properties; procurement savings and implementation of cost-saving initiatives in all its facilities and operations (energy, equipment, transport, animal feed, etc.). The Committee appreciated the interventions of the new Board, commended the ARC for its Turnaround Plan and further welcomed its Annual Performance Plan. However, it remained concerned about personnel capacity particularly balancing optimisation of personnel costs with job losses while the entity on one hand was highlighting the need to appoint high-profile scientists who can generate external revenue. In light of the frequency and ongoing FMD outbreaks, the slow pace of the establishment of the FMD Facility remains a concern particularly as funding allocation for the Facility was first made in 2018/19. The Committee registered serious concern with the reported security issues at the ARC as theft particularly of genetic material, was highlighted as one of the threats in some of its campuses.

### 4.5 The Onderstepoort Biological Products (OBP)

The OBP was established in terms of the Onderstepoort Biological Products Incorporation Act, 1999 (Act No.19 of 1999). It is listed under Schedule 3B of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), i.e. National Government Business Enterprise. It is governed by Act No. 19 of 1999, which should be read together with the Onderstepoort Biological Products Memorandum of Incorporation (MOI) and was declared as a National Key Point in 2007. The OBP does not get a financial transfer from the Department but funds all its operations from its self-generated revenue, mostly from sale of vaccines. The entity's total budget for 2021/22 is R190 million. The main focus remains ensuring a steady supply of vaccines and continued work on the modernisation of the vaccine manufacturing plant. Therefore, a significant proportion of the entity's budget will go towards operations and production. The OBP will continue to implement its Turnaround Strategy that was developed in 2019 to address some of its key challenges, which include among others, lack of good manufacturing practice (GMP) accreditation due to aged infrastructure.

The slow pace of the modernisation of the vaccine manufacturing plant project and the entity's personnel challenges i.e. instability at senior management level, the entity's high attrition rate and the associated vacancy rate of 25% were the major concerns that were raised by the Committee. It acknowledged the measures put in place to address revenue losses and the high personnel turnover rate by including new indicators for retention of top 20 customers, introduction of its product dossier to new markets and critical staff retention. The Committee further welcomed the measures put in place by the OBP's Board to address personnel challenges including the precautionary suspension of the Chief Executive Officer (CEO) pending investigation into allegations of fraud and corruption as well as past investigations.

**4.6 The National Agricultural Marketing Council (NAMC)**

The NAMC was established in terms of Section 3 and 4 of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996) as amended by Act No. 59 of 1997 and No. 52 of 2001. For the 2021/22 financial year, the NAMC will receive a Parliamentary Grant of R47.3 million through the Department's Programme 5. Approximately 73 per cent of the entity's total allocation goes to compensation of employees. In order to streamline activities and strengthen its legislative mandate, the entity is undergoing a review of its organisational structure. In addition to its legislated core mandate, the NAMC was appointed in 2019 by the Minister of Agriculture, Land Reform and Rural Development to coordinate the process of compiling the Agriculture and Agroprocessing Master Plan (AAMP).

The AAMP is a sector blueprint for growth, jobs, transformation and development that will be funded through private-public partnerships (PPP). It was expected to be finalised on 30 June 2020, however, due to the lockdown as a result of Covid-19, the deadline was not met. The NAMC reported that the Minister and social partners are preparing to negotiate and finalise commitments and targets on growth, jobs, markets and transformation. The Committee welcomed the NAMC's improved Annual Plan as previous matters that were raised by the Committee have been addressed and further appreciated its initiatives and interventions to assist smallholder farmers with market access. It further enquired about expansion of some of its activities to all provinces where farmers have limited or no access to markets including coordination with the Department in identifying farmers that need support on market access.

**4.7 Perishable Products Export Control Board (PPECB)**

The PPECB was established in terms of Section 2 of the Perishable Products Export Control (PPEC) Act, 1983 (Act No. 9 of 1983). In addition to the PPEC Act, it is also governed by the Agricultural Product Standards (APS) Act, 1990 (Act No. 119 of 1990). The PPECB does not receive a Parliamentary Grant but generates its own revenue through fees and levies charged for inspections done on perishable products that are due for export and issuance of export certificates. The entity realised a surplus of R10.3 million in 2020/21 due to reduced travel and training activities as a result of the lockdown. The PPECB's total budget for the 2021/22 financial year is R532 million. Due to the nature of the PPECB's operations, approximately 68 per cent of its budget for 2021/22 will be spent on compensation of employees. The Committee commended the PPECB for its clear and well-articulated Annual Plan, the continued good work and the role that it plays in the export of perishable products from South Africa including capacity building of smallholder farmers for export market access.

## 5. Committee Observations

The Committee, having deliberated on the 2021/22 APPs and budget allocations of the Department and Entities, made the following observations:

### 5.1 The Department of Agriculture, Land Reform and Rural Development

5.1.1 Inadequate quality assurance in the Department. As an example, the quality of the Department's Annual Performance Plan, which had a number of grammatical and typographical errors emanating from the direct cut and paste from the previous financial year's Plan. This was evident in the outdated statistical information in some parts, and on page 20 of the APP under Planned Legislation for approval, listing of the Agricultural Produce Agents Amendment Bill and the Sectional Tittles Amendment Bill. Both Bills have already been tabled in Parliament in 2020. Under Relevant Court Rulings, the Department reported on page 23 that it was "presently finalising a Bill to amend ULTRA". The said ULTRA Bill was tabled in Parliament in 2020 and Parliament has already concluded its process. Additionally, the Department also initially tabled some entities'

APPs that were not signed by the Executive Authority and also failed to provide explanations in the APP where targets have been discontinued or revised.

5.1.2 The process of appointing an Accounting Officer for the Department including the strengthening of the Department's Policy Unit were welcome. However, in the absence of specific targets in the APP in respect of policy and legislative review, there remains uncertainty regarding the Department's capacity to timeously develop essential legislation and policies to address sectoral challenges e.g. Communal Land Tenure Bill; amendments to the Perishable Products Export Control Act and the Agricultural Research Act; and the White Paper on Land Policy.

5.1.3 Whilst the merger of the Agriculture function of the former Department of Agriculture, Forestry and Fisheries (DAFF) and the former Department of Land Reform and Rural Development (DRDLR) was meant to address duplication and consolidate complimentary functions between the two former Departments, and despite the reportedly finalised organisational macro structure, there is still lack of alignment of Programme functions and interventions in the new Department. The following are a few examples:

- The different *financial Farmer/Producer Support interventions* in one Department despite the Committee's previous calls to consolidate support programmes into a 'one-stop-shop' facility. In Programme 3 for example, there is CASP, Ilima/Letsema and Blended Finance (which has no targets) from former DAFF and Land Development Support (LDS) programme that has replaced Recapitalisation and Development Programme (RECAP) from former DRDLR; and then there is also AgriBEE Fund and Mafisa from former DAFF in Programme 5. This creates complexities in terms of oversight and accountability, assessment of the impact of interventions and further creates confusion for potential beneficiaries of these interventions.
- *Duplications* in terms of the LandCare Programme from former DAFF in Programme 2 and the Animal and Veld Management Programme (AVMP) and the River Valley Catalytic Programme from former DRDLR in Programme 4. The Department has previously reported that it has done away with the latter two

programmes from former DRDLR, yet, they are included in the current APP. As much as the implementation of each of the three programmes might be different, they all have an infrastructure provision component and the main outcome of interventions in all three is natural resource management. By its very nature, AVMP should be part of Animal Production in Programme 2. Further to the above, LandCare is a job creation programme but Programme 4 also has a specific target on job opportunities created in rural development initiatives.

- *Infrastructure* – a target for infrastructure development to support production under the AVMP and RVCP and another target for infrastructure development to support FPSUs under Programme 4. This is notwithstanding the fact that CASP in Programme 3, which is implemented by Provinces, is also supposed to provide both on-farm and off-farm infrastructure and has a budget of R1 billion for infrastructure in the 2021/22 financial year.

5.1.4 There is a need for further engagements on the relaunched Blended Finance Initiative (BFI), the Commercialisation of Black Producers Programme, for which BFI was established, other Departmental funding programmes as well as sector transformation instruments such as the AgriBEE Fund and Mafisa, which were historically administered by the Land Bank. This should include an update on all funds that have been previously and currently transferred to the Land Bank for various agricultural funding instruments.

5.1.5 Absence of specific targets on agroprocessing, which is identified in the NDP as a key job driver and is central to the Farmer Production Support Units (FPSUs) and the planned Agriculture and Agroprocessing Master Plan (AAMP).

5.1.6 Considering that more than half (52 per cent) of the total Budget Vote goes to transfers and subsidies in the current financial year, there was dissatisfaction with the absence of a Monitoring and Evaluation (M&E) Framework as part of the Department's Annual Plan as weak M & E in the Department remains a challenge and will continue to affect accountability on transferred funds as well as performance and service delivery. In this regard, a specific target to address this weakness was expected particularly under the

Provincial Operations sub-programme. The Committee emphasised that in the absence of an effective Departmental M & E Framework, transferred funds may be redirected to other activities.

5.1.7 Lack of concrete plans to ensure that indigenous growers of Cannabis are prioritised and capacitated to fully participate and benefit from the implementation of the Cannabis Master Plan.

5.1.8 The implementation of the Poultry and Sugar Master Plans was commended and the focus on capacity building and full participation of smallholder producers in both sectors was emphasised.

5.1.9 The stagnant growth in the budget allocation for the Food Security sub-programme in Programmes 3 in light of the hunger challenge that has been compounded by the Covid-19 pandemic and the absence of a clear target to monitor and assess the efficacy of food security interventions as food security interventions are implemented by provinces.

5.1.10 The budget for Programme 2, which is responsible for inter alia biosecurity and disaster management has also been stagnant. In Programme 2, the miniscule allocation to the Biosecurity sub-programme was noted with concern in light of the continuing FMD challenge and most recently, avian influenza. Both diseases have a negative impact on export revenue, sector employment and sustainability. Despite previous assurances from the Department to efficiently address the FMD outbreak to enable the country to regain its FMD-free zone without vaccination status from the World Organisation for Animal Health (OIE), the challenge remains. The outbreak of avian influenza may further threaten the implementation of the Poultry Master Plan particularly for smallholder producers.

5.1.11 The target on trade negotiations including the newly launched Trade Agreement on African Continental Free Trade Area (AfCTA) is appreciated, however, there is a need for clear targets on interventions to capacitate and assist local and smallholder producers in particular to fully participate and benefit from such agreements once they become operational.

5.1.12 Programme plans to acquire and allocate 33 720 hectares of strategically located land in 2021 does not match NDP targets and a promise for accelerated delivery of land to meet a range of needs from productive and residential land in both rural and urban areas to well-located land in the cities, towns and peri-urban areas in order to dismantle the apartheid spatial planning. The plans do not articulate the programme to redistribute state land identified for release to communities.

5.1.13 Inadequate support to CPAs and Trusts (land reform) contributes to the collapse of land reform farms and/or a decline in agricultural productivity. Conflicts within CPAs is an indication of lack of, or inadequate, support to CPAs. Compliance to CPA Act does not mean that conflicts and leadership challenges would be resolved. What is required is the implementation of the amendments to the CPA Act by the Department, for example setting up the CPA office and capacitating the office and the Department to support CPAs beyond compliance to the Act.

**5.2 Entities of the Department**

5.2.1 The commitment to ensure that an autonomous CRLR, with adequate research and negotiation capacity, backed by competent valuation processes, could assist the programme of restitution to settle and finalise pre-1998 land claims and established in terms of the Restitution of Land Rights Act, 22 of 1994. According to the PFMA, Commissions are included in the definition of national public entities. Incorporating Restitution as a sub-programme of a broad Programme is to downgrade the mandate of a national public entity into a sub-programme of the Department that could curtail the autonomy of a Commission envisioned in the Restitution of Land Rights Act.

5.2.2 Outstanding reports with regard to the Inter-Ministerial Task Team interventions at the ITB impacts on accountability and oversight of the Portfolio Committee. Further, ongoing court cases meant that the ITB always refer to the court cases and that it could not discuss matters that were before courts.

5.2.3 Lack of clear programmes to deal with empowerment of youth, women and people with disabilities in the communities living on the Ingonyama Trust land, in line with the purpose of the ITB, i.e. management of the Trust for the benefit and material welfare of traditional communities on the Ingonyama Trust land, obstruct assessment of the impact of the ITB on communities.

5.2.4 The Ministerial Advisory Panel delay to finalise the review of the Property Valuation Act, thus clarifying its mandate, impacts on the effectiveness and efficiency of the OVG. Further capacitation of the OVG, pending the review, is unlikely to bring any fundamental change especially in relation to disputes to the valuations. Legislative amendments are fundamental to clarification of the mandate of the OVG.

5.2.5 The interventions of the new ARC Board and the entity's Annual Plan and Financial Sustainability and Turnaround Plan were commended. However, the slow progress in the construction of the FMD Vaccine Facility in light of frequent outbreaks and current FMD challenge in the country remains a major concern.

5.2.6 There was uncertainty regarding the implementation of the ARC's Turnaround Plan in respect of optimising personnel costs while the entity at the same time highlighted the need to recruit high profile scientists to attract external revenue. In the latter case, the efficacy of the ARC's Professional Development Programme (PDP) in training, mentoring and coaching critical future scientists was questioned.

5.2.7 Lack of technological advances in an entity of the ARC's calibre was concerning where crime in the form of theft is threatening the safety and sustainability of the ARC's genetic material.

5.2.8 Appreciation for the interventions of the new OBP Board in addressing serious personnel challenges at OBP including the precautionary suspension of the OBP's CEO pending investigations.

5.2.9 Fast tracking the modernisation of the vaccine manufacturing facility to ensure that the OBP is GMP-compliant and able to be a globally competitive supplier and distributor of vaccines and other biological products remains key.

5.2.10 Recognition of the improvement in the Annual Plan of the NAMC, appreciation of its interventions on market access and the need for expansion of its footprint to all provinces with respect to facilitation of market access for smallholder producers.

5.2.11 Appreciation and commending of the PPECB for the clear and well articulated Annual Plan and the continued sterling work in assisting farmers with exports of perishable products and capacity building of smallholder farmers for export markets without government financial support.

## 6. Committee Recommendations

After discussions and deliberations on the 2021/22 Annual Performance Plans (APPs) and Budget of the Department and the Entities (Budget Vote 29), the Portfolio Committee on Agriculture, Land Reform and Rural Development makes the following recommendations to the National Assembly (NA) for the attention of the Minister of Agriculture, Land Reform and Rural Development regarding Budget Vote 29.
The Minister should -

6.1 Provide quarterly updates on the finalisation of the fit-for-purpose organisational structure of the Department that clearly indicates how persistent duplication of functions among Programmes and lack of relevant qualifications and expertise among some senior management service level personnel that was reported by Department of Public Service and Administration (DPSA) will be addressed including the strengthening of the Policy Unit.

6.2 Submit to Parliament an updated Legislation and Policy Review Programmes with clear time lines and available resources for processing and finalisation of such legislation and policies during the current financial year and the medium term period. In the case of legislation, indicate timeframes for planned introduction to Parliament.

6.3 Ensure the development of an Action Plan to review and streamline the Department's existing support programmes and conditional grants into an integrated Producer Support Programme/Scheme that was envisaged when the National Policy on Comprehensive Producer Development Support was developed to avoid duplication and resource wastage. The Action Plan should show the alignment to the Department's new mandate and the Farmer Production Support Units that are expected to be central to the implementation of the Agriculture and Agroprocessing Master Plan.

6.4 Strengthen Reporting Guidelines and ensure the development of Monitoring and Evaluation (M&E) Frameworks for conditional grants and all funds that have been transferred for concurrent functions including those transferred to other service providers, Entities and the Land Bank for programme implementation. Further ensure quarterly monitoring of provincial allocations and that provinces and the Land Bank report on the utilisation of such funds on a regular basis. The Department should report to Parliament on its M&E activities during each quarterly briefing.

6.5 In addition to the M&E Frameworks, ensure that the Department signs Service Level Agreements (SLAs) with the Land Bank, the IDC and other relevant commodity or partner organisations particularly for the implementation of the Blended Finance Initiative, the AgriBEE Fund and the Land Development Support programme before such funds are transferred. In the absence of the necessary accountability frameworks, transfer of funds should be withheld.

6.6 Submit to Parliament comprehensive progress reports on disbursement of Mafisa loans, the implementation of transformation activities through the AgriBEE Fund and the support of land reform farms through the Land Development Support programme. Further ensure that all farms acquired and allocated through the land reform programme are matched with the relevant farmer or settlement support including relevant extension services, access to finance, production inputs and market access; and provide reports accordingly.

6.7 Ensure that the Department collaborates with the ARC to develop a Strategy for sourcing support for the continuation of the National Red Meat Development Programme (NRMDP), which was previously implemented by the NAMC and played a crucial role in improving communal livestock farmers' profits by linking them to markets.

6.8 Strengthen the Department's contribution to the implementation of the National Policy on Food and Nutrition Security by streamlining food security initiatives within the Department to maximise food availability and stability; and measuring impact of interventions. Submit progress reports in Parliament that quantify primary production activities for both crop (yields) and livestock (reproductive capacity as represented by improvements in calving or lambing rates) production systems, funding instruments and resource allocation for each activity.

6.9 Fast-track the participation of the agricultural sector in the Trade Agreement on African Continental Free Trade Area (AfCFTA) while ensuring protection of local producers from unfair imports; and capacity building of smallholder producers to enable their full participation in the Agreement on AfCFTA.

6.10 Investigate and report to the Committee about all Government financial support services to the agricultural and agroprocessing sector from the 2020/21 to 2021/22 financial years including the programmes or funding instruments that are implemented through, for example, the Department of Trade, Industry and Competition; the Industrial Development Corporation; the Jobs Fund; the National Youth Development Agency and the Department of Small Business Development inter alia. The report should also highlight the purpose of each programme, the targeted beneficiaries and how these different programmes are coordinated to avoid duplication, maximise impact of interventions and to prevent double-dipping by some of the beneficiaries.

6.11 Ensure that the Chief Land Claims Commissioner submits comprehensive quarterly reports to Parliament outlining key performance indicators related to the roadmap to the autonomy of the Commission and reports to the Land Claims Court regarding the settlement and finalisation of 'old-order' land claims. Further, engage with National Treasury to ensure that there are resources to meet the needs of an autonomous Commission on Restitution of Land

Rights with fully resourced and capable Regional Land Claims Commissioners located in each province.

6.12 Ensure that the Ingonyama Trust Board and the Ingonyama Trust officially tables its 2021/22 budget in Parliament by submitting an addendum to the APP it tabled earlier this year. The budget should reflect, and align to, the purposes for which the ITB and the Ingonyama Trust were established.

6.13 Fast-track the finalisation of the work of the Ministerial Advisory Panel on the review of the Property Valuation Act and clarification of the mandate of the OVG. In the meantime, ensure that all vacant positions including those of the Valuer-General and the Chief Operating Officer are filled.

6.14 Enhance the capacity of the Department to support Communal Property Associations (CPAs) in line with the CPA Amendment Act. Further ensure that support to CPA transcend the narrow focus on compliance to the CPA Act; it must also focus on capacity building of CPA structures and members to ensure compliant and functional legal entities that can effectively administer communally-owned land reform farms for the benefit of the members.

6.15 In light of the reputational risk that can be posed by inadequate biosecurity to the country's agricultural exports, strengthen the Biosecurity sub-programme through additional resources; and further ensure that the Department develops a functional alert system to promote proactive response to disease outbreaks and other biosecurity threats.

*The Committee further recommends that, unless otherwise indicated, within three months after the adoption of this report by the National Assembly, the Minister should submit to Parliament, responses to the above recommendations.*

*Report to be considered.*

# 2. REPORT OF THE PORTFOLIO COMMITTEE ON COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS ON THE 2021/22 ANNUAL PERFORMANCE PLANS AND BUDGETS OF THE DEPARTMENTS OF COOPERATIVE GOVERNANDE AND TRADITONAL AFFAIRS AND THE ENTITIES REPORTING TO THEM, DATED 11 MAY 2021

Having met with the Departments of Cooperative Governance and Traditional Affairs, and their associated entities, on their 2021/22 Annual Performance Plans (APPs), Strategic Plans and Budgets, the Portfolio Committee on Cooperative Governance and Traditional Affairs reports as follows:

## 1. INTRODUCTION

**1.1.** Section 77 (3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend money Bills before Parliament. This Constitutional provision resulted in Parliament passing the *Money Bills Amendment Procedure and Related Matters (Act No. 9 of 2009)* (the Money Bills Act). The Money Bills Act sets out the process that allows Parliament to make recommendations to the Minister of Finance to approve, reject or amend the budget of a National Department.

**1.2.** From 14 – 28 April 2021, the Portfolio Committee met and considered the 2021/22 Annual Performance Plans, Strategic Plans and Budgets of the Departments and Entities reporting to it. These consist of the Departments of Cooperative Governance and Traditional Affairs, the Municipal Infrastructure Support Agent, the CRL Rights Commission, the Municipal Demarcation Board and the South African Local Government Association.

## 2. KEY POLICY CONSIDERATIONS FOR 2021/22

### 2.1. Department of Cooperative Governance.

**2.1.1.** The Annual Performance Plan (APP) of the Department of Cooperative Governance for the year ending on 31 March 2021, reflects many of the issues, which the Committee has been seized with recently. These include the District Development Model, Municipal Infrastructure Grant expenditure, the implementation of Section 139 of the Constitution, municipal financial viability, the functionality of Municipal Public Accounts Committees and disaster hazards. With regard to Section 139, the Department has finally put a definite deadline for tabling the Monitoring and Intervention Bill by 31 March 2022. This Bill has been on the Department's APPs since the Fourth Administration and is now long overdue.

**2.1.2.** As the Table below illustrates, the budget allocation to the Department of Cooperative Governance in respect of the 2021/22 financial year reduces by almost 10 percent – from R106.9bn in 2020/21 to R100.8bn in 2021/22. Programme 3: Institutional Development accounts for nearly 100 percent of the Department's overall budget reduction, which amounts to R10.4bn in real terms. A further breakdown of Programme 3 indicates that the Local Government Equitable Share is responsible for the bulk of the budget reduction in the Programme and in the Department as a whole. Programme 5: Community Work Programme is the second highest contributor to the budget reduction, as the allocation to the Programme decreases by R54m in real terms. Programme 1: Administration is the third largest contributor to the budget reduction in the Department, as the allocation to the Programme decreases by R52m in real terms.

| **Programme** | **Budget** | | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
|---|---|---|---|---|---|---|
| R million | **2020/21** | **2021/22** | **2020/21-2021/22** | | **2020/21-2021/22** | |
| Programme 1: Administration | 333,6 | 293,4 | - 40,2 | - 52,0 | -12,05 per cent | -15,60 per cent |
| Programme 2: Local Government | 16 003,8 | 17 154,3 | 1 150,5 | 459,1 | 7,19 per cent | 2,87 per cent |

| | | | | | | |
|---|---|---|---|---|---|---|
| Support and Intervention Management | | | | | | |
| Programme 3: Institutional Development | 85 920,9 | 78 602,9 | - 7 318,0 | - 10 486,3 | -8,52 per cent | -12,20 per cent |
| Programme 4: National Disaster Management Centre | 580,4 | 605,1 | 24,7 | 0,3 | 4,26 per cent | 0,05 per cent |
| Programme 5: Community Work Programme | 4 104,1 | 4 220,2 | 116,1 | - 54,0 | 2,83 per cent | -1,32 per cent |
| | | | | | | |
| **TOTAL** | **106 942,8** | **100 875,9** | **- 6 066,9** | **- 10 132,9** | **-5,67 per cent** | **-9,48 per cent** |

## 2.2. Municipal Infrastructure Support Agent

**2.2.1.** MISA receives its budget allocation through Programme 2: Local Government Support and Intervention Management. The Table below indicates that, although the entity's budget allocation appears to have increased from R339.8m in 2020/21 to R344.9m in 2021/22, there is an actual reduction of 2.6 percent in the allocation when inflation is taken into account.

| Programme | Budget | | | | Nominal Rand change | Real Rand change | Nominal % change | Real % change |
|---|---|---|---|---|---|---|---|---|
| R million | **2020/21** | **2021/22** | **20222/23** | **2023/24** | **2020/21-2021/22** | | **2020/21-2021/22** | |
| Sub-Programme 1: Administration | 91,3 | 102,2 | 0,0 | 0,0 | 10,9 | 6,8 | 11,94 per cent | 7,43 per cent |
| Sub-Programme 2: Technical Support | 218,8 | 219,8 | 0,0 | 0,0 | 1,0 | - 7,9 | 0,46 per cent | -3,59 per cent |
| Sub-Programme 3: Infrastructure Delivery Management | 29,8 | 22,9 | 0,0 | 0,0 | - 6,9 | - 7,8 | -23,15 per cent | -26,25 per cent |
| | | | | | | | | |
| **TOTAL** | **339,9** | **344,9** | **0,0** | **0,0** | **5,0** | **- 8,9** | **1,47 per cent** | **-2,62 per cent** |

**2.2.2.** MISA has committed to supporting 44 District to reduce infrastructure backlogs and to improve performance in respect of their Municipal Infrastructure Grant Programmes. The Committee has had a series of engagements with a number of Districts and their local municipalities over the last two months or so. One of the issues that came up strongly from these engagements concerned the support provided by MISA, in particular the limited role it played in some Districts due to capacity constraints.

**2.2.3.** For example, during the Committee's engagement with the Lejweleputswa District on 09 March 2021, it emerged that there were only four MISA engineers available for the whole of the Free State. Consequently, the support MISA provided to the District was insufficient. The APP therefore needs to be realistic in terms of the envisaged support to the 44 Districts and give due consideration to MISA's capacity constraints. Otherwise there is a risk of poor achievement due to setting too ambitious targets.

### 2.3. Department of Traditional Affairs.

**2.3.1.** The Department of Traditional Affair's APP places extensive emphasis on the role of the institution of traditional leadership in terms of fighting COVID-19, Gender Based Violence, Femicide, as well as violence against the LGBTQ+ community. This also includes promoting gender representation and women empowerment within the structures of traditional leadership.

**2.3.2.** The institution is also expected to mobilise and raise awareness in support of the implementation of the District Development Model (DDM). The Committee has previously highlighted the challenges around the involvement of traditional leaders in the DDM, based on its oversight findings and engagement with traditional leaders on the ground.

**2.3.3.** The APP makes further reference to the participation of the institution of traditional leadership in investment programmes for inclusive growth through the promotion of land reform, rural development and the full utilisation of communal land in Districts. In this regard, traditional leadership is urged to insist on the inclusion of smart villages in the development of plans for specific investment in the development of smart cities and towns. There is a further call for the institution of traditional leadership to support the implementation of the Mining Charter in Districts and Metros, as to promote employment and entrepreneurship.

**2.3.4.** Finally, the institution is called upon to avail Traditional Council infrastructure for use as municipal satellites or Government's supplementary service centres. However, it is difficult to see how some of these Traditional Councils will be in a positon to avail infrastructure whilst they are in dire need of support in the form of construction of offices as well as support staff to assist with administration. Overall, the APP seems to be envisaging numerous roles and responsibilities for the institution of traditional leadership without availing the necessary resources to fulfil these.

**2.3.5.** As seen in the Table below, when taking inflation into consideration, the budget allocation to the Department to fund the implementation of its 2021/22 APP increases by a mere 1.73 percent, from R161.7m in 2020/21 to R171.4m in 2021/22. The bulk of the expenditure is earmarked for Programme 3: Institutional Support and Coordination, whose allocation increases from R94.1m in 2020/21 to R101.1m in 2021/22. The Programme makes transfers to the National House of Traditional Leaders, the CRL Rights Commission and the Commission for Traditional Leadership Disputes and Claims. The Programme's real increase of 3.1 percent is still not adequate to place the Department in an optimal positon to provide the requisite support to the institution of traditional leadership.

| **Programme** | **Budget** | | | | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
|---|---|---|---|---|---|---|---|---|
| R million | **2020/21** | **2021/22** | | | **2020/21-2021/22** | | **2020/21-2021/22** | |
| Programme 1:Administration | 50,7 | 52,3 | | | 1,6 | - 0,5 | 3,16 per cent | -1,00 per cent |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Programme 2: Research, Policy and Knowledge Management | 16,9 | 18,0 | | | 1,1 | 0,4 | 6,51 per cent | 2,22 per cent |
| Programme 3: Institutional Support and Coordination | 94,1 | 101,1 | | | 7,0 | 2,9 | 7,44 per cent | 3,11 per cent |
| | | | | | | | | |
| **TOTAL** | **161,7** | **171,4** | | | **9,7** | **2,8** | **6,00 per cent** | **1,73 per cent** |

## 2.4. Municipal Demarcation Board

**2.4.1.** The MDB's APP emphasizes its commitment to ensuring that the demarcation of municipal boundaries results in the creation of sustainable municipalities that can fulfil their constitutional obligations. This commitment however is still far from being a reality. Between 13 November and 04 December 2020, the Portfolio Committee convened meetings with the municipalities that had been subject to demarcation during the 2016 local government electoral cycle. This is after the Committee became aware of serious municipal financial management problems that were directly related to the amalgamation processes.

**2.4.2.** The overwhelming majority of the municipalities that honoured the invitation to brief the Committee were of the view that the amalgamation process worsened, rather than improved financial viability. In a recent presentation to the Committee, the Board indicated that some of these municipalities are demanding a reversal of the amalgamation that took effect in 2016. All this suggests that the Board is still far from realising the commitment to demarcate boundaries that create sustainable municipalities able to meet their constitutional obligations in terms of Section 152.

**2.4.3.** On previous engagements, Committee members have also highlighted the need for the Board to improve on its public awareness and stakeholder education processes. In the APP, the Board also commits to addressing this matter. So far the Board has registered encouraging achievements, including obtaining clean audits for the last two consecutive financial years, as well as improving organisational performance from 59 percent in 2015/16 to 95 percent in 2019/20. It also managed to finalise the ward delimitation process in time for the 2021 local government elections despite a challenging COVID-19 working environment.

**2.4.4.** The Municipal Demarcation Board derives its budget allocation from the Department of Cooperative Governance, under Programme 2: Local Government Support and Intervention Management. As highlighted in the Table below, the budget allocation to the Board has increased from R63m in 2020/21 to R70.6m in 2021/22. When taking inflation into account, the increase amounts to 7.55 percent. However, this increase is still not adequate to address the Board's financial resource constraints, especially in terms of establishing a local or regional presence. The Board will therefore continue operating from one national office, with continued reliance on municipalities to assist in its local and regional public participation and consultation processes. This is not an optimal scenario.

| **Programme** | **Budget** | | **Nominal Increase / Decrease in 2021/22** | **Real Increase / Decrease in 2021/22** | **Nominal Percent change in 2021/22** | **Real Percent change in 2021/22** |
|---|---|---|---|---|---|---|
| **R million** | **2020/21** | **2021/22** | | | | |
| Sub-programme 9:Municipal Demarcation Board | 63,0 | 70,6 | 7,6 | 4,8 | 12,06 per cent | 7,55 per cent |

## 2.5. South African Local Government Association

**2.5.1.** SALGA's APP highlights some critical gaps that continue impede SALGA from maximising its impact in terms of the support provided to municipalities. For example, mention is made of the lack of legal provisions for extending Section 106 and Section 71 reports to SALGA, which deprives the organisation of critical data that could be used to inform intelligent planning. This is indeed an anomaly, particularly given the gaps seen in relation to the implementation of Section 106 recommendations by municipalities, as well as the use of Section 71 reports as early warning mechanisms. A statutory role for SALGA in these critical accountability mechanisms is crucial.

**2.5.2.** Another critical matter highlighted in the APP relates to the general economic decline in many towns due to deceleration of output in the mining, manufacturing and agricultural sectors. About two months ago, the Committee started a series of engagements on issues of local economic development and small town regeneration - beginning with a discussion on SALGA's Small Town Regeneration Programme, including a case study on the organisation's Small Town Regeneration Project for the Karoo Region. The Committee was subsequently invited to attend and make input on SALGA's 5th Karoo Region Small Town Regeneration Conference, which took place on 18 and 19 March 2021.

**2.5.3.** It is instructive to note the APP's reference to the underutilisation of infrastructure in mining towns and agricultural or farming communities and how this misses a potential revenue generation opportunity towards vibrant local economies. This is a serious and urgent matter, which would be advisable for the Committee to pursue with all the relevant stakeholders over its remaining term of office.

## 2.6. CRL Rights Commission

**2.6.1.** The CRL Rights Commission receives its budget allocation from the Department of Traditional Affairs' Programme 3: Institutional Support and Coordination. For the period under review, the Commission receives a total amount of R46.3m, which represents a budget cut of 7.2 percent compared to the previous financial year, as tabulated below. This is a different figure from that of R50.5m stated in the APP. The bulk of the reduction in the Commission's budget is in respect of Programme 1: Administration, whose budget allocation decreases by approximately 12 percent in real terms.

| **Programme** | **Budget** | | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
|---|---|---|---|---|---|---|
| R million | **2020/21** | **2021/22** | **2020/21-2021/22** | | **2020/21-2021/22** | |
| Programme 1: Administration | 32,8 | 30,1 | - 2,7 | - 3,9 | -8,23 per cent | -11,93 per cent |
| Programme 2: Investigation and Conflict Resolution | 3,0 | 3,2 | 0,2 | 0,1 | 6,67 per cent | 2,37 per cent |
| Programme 3: Research and Policy Development | 2,8 | 3,2 | 0,4 | 0,3 | 14,29 per cent | 9,68 per cent |
| Programme 4: Public Education and Community Engagement | 2,7 | 2,9 | 0,2 | 0,1 | 7,41 per cent | 3,08 per cent |
| Programme 5: Communication and Marketing | 6,6 | 6,9 | 0,3 | 0,0 | 4,55 per cent | 0,33 per cent |
| | | | | | | |
| **TOTAL** | **47,9** | **46,3** | **- 1,6** | **- 3,5** | **-3,34 per cent** | **-7,24 per cent** |

**2.6.2.** The 2021/22 Annual Performance Plan of the CRL Rights Commission highlight some challenges, which are said to be impeding the Commission from fulfilling its mandate optimally. These are not new challenges, as they have also been raised in the previous APPs going as far back as the Third Administration. The main challenge that underpins all the other difficulties relates to inadequate funding, which hinders the Commission from deploying all the resources necessary to enable it to deliver on its mandate. The Committee also noted this in its 2020 Budgetary Review and Recommendation Report where it recommended that the Committee must use every opportunity to lobby and advocate for adequate funding to the Commission.

**2.6.3.** At the same the Commission also needs to have a clear resource mobilisation strategy. During the meeting of 20 November 2020 on the Commission's 2019/20 Annual Report, there was an indication that a draft resource mobilisation strategy was in place, and that this would be finalised by 31 March 2021. It is now towards the end of April and the Commission should be in a good position to update the Committee on the strategy.

**2.6.4.** The other issue worth highlighting is that many of the Commission's APP targets involve hosting seminars, conducting campaigns, dialogues, conferences, outreach events, roadshows and colloquiums. Traditionally, these are face to face events, which are not practical to execute fully in the context of COVID-19. The APP notes that the Commission does not have adequate ICT infrastructure capabilities to transition effectively to the new normal way of working. This is a serious drawback, especially in relation to the Commission's work on rural community involvement and participation where connectivity problems are particularly acute.

**2.6.5.** Many of the risks and challenges that may hinder the implementation of the Commission's 2021/22 APP are external to the organisation and are beyond its sphere of control. On the other hand, matters of internal control, such as the prevention of irregular expenditure, are within the Commission's sphere of control. Previously, the Committee has noted that there is room for the Commission to improve in this regard, as it remains the only entity in the COGTA portfolio that has not achieved a clean audit in recent years.

## 3. IMPLEMENTATION OF 2020/21 BUDGETARY REVIEW RECOMMENDATIONS

| 2020/21 PRELIMINARY BRR RECOMMENDATIONS | PROGRESS IN 2021/22 |
|---|---|
| 3.1 All the Departments and entities reporting to the Committee must ensure consistent submission of Quarterly Performance information, irrespective of whether or not there is a pandemic. This is a legislative requirement | Ongoing |
| 3.2 The Department of Traditional Affairs must consider arranging a session, within this quarter, to brief the Committee comprehensively on the key issues central to its mandate, as to enable the Committee to engage the Department from a well-informed perspective. | Briefing session still outstanding |
| 3.3 The Department of Traditional Affairs must immediately furnish the Committee the report on the finalisation and implementation of the Programme of Action on the Resolutions of the 2017 Traditional Leaders Indaba, as well as the Engagement Model between Government and the Institution of Traditional Leadership. | Report still outstanding |
| 3.4 The Department of Traditional Affairs must immediately furnish the Committee the report on the resolutions emanating from the dialogue for women in traditional leadership reportedly held in Mpumalanga and the Gender-based violence workshop reportedly held in Limpopo. | Report still outstanding |
| 3.5 On 27 November 2020, the Department of Cooperative Governance must provide a full report to the Committee on the revised CWP model, including the implementation of the recommendations from the five forensic reports commissioned in respect of the CWP, their turnaround time and cost. | Report still outstanding |
| 3.6 Within this term, the Department of Cooperative Governance must furnish the Committee the Report on the assessment of Ward Committee | Report furnished |

| 2020/21 PRELIMINARY BRR RECOMMENDATIONS | PROGRESS IN 2021/22 |
|---|---|
| functionality nationally, including the Department's interventions in this regard. | |
| 3.7 Within this quarter, the Department of Cooperative Governance must brief the Committee on all its local government interventions – from Project Consolidate up to the District Development Model – reflecting on lessons learned. | Briefing received on 01 April 2021 |
| **2021/21 SUPPLEMANTARY BRR RECOMMENDATIONS** | **PROGRESS IN 2021/21** |
| 3.8 The Committee must use every opportunity to lobby and advocate for adequate funding to the CRL Rights Commission. | Ongoing |
| 3.9 The CRL Rights Commission should guide municipalities in respect of the zoning of land for religious purposes. | Ongoing |
| 3.10 The Committee must have structured engagements with CRL Rights Commissioners on a quarterly basis, as to understand better the various work streams Commissioners are leading. | Ongoing |
| 3.11 In the next year, the Committee must consider hosting a colloquium on male cultural initiation to address the challenges associated with the practice. | Ongoing |
| 3.12 The Committee must engage the National Treasury regarding the exemption of the Community Work Programme from Supply Chain Management processes in terms of section 79 of the Public Finance Management Act (PFMA). | Engagement still outstanding |

## 4 COMMITTEE OBSERVATIONS

4.1 The Municipal Demarcation Board's achievements over the last financial year are notable and deserve commendation, especially in the context of the difficult working environment arising from the COVID-19 pandemic. It is critical to ensure that these gains are maintained and sustained.

4.2 Decentralisation of the Municipal Demarcation Board's offices is important to enable it to have a provincial footprint, as to deepen local democracy. The present arrangement, where the Board operates from one national office, constrains meaningful public participation in the demarcation processes.

4.3 The South African Local Government Association presented an accurate reflection of the problems engulfing local government. This kind of honesty is an important step towards addressing these problems. Issues of corruption and political interference remain the elephant in the room. Without addressing these, there is no prospect of fixing the current challenges facing local government.

4.4 There is a disjuncture between the improved municipal service delivery performance portrayed in the Annual Performance Plan presentation of the South African Local Government Association vis-à-vis the actual situation at household level. The reported improvement in municipal service delivery performance should therefore be treated with caution.

4.5 There seems to be no best practices shared among the association of municipalities under the banner of the South African Local Government Association. The apparent lack of a mechanism for the municipalities to hold one another into account is also not conducive to a thriving environment for municipal accountability. A Code of Conduct that is binding to all the municipalities belonging to the association should be considered.

4.6 The issues of safety and security for traditional leaders and customary initiation did not seem to reflect adequately in the presentation by the Department of Traditional Affairs.

4.7 The Committee resolved to reject the presentation by the Department of Cooperative Governance on the Community Work Programme as the answers provided by the Accounting Officer were not satisfactory.

4.8 The funding model of the Municipal Infrastructure Support Agent is not optimal, given the responsibilities which the organisation is expected to fulfil.

4.9 The CRL Rights Commission’s role in terms of supporting communities adversely affected by COVID-19 Regulations has been unclear, and its voice in terms of condemning incidences of police brutality and unfair treatment of some religious and cultural individuals has not been audible.

4.10 Some Committee members did not derive comfort from the response of the Accounting Officer of the CRL Rights Commission relating to the institution’s unfamiliarity with the District Development Model, as this is a whole of government approach that also affects the Commission’s constituencies.

## 5 COMMITTEE RECOMMENDATIONS

5.1 The South African Local Government Association must revisit its promise to the Committee in relation to the review of local government legislation and policy, including the White Paper on Local Government.

5.2 The Municipal Infrastructure Support Agent must re-examine its funding model to ensure that it is aligned to the responsibilities expected of the organisations.

5.3 Both the Departments of Cooperative Governance and Traditional Affairs must henceforth take the Committee’s reporting requests seriously and provide the required information within the stipulated time-frames. There are too many outstanding reports from these Departments.

5.4 The CRL Rights Commission must work on sharpening its Communication Department to ensure that its voice is audible when it comes to condemning the violation of the rights of religious and cultural communities.

5.5 Within three weeks of the publication of this Report, the CRL Rights Commission must furnish the Committee with a report explaining its role and relevance in relation to the District Development Model.

5.6 The CRL Rights Commission must immediately furnish the Committee with the actual timeframes in relation to the process of amending the CRL Rights Act to address some of the identified impediments to the optimal fulfilment of its mandate.

## 6 APPRECIATION

The Committee wishes to thank the Departments of Cooperative Governance and Traditional Affairs, CRL Rights Commission, SALGA, Municipal Demarcation Board, and MISA for their fruitful, cordial and constructive engagements. The contributions of Committee members, as well as Committee and other Parliamentary support staff is highly appreciated.

**Report to be considered**

# 3. REPORT OF THE PORTFOLIO COMMITTEE ON TRANSPORT ON BUDGET VOTE 40: TRANSPORT AND STRATEGIC PLANS AND ANNUAL PERFORMANCE PLANS 2021-22 OF THE DEPARTMENT OF TRANSPORT AND ENTITIES REPORTING TO THE MINISTER OF TRANSPORT, DATED 12 MAY 2021

The Portfolio Committee of Transport, having considered the Strategic Plans, Annual Performance Plans and Budget (Vote 40: Transport) of the Department of Transport and the entities reporting to the Minister of Transport, reports as follows:

## 1. INTRODUCTION

The Portfolio Committee on Transport (the Committee) considered the 2021/22 budget of the Department of Transport (the Department) on 4 May 2021. This report contains a summary of the Department's budget allocation and the observations and recommendations of the Committee on the budget. In preparation for this report, the Committee was briefed on the 2021/22 Revised Strategic Plan, Annual Performance Plan (APP) and Budget Allocations of the Department of Transport.

The Committee further hereto engaged with ten of the Department's entities on their Strategic/Corporate Plans and APPs for 2021/22 – 4 May 2021 (with the Department and the Driving Licence Card Account (DLCA) , Railway Safety Regulator (RSR) and the Passenger Rail Agency of South Africa (PRASA)), 5 May 2021 (Airports Company South Africa (ACSA), South African National Roads Agency Limited (SANRAL), Cross-Border Road Transport Agency (C-BRTA) and the South African Maritime Safety Authority (SAMSA)) and 7 May 2021 (Road Accident Fund (RAF), Road Traffic Infringement Agency (RTIA) and the Road Traffic Management Corporation (RTMC)). Although the Committee could not engage with all of the Department's entities prior to compiling this report, it had received the Strategic/Corporate Plans and APPs from all of the entities.

The report details an overview of the performance of the Department during 2020/21, policy priorities for 2021/22 and and how they are aligned with national, regional, continental and global developmental agendas. It also analyses the 2021/22 budgets of the Department and its entities. The report further covers the tabled 2021/22 Strategic/Corporate Plans and APPs of the entities. It concludes by capturing the observations and recommendations made by the Portfolio Committee on Transport in this regard.

The Committee met with the following entities:

1. Airports Company South Africa (ACSA);
2. Cross-Border Road Transport Agency (C-BRTA);
3. Driving Licence Card Account (DLCA);
4. Passenger Rail Agency of South Africa (PRASA);
5. Road Accident Fund (RAF);
6. Road Traffic Infringement Agency (RTIA);
7. Road Traffic Management Corporation (RTMC);
8. Railway Safety Regulator (RSR);
9. South African Maritime Safety Authority (SAMSA); and
10. South African National Roads Agency Limited (SANRAL).

Due to time constraints the Committee could not meet with the following entities:

1. Air Traffic and Navigation Services (ATNS);
2. Ports Regulator of South Africa (PRSA); and
3. South African Civil Aviation Authority (SACAA).

The report on the budget of the Department is based on information accessed through:

- The 2021 State of the Nation Address (SONA);
- The Department of Transport's APP for 2020/21 and 2021/22 and its Budget Allocation outlined in the Budget Review for 2021/22; and

- The National Development Plan (NDP).

## 2. MANDATE OF THE DEPARTMENT OF TRANSPORT

The Constitution of the Republic of South Africa, 1996, identifies the legislative responsibilities of different spheres of Government pertaining to airports, roads, traffic management and public transport. At a policy level, the National White Paper on Transport, 1996, defines the infrastructure and operations of rail, pipelines, roads, airports, ports and the intermodal operations of public transport and freight. To this effect, the function of transport, in its entire value chain, is legislated and executed at the three spheres of Government (national, provincial and local (municipal)).

To ensure integrated planning and coordination between the three spheres of Government, the South African Inter-Governmental Relations Framework Act (No. 13 of 2005) emphasises that the three spheres are distinctive, interdependent and interrelated. The three spheres are thus autonomous. Notwithstanding their autonomy, the three spheres must plan together for the utilisation of scarce resources, as well as to ensure the achievement of Government priorities.

At a national level, the Department is responsible for the formulation of legislation and policies for all transport sub-sectors. The Department is therefore entrusted with:[1]

- Conducting sector research;
- Formulating legislation and policies to set the strategic direction of sub-sectors;
- Assigning responsibilities to public entities and other spheres of Government;
- Regulating through setting norms and standards; and
- Monitoring implementation.

The implementation of transport functions takes place through public entities that have been established to enhance implementation and support service delivery. Each entity has a specific

[1] Department of Transport (2021), p. 23.

delivery mandate, as specified in its founding legislation. The Department is tasked with the oversight of the regulation and delivery of transport through these entities.

The other leg of the implementation of transport functions lies with provinces. In this regard, the Department has concurrent functions of public transport and transport regulation with provinces. Public transport is a concurrent schedule 4A function between national and provincial spheres, and provincial roads and traffic are an exclusive schedule 5A provincial function. To ensure that there is uniformity in planning and reporting towards the achievement of Government and/or sector priorities, the Department needs to coordinate the development and implementation of standardised/customised indicators. These indicators, developed in consultation with all relevant stakeholders, must reflect key applicable deliverables of the sector plan and/or the Medium Term Strategic Framework (MTSF).

Once developed, accounting officers of relevant provincial departments that are responsible for the implementation of these indicators must then approve such prior to their inclusion in their respective Strategic Plans (SPs) and APPs. Provinces would then gazette and report on standardised indicators on a quarterly and annual basis, with the National Department playing an oversight role over provinces. This is intended to ensure that standardised indicators respond to the legislative and policy direction of the sector.

At a local (municipal) level, coordination and integration takes place through the development of integrated transport plans, which are facilitated through municipalities' integrated development planning (IDP) processes. Municipal transport is a concurrent schedule 4B function falling in the local government sphere. Municipal roads, traffic and parking are exclusive 5B municipal functions.

## 2.1 ORGANISATIONAL STRUCTURE OF THE DEPARTMENT

In an endeavour to discharge its mandate effectively and efficiently, the Department is structured as follows:[2]

- Programme 1: Administration;
- Programme 2: Integrated Transport Planning;
- Programme 3: Rail Transport;
- Programme 4: Road Transport;
- Programme 5: Civil Aviation Transport;
- Programme 6: Maritime Transport; and
- Programme 7: Public Transport.

The Department's organisational structure was approved in September 2011, and it was implemented from November 2011.[3] The structure comprises four transport modes (rail, road, civil aviation and maritime transport), as well as public transport and integrated transport planning. Support functions, particularly in the Office of the Director-General, Office of the Chief Operations Officer and the Office of the Chief Financial Officer fall under the Administration programme.

## 2.2 STRATEGIC OUTCOMES ORIENTED GOALS OF THE DEPARTMENT

The Department has identified the following eight (8) areas that it will prioritise in 2021/22, in response to the MTSF (2019 – 2024):[4]

1) Safety as an enabler of service delivery;
2) Public transport that enables social emancipation and an economy that works;
3) Infrastructure build that stimulates economic growth and job creation;
4) Building a maritime nation, elevating the oceans economy;
5) Accelerating transformation towards greater economic participation;

[2] Department of Transport (2021), p. 74.
[3] Department of Transport (2021), p. 75.
[4] Department of Transport (2021), pp. 26-.73

6) Innovation that advances efficiencies and supports a continuous improvement model;
7) Environmental protection – Recovering and maintaining a healthy natural environment; and
8) Governance – Greater efficiency, effectiveness and accountability.

The Department contributes to the realisation of the vision of improved social and economic development articulated in the NDP. Transport infrastructure and services support economic growth and development by connecting people and goods to markets. The development and maintenance of an efficient and competitive transport system is a key objective of the NDP. To this effect, the Department, in partnership with the sector public entities, provincial and local government, will continue to focus on improving mobility and access to social and economic activities.[5]

In addition, the Department gives impetus to **priority 1** (economic transformation and job creation) and **priority 4** (spatial integration, human settlements and local government) of Government's 2019-2024 MTSF. Over the medium-term, the Department plans to give effect to these guiding policies by focusing on:[6]

- Building and maintaining national and provincial road networks;
- Providing passenger rail infrastructure and services; and
- Facilitating the provision of integrated public transport networks.

## 2.3 PROGRAMME AND SUB-PROGRAMME PLANS (ANNUAL AND QUARTERLY TARGETS)

### *2.3.1 Programme 1: Administration*

The Administration programme provides leadership, strategic management and administrative support to the Department. It achieves this through continuous refinement of organisational strategy and structure, in line with appropriate legislation and best practice.

---

[5] Department of Transport (2021), p. 24.
[6] Department of Transport (2021), p.89.

The following annual and quarterly performance targets are set in the Administration programme:[7]

*Sub-Programme: Director-General (DG) Administration*

**Table 1: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Functional, efficient and integrated government** | | | | | |
| Percentage implementation of the stakeholder plan | 100% implementation of the stakeholder plan | - | - | - | Annual status report on the implementation of the stakeholder plan |
| Percentage responses to parliamentary questions within stipulated timelines | 100% responses to parliamentary questions | - | Bi-Annual Report on the status of responses to Parliamentary questions | - | Annual Report on the status of responses to parliamentary questions |

(**Source: Department of Transport (2021)**)

*Sub-Programme: Strategic Planning, Monitoring and Evaluation*

**Table 2: Indicators, Annual and Quarterly Targets**

[7] Department of Transport (2021), pp. 91-104.

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Functional, efficient and integrated government** | | | | | |
| Revised DoT Strategic Plan approved by Executive Authority | Approved Revised DoT Strategic Plan (2020-25) Implemented | - | - | - | Progress Report on the implementation of the DoT Revised Strategic Plan (2020-25) |
| DoT Annual Performance Plan approved by Executive | Annual Performance Plan (2022/23) approved | - | - | Submit the Draft APP 2022/23 to the Department of Planning, Monitoring and Evaluation (DPME) | Submit approved DoT APP to Parliament for tabling |
| DoT Annual Report approved by Executive Authority | Annual Report (2020/21) approved | - | Submit the Draft DoT Annual Report (2020/21) to the Office of the Auditor-General of South | Submit approved DoT Annual Report (2020/21) to Parliament for tabling | - |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| | | | Africa (AGSA) | | |

**(Source: Department of Transport (2021))**

*Sub-Programme: Chief Audit Executive*

**Table 3: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Functional, efficient and integrated government** | | | | | |
| Percentage resolution of reported incidents of corruption | 95% resolution of reported incidents of corruption | - | Bi-Annual Report on progress made to resolve reported incidents of corruption | - | Annual Report on steps taken to ensure resolution of reported incidents of corruption |

**(Source: Department of Transport (2021))**

*Sub-Programme: Human Resource Management and Development*

**Table 4: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Functional, efficient and integrated government** | | | | | |
| Number of vacant positions filled | 50 posts filled | Fill 10 vacant positions | Fill 15 vacant positions | Fill 15 vacant positions | Fill 10 vacant positions |
| Ethics committees established and operationalised | Operations of departmental ethics committees monitored | - | Bi-Annual Report on the status and operations of ethics committees in the Department | - | Annual Report on the status and operations of ethics committees in the Department |
| % of employees trained in line with the Workplace Skills Plan (WSP) | 50% of employees trained | Expose 10% of employees to skills-based training as per the WSP | Expose 15% of employees to skills-based training as per the WSP | Expose 15% of employees to skills-based training as per the WSP | Expose 10% of employees to skills-based training as per WSP |
| Number of bursaries managed | 160 bursaries managed | Advertise and award bursaries for the first Semester | Management of existing bursaries | Advertise and award bursaries for the second Semester | Management of existing bursaries |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| Number of interns employed | - *(Management of contracted interns)* | - | - *(Bi-annual status report on the Internship Programme)* | - | - *(Annual status report on the internship programme)* |

**(Source: Department of Transport (2021))**

*Sub-Programme: Budgeting and Compliance*

**Table 5: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Functional, efficient and integrated government** | | | | | |
| Percentage implementation of action plans to address audit findings | 100% implementation of action plans to address audit findings | - | - | Develop action plans to address audit findings raised by the AGSA for the 2019/20 financial year | Annual Report on the implementation of action plan to address audit findings raised by the AGSA for the 2019/20 financial year. |

**(Source: Department of Transport (2021))**

*Sub-Programme: Financial Administration and Supply Chain Management*

**Table 6: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Functional, efficient and integrated government** | | | | | |
| Percentage reduction of cases of wasteful and fruitless expenditure | 25% reduction of cases of wasteful and fruitless expenditure | - | Bi-Annual Report on steps taken to reduce wasteful and fruitless expenditure in the Department | - | Annual Report on steps taken to reduce wasteful and fruitless expenditure in the Department |
| Percentage of cases of reduction of irregular expenditure | 25% reduction of cases of irregular expenditure | - | Bi-Annual Report on steps taken to reduce irregular expenditure in the Department | - | Annual Report on steps taken to reduce irregular expenditure in the Department |
| Percentage compliance to 30-day payment requirement | 100% compliance to 30-day payment requirement | - | Bi-Annual Report on steps taken to ensure compliance with 30-day payment requirement | - | Annual Report on steps taken to ensure compliance with 30-day payment requirement |

**(Source: Department of Transport (2021))**

*Sub-Programme: Public Entity Oversight*

**Table 7: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Competitive and Accessible Markets** | | | | | |
| Updated shareholder compacts for sector state-owned entities | Shareholder compacts of sector state-owned entities updated for the financial year | - | - | - | Annual report on the status of shareholder compacts |
| **Competitive and Accessible Markets** | | | | | |
| Selected stations on identified priority rail corridors modernised | Analysis Report on the PRASA Modernisation Programme<br>• Central Line (WC); and<br>• Mabopane-Pretoria Line (GP) | - | Annual (2020/21) Analysis Report on the PRASA Modernisation Programme | - | - |
| Number of jobs created | Analysis Report on jobs created through PRASA Infrastructure Programme<br>• 10 000 jobs | - | Annual (2020/21) Analysis Report on jobs created through PRASA Infrastructure Programme | - | - |
| **Public Transport** | | | | | |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| Number of passenger rail trips | Analysis Report on PRASA Rail Operations<br>• 69 million passenger rail | - | Annual (2020/21) Analysis Report on PRASA Rail Operations | - | - |
| **Safer Transport Systems** | | | | | |
| Number of rail safety occurrences reported | Annual Report on reported rail safety occurrences<br>• 748 occurrences | - | Annual (2020/21) Analysis Report on rail safety analysis | - | - |
| Number of rail security occurrences reported | Annual Report on reported rail security occurrences<br>• 4 258 occurrences | - | Annual (2020/21) analysis of rail security occurrences | - | - |
| Programmes to address gender-based violence in the rail transport sector implemented | Annual Report on the implementation of programmes addressing violence against women, youth and persons with disabilities in the rail transport sector | - | Bi-Annual Report on the implementation of programmes addressing violence against women, youth and persons with disabilities in the rail transport sector | - | Annual Report on the implementation of programmes addressing violence against women, youth and persons with disabilities in the rail transport sector |

**(Source: Department of Transport (2021))**

14

## 2.3.2 Programme 2: Integrated Transport Planning

The Integrated Transport Planning programme seeks to integrate and harmonise key transport sector strategic interventions through continuous development and refining of macro-transport sector policies, strategies and legislation; coordination of development of sector related policies, coordination of sector research activities; coordination of regional and inter-sphere relations; facilitation of sector transformation; and provision of sector economic modelling and analysis.

For 2021/22, the Department has set itself the following annual and quarterly targets in the Integrated Transport Planning programme:[8]

*Sub-Programme: Macro Sector Planning*

**Table 8: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Leadership, Governance and Accountability** | | | | | |
| Percentage achievement of commitments in "One Plans" of District Municipalities | Draft "One Plans" developed in King Cetshwayo and Mangaung District Municipalities | - | Bi-Annual Progress Report on the development of draft "One Plans" for King Cetshwayo and Mangaung District Municipalities | - | Annual Progress Report on the development of draft "One Plans" for King Cetshwayo and Mangaung District Municipalities |

**(Source: Department of Transport (2021))**

[8] Department of Transport (2021), pp. 112-117.

*Sub-Programme: Research and Innovation*

**Table 9: Indicators, Annual and Quarterly Targets**

| **Output Indicator** | **Annual Target** | **Quarter 1** | **Quarter 2** | **Quarter 3** | **Quarter 4** |
|---|---|---|---|---|---|
| **Innovation** | | | | | |
| Regulations for Autonomous Vehicle Technology approved | Draft Regulations for Autonomous Vehicle Technology developed | Conduct stakeholder consultations to assess gaps in the regulation of Autonomous Vehicles in South Africa | Develop terms of reference for the drafting of regulations for autonomous vehicle technology | Develop an inception report for the drafting of regulations for autonomous vehicle technology | Develop draft regulations for autonomous vehicle technology |
| **Reduction in Greenhouse Gas Emissions and Pollution** | | | | | |
| Carbon Emission Transition Plan implemented | Draft Green Procurement Guidelines for land transport developed | Develop a baseline report for Green Procurement Guidelines for land transport | Conduct stakeholder consultations on the development of Green Procurement Guidelines for land transport | Conduct stakeholder consultations on the development of Green Procurement Guidelines for land transport | Consider stakeholder inputs and develop draft Green Procurement Guidelines for land transport |

**(Source: Department of Transport (2021))**

*Sub-Programme: Modelling and Economic Analysis*

**Table 10: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Competitive and Accessible Markets** | | | | | |
| Economic Regulation of Transport (ERT) Bill approved by Parliament | Economic Regulation of Transport (ERT) Bill approved by Parliament | - (*Parliamentary process)* | - *(Parliamentary process)* | - *(Parliamentary process)* | - *(Parliamentary process)*<br>• ERT Bill approved by Parliament |
| **Public Transport** | | | | | |
| National Household Travel Survey (NHTS) conducted | NHTS reports produced for all provinces | Produce NHTS reports for two (2) provinces | Produce NHTS reports for two (2) provinces | Produce NHTS reports for two (2) provinces | Produce NHTS reports for three (3) provinces |

**(Source: Department of Transport (2021))**

*Sub-Programme: Regional Integration*

**Table 11: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Competitive and Accessible Markets** | | | | | |
| Regional Integration Strategy approved by Cabinet. | Draft Regional Integration Strategy developed | Conduct stakeholder consultations on the literature | Conduct stakeholder consultations on the literature | Consider and consolidate stakeholder inputs | Develop the draft Regional |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| | | review and benchmarking reports | review and benchmarking reports | | Integration Strategy |

**(Source: Department of Transport (2021))**

*Sub-Programme: Freight Logistics*

**Table 12: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Competitive and Accessible Markets** | | | | | |
| Freight Migration Plan (Road to Rail) implemented | Freight Migration Plan (Road to Rail) developed | Conduct stakeholder consultations on the development of the Freight Migration Plan | Consider stakeholder inputs into the initial draft of the Freight Migration Plan | Develop the draft of the Freight Migration Plan | Develop final draft of the Freight Migration Plan |

**(Source: Department of Transport (2021))**

### 2.3.3 Programme 3: Rail Transport

The Rail Transport programme facilitates and coordinates the development of sustainable rail transport policies, rail economic and safety regulation, infrastructure development strategies; and systems that reduce system costs and improve customer service. The programme also monitors and oversees the Railway Safety Regulator (RSR) and the Passenger Rail Agency of South Africa

(PRASA). In addition, it monitors and oversees the implementation of integrated rail services planned through the local sphere of Government.

The planned annual and quarterly targets in the Rail Transport programme are as follows:[9]

*Sub-Programme: Rail Regulation*

**Table 13: Indicators, Annual and Quarterly Targets**

| **Output Indicator** | **Annual Target** | **Quarter 1** | **Quarter 2** | **Quarter 3** | **Quarter 4** |
|---|---|---|---|---|---|
| **Safer Transport Systems** | | | | | |
| Railway Safety Bill approved by Parliament | Railway Safety Bill approved by Parliament | Railway Safety Bill submitted to Parliament | - *(Parliamentary processes)* | - *(Parliamentary processes)* | - *(Parliamentary processes)*<br>• Railway Safety Bill approved by Parliament |
| **Competitive and Accessible Markets** | | | | | |
| National Rail Bill approved by Parliament | National Rail Bill approved for submission to Cabinet | Develop the draft National Rail Bill | Conduct stakeholder consultations on the National Rail Bill | Submit the National Rail Bill to the ESEID[10] Cluster | Submit the National Rail Bill for Ministerial approval to submit to Cabinet |

**(Source: Department of Transport (2021))**

[9] Department of Transport (2021), pp. 127-130.
[10] Economic Sector, Employment and Infrastructure Development.

*Sub-Programme: Rail Infrastructure and Industry Development*

**Table 14: Indicators, Annual and Quarterly Targets**

| **Output Indicator** | **Annual Target** | **Quarter 1** | **Quarter 2** | **Quarter 3** | **Quarter 4** |
|---|---|---|---|---|---|
| **Safer Transport Systems** | | | | | |
| Private Sector Participation (PSP) Framework approved by Cabinet | PSP Framework approved for submission to Cabinet | - | Consider stakeholder inputs and develop final Draft PSP Framework | Submit final Draft PSP Framework to ESEID Cluster | Submit final draft PSP Framework for Ministerial approval to submit to Cabinet |
| High-Speed Rail (HSR) Corridor Framework approved by Cabinet | HSR Corridor Framework approved for submission to Cabinet | - | Consider stakeholder inputs and develop final draft HSR Corridor Framework | Submit final draft HSR Corridor Framework to the ESEID Cluster | Submit final draft HSR Corridor Framework for Ministerial approval to submit to Cabinet |
| Number of new train sets rolled out on priority corridors | Analysis Report on the Rolling Stock Fleet Renewal Programme<br><br>• 35 train sets | Annual (2020/21) Analysis Report on the Rolling Stock Fleet Renewal Programme | - | - | - |

**(Source: Department of Transport (2021))**

### 2.3.4 Programme 4: Road Transport

The Road Transport programme develops and manages an integrated road infrastructure network. In addition, the programme regulates road transport, and ensures safer roads. Finally, it oversees road agencies.

For 2021/22, the planned annual and quarterly targets in the Road Transport programme are the following:[11]

*Sub-Programme: Road Transport Regulation*

**Table 15: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Safer Transport Systems** | | | | | |
| Implementation of the National Road Safety Strategy monitored | Annual Monitoring Report on the implementation of the National Road Safety Strategy | Quarterly Monitoring Report on the implementation of the National Road Safety Strategy | Quarterly Monitoring Report on the implementation of the National Road Safety Strategy Quarterly | Quarterly Monitoring Report on the implementation of the National Road Safety Strategy Quarterly | Annual Monitoring Report on the implementation of the National Road Safety Strategy |
| General Laws Amendment Bill approved by Parliament | Draft General Laws Amendment Bill developed | Develop the draft General Laws Amendment Bill | Conduct stakeholder consultations on the draft General | Conduct stakeholder consultations on the draft General | Consider stakeholder inputs and develop the final draft General |

[11] Department of Transport (2021), pp. 140-143.

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| | | | Laws Amendment Bill | Laws Amendment Bill | Laws Amendment Bill |
| Road Traffic Law Enforcement Entities integrated into one | Stakeholder consultations conducted on the integration of RTMC, RTIA and DLCA | Establish task team to map the process of integration of road traffic law enforcement entities | Conduct stakeholder consultations on the integration of road traffic law enforcement entities | Conduct stakeholder consultations on the integration of road traffic law enforcement entities | Consolidate stakeholder inputs and compile report on progress made on the integration of road traffic law enforcement entities |
| National Road Traffic (NRT) Amendment Bill approved by Parliament | Draft National Road Traffic Amendment Bill approved by Cabinet for introduction to Parliament | - *(Cabinet processes)* | - *(Cabinet processes)* | - *(Cabinet processes)* | - *(Cabinet processes)*<br>• NRT Amendment Bill approved by Cabinet |
| **Leadership, Governance and Accountability** | | | | | |
| National Anti-Fraud and Corruption (NAFC) Strategy for the | NAFC Strategy for the Road Traffic Environment Strategy | Publish NFC Strategy for the Road Traffic Environment for public comments | Consider inputs and submit updated NAFC | Submit the NAFC Strategy for the Road Traffic Environment | Submit the NAFC Strategy for the Road Traffic Environment |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| Road Traffic Environment approved by Cabinet | approved for submission to Cabinet | | Strategy to NEDLAC[12] | Strategy to the Presidency for socioeconomic impact assessment | Strategy for Ministerial approval to submit to Cabinet |

**(Source: Department of Transport (2021))**

*Sub-Programme: Road Infrastructure and Industry Development*

**Table 16: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Competitive and Accessible Markets** | | | | | |
| Road Infrastructure Funding Policy implemented | Road Infrastructure Funding Policy developed | - | - | - | Develop draft Road Infrastructure Funding Policy |
| Surfaced roads maintained (National) | Analysis Report on the SANRAL Road Maintenance Programme | - | Annual (2020/21) Analysis Report on the SANRAL Road Maintenance Programme | - | - |

[12] National Economic Development Labour Council.

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| | | | • 22 253 km under routine maintenance<br>• 600 km upgraded<br>• 1 000 km resurfaced | | |
| Surfaced roads maintained (Provincial) Gravel Roads maintained (Provincial) | Annual Monitoring Report on the Provincial Road Maintenance Programme | Quarterly Monitoring Report on the Provincial Road Maintenance Programme | Quarterly Monitoring Report on the Provincial Road Maintenance Programme | Quarterly Monitoring Report on the Provincial Road Maintenance Programme | Annual Monitoring Report on the Provincial Road Maintenance Programme |
| Number of jobs created through the SANRAL Road Maintenance Programme | Analysis Report on jobs created through the SANRAL Road Maintenance Programme<br>• 10 000 jobs | - | Annual (2020/21) Analysis Report on jobs created through the SANRAL Road Maintenance Programme | - | - |
| Number of jobs created through the Provincial Road Maintenance Programme | Annual Monitoring Report on jobs created through the Provincial | Quarterly Monitoring Report on jobs created through the | Quarterly Monitoring Report on jobs created through the Provincial | Quarterly Monitoring Report on jobs created through the | Annual Monitoring Report on jobs created through the Provincial |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| | Road Maintenance Programme<br>• 209 904 jobs | Provincial Road Maintenance Programme | Road Maintenance Programme | Provincial Road Maintenance Programme | Road Maintenance Programme |

**(Source: Department of Transport (2021))**

### 2.3.5 Programme 5: Civil Aviation Transport

The Civil Aviation Transport programme facilitates the development of an economically viable air transport industry that is safe, secure, efficient, environmentally friendly and compliant with international standards through regulations and investigations. It also oversees aviation public entities.

The Department has set itself the following annual and quarterly performance targets in the Civil Aviation Transport programme:[13]

*Sub-Programme: Aviation Policy and Regulation*

**Table 17: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Competitive and Accessible Markets** | | | | | |
| Number of jobs created | Analysis Report on jobs created | - | Annual (2020/21) | - | - |

[13] Department of Transport (2020), pp. 155-157.

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| | through ACSA Infrastructure Programme<br>• 8 405 jobs | | Analysis Report on jobs created through ACSA Infrastructure Programme | | |
| **Innovation** | | | | | |
| Reviewed regulations for Remotely-Piloted Aircraft System (RPAS) approved | Review of Regulations for RPAS approved | - | Progress Report on the Review of Regulations for RPAS developed | - | Progress Report on the Review of Regulations for RPAS developed |

**(Source: Department of Transport (2021))**

*Sub-Programme: Aviation Safety, Security, Environment and Search and Rescue*

**Table 18: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Safer Transport Systems** | | | | | |
| Percentage reduction in fatal accidents in the aviation sector | Annual Analysis Report on the State of Aviation Safety in South Africa | Quarterly Analysis Report on aviation incidents and accidents | Quarterly Analysis Report on aviation incidents and accidents | Quarterly Analysis Report on aviation incidents and accidents | Quarterly Analysis Report on aviation incidents and accidents |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| | • 10% reduction | | | | |
| South African Maritime and Aeronautical Search and Rescue Amendment Bill approved by Parliament | Draft South African Maritime and Aeronautical Search and Rescue Amendment Bill approved for submission to Cabinet | Submit the South African Maritime and Aeronautical Search and Rescue Amendment Bill to the State Law Advisors | Submit the South African Maritime and Aeronautical Search and Rescue Amendment Bill to the ESEID Cluster | Submit the South African Maritime and Aeronautical Search and Rescue Amendment Bill to the ICTS[14] Cluster | Submit the South African Maritime and Aeronautical Search and Rescue Amendment Bill for Ministerial approval to submit to Cabinet |

**(Source: Department of Transport (2021))**

### 2.3.6 Programme 6: Maritime Transport

The Maritime Transport programme implements the Comprehensive Maritime Transport Policy (CMTP) to ensure promotion and coordination; as well as infrastructure and industry development and achieve compliance through monitoring, evaluation and oversight and collaboration with maritime related public entities, namely, the PRSA, National Ports Authority; SAMSA industry and international bodies.

[14] International Cooperation, Trade and Security Cluster.

The set annual and quarterly targets in the Maritime Transport programme are as follows:[15]

*Sub-Programme: Maritime Policy and Legislation*

**Table 19: Indicators, Annual and Quarterly Targets**

| **Output Indicator** | **Annual Target** | **Quarter 1** | **Quarter 2** | **Quarter 3** | **Quarter 4** |
|---|---|---|---|---|---|
| **Competitive and Accessible Markets** | | | | | |
| Maritime Development Fund Bill approved by Parliament | Maritime Development Fund Bill approved for submission to Cabinet | Finalise Phase 1 Socio-Economic Impact Assessment (SEIAS) Report | Consider comments of the State Law Adviser | Submit Maritime Development Fund Bill to the ESEID Cluster | Submit the Maritime Development Fund Bill for Ministerial approval to submit to Cabinet |
| Merchant Shipping Bill approved by Parliament | Merchant Shipping Bill approved for submission to Cabinet | - | Consider comments of the State Law Adviser | Submit Maritime Merchant Shipping Bill to the ESEID Cluster | Submit the Merchant Shipping Bill for Ministerial approval to submit to Cabinet |
| **Reduction in Greenhouse Gas (GHG) and Pollution** | | | | | |
| Marine Pollution Prevention Amendment | Amendment Bill approved by Parliament | *(Parliamentary process*) | *(Parliamentary process*) | *(Parliamentary process*) | *(Parliamentary process*) |

[15] Department of Transport (2021), pp. 171-176.

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| Bill approved by Parliament | Marine Pollution Prevention Amendment Bill (incorporating Annexes IV and VI) approved by Parliament | | | | • Marine Pollution Prevention Amendment Bill approved by Parliament |

**(Source: Department of Transport (2021))**

*Sub-Programme: Maritime Infrastructure and Industry Development*

**Table 20: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Competitive and Accessible Markets** | | | | | |
| Transnet National Ports Authority (TNPA) corporatised | Status Report produced on the corporatisation of the TNPA | Conduct consultations on the corporatisation of TNPA with Maritime Industry (PCCs) | Conduct consultations on the corporatisation of TNPA with Maritime Industry (PCCs) | Consider stakeholder consultations and develop draft status report | Finalise status report on the corporatisation of TNPA |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| Operation *Phakisa* Oceans Economy Three-Foot Plan monitored | Annual Analysis Report on Operation *Phakisa* | Status Report on Operation *Phakisa* with focus on 2020 Fast-tracked Infrastructure Projects<br>• Small Harbours; and<br>• Boegoebaai Port (NC) | Status Report on the Boegoebaai Port and Small Harbours | Status Report on the Boegoebaai Port and Small Harbours | Status Report on the Boegoebaai Port and Small Harbours |
| Operating Model for a National Shipping Company approved by Cabinet | Business Case for the Model for a National Shipping Company developed | Conduct stakeholder consultations on the concept model for the establishment of a National Shipping Company | Conduct stakeholder consultations on the concept model for the establishment of a National Shipping Company | Develop terms of reference for the development of the business case for a National Shipping Company | Develop the draft business case for the establishment of a National Shipping Company |

**(Source: Department of Transport (2021))**

*Sub-Programme: Maritime Implementation, Monitoring and Evaluation*

**Table 21: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Safer Transport Systems** | | | | | |
| Analysis Report on reportable maritime safety incident rate | Annual Analysis Report on maritime safety incident rate | - | - | - | Annual Analysis Report on maritime safety incident rate |
| Analysis Report on reportable maritime fatality rate | Annual Analysis Report on maritime fatality rate | - | - | - | Annual Analysis Report on maritime fatality rate |
| National Maritime Security Strategy (NMSS) approved by Cabinet | NMSS developed | Conduct stakeholder consultations on the development of the NMSS | Conduct stakeholder consultations on the development of the NMSS | Consider and consolidate stakeholder inputs | Develop the draft NMSS |
| **Reduction in Greenhouse Gas (GHG) Emission and Pollution** | | | | | |
| Pollution incidents reduced | Annual Analysis Report on maritime pollution incidents | - | - | - | Annual Analysis Report on maritime pollution incidents |

**(Source: Department of Transport (2021))**

## 2.3.7 Programme 7: Public Transport

The Public Transport programme ensures the provision and regulation of safe, secure, reliable, cost-effective and sustainable public transport services in South Africa through legislation, policies and strategies.

The Department has set itself the following annual and quarterly performance targets in the Public Transport programme:[16]

*Sub-Programme: Public Transport Network Development*

**Table 22: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Innovation** | | | | | |
| Integrated Single Ticketing System approved and implemented | Pilot phase of the Integrated Single Ticketing System rolled out on subsidised public transport operations | Identify and select cities for pilot phase roll out of Integrated Single Ticketing System | Finalise the development of technical integration and on-boarding with the SANRAL system | Implement the test phase of the pilot project in selected cities | Roll out the pilot phase of the system in selected cities |
| **Public Transport** | | | | | |
| Number of cities operating integrated public | Integrated Public Transport Network (IPTN) | Conduct bilateral progress | Conduct bilateral progress | Conduct bilateral progress | Conduct bilateral progress engagements in |

[16] Department of Transport (2021), pp. 185-194.

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| transport networks | Programme monitored<br>• Nine (9) cities operating IPTNs | engagements in five (5) selected municipalities | engagements in five (5) selected municipalities | engagements in five (5) selected municipalities | five (5) selected municipalities |
| Number of average weekday passenger trips across cities operating IPTNs | 200 000 average week day passenger trips in nine (9) cities | Database updated through IPTNs bilateral progress engagements conducted with selected municipalities | Database updated through IPTNs bilateral progress engagements conducted with selected municipalities | Database updated through IPTNs bilateral progress engagements conducted with selected municipalities | Annual Status Report on average weekday passenger trips of the IPTN Programme |
| Revised BRT specifications and technical norms and standards implemented | 10 cities consulted on revised IPTN norms and standards | Conduct a gap analysis on IPTN specifications and technical norms and standards | Revise and updated existing IPTN specifications and technical norms and standards | Conduct consultations on revised IPTN specifications and technical norms and standards with the ten (10) cities | Conduct consultations on revised IPTN specifications and technical norms and standards with the ten (10) cities implementing IPTNs |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| | | | | implementing IPTNs | |
| Percentage compliance of IPTN Programme with spatial referencing | 25% compliance with spatial referencing of IPTN Programme | - | - | - | Annual Status Report on IPTN Programme compliance with spatial referencing |
| Percentage compliance of IPTN Programme with universal design norms and standards | Nine (9) cities operating IPTNs complying with universal design norms and standards | - | - | - | Annual Status Report on IPTN Programme compliance with universal design norms and standards |
| Increased operational hours of BRT[17] | Operational hours of BRTs increased to 16 hours | - | - | - | Annual Status Report on operational hours of BRTs |

**(Source: Department of Transport (2021))**

*Sub-Programme: Public Transport Regulation*

**Table 23: Indicators, Annual and Quarterly Targets**

[17] BRT – Bus Rapid Transit.

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Public Transport** | | | | | |
| Transport Appeal Tribunal Amendment Bill approved by Parliament | Transport Appeal Tribunal Amendment Bill processed through Parliament | Introduce the Transport Appeal Tribunal Amendment Bill to Parliament | *Parliamentary process* | *Parliamentary process* | *Parliamentary process* |

**(Source: Department of Transport (2021))**

*Sub-Programme: Public Transport Industry Development*

**Table 24: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Public Transport** | | | | | |
| Approved Public Transport Funding Model implemented | Existing Public Transport Funding Model reviewed | Review of Current Public Transport Funding Streams | Discussion document on the revision of the Public Transport Funding Model developed | Stakeholder consultation conducted on the proposed revision of the Public Transport Funding Model | Stakeholder inputs considered and the draft revised Public Transport Funding Model finalised |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| Framework for the taxi industry ownership of the Scrapping Entity implemented<br><br>(60% ownership) | Framework for the taxi industry ownership of the Scrapping Entity developed | Develop a draft framework the taxi industry ownership of the Scrapping Entity | Conduct stakeholder consultations on the draft framework for taxi industry ownership of the Scrapping Entity | Conduct stakeholder consultations on the draft framework for taxi industry ownership of the Scrapping Entity | Conduct stakeholder consultations on the draft framework for taxi industry ownership of the Scrapping Entity |
| Public Transport Operations monitored in provinces | Annual Monitoring Report on public transport | Quarterly Monitoring Report on public transport | Quarterly Monitoring Report on public transport | Quarterly Monitoring Report on public transport | Annual Monitoring Report on public transport |
| **Safer Transport Systems** | | | | | |
| Number of old taxi vehicles scrapped | Annual progress Report on projected taxis scrapped<br><br>(Projected scrapping of 3 500 old taxi vehicles) | Quarterly Progress Report on taxis scrapped<br><br>(Projected scrapping of 875 old | Quarterly Progress Report on taxis scrapped<br><br>(Projected scrapping of 875) | Quarterly Progress Report on taxis scrapped<br><br>(Projected scrapping of 875) | Quarterly Progress Report on taxis scrapped<br><br>(Projected scrapping of 875) |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| | | taxi vehicles) | | | |
| Programmes to address gender-based violence in the taxi industry implemented | Annual Report on the implementation of programmes addressing violence against women, youth and persons with disabilities in the taxi industry | - | Bi-Annual Report on the implementation of programmes addressing violence against women, youth and persons with disabilities in the taxi industry | - | Annual Report on the implementati on of programmes addressing violence against women, youth and persons with disabilities in the taxi industry |

**(Source: Department of Transport (2021))**

*Sub-Programme: Rural and Scholar Transport Implementation*

**Table 25: Indicators, Annual and Quarterly Targets**

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| **Public Transport** | | | | | |

| Output Indicator | Annual Target | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|---|
| Number of District Municipalities assisted with IPTN plans | Inception reports for development of IPTN plans developed for two district municipalities<br>• Mopani District Municipality<br>• Gert Sibande District Municipality | Conduct consultations with the two district municipalities | Develop concept document for the development of IPTN plans | Develop concept document for the development of IPTN plans | Final Inception Reports for the development of IPTN plans for two district municipalities |
| Number of bicycles distributed in rural municipalities | 10 000 bicycles distributed | Distribute 2 000 bicycles (projected figure) | Distribute 2 000 bicycles (projected figure) | Distribute 3 000 bicycles (projected figure | Distribute 3 000 bicycles (projected figure) |

## 3. OVERVIEW OF THE 2020/21 FINANCIAL YEAR[18]

[18] It should be underscored that this section only covers the first Three Quarters of 2020/21, as the Fourth Quarter was not yet available at the time of analysis.

## 3.1 First Quarter Expenditure of 2020/21

**Table 26: 2020/21 First Quarter Expenditure**

| Programme R' Million | Main Appropriation | 1st Quarter Actual Expenditure | Expenditure as % of Main Appropriation | 1st Quarter Projected Expenditure | Variance from Projected Expenditure | % Variance from Projected Expenditure | COVID-19 Spending |
|---|---|---|---|---|---|---|---|
| Administration | 491.8 | 60.5 | 12.3% | 107.8 | 47.4 | 43.9% | 0.4 |
| Integrated Transport Planning | 104.5 | 13 | 12.5% | 21.4 | 8.4 | 39.2% | 0.0 |
| Rail Transport | 13 195.2 | 2 901.9 | 22% | 2 907.7 | 5.8 | 0.2% | 0.0 |
| Road Transport | 33 816.7 | 8 640.6 | 25.6% | 8 658.4 | 17.8 | 0.2% | 0.0 |
| Civil Aviation Transport | 240.7 | 22.4 | 9.3% | 56.2 | 33.8 | 60.1% | 0.0 |
| Maritime Transport | 149.4 | 6.5 | 4.3% | 34.1 | 27.6 | 81% | 0.0 |
| Public Transport | 14 038 | 1 236.7 | 8.8% | 1 358.8 | 122.1 | 9% | 24.5 |
| *Awaiting Classification*[19] | | 14.7 | | | | | |
| **TOTAL** | **62 036.3** | **12 896.4** | **20.8%** | **13 144.5** | **248.1** | **1.9%** | **24.9** |

[19] The actual expenditure of R14.7 million should be classified under Programme 1: Administration and relates to goods and services, specifically payments for the office accommodation lease. The expenditure had been awaiting classification at the time the Department submitted the June 2020 in-year monitoring report (IYM). However, the Department has since classified the spending accordingly in the Basic Accounting System (BAS) (National Treasury 2020).

**(Source: National Treasury (2020a))**

In 2020/21, the main allocation of the Department – prior to the delivery of the Supplementary Budget by the Minister of Finance, on 24 June 2020 – stood at R62 billion. Of this amount, the Department spent R12.9 billion (or 20.8%) against the 2020/21 First Quarter projection of R13.1 billion. The Department spent R248.1 million (or 1.9%) lower than projected for this period. The lower than projected spending was mainly on transfers and subsidies in the Public Transport, Civil Aviation Transport and Maritime Transport programmes, as well as on goods and services across all programmes.

As at the end of the First Quarter of 2020/21, the Department had spent R115.7 million against the First Quarter projection of R132.2 million on the compensation of employees. The R16.6 million (or 12.5%) lower than projected spending was mainly due to the slow filling of vacant posts. By the end of the First Quarter of 2020/21, the Department had 693 filled posts against a funded establishment of 855 posts. This translated into a vacancy rate of 18.9% (or 162 vacant posts).

## 3.2 Second Quarter Expenditure of 2020/21

**Table 27: 2020/21 Second Quarter Expenditure**

| Programme R' Million | Main Appropriation | Special Adjusted Budget | Available Budget | 2nd Quarter Actual Expenditure | Expenditure as % of Available Budget | 2nd Quarter Projected Expenditure | Variance from Projected Expenditure | % Variance from Projected Expenditure | COVID-19 Spending |
|---|---|---|---|---|---|---|---|---|---|
| Administration | 491.8 | 482.2 | 469.8 | 173.9 | 37% | 231.7 | 57.8 | 24.9% | 1.2 |
| Integrated Transport Planning | 104.5 | 93.8 | 90.1 | 28.6 | 31.7% | 48.8 | 20.2 | 41.4% | 0.0 |
| Rail Transport | 13 195.2 | 12 183.3 | 9 599.4 | 5 495.0 | 57.2% | 5 504.9 | 10.0 | 0.2% | 0.0 |
| Road Transport | 33 816.7 | 31 266.2 | 31 471.1 | 17 218.7 | 54.7% | 17 259.4 | 40.7 | 0.2% | 0.0 |
| Civil Aviation Transport | 240.7 | 196.7 | 2 673.7 | 74.4 | 2.8% | 157.2 | 82.8 | 52.7% | 0.0 |

| Programme R' Million | Main Appropriation | Special Adjusted Budget | Available Budget | 2nd Quarter Actual Expenditure | Expenditure as % of Available Budget | 2nd Quarter Projected Expenditure | Variance from Projected Expenditure | % Variance from Projected Expenditure | COVID-19 Spending |
|---|---|---|---|---|---|---|---|---|---|
| Maritime Transport | 149.4 | 143.4 | 141.8 | 65.3 | 46.1% | 66.7 | 1.4 | 2.1% | 0.0 |
| Public Transport | 14 038.0 | 13 030.4 | 12 908.9 | 4 545.8 | 35.2% | 4 897.0 | 351.2 | 7.2% | 29.7 |
| **TOTAL** | **62 036.3** | **57 395.8** | **57 354.7** | **27 601.6** | **48.1%** | **28 165.8** | **564.1** | **2%** | **30.9** |

**(Source: National Treasury, (2020b))**

In the Special Adjusted Budget there was a reduction in the allocation to the Department to R57.4 billion. As at the end of 30 September 2020, the Department had spent R27.6 billion against a Second Quarter projection of R28.2 billion. The Department spent R564.1 million (or 2%) lower than projected.[20] The lower than projected spending was mainly on goods and services in the Administration, Civil Aviation, as well as Public Transport programmes. Moreover, the Department spent lower than projected on transfers and subsidies in the Public Transport programme.

The Department spent R229.3 million against the Second Quarter projection of R276.3 million for compensation of employees. It spent R47.1 million (or 17%) lower than projected largely due to the slow filling of vacant posts. By the end of the Second Quarter of 2020/21, the Department had 689 filled posts against a funded establishment of 855 posts.[21] This represented a vacancy rate of 19.4% (or 166 vacant posts).

[20] National Treasury (2020b). p. 157.

[21] National Treasury (2020b), p. 159.

## 3.3 Third Quarter Expenditure of 2020/21

**Table 28: 2020/21 Third Quarter Expenditure**

| Programme R' Million | Main Appropriation | Adjusted Budget | Available Budget | 3rd Quarter Actual Expenditure | Expenditure as % of Available Budget | 3rd Quarter Projected Expenditure | Variance from Projected Expenditure | % Variance from Projected Expenditure | COVID-19 Spending |
|---|---|---|---|---|---|---|---|---|---|
| Administration | 491.8 | 469.8 | 469.8 | 248.6 | 52.9% | 341.7 | 93.2 | 27.3% | 2.2 |
| Integrated Transport Planning | 104.5 | 90.1 | 90.1 | 44.1 | 49% | 72.4 | 28.3 | 39.1% | 0.0 |
| Rail Transport | 13 195.2 | 9 599.4 | 9 599.4 | 6 959.0 | 72.5% | 8 359.6 | 1 400.7 | 16.8% | 0.0 |
| Road Transport | 33 816.7 | 31 471.1 | 31 471.1 | 27 436.8 | 87.2% | 27 485.4 | 48.6 | 0.2% | 0.0 |
| Civil Aviation Transport | 240.7 | 2 673.7 | 2 673.7 | 120.1 | 4.5% | 160.1 | 39.9 | 24.9% | 0.0 |
| Maritime Transport | 149.4 | 141.8 | 141.8 | 102.6 | 72.4% | 118.7 | 16.2 | 13.6% | 0.0 |
| Public Transport | 14 038.0 | 12 908.9 | 12 908.9 | 7 488.5 | 58% | 7 874.3 | 385.9 | 4.9% | 29.7 |
| **TOTAL** | **62 036.3** | **57 354.7** | **57 354.7** | **42 399.7** | **73.9%** | **44 412.4** | **2 012.7** | **4.5%** | **31.9** |

**(Source: National Treasury, (2020c))**

The Department spent R42.4 billion against a 2020/21 Third Quarter projection of R44.4 billion, i.e., R2 billion (or 4.5%) lower than projected for this period. The lower than projected spending was mainly in transfers and subsidies in the Rail Transport, Civil Aviation and Public Transport programmes. In addition, there was lower than projected spending in goods and services in the Administration, Integrated Transport Planning, Civil Aviation Transport, as well as Public Transport programmes.[22]

The Department spent R353.7 million against the Third Quarter projection of R423.4 million for compensation of employees. Expenditure was R69.7 million (or 16.5%) lower than projected mainly due to the slow filling of vacant posts.[23] The Department had 693 filled posts against a

[22] National Treasury (2020c), pp. 143-144.
[23] *Ibid*.

funded establishment of 855 posts by the end of the Third Quarter of 2020/21. This represented a vacancy rate of 18.9% (or 162 vacant posts).

## 4. 2021/22 POLICY PRIORITIES AND BUDGET OF THE DEPARTMENT

### 4.1 POLICY PRIORITIES FOR 2021/22 AND ALIGNMENT WITH NATIONAL, REGIONAL, CONTINENTAL AND GLOBAL DEVELOPMENT AGENDAS

#### *4.1.1 National Development Plan (NDP) and the Medium-Term Strategic Framework (MTSF)*

The Department has identified the following eight areas that it will prioritise over the next five years, in response to the MTSF (2019 – 2024):

- Safety as an enabler of service delivery;
- Public transport that enables social emancipation and an economy that works;
- Infrastructure build that stimulates economic growth and job creation;
- Building a maritime nation, elevating the oceans economy;
- Accelerating transformation towards greater economic participation;
- Innovation that advances efficiencies and supports a continuous improvement model;
- Environmental protection – Recovering and maintaining a healthy natural environment; and
- Governance – Greater efficiency, effectiveness and accountability.

The Department contributes to the realisation of the vision of improved social and economic development articulated in the NDP. Transport infrastructure and services support economic growth and development by connecting people and goods to markets. The development and maintenance of an efficient and competitive transport system is a key objective of the NDP. To this effect, the Department, in partnership with the sector public entities, provincial and local government, will continue to focus on improving mobility and access to social and economic activities.

In addition, the Department gives impetus to priority 1 (economic transformation and job creation) and priority 4 (spatial integration, human settlements and local government) of Government's 2019-2024 MTSF. Over the medium-term, the Department plans to give effect to these guiding policies by focusing on:

- Building and maintaining national and provincial road networks;
- Providing passenger rail infrastructure and services; and
- Facilitating the provision of integrated public transport networks.

Delivering his 2021 State of the Nation Address (SONA), the President accentuated three areas that the Department will be zeroing in on in 2021/22 as he committed Government to:

- Constructing and rehabilitating the N1, N2 and N3 highways;
- Supporting a massive increase in local production; and
- Using Operation Vulindlela to bring about reforms in the transport sector.

Roads have been depicted as the "arteries through which the economy pulses". By linking producers to markets, workers to jobs, pupils to schools, and the sick to hospitals, roads are vital to any development agenda. It is against this backdrop that Government will embark on the construction and rehabilitation of the N1, N2 and N3 highways. Government intends to use these projects to kick-start the economy. Indeed, the President asserted that "these infrastructure projects will lead to the revival of the construction industry and the creation of the much-needed jobs".

In addition, the train sets that are manufactured at Dunnottar, Ekurhuleni, in Gauteng, are intended to contribute to "increase in local production". The factory is assisting to address the crucial challenge facing South Africa today, that is, unemployment, especially among the youth. It is estimated that the rolling stock fleet renewal programme will create over 8 000 direct jobs throughout the Gibela Consortium's supply chain, with the factory targeting the creation of 1 500 jobs. Nearly all the jobs in the factory will be occupied by South Africans with the aim to employ 85% historically disadvantaged persons, and at least 25% women. The expectation is that, with time, the factory will increase the proportion of women within its workforce to at least 50%.

A set of structural reforms has been identified in the Economic Reconstruction and Recovery Plan (ERRP) adopted by labour, business, Government and the National Economic Development and Labour Council (NEDLAC). Through Operation Vulindlela, a joint operation between the Presidency and the National Treasury, Government is facilitating the implementation of structural reforms, which are at the core of the ERRP.

Pertaining to the freight transport sector, the desired outcome of the reforms is competitive and efficient freight transport. The key structural reforms include improving the efficiency and competitiveness of the ports, establishing a transport economic regulator, implementing a third-party access policy on freight rail lines and concessioning rail branch-lines, where feasible.

**Table 29: Alignment to MTSF**

| MTSF Pillars | APEX Priorities | DOT Strategic Focus Areas |
|---|---|---|
| 1. Achieving a More Capable State | Priority 1: A Capable, Ethical and Developmental State | Improved Efficiency and Effectiveness of Support Services |
| | Priority 7: A Better Africa and World | Building a Maritima Nation, Elevating the Oceans Economy |
| | | Environmental Protection – Recovering and Maintaining Healthy Natural Environment |
| 2. Driving a Strong and Inclusive Economy | Priority 2: Economic Transformation and Job Creation | Infrastructure Build that Stimulates Economic Growth and Job Creation |

| | | |
|---|---|---|
| | | Building a Maritime Nation, Elevating the Oceans Economy |
| | | Accelerating Transformation Towards Greater Economic Participation |
| 3. Building and Strengthening Capabilities of South Africans | Priority 3: Education, Skills and Health | Improved Efficiency and Effectiveness of Support Services |
| | Priority 5: Spatial Integration, Human Settlements and Local Government | Public Transport that Enables Social Emancipation and an Economy that Works |
| | Priority 6: Social Cohesion and Community Safety | Safety (and Security) as an Enabler of Service Delivery |

**(Source: Department of Transport Revised Strategic Plan 2021/22 version, p. 26)**

### *4.1.2 Agenda 2063*

The African Union (AU) envisions that by 2063 the necessary infrastructure will be in place to support Africa's accelerated integration and growth, technological transformation, trade and development. This will include high-speed rail networks, roads, shipping lines, sea and air transport, as well as Information and Communications Technology (ICT) and digital economy. A Pan-African high-speed rail network will connect all the major cities of the continent with adjacent ways and pipelines for gas, oil, water, ICT broadband cables and other infrastructure. This will serve as a catalyst for manufacturing skills development, integration and intra-African trade, investment and tourism. The Department has committed itself to contributing to the aspirations of "an integrated continent, politically united and based on the ideals of Pan Africanism and the vision of Africa's Renaissance".

Investment in infrastructure is vital in addressing the challenges encountered in infrastructure maintenance and expansion that are crucial for the stabilisation of the country's economy and creation of new opportunities for growth, equity and employment. The current socio-economic challenges cannot be resolved utilising only the scope and resources of Government or any single role player. Enduring economic partnerships between Government and the private sector are needed to develop trusting relationships for integrated operations, investments and management of transportation infrastructure.

A perusal of the Department's budget allocation for 2021/22 lends credence to its commitment to national, regional, continental and global imperatives. This is evidenced by massive investments in Road, Rail and Public Transport programmes respectively.

It is a truism that an efficient transport infrastructure provides social and economic benefits to both advanced and emerging economies by improving market accessibility. In addition, it ensures balanced regional, continental and global economic development. Finally, an efficient transport infrastructure creates employment, promotes labour mobility, and connects communities.

### *4.1.3 Institutional Policies and Strategies over the five-year planning period*

a) National White Paper on Transport Policy, 1996
The vision of the White Paper on National Transport policy is to provide safe, reliable, effective, efficient, and fully integrated transport operations and infrastructure which will best meet the needs of freight and passenger customers at improving levels of service and cost in a fashion which supports government strategies for economic and social development whilst being economically and environmentally sustainable.

b) White Paper on National Policy on Airports and Airspace Management, 1997
This is a national policy response on airports and airspace management as a result of far- reaching changes which have occurred in South Africa in general and in civil aviation in particular. This policy is currently under review to address recent developments and resultant policy gaps.

c) National Commercial Ports Policy, 2002

This aim of this policy is to ensure an internationally competitive port system informed by the knowledge that efficient ports are known to be catalysts for increased trade, and thus provide a comparative advantage for international trade. Thus, this policy aims to ensure affordable, internationally competitive, efficient and safe port services based on the application of commercial rules in a transparent and competitive environment applied consistently across the transport system.

The importance of this policy is further highlighted by the fact that globalisation pressures make it essential that nations integrate their transport systems into the global logistics network. Ports are naturally being incorporated into this changing system and have to adjust to the new challenges and environment.

d) Taxi Recapitalisation Policy, 2009

The Taxi Recapitalisation Policy (TRP) is an intervention by Government to bring about safe, effective, reliable, affordable and accessible taxi operations by introducing New Taxi Vehicles (NTVs) designed to undertake public transport functions in the taxi industry.

A revised fiscal framework also accounts for substantial revenue losses emanating from the economic shock of COVID-19 pandemic and the subsequent lockdown. The lockdown significantly delayed planned programmes, projects and expenditure in the sector. As a result, the Department, Provinces and Municipalities, in their revised budget applications, would have to show delayed milestones and targets, the impact on their operational revenue and how they intend to mitigate the risk towards desired recovery and achievement of medium to long term outcomes.

The revision exercise thus focused, amongst others, on downscaling and/or reducing performance targets, particularly where programmes were impacted by budget cuts; and also, on prioritising interventions critical in mitigating the impact of the COVID-19 pandemic, thus saving lives of our people, where necessary. In revising performance targets, the NDP, the seven (7) apex priorities of the 6th Administration and the MTSF 2019 – 2024 remained the authoritative documents from which the exercise took guidance. For the remainder of the current MTEF, baseline allocations would be used to provide for the rapidly changing economic conditions and enable spending on the COVID-19 response.

This proposed modification would then be in categories.
• Category 1 will see suspension of funds and reallocation, where applicable. In this regard and as stated, the baselines of allocations to sector Departments will be reduced.
• Category 2 will see reprioritisation of funds within the budget votes. To this effect, funds will be shifted across programmes and/or budget items and reprioritised to where there are needs.

As stated, COVID-19 had a negative impact on the plans and operations of the Department and sector entities, particularly for the 2020/21 financial year. The effects of the impact of the pandemic would then have to be mitigated for the medium term through revision of the Strategic Plan and medium-term targets.

## 4.2 OVERVIEW OF THE 2021/22 BUGDET OF THE DEPARTMENT

The Department contributes to the realisation of the vision of improved social and economic development articulated in the NDP, and priority 1 (economic transformation and job creation) and priority 4 (spatial integration, human settlements and local government) of Government's 2019-2024 MTSF. Over the medium term, the Department plans to give effect to policies that focus on maintaining national and provincial road networks, addressing passenger rail challenges, and facilitating the provision of integrated public transport networks.

Expenditure is expected to increase at an average annual rate of 8.1 per cent, from R57.3 billion in 2020/21 to R72.5 billion in 2022/24. Although the substantial share of the department's expenditure is directed towards rail infrastructure, maintenance, operations and inventories, the balance of the budget is reserved for the South African National Roads Agency for the upgrading and maintenance of the national road network; and provinces and municipalities for the construction, operations and maintenance of transport infrastructure and services. Over the MTEF period, transfers account for an estimated 97per cent (R205.2 billion) of the department's budget.

An amount of R2.55 billion for 2021/22, R1.97 billion for 2022/23 and R2.20 billion for 2023/24 has been reduced from the departmental vote. These amounts comprise budget baseline reductions mainly to be effected on capital transfers to the Passenger Rail Agency of South Africa, operational transfers to public entities, and public transport network grant to municipalities, compensation of employees as well as goods and services. To remain within government's ceiling for compensation of employees, spending on this item decreases at an average annual rate of 0.3 per cent, from R536.8 million in 2020/21 to R531.5 million in 2023/24.

Spending on goods and services is expected to increase at an average annual rate of 2.3 percent from R849 million in 2020/21 to R909.7 million in 2023/24. This relatively low increase is due to Cabinet approved budget reduction of R180.4 million over the medium term.

The allocations to the Civil Aviation programme are expected to decrease at an average annual rate of 50.8 per cent, from R2.7 billion in 2020/21 to R319.2 million in 2023/23 due to the capitalisation of Airports Company South Africa which needed support due to travel restrictions as a result of the COVID-19 pandemic in the 2020/21 financial year.

With an allocation of R104.1 billion over the medium term, the department's Road Transport programme facilitates activities related to the maintenance of South Africa's national and provincial road network. The South African National Roads Agency plays a crucial role in programmes related to upgrading, maintaining and strengthening national toll and non-toll roads. Transfers to the agency account for 31 per cent (R64.9 billion) of the department's budget over the medium term. The core focus for the department over the MTEF period with regard to roads is the R573 (Moloto Road) development corridor, which is allocated R2.7 billion Transfers to fund reduced tariffs for the Gauteng freeway improvement project amounting to R1.99 billion over the MTEF period, while R34.8 billion of the allocations to the agency are to maintain the national network of non-toll roads.

The maintenance of provincial roads is largely funded through the provincial roads' maintenance grant, which receives R37.5 billion over the MTEF period. Funds from the grant are expected to be used for resealing 17 842 lane kilometres, rehabilitating 6 806 lane kilometres, and blacktoppatching 4.49 million square kilometres. Factors such as the condition of roads, weather patterns and traffic volumes determine grant allocations to provinces for the maintenance of provincial roads.

Transfers to PRASA in the Rail Transport programme account for an estimated 27.2 per cent (R56.98 billion) of the department's budget over the medium term. However, the agency has struggled for many years to deliver on its modernisation programme, which is meant to improve the reliability of services and increase passenger ridership through focused spending on repairs and maintenance as part of the agency's rolling stock fleet renewal programme, as well as improved security.

Delays in the rolling stock fleet renewal programme, along with poor spending on rail infrastructure and the effects of the COVID-19 pandemic, specifically lockdown restrictions, necessitated the reprioritisation of funds to support other transport sector entities. As such, the agency received no transfers from the department in 2020/21 for the signalling and rolling stock renewal programme. The reprioritisation included a R2.3 billion capitalisation of Airports Company South Africa and the R1.1 billion once-off gratuity to the taxi industry in 2020/21.

The recent appointment of a new board for the Passenger Rail Agency of South Africa is expected to lead to the intensified implementation of its modernisation programme. Over the MTEF period, capital transfers to the agency are expected to increase at an average annual rate 164.3 per cent, from R700.9 million in 2020/21 to R12.9 billion 2023/24. To offset revenue loss during the COVID-19 lockdown, operational transfers were temporarily increased in 2020/21, accommodated by reductions to capital budgets. However, as they normalise over the medium term, operational transfers to the agency are expected to decrease at an average annual rate of 5 per cent, from R8.8 billion in 2020/21 to R7.5 billion in 2023/24.

Efficient public transport networks are important to keep economic hubs functioning optimally. Accordingly, through the Public Transport programme, the department makes allocations to the public transport network grant. These allocations are expected to increase at an average annual rate of 15.7 per cent, from R4.4 billion in 2020/21 to R6.8 billion in 2023/24. The relatively high increase is due to one-off reductions in 2020/21 to fund priorities related the COVID -19 pandemic within the transport industry. The grant fund infrastructure and indirect costs of operating bus rapid transit services in Johannesburg, Tshwane, Cape Town, George, Nelson Mandela Bay and Ekurhuleni. In these cities, funding from the grant is expected to lead to a combined increase in the number of weekday passenger trips on bus rapid transit services from 154 799 in 2020/21 to 323 323 in 2023/24.

The section below analyses the budget allocation for the Department for the 2021/22 financial year.

**Table 30: Overall Budget – Transport**

| Programme | Budget | | Nominal Increase / Decrease in 2021/22 | Real Increase / Decrease in 2021/22 | Nominal Percent change in 2021/22 | Real Percent change in 2021/22 |
|---|---|---|---|---|---|---|
| **R million** | **2020/21** | **2021/22** | | | | |
| Administration | 469.8 | 497.0 | 27.2 | 7.2 | 5.8% | 1.5% |
| Integrated Transport Planning | 90.1 | 92.2 | 2.1 | - 1.6 | 2.3% | -1.8% |
| Rail Transport | 9 599.4 | 16 785.8 | 7 186.4 | 6 509.8 | 74.9% | 67.8% |
| Road Transport | 31 471.1 | 34 166.7 | 2 695.6 | 1 318.4 | 8.6% | 4.2% |
| Civil Aviation Transport | 2 673.7 | 503.9 | - 2 169.8 | - 2 190.1 | -81.2% | -81.9% |
| Maritime Transport | 141.8 | 157.5 | 15.7 | 9.4 | 11.1% | 6.6% |
| Public Transport | 12 908.9 | 14 488.6 | 1 579.7 | 995.7 | 12.2% | 7.7% |
| **TOTAL** | **57 354.7** | **66 691.8** | **9 336.9** | **6 648.8** | **16.3%** | **11.6%** |

**(Source: National Treasury (2021))**

For 2021/22, the Department receives R66.7 billion (excluding direct charges) – constituting 6.8% of the R980.6 billion national budget vote. Nominally (without inflation), the Department's budget increases by 16.3% from the previous financial year, and it increases by 11.6% when one takes cognisance of inflation (real terms). The exponential increase is in the Rail Transport programme, which grows significantly by 67.8% (above inflation), and increases nominally by 74.9% (without inflation). It is anticipated that the drastic increase in the Rail Transport programme is in line with the Department's commitment to "addressing passenger rail challenges", that it underscores as one of its policy priorities for 2021/22.

In terms of economic classification, transfers and subsidies comprise R65.3 billion (or 97.9%) of the departmental budget, and the bulk is allocated to the following bodies:

- Provinces and municipalities (R25.7 billion);
- Departmental agencies and accounts (R22.4 billion); and
- Public corporations and private enterprises (R16.7 billion).

The overall allocation to compensation of employees decreases from R536.8 million previously to R531.4 million in 2021/22. This year, expenditure on consultants (business and advisory services) is set to increase from R382.8 million in 2020/21 to R430.5 million in 2021/22. The notable increase in the use of consultants (business and advisory services) is in the Maritime Transport programme that increases from R11 million in 2020/21 to R24.2 million in 2021/22, translating into an increase of 54.1%. The Public Transport programme continues to have the biggest funding for the use of consultants, which increases from R243.7 million in the previous financial year to R265.5 million in 2021/22 (or 8.5% in real terms).

## *4.2.1 Programme Analysis*

As stated in the introduction, the Department has seven programmes. What follows below is an analysis of the budget allocation for each programme, and where relevant or necessary, it refers to the programmes' sub-programmes.

### *4.2.1.1 Programme 1: Administration*

The Administration programme is entrusted with providing strategic leadership, management and support services to the Department. The programme comprises five sub-programmes, as illustrated in the table below:

**Table 31: Programme 1: Administration**

| **Programme** | **Budget** | | **Nominal Increase / Decrease in 2021/22** | **Real Increase / Decrease in 2021/22** | **Nominal Percent change in 2021/22** | **Real Percent change in 2021/22** |
|---|---|---|---|---|---|---|
| **R million** | **2020/21** | **2021/22** | | | | |
| Ministry | 38.6 | 39.5 | 0.9 | - 0.7 | 2.3% | -1.8% |
| Management | 82.0 | 100.6 | 18.6 | 14.5 | 22.7% | 17.7% |
| Corporate Services | 247.7 | 250.7 | 3.0 | - 7.1 | 1.2% | -2.9% |
| Communications | 39.2 | 40.4 | 1.2 | - 0.4 | 3.1% | -1.1% |
| Office Accommodation | 62.3 | 65.7 | 3.4 | 0.8 | 5.5% | 1.2% |
| **TOTAL** | **469.8** | **497.0** | **27.1** | **7.1** | **5.8%** | **1.5%** |

**(Source: National Treasury (2021))**

The Administration programme receives R497 million, translating into a 1.5% above inflation increase from the previous financial year. The *Ministry*, *Corporate Services*, as well as *Communications* sub-programmes have below inflation increases, bar the *Managemen*t, and *Office Management* sub-programmes that receive 17.7% and 1.2% above inflation increases respectively. The *Corporate Services* sub-programme receives the biggest share of the Administration programme allocation, i.e., 50.5%. The exponential increase is to the *Management* sub-programme (an increase of 17.7% above inflation).

### *4.2.1.2 Programme 2: Integrated Transport Planning*

The Integrated Transport planning programme integrates and harmonises macro-transport sector policies, strategies and legislation. In addition, it coordinates and develops sector-related policies, research activities, as well as regional and inter-sphere relations. The programme also facilitates sector information and provides sector economic modelling and analysis.

**Table 32: Programme 2: Integrated Transport Planning**

| Programme | Budget | | Nominal Increase / Decrease in 2021/22 | Real Increase / Decrease in 2021/22 | Nominal Percent change in 2021/22 | Real Percent change in 2021/22 |
|---|---|---|---|---|---|---|
| **R million** | **2020/21** | **2021/22** | | | | |
| Macro-Sector Planning | 16.2 | 16.2 | 0.0 | - 0.7 | 0% | -4% |
| Freight Logistics | 16.9 | 18.1 | 1.2 | 0.5 | 7.1% | 2.8% |
| Modelling and Economic Analysis | 21.9 | 20.8 | - 1.1 | - 1.9 | -5% | -8.9% |
| Regional Integration | 14.0 | 11.4 | - 2.6 | - 3.1 | -18.6% | -21.9% |
| Research and Innovation | 12.6 | 17.0 | 4.4 | 3.7 | 34.9% | 29.5% |
| Integrated Transport Planning Administration Support | 8.5 | 8.7 | 0.2 | - 0.2 | 2.4% | -1.8% |
| **TOTAL** | **90.1** | **92.2** | **2.1** | **- 1.6** | **2.3%** | **-1.8%** |

**(Source: National Treasury (2021))**

While the budget for the Integrated Transport Planning programme increases nominally by 2.3%, in effect, it decreases by -1.8% below inflation. The allocation totals R92.2 million in 2021/22, up from R90.1 million in the previous financial year. The highest increase is in the *Research and Innovation* sub-programme whose allocation goes up from R12.6 million in 2020/21 to R17 million in the current financial year. The sub-programme's allocation increases by 29.5% above inflation (real terms).

Conversely, the allocation to the *Regional Integration* sub-programme decreases by -21.9% below inflation. This sub-programme is entrusted with managing, coordinating and facilitating "the development of strategies for engagements in the Southern African Development Community and the rest of Africa".[24] The reduction in the expenditure on this sub-programme begs the question as to how the Department intends to contribute to regional integration and intra-African trade that are catalysts for the ideals of Africa's Renaissance and Pan Africanism.

[24] National Treasury (2021).

### *4.2.1.3 Programme 3: Rail Transport*

The Rail Transport programme facilitates and coordinates the development of sustainable rail transport policies, rail economic and safety regulation, and infrastructure development strategies that reduce system costs and improve customer service. In addition, it oversees rail public entities and the implementation of integrated rail services. Five sub-programmes fall under this programme.

**Table 33: Programme 3: Rail Transport**

| **Programme** | **Budget** | | **Nominal Increase / Decrease in 2021/22** | **Real Increase / Decrease in 2021/22** | **Nominal Percent change in 2021/22** | **Real Percent change in 2021/22** |
|---|---|---|---|---|---|---|
| **R million** | **2020/21** | **2021/22** | | | | |
| Rail Regulation | 17.8 | 21.4 | 3.6 | 2.7 | 20.2% | 15.4% |
| Rail Infrastructure and Industry Development | 7.2 | 7.2 | 0.0 | - 0.3 | 0% | -4% |
| Rail Operations | 11.8 | 12.2 | 0.4 | - 0.1 | 3.4% | -0.8 |
| Rail Oversight | 9 556.6 | 16 739.1 | 7 182.5 | 6 507.8 | 75.2% | 68.1% |
| Rail Administration Support | 6.0 | 6.0 | 0.0 | - 0.2 | 0% | -4% |
| **TOTAL** | **9 559.4** | **16 785.8** | **7 226.5** | **6 549.9** | **75.6%** | **68.5%** |

**(Source: National Treasury (2021))**

Constituting 25.2% of the Department's budget, the Rail Transport programme is the second largest departmental spending area, after the Road Transport programme. The programme's budget exponentially goes up from R9.6 billion previously, to R16.8 billion in 2021/22. This translates into an above inflation increase of 68.5% and an increase of 75.6% nominally. The *Rail Oversight* sub-programme receives the biggest allocation of the programme's budget, i.e., 99.7%. Moreover, this is the sub-programme whose budget increases markedly, from R9.6 billion in the previous financial year to R16.7 billion in 2021/22. This indicates an above inflation increase of 68.1%. Transfers to PRASA to the value of R16.7 billion and R69.7 million to the RSR are funded from this sub-programme.

Another sub- programme that records an above inflation increase of 15.4%, up from R17.8 million in 2020/21 to R21.4 million in the current financial year is the *Rail Regulation* sub-programme. This sub-programme "is responsible for the development of rail policies, safety and economic regulations".[25] Conversely, the allocation to the *Rail Administration Support* sub-programme remains the same at R6 million. However, this means that has it not kept abreast of inflation and therefore decreases by -1.4% below inflation in 2021/22.

Transfers to PRASA to the tune of R16.7 billion are divided up as per the tables below:

**Table 34: PRASA Transfers: Current**

| **Entity/Programme**<br><br>**R million** | **Budget** | |
|---|---|---|
| | **2020/21** | **2021/22** |
| Metrorail (Operations) | R6.7 billion | R4.8 billion |
| Mainline passenger services (Operations) | R1.2 billion | R1.2 billion |
| Rail maintenance operations and inventories | R912.9 million | R925.4 million |
| **TOTAL** | **R8.8 billion** | **R6.9 billion** |

**(Source: National Treasury (2021))**

**Table 35: PRASA Transfers: Capital**

| **Entity/Programme**<br><br>**R million** | **Budget** | |
|---|---|---|
| | **2020/21** | **2021/22** |
| Other capital programmes | R395.2 million | R1.4 billion |
| Rolling Stock Fleet Renewal | - | R4.8 billion |
| Signalling | - | Approx. R2 billion |
| Metrorail (Refurbishment of coaches) | R200.8 million | R1.4 billion |
| Mainline Passenger Service (Refurbishment of coaches) | R105 million | R155.6 million |
| **TOTAL** | **R700.9 million** | **R9.7 billion** |

**(Source: National Treasury (2021))**

### *4.2.1.4 Programme 4: Road Transport*

[25] National Treasury (2021), p. 865.

The Road Transport programme is entrusted with developing and managing an integrated road infrastructure network, as well as regulating transport and ensuring safer roads. Moreover, it oversees road transport public entities. The programme is divided into five sub-programmes.

**Table 36: Programme 4: Road Transport**

| Programme | Budget | | Nominal Increase / Decrease in 2021/22 | Real Increase / Decrease in 2021/22 | Nominal Percent change in 2021/22 | Real Percent change in 2021/22 |
|---|---|---|---|---|---|---|
| **R million** | **2020/21** | **2021/22** | | | | |
| Road Regulation | 44.8 | 44.8 | 0.0 | - 1.8 | 0% | -4% |
| Road Infrastructure and Industry Development | 35.5 | 36.5 | 1.0 | - 0.5 | 2.8% | -1.3% |
| Road Oversight | 31 353.0 | 34 046.8 | 2 693.8 | 1 321.5 | 8.6% | 4.2% |
| Road Administration Support | 9.2 | 9.4 | 0.2 | - 0.2 | 2.2% | -1.9% |
| Road Engineering Standards | 28.7 | 29.2 | 0.5 | - 0.7 | 1.7% | -2.4% |
| **TOTAL** | **31 471.1** | **34 166.7** | **2 695.5** | **1 318.3** | **8.6%** | **4.2%** |

**(Source: National Treasury (2021))**

The total expenditure for the Road Transport programme grows from R31.5 billion in 2020/21 to R34.2 billion in 2021/22. This constitutes an above inflation increase of 4.2%, i.e. a nominal increase of 8.6% from the previous financial year. The highest increase is for the *Road Oversight* sub-programme whose allocation goes up from R31.4 billion in 2020/21 to R34 billion in 2021/22, resulting in 4.2% above inflation. The *Road Oversight* sub-programme dominates the programme's budget, comprising 99.7%.

The *Road Oversight* sub-programme reviews and analyses the performance of road transport public entities and monitors their compliance with regulations and legislation. It also transfers funds to SANRAL, RTMC, and the RTIA. Moreover, the sub-programme makes provision for the Provincial Roads Maintenance Grant (PRMG).

Major transfers from the Road Transport programme are as follows:[26]

[26] National Treasury (2021).

**Table 37: Major Transfers from the Road Transport Programme**

| **Entity/ Programme**<br><br>**R million** | **Budget** | |
|---|---|---|
| | **2020/21** | **2021/22** |
| RTMC | R240.6 million | R217.3 million |
| SANRAL: Gauteng Freeway Improvement Project (GFIP) | R3.1 billion | R633.1 million |
| RTIA | R88.2 million | R224.4 million |
| SANRAL | R7.2 billion | R7.2 billion |
| SANRAL: Non-toll network | R8.2 billion | R11.7 billion |
| SANRAL: Moloto Road upgrade | R785 million | R843.9 million |
| SANRAL: N2 Wild Coast | R1.1 billion | R1.1 billion |
| Rural Roads Asset Management Systems (RRAMS) Grant | R108.4 million | R109.9 million |
| PRMG: Roads maintenance component | R10.5 billion | R11.9 billion |

**(Source: National Treasury (2021))**

Expenditure under Programme 4 lends credence to policy priorities for 2021/22. SANRAL is one of the entities that are tasked, over the financial year, with increasing the provision of the necessary opportunities for labour intensive employment, skills development, technological innovation and supply chain management. These will be biased in favour of "women, people with disabilities, and young people in empowered industries".[27] This is in keeping with Government's urgent objective of igniting the economy, creating jobs, as well as improving the standard of living of many of the marginalised.

### *4.2.1.5 Programme 5: Civil Aviation Transport*

The Civil Aviation Transport programme facilitates the development of an economically viable air transport industry that is safe, secure, efficient, environmentally friendly and compliant with international standards through regulations and investigations. In addition, it oversees aviation transport public entities.

**Table 38: Programme 5: Civil Aviation Transport**

[27] Department of Transport (2021), p. 9.

| Programme | Budget | | Nominal Increase / Decrease in 2021/22 | Real Increase / Decrease in 2021/22 | Nominal Percent change in 2021/22 | Real Percent change in 2021/22 |
|---|---|---|---|---|---|---|
| **R million** | **2020/21** | **2021/22** | | | | |
| Aviation Policy and Regulations | 27.8 | 28.1 | 0.3 | - 0.8 | 1.1% | -3% |
| Aviation Economic Analysis and Industry Development | 15.2 | 14.9 | - 0.3 | - 0.9 | -1.9% | -5.9% |
| Aviation Safety, Security, Environment, and Search and Rescue | 68.2 | 101.4 | 33.2 | 29.1 | 48.7 | 42.7% |
| Aviation Oversight | 2 556.7 | 353.7 | - 2 203.0 | - 2 217.3 | -86.2% | -86.7% |
| Aviation Administration Support | 5.7 | 5.9 | 0.2 | 0.0 | 3.5% | -0.7% |
| **TOTAL** | **2 673.7** | **503.9** | **- 2 169.6** | **- 2 189.9** | **-81.1%** | **-81.9%** |

**(Source: National Treasury (2021))**

For 2021/22, the allocation to the Civil Aviation Transport programme equals R503.9 million, down from R2.7 billion previously, translating into a decrease of -81.9% below inflation. The major decrease is in the *Aviation Oversight* sub-programme that constitutes a -86.7% decrease below inflation. The sub-programme's allocation declines significantly from R2.6 billion in 2020/21 to R353.7 million in 2021/22. The second decrease (-5.9% below inflation) is in the *Aviation Economic Analysis and Industry Development* sub-programme, going down from R15.2 million in 2020/21 to R14.9 million in 2021/22.

On the contrary, expenditure on the *Aviation Safety, Security, Environment, and Search and Rescue* sub-programme grows from R68.2 million previously to R101.4 million in 2021/22. This indicates an above inflation increase of 42.7%.

### *4.2.1.6 Programme 6: Maritime Transport*

The Maritime Transport programme promotes a safe, reliable and economically maritime transport sector through the development and implementation of policies and strategies. In addition, the programme oversees maritime public entities. Five sub-programmes fall under the Maritime Transport programme.

**Table 39: Programme 6: Maritime Transport**

| **Programme** | **Budget** | | **Nominal Increase / Decrease in 2021/22** | **Real Increase / Decrease in 2021/22** | **Nominal Percent change in 2021/22** | **Real Percent change in 2021/22** |
|---|---|---|---|---|---|---|
| **R million** | **2020/21** | **2021/22** | | | | |
| Maritime Policy Development | 8.8 | 10.6 | 1.8 | 1.4 | 20.5% | 15.6% |
| Maritime Infrastructure and Industry Development | 17.8 | 22.8 | 5.0 | 4.1 | 28.1% | 22.9% |
| Implementation, Monitoring and Evaluation | 67.0 | 76.1 | 9.1 | 6.0 | 13.6% | 9% |
| Maritime Oversight | 43.6 | 43.3 | - 0.3 | - 2.0 | -0.7% | -4.7% |
| Maritime Administration Support | 4.7 | 4.7 | 0.0 | - 0.2 | 0% | -4% |
| **TOTAL** | **141.8** | **157.5** | **15.6** | **9.3** | **11%** | **6.5%** |

**(Source: National Treasury (2021))**

The budget allocation for the Maritime Transport programme increases from R141.8 million in 2020/21 to R157.5 million in 2021/22, translating into an increase of 6.5% above inflation. The biggest budget increase is in the *Maritime Infrastructure and Industry Development* sub-programme that grows from R17.8 million in 2020/21 to R22.8 million in 2021/22. This indicates an above inflation increase of 22.9%. This sub-programme facilitates the development of integrated maritime infrastructure and a maritime industry.

The increase in the expenditure on the *Maritime Infrastructure and Industry Development* sub-programme augurs well for the attainment of some of the strategic objectives of the Department in 2021/22 financial year in the maritime transport. Of particular relevance in this regard is building on "South Africa's extensive experience and capabilities in maritime safety and maritime protection, to champion through leadership and shape new global standards in these areas".[28]

[28] Department of Transport (2021), p. 39.

The second above inflation increase of 15.6% is in the *Maritime Policy Development* sub-programme, up from R8.8 million in the previous financial year to R10.6 million in 2021/22. The reason for the increase in this sub-programme might be in line with the Department's "accelerated implementation of the Comprehensive Maritime Transport Policy [that] will continue in the MTSF".[29] While the allocation to the *Maritime Administration Support* sub-programme remains the same at R4.7 million, it, in fact, declines by -4% below inflation.

### *4.2.1.7 Programme 7: Public Transport*

The Public Transport programme is tasked with providing and regulating safe, secure, reliable, cost-effective and sustainable public transport services in South Africa through legislation, policies and strategies. The Public Transport programme comprises six sub-programmes.

**Table 40: Programme 7: Public Transport**

| Programme | Budget | | Nominal Increase / Decrease in 2021/22 | Real Increase / Decrease in 2021/22 | Nominal Percent change in 2021/22 | Real Percent change in 2021/22 |
|---|---|---|---|---|---|---|
| R million | 2020/21 | 2021/22 | | | | |
| Public Transport Regulation | 50.9 | 52.9 | 2.0 | - 0.1 | 3.9% | -0.3% |
| Rural and Scholar Transport | 44.7 | 46.5 | 1.8 | - 0.1 | 4% | -0.2% |
| Public Transport Industry Development | 217.4 | 228.7 | 11.3 | 2.1 | 5.2% | 1% |
| Public Transport Oversight | 12 507.3 | 14 126.4 | 1 619.1 | 1 049.7 | 13% | 8.4% |
| Public Transport Administration Support | 74.1 | 12.6 | - 61.5 | - 62.0 | -83% | -83.7% |
| Public Transport Network Development | 14.5 | 21.3 | 6.8 | 5.9 | 46.9% | 41% |
| **TOTAL** | **12 908.9** | **14 488.4** | **1 579.5** | **995.5** | **12.2%** | **7.7%** |

[29] Department of Transport (2021), p.177.

**(Source: National Treasury (2021))**

In 2021/22, Programme 7 receives R14.5 billion, up from R12.9 billion in 2020/21, indicating a 7.7% above inflation increase. The biggest increase in the allocation is in the *Public Transport Network Development* sub-programme which receives R21.3 million in 2021/22, up from R14.5 million previously, indicating an increase of 41% above inflation. This sub-programme develops norms and standards for integrated public transport systems to assist in providing accessible, reliable and affordable integrated public transport network services in municipalities. The increase in *the Public Transport Network Development* sub-programme augurs well for the attainment of one of the Department's priorities in response to the MTSF (2019-2024) of having a "public transport that enables social emancipation and an economy that works".[30] Efficient public transport networks are important to keep economic hubs functioning optimally. Accordingly, through the Public Transport programme, the Department makes allocations to the Public Transport Network Grant (PTNG). An integrated public transport network is key to the South Africa's economic hubs "as they provide sustainable, affordable and functional transport solutions to urban commuters".[31]

On the contrary, there is a marked decrease in the allocation to the *Public Transport Administration Support* sub-programme that goes down from R74.1 million in the previous financial year to R12.6 million in the current financial year. This indicates a decrease of -83.7% that does not keep track with the effects of inflation.

Selected transfers in the Public Transport programme are as follows:[32]

**Table 41: Selected Transfers in the Public Transport programme**

| **Entity/Programme**<br><br>**R million** | **Budget** | |
|---|---|---|
| | **2020/21** | **2021/22** |
| Taxi Recapitalisation Programme (TRP) | R208.6 million | 464.6 million |
| South African National Taxi Council (SANTACO) | R25.1 million | R26.5 million |
| Public Transport Network Grant (PTNG) | R4.4 billion | R6.5 billion |

[30] Department of Transport (2021), p. 41.
[31] Mbalula (2020).
[32] National Treasury (2021).

| Entity/Programme<br><br>R million | Budget | |
|---|---|---|
| | **2020/21** | **2021/22** |
| Public Transport Operations Grant (PTOG) | 6.7 billion | R7.1 billion |
| **TOTAL** | **R11.4 billion** | **R14.1 billion** |

**(Source: National Treasury (2021))**

## 5. 2021/22 ANNUAL PERFORMANCE PLANS, STRATEGIC AND CORPORATE PLANS AS WELL AS ESTIMATES OF NATIONAL EXPENDITURE PER ENTITY

This report summarises the Key Performance Indicators presented by the entities in terms of their APPs and Corporate Plans as well as their Budget allocations for the 2021/22 financial year.

### 5.1 AIRPORTS COMPANY SOUTH AFRICA

ACSA's mandate is to undertake the acquisition, establishment, development, provision, maintenance, and control of any airport, any part of any airport or any facility or service at any airport normally related to the functioning of an airport in terms of the Airports Company South Africa Act (No. 44 of 1993). ACSA is a State-owned company, and a Schedule 2 public entity, in terms of the Public Finance Management Act (PFMA) (No.1 of 1999). The South African Government is the entity's majority shareholder, with 74.6% stake in the Group.[33] The Group is legally autonomous, and operates within the ambit of the Companies Act (No. 71 of 2008).

ACSA owns and manages nine (9) South African airports. It also participates in equity investments abroad, and provides technical advisory and consultancy services to other airports nationally and internationally. ACSA derives value from aeronautical and non-aeronautical operations.[34]

[33] Airports Company South Africa (2021), p. 12.

[34] Aeronautical operations denote passenger facilitation services for which passenger service charges are collected, as well as airline services in the form of landing and parking fees. Conversely, non-aeronautical revenue includes all other revenue streams, such as concessionaire revenues – retail, car rental, advertising and parking revenues – as well as office rental and property development revenue streams.

Shareholder value creation over the long-term is fundamental to ACSA's ability to be self-sufficient. ACSA's financial independence enables the continuous delivery of major infrastructure requirements against the demands of the aviation industry, supporting the entity's vision of being a world-leading airport business. A failure to be self-sufficient would introduce risk for future major infrastructure investments.

ACSA contends that the advent of COVID-19, with its attendant travel restrictions and health screening requirements, has brought about significant threats to shareholder value creation over the Corporate Plan period and beyond.[35] The Company has taken a scenario planning approach to inform responses to firstly address short-term liquidity requirements, then financial sustainability over the long-term.

A 139% traffic volume increase (on the back of a 74.5% reduction in 2020/21) is currently assumed with conservative increases thereafter.[36] Resizing decisions have been taken to safeguard financial sustainability in the form of operating expense reductions of R900 million, as well as an additional R300 million reduction in employee costs in 2021/22.[37] The postponement of the 2021/22 to 2025/26 permission application owing to COVID-19, will also delay the introduction of tariff increases to the 2023/24 financial year. An increase of 35% has been assumed for 2023/24.

**Funding**

The entity reports that its cash-generating ability has been severely affected by the COVID-19 induced travel restrictions, and bans implemented by countries across the world to control the spread of the virus. To alleviate short-term liquidity pressures, the Company increased its short-term banking facilities, effectively managed its working capital and introduced operational and capital expenditure cuts.[38] The impact of the pandemic is expected to have a long-lasting effect on

[35] Airports Company South Africa (2021), p. 52.
[36] *Ibid.*
[37] *Ibid*.
[38] Airports Company South Africa (2021), p. 54.

the aviation sector, including ACSA. This has prompted the Company to follow a more comprehensive approach to its borrowing plan to ensure long-term financial sustainability.

The COVID-19 pandemic has compelled banks to be more risk-averse when it comes to credit extension to both state-owned companies and corporates. In addition, the terms and conditions of loan agreements have become more stringent, while the pricing of loans is exorbitant. Consequently, ACSA will issue preference shares to raise capital from existing shareholders.[39] As of 12 February 2021, the Company had received indicative subscription amounts totalling approximately R3.8 billion, comprising the following:[40]

- Government: R2.3 billion, in line with the Appropriation Bill to be signed by the President;
- Public Investment Company (PIC): Limited to R1.50 billion, subject to obtaining the necessary approvals;
- G10 investments: R20 000 interest
- Up-front Investment 64: R20 000 interest; and
- Oppressed ACSA Minority 1: R20 000 interest.

The funding requirement is based on the following key assumptions over a three-year period:[41]

- Capital Expenditure Programme amounting to R2.8 billion (excluding capitalised interest); and
- Debt redemptions totalling R2.7 billion.

**Revenue**

The Group's revenues comprise both aeronautical, as well as non-aeronautical revenue. The Group's forecast revenue of R3 422 million for 2021/22 follows the 0% increase in aeronautical charges as granted by the Regulating Committee in the 2019-2023 Permission and extremely low levels of traffic with a forecast decrease of 49.4%.[42] The postponement of the Permission

---

[39] Airports Company South Africa (2021), p. 55.
[40] *Ibid*.
[41] *Ibid*.
[42] Airports Company South Africa (2021), p. 57.

application means that the fourth year of the 2019-2023 Permission will come into effect for the 2022/23 financial year, with increases of 3.3%. This increase, together with the envisioned traffic growth of 18.4%, will result in revenues of R4 323 million.[43] The plan assumes tariff increases of 35% that will form part of the 2022-2026 Permission. It is forecast that non-aeronautical revenues will contribute between 42% and 48% to total revenues during the Corporate Plan period.[44]

**Aeronautical Revenue**

Aeronautical revenue is expected to increase by 118.6% in 2022/23, compared with the forecast for 2021/22 due to a 3.3% increase in tariffs and some recovery of traffic volumes from the extreme lows of 2021/22.[45] It is forecast that traffic will be 37.5% lower than 2020/21 (pre-COVID-19 level).

**Non-Aeronautical Revenue**

Non-aeronautical revenue is expected to increase by 103.7% in 2021/22, compared to 2020/21 and 32.1% lower than the 2019/20 financial year.[46] Owing to a high level of uncertainty, retail, car rental and car parking forecasts have been kept the same as the forecast of the previous Corporate Plan.

When a comparison is drawn between the 2020/21 forecast and the 2021/22 forecast budget, the following estimates can be made:[47]

- Retail revenue is estimated to increase by 32.5%;
- Car parking is estimated to increase by 32.5%;
- Advertising revenue is estimated to stay the same;
- Car rental revenue is estimated to increase by 32.5%;

---

[43] *Ibid*.
[44] *Ibid*.
[45] *Ibid*.
[46] Airports Company South Africa (2021), p. 59.
[47] *Ibid*.

- Property rentals and property developments are estimated to decrease by 144.3%; and
- Other commercial revenues comprise permits, recoveries and subsidiary revenues, such as hotel revenues.

**Expenditure**

Operating expenditure for 2021/22 is estimated at R3 940 million, and represents a 2.7% decrease when compared to the forecast for 2020/21.[48] The major cost components are as follows:[49]

- **Personnel costs** (including other employee costs) decrease by 10.6%, from R1 617 million to R1 446 million. This is against the backdrop of no allowance for new positions, no salary increases and no provision for performance bonuses;
- **Repairs and maintenance costs** increase by 9.7% to R470 million.
- **Utilities** are kept the same at R367 million, in line with an annual tariff increase of 10% reduced by energy-saving initiatives (solar, switching off geysers during certain times when hot water is not required; reducing the operating times for air conditioning units in terminal buildings; replacement of luminaire with light emitting diode (LED) technology.
- **Security costs** increase by 8.8% to R503 million due to more guards required as the level of activity starts to increase across all airports;
- **Rates and taxes** increase by 7.8% to R282 million based on the expected increase, as promulgated by municipalities and property valuations; and
- **Information systems expenditure** increases by 35.5% to R371 million as a result of the delivery against the digitisation strategy.

**Depreciation**

The depreciation charge for 2021/22 is estimated at R1 179 million.[50] This represents a marginal difference to the 2020/21 owing to the low levels of capital expenditure.

---

[48] Airports Company South Africa (2021), p. 60.
[49] *Ibid*.
[50] Airports Company South Africa (2021), p. 61.

**Financing Costs**

The COVID-19 pandemic is expected to have a long-lasting impact on the Company, with traffic volumes expected to take years to return to pre-pandemic levels. Consequently, the credit metrics are expected to remain weak over the forecast period which will increase the financing costs.

**Earnings**

A loss of R928 million is budgeted for 2021/22.[51]

## 5.2 AIR TRAFFIC AND NAVIGATION SERVICES COMPANY (ATNS)

ATNS was established in terms of the Air Traffic and Navigation Services Act (1993). The company is mandated to provide safe, orderly and efficient air traffic navigational and associated services to the air traffic management community, and in accordance with the standards set out by the International Civil Aviation Organisation. Over the medium term, the company will provide air traffic management solutions that are responsive to regional, continental and global demands, trends and technological advancements.

Expenditure is expected to increase at an average annual rate of 3.6 per cent, from R1.5 billion in 2020/21 to R1.7 billion in 2023/24. This relatively low increase is due to the implementation of cost-containment and cash preservation measures following the decrease in air travel as a result of the COVID-19 pandemic. Revenue is derived mainly from aerodrome, en-route and approach fees, and is expected to increase at an average annual rate of 33.9 per cent, from R660.7 million in 2020/21 to R1.6 billion in 2023/24. This high increase is mainly due to the sharp decrease in revenue in 2020/21 because of COVID-19 travel restrictions, with air traffic operations expected to begin normalising over the period ahead.

[51] *Ibid*.

## 5.3 DRIVING LICENCE CARD ACCOUNT (DLCA)

The DLCA is responsible for manufacturing driving licence cards based on orders received from driving licence testing centres across South Africa. Over the medium term, the entity will continue to focus on ensuring optimal manufacturing productivity.

Expenditure is expected to increase at an average annual rate of 3.7 per cent, from R201.3 million in 2020/21 to R224.5 million in 2023/24. Spending on production and infrastructure accounts for 72.8 per cent (R486 million) of total expenditure. The entity generates revenue through the sale of driving licence cards. Revenue is expected to increase at an average annual rate of 11.5 per cent, from R202.2 million in 2020/21 to R280.1 million in 2023/24.

## 5.4 CROSS-BORDER ROAD TRANSPORT AGENCY (C-BRTA)

The C-BRTA is a Schedule 3A public entity, in terms of the Public Finance Management Act (PFMA) (No. 1 of 1999). It was established as per the Cross-Border Road Transport Act (No. 4 of 1998), as amended. The Agency's founding legislation places the following responsibilities on it:[52]

- Improving the unimpeded flow of road freight and passengers in the region;
- Liberalising market access progressively in respect of cross-border freight road transport;
- Introducing regulated competition pertaining to cross-border passenger road transport, and reducing operational constraints for the cross-border road transport as a whole;
- Enhancing and strengthening the capacity of the public sector in support of its strategic planning, enabling and monitoring functions; and
- Empowering the cross-border road transport industry to maximise business opportunities and to regulate themselves incrementally to improve safety, security, reliability, quality and efficiency of services.

[52] Cross-Border Road Transport Agency (2021), p. 9.

For 2021/22, the C-BRTA's programme operating expenditure stands at R259.3 million.[53] Nominally (without inflation), the Agency's budget increases by 12% from the previous financial year, and it increases by 7.5% when one takes cognisance of inflation (real terms). The exponential increase is in the Regulatory programme, which grows significantly by 36.8% (above inflation), and increases nominally by 42.6%. The Law Enforcement programme is the only programme whose budget decreases in 2021/22, down from R43.8 million in 202021 to R37.6 million in the current financial year. This translates into a below inflation decrease of -17.5%, and a nominal decrease of -14.1%.

Constituting 52.2% of the Agency's programme operating expenditure, the Administration programme is the C-BRTA's biggest spending area, with its allocation sitting at R135.4 million 2021/22, up from R125.7 million previously. This indicates an above inflation increase of 36.8%, and a nominal increase of 42.6%.

## 5.5 PORTS REGULATOR OF SOUTH AFRICA (PRSA)

The Ports Regulator of South Africa was established in terms of section 29 of the National Ports Act (2005). It is tasked with regulating South Africa's commercial ports by considering tariff increases of the National Ports Authority and regulating the provision of adequate, affordable and efficient port services and facilities. This includes hearing complaints and appeals aimed at ensuring fairness, transparency and competitive practices in the ports system. Over the medium term, the regulator will continue to develop and review policy, strategy and research for an effective regulatory framework for the economic regulation of ports.

Expenditure is expected to increase at an average annual rate of 2.9 per cent, from R40.4 million in 2020/21 to R43.9 million in 2023/24. Revenue is derived entirely through transfers from the department, and is expected to increase in line with expenditure.

---

[53] Cross-Border Road Transport Agency (2021), p. 80.

## 5.6 PASSENGER RAIL AGENCY OF SOUTH AFRICA (PRASA)

PRASA is a Schedule 3B National Government Business Enterprise that reports to the Minister of Transport. The Agency derives its mandate from the Legal Succession Act to the South African South African Transport Services Act (No.9 of 1989), as amended.

The main objectives and business of PRASA are to:[54]

- Ensure that, at the request of the Department, rail commuter services are provided within, to and from the Republic in the public interest and provide, in consultation with the Department, long haul passenger rail bus and services within, to and from the Republic in terms of the principles set out in section 4 of the National Land Transport Transition Act (NLTA) (No. 22 of 2000), as amended; and
- Generate income from the exploitation of assets acquired by it.

A further requirement is that, in discharging its objectives and business, PRASA shall have due regard to key Government social, economic and transport policy objectives. The governmental plans, policies and pieces of legislation informing the Corporate Plan are the following:[55]

- ERRP), 2020;
- National Rail Policy White Paper, 2017;
- Public Transport Strategy, 2007;
- Legislation specific to transport (Legal Succession Act to the South African Transport Services Act (No. 9 of 1989), as amended, the National Land Transport Act (No.5 of 2009, and the National Rail Safety Regulator Act (No. 16 of 2002); and
- Priorities of the NDP, and the Sixth Administration.

The allocations are in line with the business priorities of PRASA to improve the service offering to the customer.[56] The planned spending on the Rolling Stock Fleet Renewal Programme is the largest single category. In 2021, expenditure on this item sits at R4.8 billion, and is expected to

---

[54] Passenger Rail Agency of South Africa (2021), p. 6.
[55] Passenger Rail Agency of South Africa (2021), pp. 6-8.
[56] Passenger Rail Agency of South Africa (2021), p. 91.

increase to R6.9 billion in 2023/24.[57] In addition, there is massive investment in accelerated rolling stock programme for the old train sets, signalling, station improvement, as well as other related infrastructure.

Expenditure is expected to increase at an average annual rate of 4.5 per cent, from R15.9 billion in 2020/21 to R18.2 billion in 2023/24. Compensation of employees is the agency's largest cost driver, spending on which accounts for 41.9 per cent (R21.2 billion) of expenditure over the medium term. A total of 68.2 per cent (R34.4 billion) of the agency's expenditure over the period ahead is earmarked for spending on the Metrorail and mainline passenger service programmes, including the modernisation programme.

As a result of historic underspending on capital programmes, the agency's cash balance as at 30 October 2020 was R19.6 billion. Over the period ahead, the agency plans to spend R44 billion on infrastructure mainly for Metrorail and the mainline passenger service. Transfers from the department account for an estimated 82.3 per cent of revenue over the medium term. Other sources of revenue include the sale of train and bus tickets, rental income from the leasing of properties, onboard sales, and interest earned. Revenue is expected to increase at an average annual rate of 7.5 per cent, from R19.9 billion in 2020/21 to R24.7 billion in 2023/24.

The capital budget is also aligned with the ministerial mandate deliverables that encompass:[58]

- Service recovery or reinstatement;
- Safety and security management;
- Accelerating capital programme and modernisation;
- Enhancing revenue and reducing costs; and
- Putting proper measures to ensure good governance.

Other critical deliverables, include but not limited to:[59]

- Corridor protection;

[57] *Ibid*.
[58] *Ibid*.
[59] *Ibid*.

- High-tech security deployment;
- Recovery of verified components;
- Rolling stock components at depots;
- Electrical rehabilitation programme;
- On-track machines;
- Perway rehabilitation programmes; and
- Overall security in general.

## 5.7 ROAD ACCIDENT FUND (RAF)

The RAF or “the Fund” was established in terms of the Road Accident Fund Act (No. 56 of 1996), which outlines the mandate of the Fund as the payment of compensation for loss or damage wrongfully caused by the negligent driving of a motor vehicle.

The powers and functions of the RAF shall include:[60]

- The stipulation of the terms and conditions upon which claims the compensation contemplated in section 3 shall be administered;
- The investigation and settling, subject to the Act, of claims arising from loss or damage caused by the driving of a motor vehicle whether not the identity of the owner or driver thereof, or the identity of both the owner and driver thereof, has been established; and
- The management and utilisation of its powers or the performance of its duties, and reinsurance for ant risk undertaken by the Fund.

The fund receives its revenue from the road accident fund levy in terms of the Customs and Excise Act (1964). Revenue from the levy is expected to increase at an average annual rate of 5.8 per cent, from R38.1 billion in 2020/21 to R45.2 billion in 2023/24.

[60] Road Accident Fund (2021), p. 13.

Claims against the fund have increased at an average annual rate of 8.4 per cent, from R61.3 billion in 2017/18 to R78.2 billion in 2020/21, and are expected to increase to R102.9 billion by 2023/24. As a result, the accumulated deficit is expected to increase from R367.7 billion in 2020/21 to R518.7 billion in 2023/24.

## 5.8 RAILWAY SAFETY REGULATOR (RSR)

The Constitution of the Republic of South Africa, 1996, (“the Constitution”) identifies the legislative responsibilities of different spheres of Government pertaining to airports, roads, traffic management and public transport. Transport is a function that is legislated and executed at all spheres of Government. The implementation of transport functions at the national level takes place through public entities that are overseen by the Department of Transport (“the Department”).

The RSR shall comply with Chapters 2 and 3 of the Constitution.

The RSR observes and adheres to the principles of cooperative government and intergovernmental relations that is supported by its work on the rail service regulations and harmonisation of the Southern African Development Community (SADC) railways through common safety methods.

The promotion of the South Africans affirms the democratic values of human dignity, equality and freedom. The achievement of safer railways reinforces the values contained in the Bill of Rights.

The RSR was established in terms of the National Railway Safety Regulator Act (No. 16 of 2002), as amended, to establish a national regulatory framework for South Africa, and to monitor and enforce compliance in the rail sector. The primary legislative mandate of the RSR is to oversee and enforce safety performance by all railway operators in South Africa, including those of the neighbouring States whose operators enter South Africa. All operators are, in terms of the Act, primarily responsible and accountable for ensuring safety of their railway operations.

As a state entity, the RSR is also governed and directed by various policies developed and approved by the South African Government at varying spheres. The following are some of the policy mandates which guide the work of the RSR:[61]

- The NDP;
- The National Transport Master Plan (NATMAP);
- The National White Paper on Transport Policy, 1996;
- The New Growth Path (NGP) Framework; and
- Various national and international policies within the railway sector.

In executing its legislative oversight mandate, the RSR performs the following duties and functions:[62]

- Issuing and managing safety permits;
- Conducting inspections and audits;
- Conducting safety assessments;
- Investigating railway occurrences;
- Developing regulations, safety standards and regulatory prescripts;
- Issuing notices of non-conformance and non-compliance;
- Supporting and promoting occupational health and safety and security;
- Cooperating with relevant organs of state to improve safety performance and oversight functions;
- Playing a leading role in the alignment of the railway safety regime of South Africa with those of SADC; and
- Data management and analysis.

Expenditure is expected to increase at an average annual rate of 4 per cent, from R247.3 million in 2021/22 to R278.2 million in 2023/24. Compensation of employees and goods and services account for an estimated 97.8 per cent (R781.3 million) of the regulator's budget over the period

[61] Railway Safety Regulator (2021).
[62] Railway Safety Regulator (2021), pp. 24-25.

ahead. The regulator generates its revenue mainly through permit fees and transfers from the department. Revenue is expected to increase at an average annual rate of 1.7 per cent, from R257.8 million in 2021/22 to R271.4 million in 2023/24.

## 5.9 ROAD TRAFFIC INFRINGEMENT AGENCY (RTIA)

The RTIA is a State-Owned Entity (SOE) reporting to the Department of Transport ("the Department"). It is listed in the PFMA) as a Schedule 3A National Public Entity, and should comply with Treasury Regulations and other laws. These include the Constitution of the Republic of South Africa, 1996, the Protection of Personal Information Act (PPIA) (No. 4 of 2013), the Promotion of Access to Information Act (PAIA) (No. 2 of 2000) and the Promotion of Administrative Justice Act (PAJA) (No. 3 of 2000).

The RTIA was established by the Administrative Adjudication of Road Traffic Offences (AARTO) Act (No. 46 of 1998). The Agency's mandate is to facilitate the adjudication process pertaining to the infringement notices dispensed by the various Issuing Authorities to the alleged infringers on South African roads. The AARTO Act depicts the RTIA as an independent adjudicator designed to provide for an administratively fair and just system for road traffic law infringements, whilst upholding the rights of the alleged infringer.[63]

The Agency's responsibilities, as enshrined in the Act, include the implementation of community education and awareness programmes targeted at enhancing voluntary road traffic compliance, and fostering behavioural change amongst road user communities. Thus, in its mandate, the RTIA should ensure objective, transparent and fair implementation of the adjudication process for road traffic infringements.

The following is the synopsis of the objects and functions of AARTO, as outlined in section 4(1) of the Act, as amended:[64]

[63] Road Traffic Infringement Agency (2021), p. 8.
[64] *Ibid*.

- Administering a procedure to discourage the contravention of road traffic laws, and to support the adjudication of infringements, as set out in subsection (2);
- Enforcing penalties imposed against persons contravening road traffic laws, as set out in subsection (3);
- Administering and managing a point demerit system for infringements and offences; and
- Undertaking community education and community awareness programmes in order to ensure that individuals understand their rights and options, as set out in subsection (5).

In its quest to advance responsive road safety interventions, the Agency – under the guidance of and leadership of the Department – has facilitated the promulgation of the amended AARTO Act (No. 14 of 2019).[65] In addition, the Amendment Act is accompanied by new 2020 Draft AARTO Regulations aimed at the amplification of the infringement adjudication process.

For 2021/22, the budget for the RTIA's programmes stands at R834.4 million, up from R316.2 million in the previous financial year. Of this amount, the biggest allocation, constituting 30.5% (or R254. 8 million) goes to the Adjudication and AARTO Support programme. The smallest expenditure is on the AARTO Information and Analytics programme that receives 1.5% (or 12.2 million) in 2021/22, up from R6.5 million in 2020/21.

## 5.10 THE ROAD TRAFFIC MANAGEMENT CORPORATION (RTMC)

The RTMC was established in terms of the Road Traffic Management Corporation Act (RTMCA) (No. 20 of 1999). It is further governed by, inter alia:[66]

- The Constitution of the Republic of South Africa, 1996;
- National Land Transport Act (No. 5 of 2009);
- National Road Traffic Act (No. 93 of 1996);
- Public Finance Management Act (PFMA) (No. 1 of 1999);
- Companies Act (No. 71 of 2008), the Criminal Procedure Act (No. 51 of 1977); and

[65] *Ibid*.

[66] Road Traffic Management Corporation (2021), pp. 11-16.

- Protection of Personal Information Act (POPIA) (No. 4 of 2013).

In terms of the RTMCA, the RTMC was established to pool powers and resources, and to eliminate the fragmentation of responsibilities for all aspects of road traffic management across the various spheres of Government. The Act provides, in the public interest, for cooperative and coordinated strategic planning, regulation, facilitation and law enforcement in respect of road traffic matters by the national, provincial and local spheres of Government. The RTMC is a Schedule A Government entity with the primary mandate of contributing to overall road safety and responsible road usage.

For 2021/22, the budget for RTMC stands at R1.5 billion. Nominally (without inflation), the Corporation's budget increases by 31.4%, and it increases by 26.1% when one takes cognisance of inflation (real terms). The exponential increase is in the Operations programme, which grows significantly by 60.1% (above inflation), and increases nominally by 67.2% (without inflation).

## 5.11 SOUTH AFRICAN CIVIL AVIATION AUTHORITY (SACAA)

SACAA was established in terms of the South African Civil Aviation Authority Act (1998) to enforce safety standards in the civil aviation industry. Over the medium term, the authority will continue to focus on improving compliance and adherence to the standards and recommended practices of the International Civil Aviation Organisation.

Expenditure is expected to increase at average annual rate of 9 per cent, from R632.9 million in 2020/21 to R820.3 million in 2023/24. The authority is expected to spend R205 million over the period ahead on the replacement of the flight inspection aircraft and flight calibration equipment. The authority generates most of its revenue through passenger safety charges, user fees and the aviation fuel levy. Revenue is expected to increase at an average annual rate of 23.3 per cent, from R437.3 million in 2020/21 to R820.3 million in 2023/24.

This significant increase is due to the expected recovery in air passenger travel over the medium term after the sharp decrease in passenger numbers in 2020/21 as a result of COVID-19 travel restrictions.

## 5.12 SOUTH AFRICAN MARITIME SAFETY AUTHORITY (SAMSA)

SAMSA or "the Authority" is a Schedule 3A public entity in terms of the (PFMA (No. 1 of 1999). SAMSA was established on 1 April 1998, following the enactment of the South African Maritime Safety Authority Act ("the SAMSA Act") (No. 5 of 1998). The Act provides for the establishment of an authority entrusted with regulating and enforcing maritime safety, marine pollution from ships, and promoting South Africa's maritime interests. The Authority is governed and controlled by a Board of Directors, appointed by the Minister of Transport in terms of the SAMSA Act.

For the 2021/22 financial year, the budget allocation for SAMSA stands at R541 million.[67] Nominally (without inflation), the Authority's budget increases by 1.8% from the previous financial year, but decreases by -2.3%, when one takes cognisance of inflation (real terms). Constituting 52.1% of the SAMSA's programme operating expenditure, the Ensure Safety of Life and Property at Sea programme is the Authority's biggest spending area, with its allocation sitting at R282.1 million 2021/22, up from R275.5 million previously. This indicates a below inflation decrease of -1.7%, but a nominal increase of 2.4%.

## 5.13 SOUTH AFRICAN NATIONAL ROADS AGENCY LIMITED (SANRAL)

SANRAL has been established as an independent, statutory company in terms of the South African National Roads Agency Limited and National Roads Act (No.7 of 1998), as amended. The Agency exists to, inter alia, manage, improve, maintain, the national road network – both toll and non-toll roads – as well as finance toll roads. SANRAL is a Schedule 3A public entity in terms of the Public

[67] South African Maritime Safety Authority (2021), p. 34.

Finance Management Act (PFMA) (No.1 of 1999). Currently, SANRAL manages a network of 22 253 km of roads throughout South Africa.[68]

SANRAL subscribes to a suite of institutional policies and strategies that seek to not only support the implementation of its mandate, but also align itself with Government priorities and objectives. These include the following:[69]

- SANRAL Act;
- Road Infrastructure Strategic Framework of South Africa (RISFSA), 2006;
- National Development Plan (NDP) 2030;
- Medium Term Strategic Framework (MTSF) 2019-2024;
- NDP 5 Year Implementation Plan;
- Budget Prioritisation Framework;
- National Transport Master Plan 2050;
- Horizon 2030 Long Term Strategy;[70]
- Transformation Policy;
- Board Approved Policies; and
- Applicable legislative prescripts that include the PFMA, Promotion of Administrative Justice Act (PAJA) (No. 3 of 2000), Preferential Procurement Policy Framework Act (PPPFA) (No. 5 of 2000)), King Code IV, Constitution of the Republic of South Africa, 1996, Companies Act (No. 71 of 2008), as well as Protocol for Corporate Governance for Public Entities.

For 2021/22, SANRAL's budget for its two programmes stands at approximately R38.4 billion. Nominally (without inflation), the Agency's budget increases by 67.7% from the previous financial year, and it increases by approximately 61% when one takes cognisance of inflation (real terns). The exponential increase is in the Roads Asset Infrastructure programme, which grows significantly by 69.6% (above inflation), and increases nominally by 76.7%.[71]

---

[68] South African National Roads Agency Limited (2021), p. 11.
[69] *Ibid*.
[70] SANRAL's Horizon 2030 articulates the Agency's long-term vision and perspective, and contributes to the NDP objectives (South African National Roads Agency Limited (2021), p. 12.
[71] South African National Roads Agency Limited (2021), p. 55.

# 6. COMMITTEE OBSERVATIONS

Members made the following observations during discussions:

## 6.1 Department of Transport

6.1.1 The APP of the Department showed an improved alignment with safety and security as well as measurable goals. There was a good alignment in the sub-programmes with content and service delivery needs. The Department's APP does still need to show how actual implementation can be improved on.

6.1.2 The Department should have expanded on how it would address incidents of corruption and eliminate irregular and wasteful expenditure.

6.1.3 The Department was moving in the right direction to improve internal control measures.

6.1.4 An increase in the budget for the maintenance of rural roads was needed to further enhance economic recovery.

6.1.5 The Committee welcomes the indicators introduced in the plans of the Department, as well as the entities to address:

6.1.5.1 Tracking and improved responses to Parliament and Committee resolutions, requests and additional reporting requests, as contained in the various Committee Reports, Member's Questions as well as in-meeting requests;

6.1.5.2 The Gender Based Violence prevention targets, with specific reference to addressing this within the public transport sector.

6.1.6 The Committee noted the improved alignment between the Department and entity performance targets and also welcomed the filling of the majority of the vacancies in boards of entities. The appointment of the GCEO of PRASA is a step in the right direction. It was noted that some CEO appointments had not yet been finalised, but that the processes were underway. The Committee urges the Minister to closely monitor these processes and to finalise the appointments urgently (such as the SAMSA and RSR CEO appointments that have been long outstanding).

6.1.7 The Committee was of the view that there can still be improvements made on the transformation targets for the entities in order to deliver true transformation in the various industries.

6.1.8 The Committee noted the targets set by the Department and its entities to reduce fraud and corruption, fruitless and wasteful expenditure, as well as irregular expenditure. However, the Committee was of the view that the target should be a 100% reduction or eradication of these instances.

6.1.9 The Committee noted that the Department was working towards restructuring the RTIA, RTMC and the DLCA. This may assist in reducing duplication of road safety projects, as well as eliminate system failures of the eNaTIS that affect the work of these entities.

## 6.2 ACSA

The Committee noted that the entity set the percentage target for incidents of corruption at 60%, as opposed to a zero tolerance. The Committee noted that the target for the eradication of irregular expenditure should be 100%.

The sale by the entity of some international airport interest investments was noted.

## 6.3 DLCA

The Committee is of view that the information presented to the Committee has not changed since 2019, there was very little progress presented to improve the DLCA and that the 2021 APP did not respond to critical matters such as the replacement of the obsolete technology and infrastructure used for the production and printing of the cards.

## 6.4 PRASA

6.4.1 PRASA'S detailed revised Corporate Plan and APP were welcomed. However, it was noted that the Committee have been presented with a number of strategic and turn around plans by PRASA over the past financial years which failed to be implemented.

6.4.2 The Committee noted that the entity had to have clear short and long term strategies in place to protect its infrastructure against vandalism and theft. Members informed the

GCEO how appalled they were with the conditions of train stations, as observed during oversight visits. The stations were poorly maintained and structures were destroyed. Members questioned whether the entity could implement its infrastructure plans when it could not fix the basic issues such as broken windows and bathroom facilities.

6.4.3 There was a concern about the inclusion of Autopax into the main business of PRASA as the provision of bus passenger services was not PRASA's core business.

6.4.4 It was noted with concern that the entity did not have enough funds to finance or budget for the timely payment of creditors.

6.4.5 The Committee noted the discrepancy in the numbers presented on station modernisations by PRASA and the Department.

6.4.6 Despite indications of progress on some passenger lines, the Committee was of the view that the progress on these passenger lines was not visible on the ground.

6.4.7 The quality of services provided on the Main Passenger Line trains was appalling and PRASA must ensure that the water on the train is available, that the bathrooms on the train are functioning and that the seat and sleep cabin facilities are repaired and suitable for passengers.

6.4.8 Disappointment was noted that PRASA failed to renew security contracts during the 2020 COVID-19 lockdown periods which could have attributed to the increase in vandalism of the infrastructure. Precautions must be taken to avoid such critical contract vacuums.

## 6.5 SAMSA

6.5.1 The Committee was not satisfied with the information presented by SAMSA, as the information appeared to be a repeat of the previous year's APP targets. The information presented further did not clarify how SAMSA intended to address the Auditor-General's audit findings.

6.5.2 The Committee noted that SAMSA set the percentage for the reduction in "cases of wasteful and fruitless expenditure" at 75%, and not at 100% and for the reduction in "cases of irregular expenditure" at 75%, and not at 100%.

6.5.3 The Committee further noted that the entity had been without a full time CEO since 2016.

## 6.6 Aviation Safety – ACSA, ATNS and SACAA

The increase in aviation accidents within the past 12 months was a concern. The Department was asked to encourage the relevant regulators and entities to do more inspections at smaller airfields in order to determine why this increase in incidents occurred.

## 6.7 Railway Safety – RSR and PRASA

There was a view that RSR directives were ignored by PRASA as manual authorisations escalated till February/ March 2020, and that the RSR's current strategy may not be adequate given how operators did not follow the Regulator's instructions.

## 6.8 RAF

6.8.1 The Committee noted the recent court judgments affording RAF a reprieve in having their assets and bank accounts attached in order for them to ensure that old claims are paid and settled first. The work done by RAF to retrieve overpaid funds from attorneys was also noted. The Committee noted that the RAF and the Department are working on obtaining a proclamation for SIU to conduct investigations to root out fraud and corruption. The Committee was of the view that RAF must improve its communication with claimants and its claims management system to ensure that claims are paid as soon as the cash becomes available to do so, and to have a system in place that will ensure that double or overpayments to attorney trust accounts do no occur in future.

6.8.2 RAF must improve its creditors payment timeframes to prevent attachments of its assets.

6.8.3 The Committee noted that RAF and the Department are working on amendments to its minimum requirements for claims, as well as amendments to its funding model.

## 6.9 RTIA

6.9.1 The Committee noted that the entity indicated that their APP may require further amendments and that some targets presented by the entity as part of their APP for 2021/22 needed to be amended as they were already in place. For example, the NRTOR system does not need to be a new system as an existing register system can be improved on, as well as targets on municipality readiness for AARTO national implementation as many municipal authorities have already indicated that they were ready for the roll out. This is a concern as these targets have budget allocated thereto and without seeing how the entity seeks to amend these, the Committee cannot be sure how the budget may be reallocated.

6.9.2 The disciplinary matters of those officials that have been suspended must be finalised as soon as possible before this affects the performance of the entity any further. This already caused a delay in the tabling of the entity's Annual Report of 2019/2020 and the Committee would not want a repeat of that with the tabling of the Annual Report this year.

## 6.10 RTMC

6.10.1 The Committee noted that the eNaTIS system functionality affect the services provided by other Department entities, like the RTIA and DLCA, as well as provincial and municipal DLCAs. The entity should eliminate system downtime so that services linked thereto can continue unabated.

6.10.2 The Committee noted the growth in traffic law enforcement officer training, as well as the enhancement of the tools used by the entity such as smart law enforcement vehicles. The shift work proposal for 24/7 traffic law enforcement officials on duty seems not to be finalised yet as the entity still budgets for payment of overtime worked by traffic law enforcement officers.

## 6.11 SANRAL

6.11.1 There was still no final decision regarding the GFIP/e-toll funding model. Members were of the view that the e-toll funding model issue must be finalised as it was not acceptable to have it drag on any longer.

6.11.2 Concerns remain that the road maintenance budget allocation does not seem to be sufficient for purposes of ensuring that provincial roads are maintained to the same standard as SANRAL managed roads.

6.11.3 Having noted that the Moloto Corridor Project may no longer have a rail element, but would consist only of the work done to the roadway, it is extremely important for SANRAL to ensure the work that they do on the Moloto Road translates into a real measurable improvement of the safety of road users and lead to a decrease in road fatalities on the road.

## 7. COMMITTEE RECOMMENDATIONS

The Committee recommends that the Minister, through the Department, should ensure the following:

7.1 The Department should submit the Quarterly Monitoring Reports on the implementation of the National Road Safety Strategy, as well as the Annual Monitoring Report on the Implementation of the National Road Safety Strategy to the Committee.

7.2 The C-BRTA should furnish the Committee with its Road Safety Strategy, after it has been developed.

7.3 The RTIA should furnish the Committee with the "Migration Readiness Assessment" report regarding the integration of the RTIA, RTMC and DLCA into a single law enforcement entity by the end of the Third Quarter of 2021/22.

7.4 The RTIA should furnish the Committee with Phase 1 of the Point Demerit System (PDS) Implementation Report that the entity has undertaken to have it compiled by the end of the Second Quarter of 2021/22.

7.5 PRASA should give the Committee regular updates on its rolling stock fleet renewal programme, the refurbishment of coaches, as well as the upgrading of signalling systems. These briefings should encompass the budget spent per programme, the timeframes thereof, as well as the progress made.

7.6 PRASA should provide the Committee with a comprehensive plan to combat theft and vandalism of the rail infrastructure.

7.7 With reference to the PRMG, the Department should brief Parliament on the breakdown of the budget allocation for 2021/22 per province, as well as the annual targets of the number of jobs to be created per province.

7.8 The Department should brief the Committee on its interventions to ensure the expeditious implementation of the PTNG by the implementing cities.

7.9 SANRAL should brief the Committee on the implementation of its road maintenance programmes for 2021/22 on a quarterly basis. This should also include information on maintenance done by SANRAL in agreement with Provincial and Municipal authorities on their roads (if any).

7.10 The Department should provide the Committee with an updated presentation on the Moloto Road project, as well as the maintenance plan for the Moloto Road.

7.11 The Department should deliver an updated report to the Committee on the rollout, expenditure and reasons for delays in active operations of the IPTN programmes.

7.12 The Department should deliver an updated report on the rollout of the revised taxi recapitalisation programme and how it aims to work towards achieving the Taxi Lekgotla resolutions, including the formalisation and corporatisation of the taxi industry.

7.13 The Department continue to deliver an updated report on the status of vacancies in the Department and its entities. This report should also indicate whether there was still a need to fill these vacancies.

7.14 The Department should deliver an updated report on the transformation policy for the Department, as well as each of its entities and indicate concrete and clear steps on how it and the entities' management seek to address the lack in transformation progress in the industry.

7.15 The Department must deliver the final decision regarding the GFIP/e-toll policy matter, as soon as Cabinet releases its decision on this matter.

## 8. SUMMARY OF REPORTING REQUESTS

The Committee requested additional matters for the Department to report on:

| **Reporting matter** | **Action required** | **Timeframe** |
|---|---|---|
| The Department should submit the following reports:<br>- Annual Status Report on IPTN Programme compliance with universal design norms and standards;<br>- Annual Status Report on operational hours of BRTs; and<br>- Annual Monitoring Report on public transport. | Written reports from the Department. | By the end of the 2021/22 financial year |
| The Department together with ACSA should submit the following reports:<br>- Annual Report on the implementation of action plan to address audit findings raised for the 2019/20 financial year;<br>- Annual Report on efforts taken to achieve an unqualified audit report with no significant findings;<br>- Annual Report on steps taken to reduce wasteful and fruitless expenditure;<br>- Annual Report on steps taken to reduce irregular expenditure; and<br>- Annual (2020/21) Analysis Report on jobs created through ACSA Infrastructure Programme. | Written reports from the Department. | By the end of the 2021/22 financial year |

| | | |
|---|---|---|
| The Department, together with PRASA should submit the following reports:<br>- Annual (2020/21) Analysis Report on the PRASA Modernisation Programme;<br>- Annual (2020/21) Analysis Report on jobs created through PRASA Infrastructure Programme;<br>- Annual (2020/21) Analysis Report on PRASA Rail Operations;<br>- Annual (2020/21) Analysis Report on rail safety analysis;<br>- Annual (2020/21) Analysis of rail security occurrences; and<br>- Annual Report on the implementation of programmes addressing violence against women, youth and persons with disabilities in the rail transport sector. | Written reports from the Department. | By the end of the 2021/22 financial year |
| The Department, together with the RAF, should submit the following reports:<br>- Annual Report on steps taken to ensure resolution of reported incidents of fraud and corruption;<br>- Annual Report on the implementation of action plan to address audit findings raised for the 2019/20 financial year;<br>- Annual Report on efforts taken to achieve an unqualified audit report with no significant findings;<br>- Annual Report on efforts taken to reduce wasteful and fruitless expenditure; and<br>- Annual Report on steps taken to reduce irregular expenditure. | Written reports from the Department. | By the end of the 2021/22 financial year |

| | | |
|---|---|---|
| The Department together with the RTIA should provide the Committee with the following reports:<br>- Annual Report on Steps Taken to Ensure Resolution of Reported Incidents of Corruption;<br>- Annual Report on Steps Taken to Prevent fruitless and wasteful expenditure in the Agency;<br>- Annual Report on Steps Taken to Reduce irregular expenditure in the Agency; and<br>- Annual Report on Steps Taken to Ensure Compliance with 30-Day Payment Requirement. | Written reports from the Department. | By the end of the 2021/22 financial year |
| The Department together with the RTMC should provide the Committee with the following reports:<br>- State of Road Safety Report;<br>- Annual Report on steps taken to reduce irregular expenditure;<br>- Annual Report on efforts taken to achieve an unqualified audit report with no significant findings;<br>- Annual Report on the management of wasteful and fruitless expenditure; and<br>- Annual Report on the implementation of action plan to address audit findings for 2020/21. | Written reports from the Department. | By the end of the 2021/22 financial year |
| The Department, together with SANRAL should submit the following reports:<br>- Annual (2020/21) Analysis Report on the SANRAL Road Maintenance Programme;<br>- Annual Monitoring Report on the Provincial Road Maintenance Programme; and<br>- Annual Monitoring Report on jobs created through the Provincial Road Maintenance Programme. | Written reports from the Department. | By the end of the 2021/22 financial year |

| | | |
|---|---|---|
| The Department together with SACAA should provide the Committee with the Annual Analysis Report on the State of Aviation Safety in South Africa. | Written reports from the Department. | By the end of the 2021/22 financial year |
| The Department together with SAMSA should provide the Committee with the following reports:<br>- Annual Analysis Report on Operation Phakisa;<br>- Annual Analysis Report on maritime safety incident rate;<br>- Annual Analysis Report on maritime fatality rate;<br>- Annual Analysis Report on maritime pollution incidents;<br>- Annual Report on the implementation of action plan to address audit findings raised for the 2019/20 financial year;<br>- Annual Report on steps taken to reduce wasteful and fruitless expenditure; and<br>- Annual Report on steps taken to reduce irregular expenditure. | Written reports from the Department. | By the end of the 2021/22 financial year |

The Committee recommends that the National Assembly approve the budget of the Department.

**Report to be considered.**

**ANNEXURE A: LIST OF ABBREVIATIONS/ACRONYMS**

| Abbreviation/Acronym | Meaning |
|---|---|
| AARTO | Administrative Adjudication of Road Traffic Offences |
| ACSA | Airports Company South Africa |
| AFCAC | African Civil Aviation Commission |
| AGM | Annual General Meeting |
| AGSA | Auditor-General of South Africa |
| AI | Aviation Infrastructure |
| AIC | Aeronautical Information Circular |
| AIMO | Aeronautical Information Management Officer |
| ANSP | Air Navigation Service Provider |
| APP | Annual Performance Plan |
| ARDP | (Draft) Access Road Development Plan |
| ASO | Aviation Security Operations |
| ATM | Air Traffic Management |
| ATNS | Air Traffic Navigation Services |
| ATS | Air Traffic Services/ Aircraft Tracking Systems |
| ATSO | Air Traffic Service Officer |
| AU | African Union |
| AvSec | Aviation Security |
| BAC | Bid Adjudication Committee |
| BARSA | Board of Airlines Representatives of South Africa |
| B-BBEE | Broad-Based Black Economic Empowerment |
| BRICS | Brazil, Russia, India, China and South Africa |
| BRRR | Budget Review and Recommendations Report |
| BRT | Bus Rapid Transport |
| CANSO | Civil Air Navigation Organisation |
| CAPEX | Capital Expenditure |
| Cat | Civil Aviation Technical |
| C-BRTA | Cross-Border Road Transport Agency |

| | |
|---|---|
| C-BRTRF | Cross-Border Road Transport Regulators Forum |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CNG | Compressed Natural Gas |
| CNS | Communications, Navigation and Surveillance |
| COTO | Committee of Transport Officials |
| CPO | Chief Procurement Office |
| DCA | Director of Civil Aviation |
| DG | Director-General |
| DGEC | Directors-General of the Economic Cluster |
| DDG | Deputy-Director General |
| DGOs | Dangerous Goods Operators |
| DLCA | Driving Licence Card Account |
| DLTC | Driving Licence Testing Centres |
| DPE | Department of Public Enterprises |
| DPME | Department of Planning, Monitoring and Evaluation |
| DPSA | Department of Public Service and Administration |
| EDL | Examiner of Driving Licences |
| EE | Employment Equity |
| EI | Effective Implementation |
| eNaTIS | Electronic National Traffic Information System |
| EoV | Examiner of Vehicles |
| ESEID | Economic Sectors, Employment and Infrastructure Development |
| EXCO | Executive Committee |
| FIU | Flight Inspection Unit |
| FMPPI | Framework for Managing Programme Performance Information |
| FOSAD | Forum of South African Directors-General |
| GA | General Aviation |

| | |
|---|---|
| GFIP | Gauteng Freeway Improvement Project |
| GHG | Greenhouse Gas |
| GDP | Gross Domestic Product |
| GDYC | Gender, Disability, Youth and Children |
| GTS | Green Transport Strategy |
| HR/HRD | Human-Resource/Human-Resource Development |
| IA | Issuing Authority |
| ICAD | International Civil Aviation Day |
| ICAO | International Civil Aviation Organisation |
| ICT | Information and Communications Technology |
| IMO | International Maritime Organisation |
| IPAP | Industrial Policy Action Plan |
| IPTNs | Integrated Public Transport Networks |
| IPTTP | Integrated Public Transport Turnaround Plan |
| IRERC | Interim Rail Economic Regulatory Capacity |
| IT | Information Technology |
| KPI | Key Performance Indicator |
| LDV | Light Delivery Vehicle |
| LEU | Live Enrolment Unit |
| LPG | Liquefied Petroleum Gas |
| MARPOL | International Convention for the Prevention of Pollution from Ships |
| MECs | Members of the Executive Council |
| MEOSAR | Medium Earth Orbit Search and Rescue |
| MET | Maritime and Training |
| MLPS | Long Distance (Main Line) Passenger Service |
| MOSP | Master Oversight and Surveillance Plan |
| MOU | Memorandum of Understanding |
| MRCC | Maritime Rescue and Coordination Centre |
| MTEF | Medium-Term Expenditure Framework |

| | |
|---|---|
| MTP | Comprehensive Maritime Transport Policy |
| MTSF | Medium-Term Strategic Framework (2014-19) |
| MTT | Ministerial Task Team |
| M&E | Monitoring and Evaluation |
| NA | National Assembly |
| NADP | National Airports Development Plan |
| NAFISAT | North East Africa Indian Ocean VSAT Network |
| NATMAP 2050 | National Transport Master Plan 2050 |
| NCAP | National Civil Aviation Policy |
| NCLB | No Country Left Behind |
| NCCRS | National Climate Change Response Strategy |
| NCOP | National Council of Provinces |
| NDP | National Development Plan |
| NEDLAC | National Economic Development and Labour Council |
| NGO | Non-governmental Organisation |
| NICRO | South African National Institute for Crime Prevention and the Reintegration of Offenders |
| NIP | National Infrastructure Plan |
| NLTA | National Land Transport Act |
| NQF | National Qualifications Framework |
| NRSS | National Road Safety Strategy |
| NRTA | National Road Traffic Act |
| NRTLEC | National Road Traffic Law Enforcement Code |
| NSRI | National Sea Rescue Institute |
| NT | National Treasury |
| PEPFRA | Ports Economic Participation Framework |
| PFMA | Public Finance Management Act |
| PICC | Presidential Infrastructure Coordinating Commission |
| PMDS | Performance Management and Development System |
| PPP | Public-Private Partnership |

| | |
|---|---|
| PRASA | Passenger Rail Agency of South Africa |
| PRSA | Ports Regulator of South Africa |
| PRMG | Provincial Roads Maintenance Grant |
| PSC | Passenger Safety Charge |
| PSP | Private Sector Participation |
| PTNG | Public Transport Network Grant |
| PTOG | Public Transport Operations Grant |
| RABS | Road Accident Benefit Scheme |
| RAF | Road Accident Fund |
| RFS | Road Freight Strategy |
| ROD | Record of Decision |
| ROS | Regulatory Outcomes Strategy |
| RPAS | Remotely Piloted Aircraft Systems |
| RSA | Republic of South Africa |
| RSR | Railway Safety Regulator |
| RTIA | Road Traffic Infringements Agency |
| RTMC | Road Traffic Management Corporation |
| RTRP | Revised Taxi Recapitalisation Programme |
| SAAF | South African Air Force |
| SAATM | Single African Air Transport Market |
| SABC | South African Broadcasting Corporation |
| SABOA | Southern African Bus Operations Association |
| SACAA | South Africa Civil Aviation Authority |
| SACU | Southern African Customs Union |
| SADC | Southern African Development Community |
| SAMSA | South African Maritime Safety Authority |
| SANRAL | South African National Roads Agency Limited |
| SAPS | South African Police Services |
| SARAP | South African Road Assessment Program |
| SARPS | Standards and Recommended Practices |

| | |
|---|---|
| SARS | South African Revenue Service |
| SASAR | South African Search and Rescue Organisation |
| SCM | Supply Chain Management |
| SDIP | Service Delivery Improvement Plan |
| SEIAs | Socio Economic Impact Assessment System |
| SIDS | Standard Instrument Departures |
| SIP | Strategic Infrastructure Programme |
| SLA | Service Level Agreement |
| SMART | Specific, Measurable, Achievable, Realistic and Timely |
| SMME | Small, medium and micro enterprises |
| SMS | Senior Management Service |
| SmS | Safety Management System |
| SMSR | Safety Management System Report |
| SOC | State-Owned Company |
| SOEs | State-owned Enterprises |
| SONA | State of the Nation Address |
| SRAB | Starting Regulatory Asset Base |
| STARS | Standard Terminal Arrival Routes |
| STER | Single Transport Economic Regulator |
| TAT | Transport Appeals Tribunal |
| TETA | Transport Education and Training Authority |
| TFR | Transnet Freight Rail |
| TNPA | Transnet National Ports Authority |
| ToR | Terms of Reference |
| TRP | Taxi Recapitalisation Programme |
| TVET | Technical Vocational Educational and Training |
| UN | United Nations |
| USOAP | Universal Security Audit Programme |
| VSAT | Very Small Aperture Terminal |

| | |
|---|---|
| VTC | Vehicle Testing Centres |
| WEGO | Weighted Efficiency Gains from Operations |
| WHO | World Health Organisation |

# 4. REPORT OF THE PORTFOLIO COMMITTEE ON TRANSPORT ON THE 2020/21 SECOND AND THIRD QUARTER EXPENDITURE OF THE DEPARTMENT OF TRANSPORT, DATED 12 MAY 2021

The Portfolio Committee on Transport, having considered the expenditure of the Department of Transport for the Second and Third Quarter of the 2020/21 financial year, reports as follows:

## 1. INTRODUCTION

The prime mandate of the Committee is governed by the Constitution of the Republic of South Africa, 1996 ("the Constitution"), in respect of its legislative and oversight responsibilities as public representatives. It is required to consider legislation referred to it and consider all matters referred to it in terms of the Constitution, the Rules of the National Assembly or resolutions of the House. It is also required to respond to matters referred to it by Government within its mandate. In addition, the Committee is entrusted with considering the budgets, Strategic Plans and Annual Performance Plans of the Department and entities that fall within the transport portfolio. This report provides an overview of the expenditure of the Department of Transport for the Second and Third Quarter of the 2020/21 financial year, as presented to the Committee on 3 March 2021.

## 2. ANALYSIS OF THE 2020/21 THIRD QUARTER EXPENDITURE OF THE DEPARTMENT OF TRANSPORT

### 2.1 Introduction

In 2020/21, the main allocation of the Department of Transport ("the Department") – prior to the delivery of the Supplementary Budget by the Minister of Finance, Tito Mboweni, on 24 June 2020 – stood at R62 billion.[1] However, the Supplementary Budget reduced its allocation to R57.4 billion. The Department spent R42.4 billion against a Third Quarter projection of R44.4 billion, i.e. R2 billion (or 4.5%) lower than projected for this period.

---

[1] National Treasury (2020).

The lower than projected spending was mainly in transfers and subsidies in the Rail Transport, Civil Aviation and Public Transport programmes. In addition, there was lower than projected spending in goods and services in the Administration, Integrated Transport Planning, Civil Aviation Transport, as well as Public Transport programmes.[2]

The Department spent R353.7 million against the Third Quarter projection of R423.4 million for compensation of employees. Expenditure was R69.7 million (or 16.5%) lower than projected mainly due to the slow filling of vacant posts. The Department had 693 filled posts against a funded establishment of 855 posts by the end of the Third Quarter of 2020/21. This represented a vacancy rate of 18.9% (or 162 vacant posts).

## 2.2 Expenditure Per Programme

**Table 1: 2020/21 Third Quarter Expenditure per Programme**

| Programme R' Million | Main Appro-priation | Adjusted Budget | Available Budget | Q3 Actual Expenditure | Expenditure as % of Available Budget | Q3 Projected Expenditure | Variance from Projected Expenditure | % Variance from Projected Expenditure | COVID-19 Spending |
|---|---|---|---|---|---|---|---|---|---|
| Admini-stration | 491.8 | 469.8 | 469.8 | 248.6 | 52.9% | 341.7 | 93.2 | 27.3% | 2.2 |
| Integrated Transport Planning | 104.5 | 90.1 | 90.1 | 44.1 | 49% | 72.4 | 28.3 | 39.1% | 0.0 |
| Rail Transport | 13 195.2 | 9 599.4 | 9 599.4 | 6 959.0 | 72.5% | 8 359.6 | 1 400.7 | 16.8% | 0.0 |
| Road Transport | 33 816.7 | 31 471.1 | 31 471.1 | 27 436.8 | 87.2% | 27 485.4 | 48.6 | 0.2% | 0.0 |
| Civil Aviation Transport | 240.7 | 2 673.7 | 2 673.7 | 120.1 | 4.5% | 160.1 | 39.9 | 24.9% | 0.0 |

[2] National Treasury (2020), pp. 143-144.

| Programme R' Million | Main Appro-priation | Adjusted Budget | Available Budget | Q3 Actual Expenditure | Expenditure as % of Available Budget | Q3 Projected Expenditure | Variance from Projected Expenditure | % Variance from Projected Expenditure | COVID-19 Spending |
|---|---|---|---|---|---|---|---|---|---|
| Maritime Transport | 149.4 | 141.8 | 141.8 | 102.6 | 72.4% | 118.7 | 16.2 | 13.6% | 0.0 |
| Public Transport | 14 038.0 | 12 908.9 | 12 908.9 | 7 488.5 | 58% | 7 874.3 | 385.9 | 4.9% | 29.7 |
| **TOTAL** | **62 036.3** | **57 354.7** | **57 354.7** | **42 399.7** | **73.9%** | **44 412.4** | **2 012.7** | **4.5%** | **31.9** |

**(Source: National Treasury, 2020)**

## 2.3 Programme 1: Administration

The Department spent R248.6 million against a Third Quarter projection of R341.7 million in the Administration programme. The Department spent R93.2 million (or 27.3%) lower than projected mainly due to outstanding invoices for office accommodation, outstanding invoices for advertising mostly related to the 2020 Transport Month, less travel and subsistence, as a result of limited travel following the COVID-19 pandemic, and the slow filling of vacant posts.[3]

## 2.4 Programme 2: Integrated Transport Planning

In the Integrated Transport Planning programme, the Department spent R44.1 million against a Third Quarter projection of R72.4 million. This is R28.3 million (or 39.1%) lower than projected, mainly owing to delays in projects such as the regional corridor project and the national transport planning bank, over-budgeting for the national travel household survey, and the slow filling of vacant posts.[4]

## 2.5 Programme 3: Rail Transport

[3] National Treasury (2020), p. 144.

[4] *Ibid*.

The Department spent R6.9 billion against a Third Quarter projection of R8.4 billion in the Rail Transport programme. This is R1.4 billion (or 16.8 %) lower than projected mainly due to:[5]

- The withholding of scheduled capital transfer payments to the Passenger Rail Agency of South Africa (PRASA) pending the approval of the second adjustments budget;
- The insourcing of activities related to the establishment of the rail economic regulator; and
- Delays in the legislative process for the Railway Safety Bill.

## 2.6 Programme 4: Road Transport

In the Road Transport programme, the Department spent R27.4 billion against a Third Quarter projection of R27.5 billion. The Department spent R48.6 million (or 0.2%) lower than projected mainly due to delays in projects such as:[6]

- *S'hamba Sonke;*
- Automated profile measurements;
- Less travel and subsistence for conditional grant monitoring as a result of limited travel following the COVID-19 pandemic;
- The slow filling of vacant posts.

## 2.7 Programme 5: Civil Aviation Transport

The Department spent R120.1 million against a Third Quarter projection of R160.1 million in the Civil Aviation Transport programme. The Department spent R39.9 million (or 24.9%) lower than projected mainly thanks to:[7]

- Outstanding invoices for watch-keeping services;
- Outstanding membership fees invoices for the Southern African Development Community (SADC) Aviation Safety Organisation, Cospas-Sarsat[8] programme and the SADC: International Civil Aviation Organisation Mission,

[5] *Ibid*.
[6] *Ibid*.
[7] *Ibid*.
[8] Cospas-Sarsat is an acronym for the Russian words "Cosmicheskaya Sistema Poiska Avariynyh Sudov", which translates to "Space System for the Search of Vessels in Distress". *SARSAT* is an acronym for Search And Rescue Satellite-Aided Tracking. (Skybrary (n.d).

- Delays in projects such as the Airports Company of South Africa (ACSA) and Air Traffic and Navigation Services (ATNS) pricing correction factor;
- The Aviation Safety Strategy; and
- The slow filling of vacant posts.

## 2.8 Programme 6: Maritime Transport

In the Maritime Transport programme, the Department spent R102.6 million against a Third Quarter projection of R118.7 million. The Department spent R16.2 million (or 13.6%) lower than projected mainly due to:[9]

- Delays in projects such as the feasibility study on tug boats;
- The review of the Merchant Shipping Bill; and
- Less travel and subsistence as a result of limited travel following the COVID-19 pandemic.

## 2.9 Programme 7: Public Transport

The Department spent R7.5 billion against a Third Quarter projection of R7.9 billion. The Department spent R385.9 million (or 4.9%) lower than projected mainly due to:[10]

- The withholding of the transfer payment of the Public Transport Network Grant (PTNG) to Mangaung and Rustenburg municipalities as result of non-compliance and the revision of the grant payment schedule for Johannesburg and Cape Town municipalities;
- Lower than expected demand on the Taxi Recapitalisation Programme;
- Delays in projects such as public transport grant monitoring;
- The implementation of the *Shova Kalula* bicycle project; and
- The slow filling of vacant posts.

## 2.10 COVID-19 Spending

As at the end of the Third Quarter of 2020/21, the Department had spent R31.9 million on COVID-19 related projects and business activities. The COVID-19 spending mostly pertained

---

[9] *Ibid*.
[10] *Ibid*.

to the procurement of protective equipment, and other interventions within the Department. In addition, it comprised support to public transport operators in responding to the pandemic, and assistance to the Department of Basic Education with the procurement of disinfectants and sanitisers for scholar transport.[11]

## 3. ISSUES HIGHLIGHTED BY THE COMMITTEE

### 3.1 Delays in Spending on Goods and Services

The Department had spent R362.8 million against the Third Quarter projection of R626.1 million for goods and services. The Department spent R263.3 million (or 42.1%) lower than projected due to delays in various projects across programmes, outstanding invoices for office accommodation, advertising and watch-keeping services and less travel and subsistence thanks to limited travel following the COVID-19 pandemic.

By the end of the Third Quarter of 2020/21, the Department's spending on its goods and services budget continued to be slow. This suggested that the Department was unable to recover and fast-track its spending, following the disruptions caused by the COVID-19 pandemic to its activities. Accordingly, the National Treasury advised the Department to put measures in place to fast-track its spending for the remainder of the financial year. [12]

### 3.2 Pattern of Underspending on Capacity for Public Transport Grant Monitoring

Since 2018/19, funds have been earmarked in the Department's goods and services budget to strengthen its capacity to monitor pubic transport conditional grants. The Department did not spend the R30 million and R40 million allocated for this purpose in 2018/19 and 2019/20 respectively. In the current year (2020/21), an amount of R45 million has been earmarked for strengthening capacity to monitor public transport grants. The Department had spent R0 against the Third Quarter projection of R20 million. The Department spent R20 million (or 100%)

---

[11] *Ibid*.

[12] National Treasury (2020), p. 145.

lower than projected mainly due to procurement delays.[13] The National Treasury recommended that the Department put measures in place to remedy the pattern of underspending.

### 3.3 The Slow Filling of Vacant Posts

By the end of the Third Quarter of 2020/21, the Department had spent lower than projected due to the slow filling of vacant posts in the following five programmes:

- Programme 1: Administration;
- Programme 2: Integrated Transport Planning;
- Programme 4: Road Transport;
- Programme 5: Civil Aviation Transport; and
- Programme 7: Public Transport.

## 4. ACHIEVEMENT AND NON-ACHIEVEMENT OF TARGETS

### 4.1 Overview of Targets Achieved First, Second and Third Quarters

**Table 2: 2020/21 Quarterly Target Performance**

| Programme | Q1 Targets | Performance Level | Q2 Targets | Performance Level | Q3 Targets | Performance Level |
|---|---|---|---|---|---|---|
| Administration | 6 | **0%** | 3 | **67%** | 6 | **100%** |
| Integrated Transport Planning | 4 | **75%** | 4 | **100%** | 4 | **75%** |
| Rail Transport | 4 | **100%** | 2 | **100%** | 6 | **100%** |
| Road Transport | 4 | **50%** | 8 | **75%** | 6 | **83%** |
| Civil Aviation | 4 | **75%** | 3 | **100%** | 1 | **100%** |

[13] *Ibid.*

| | | | | | | |
|---|---|---|---|---|---|---|
| Maritime Transport | 5 | 40% | 8 | 75% | 4 | 75% |
| Public Transport | 8 | 25% | 5 | 100% | 5 | 100% |
| **Total** | **35** | **46%** | **33** | **85%** | **32** | **91%** |

**(Source: DoT Presentation dated 3 March 2021)**

## 4.2 Second and Third Quarter Achievements

### 4.2.1 Second Quarter Achievements

#### 4.2.1.1 Programme 1: Administration

Annual Performance Information and Financial Statements for the 2019/20 financial year submitted to the Office of the Auditor-General South Africa (AGSA) on the 31st July 2020. Draft Annual Report submitted to and audited by the AGSA.

Total of 166 bursaries currently being managed in the Department.

#### 4.2.1.2 Programme 2: Integrated Transport Planning (ITP)

- Regulations for Autonomous Vehicle Technology: Assessment of legislative and policy environment on the autonomous vehicle technology conducted as targeted;
- Carbon Emission Transition Plan implemented: Literature Review exercise conducted on Electric Vehicle Regulations;
- National Household Travel Survey (NHTS): Report on data analysis developed for National Household Travel Survey;
- Regional Integration Strategy (RIS): Literature review conducted on the Regional Integration Strategy.

#### 4.2.1.3 Programme 3: Rail Transport

- Private Sector Participation (PSP) Framework: Initial draft of the Private Sector Participation (PSP) Framework developed as targeted;
- High Speed Rail (HSR) Corridor Framework: Initial draft of the High-Speed Rail (HSR) Corridor Framework developed as targeted.

#### 4.2.1.4 Programme 4: Road Transport

- National Road Safety Strategy (NRSS): Quarterly Analysis Report on the implementation of the National Road Safety Strategy developed as targeted;
- SANRAL Road Maintenance Programme: Analysis report on the maintenance of national roads compiled as targeted. Report covers status of projects and job opportunities created;
- *S'hamba Sonke* Provincial Road Maintenance Programme: Quarterly Analysis Report on the maintenance of provincial roads developed as targeted. Report covers status of projects and job opportunities created.

#### 4.2.1.5 Programme 5: Civil Aviation

- Review of Regulations for Remotely-Piloted Aircraft System (RPAS) monitored: As part of review process, the Civil Aviation Regulations Committee (CARCOM) has raised concerns around safety and security measures as a result of increased RPAS applications. Accordingly, there might be a need for a far-reaching inquiry, and this might affect finalisation of the review process;
- Memoranda of Agreement (MoA) between DoT and Academic Institutions: Consultative engagements conducted with Universities of Witwatersrand and Fort Hare on the review of existing MoAs to begin incorporating pertinent matters;
- Number of fatal accidents recorded in Aviation: Analysis reports on the State of Aviation Safety developed as targeted.

#### 4.2.1.6 Programme 6: Maritime Transport

- Transnet National Ports Authority (TNPA) corporatised: Consultative engagements with the Department of Public Enterprises conducted on the 29th July and 14th September 2020 respectively;
- Operational Model for a National Shipping Company: Option assessment on the appropriate operating model for the establishment of a National Shipping Company finalised;
- Audit of Operation Phakisa Projects: Audits conducted at four (4) commercial ports as targeted – Cape Town, East London, Ngqura and Port Elizabeth;
- Maritime Safety Incident Rate: Bi-Annual Analysis Incident Rate report completed;
- Maritime Fatality Rate: Bi-Annual Analysis fatality rate report completed;
- Maritime Pollution Incidents: Bi-Annual Analysis Report on maritime pollution incidents completed.

9

#### 4.2.1.7 Programme 7: Public Transport

- Reviewed Regulations for Integrated Single Ticketing System: Draft Amended Regulations developed as targeted. Virtual bilateral progress engagements were conducted with the following municipalities:
    - Tshwane (10 September 2020)
    - George (14 September 2020)
    - Polokwane (14 September 2020)
    - Johannesburg (15 September 2020)
    - Ekurhuleni (21 September 2020)

- Public Transport Operations: Monthly reports received from all provinces and consolidated;
- TRP Taxi Scrapping Programme: A total of 550 old taxi vehicles scrapped during the period under review;
- *Shova Kalula* Programme: A total of 1 351 bicycles distributed in two (2) provinces during the period under review:
    - 251 (NC)
    - 1 100 (NW)

### 4.2.2 Third Quarter Achievements

#### 4.2.2.1 Programme 1: Administration

- Draft APP 2021/22 submitted to the (DPME);
- DoT Annual Report (2019/20) approved by the Executive Authority and tabled in Parliament;
- 13 vacant positions filled;
- 89 (out of 648) employees trained in 94 training interventions. That amounts to 13.7% of the total establishment;
- 165 bursaries currently being managed in the Department;
- Progress report on the implementation of action plans to address audit findings was developed as targeted.

#### 4.2.2.2 Programme 2: ITP

- Regulations for Autonomous Vehicle Technology: Guidelines for the testing of autonomous vehicles were developed as targeted;

- National Household Travel Survey (NHTS): A draft Analytical Report of the National Household Travel Survey (NHTS) was compiled as targeted;
- Regional Integration Strategy (RIS): A benchmarking exercise on the Regional Integration Strategy was conducted as targeted.

### 4.2.2.3 Programme 3: Rail Transport

- Private Sector Participation (PSP) Framework: Consultative engagements on the draft Private Sector Participation (PSP) Framework were conducted with Department of Public Enterprises (DPE) and the National Treasury (NT);
- High Speed Rail (HSR) Corridor Framework: Internal consultations on the on the draft High-Speed Rail (HSR) Corridor Framework were conducted with DoT branches as targeted (Integrated Transport Planning, Road Transport and Public Transport);
- Rolling Stock Fleet Renewal Programme: Bi-annual Analysis Report on the Rolling Stock Fleet Programme concluded as targeted;
- PRASA Modernisation Programme: Bi-annual Analysis Report on the PRASA Modernisation Programme was concluded;
- Jobs created through PRASA Infrastructure Programme: A Bi-annual Analysis Report of job creation initiatives was produced as targeted during the period under review. However, no jobs were created during the period under review;
- PRASA Rail Operations: A Bi-annual Analysis Report on PRASA Rail Operations was developed as targeted.

### 4.2.2.4 Programme 4: Road Transport

- National Road Safety Strategy (NRSS): Quarterly Analysis Report on the implementation of the National Road Safety Strategy developed as targeted;
- *S'hamba Sonke* Provincial Road Maintenance Programme: Quarterly Analysis Report on the maintenance of provincial roads developed as targeted;
- Reports on jobs created through the Provincial and Deep Rural Road Maintenance Programme: Quarterly Analysis Report on jobs created through the Provincial and Deep Rural Road Maintenance Programme completed;
- Road Asset Management Programme: Implementation of the Road Asset Management Programme monitored as targeted.

### 4.2.2.5 Programme 5: Civil Aviation

- Memoranda of Agreement (MoA) between DoT and Academic Institutions: Consultative engagements initiated with the University of Johannesburg and Nelson Mandela University on the review of existing MOAs.

### 4.2.2.6 Programme 6: Maritime Transport

- Transnet National Ports Authority (TNPA) corporatised: Transnet National Ports Authority (TNPA) consultation inputs considered and the impact of corporatisation of TNPA assessed as targeted;
- Audit of Operation Phakisa Projects: Audit of three (3) commercial ports conducted as targeted;
- Operational Model for a National Shipping Company: Consultative engagements on the operating model for the establishment of a National Shipping Company were conducted with the South African Maritime Business Forum, National Treasury and Department of Trade and Industry.

### 4.2.2.7 Programme 7: Public Transport

- Reviewed Regulations for Integrated Single Ticketing System: Consultative engagements on the Draft Amended Regulations for Single Ticketing System conducted with Provinces, Municipalities, and Public Transport Operators as targeted;
- Virtual bilateral progress engagements were conducted with the following municipalities:
    - Rustenburg (17 November 2020)
    - City of Cape Town (18 November 2020)
    - eThekwini (18 November 2020)
    - Nelson Mandela Bay (20 November 2020)
    - Mangaung (23 November 2020)
- Public Transport Operations: Monthly reports received from all provinces and consolidated;
- TRP Taxi Scrapping Programme: A total of 522 old taxi vehicles were scrapped;
- *Shova Kalula* Programme: A total of 1 425 bicycles distributed two provinces during the period under review:
    - 375 (Northern Cape)
    - 1 050 (North West)

## 4.3 Second and Third Quarter Non-Achievements

### 4.3.1 Second Quarter Non-Achievements

#### 4.3.1.1 Programme 1: Administration

The targets set for the number of vacant posts to be filled of 17 posts annually but 5 for the Second Quarter, was not met due to the country being on lockdown to minimise the spread of COVID-19. Only 1 post was filled.

#### 4.3.1.2 Programme 4: Road Transport

The target set for the National Anti-Fraud and Corruption Strategy for the Road Traffic Environment approved by Cabinet - Inputs considered and updated Strategy submitted to NEDLAC, was not met due to administrative delays in publishing the draft Strategy for public comments.

The target set for Road inventory data updating - Implementation of Road Asset Management Programme (RAMP) monitored, was not met due to the monitoring of the programme not having been conducted due to COVID-19 restrictions.

#### 4.3.1.3 Programme 6: Maritime Transport

The target set for Maritime Development Fund Bill approved by Parliament - Socio-economic impact assessment conducted on the Maritime Development Fund Bill, was not met due to complexity and shortage of information and data.

The target set for Marine Pollution Prevention Amendment Bill approved by Parliament - Ministerial approval obtained for the submission of the Marine Pollution Prevention Amendment Bill to Cabinet, was not met due to the administrative process having been impacted by the COVID-19 disaster and lockdown.

### 4.3.2 Third Quarter Non-Achievements

#### 4.3.2.1 Programme 2: ITP

The target set for Carbon Emission Transition Plan implemented - Final concept note for the alignment of Electric Vehicle Regulations developed, was not met due to an external consultant to provide support on the development of the concept note was not yet appointed as targeted.

#### 4.3.2.2 Programme 4: Road Transport

The target set for National Anti-Fraud and Corruption Strategy for the Road Traffic Environment approved by Cabinet - National Anti-Fraud and Corruption Strategy for the Road Traffic Environment Strategy submitted to the DPME for socio-economic impact assessment, was not met due to delays in the provision of input by members of the NAFCF.

#### 4.3.2.3 Programme 6: Maritime Transport

The target set for Maritime Development Fund Bill approved by Parliament - Stakeholder consultation conducted on the Maritime Development Fund Bill, was not met due to inputs still not having been received from SAMSA.

## 5. COMMITTEE OBSERVATIONS

Members made the following observations during discussions:

5.1 The Department's failure to submit briefing documents in time continued to impact negatively on members' oversight responsibility. It was further noted that the information that was presented on the Department's expenditure during the meeting differed from the document that was sent to members, which limited member's ability to thoroughly interrogate the expenditure presentation and reports.

5.2 The Department provided the same reasons as in previous presentations for underspending across its programme areas such as, for example, the reasons for not filling vacancies in the Administration programme. There was also the view that the same reasons were given for targets not being met, without the Department providing a clear plan to address the areas of non-achievement.

5.3 The Committee noted the withholding of the transfer payment of the Public Transport Network Grant (PTNG) to Mangaung and Rustenburg municipalities as a result of non-compliance.

5.4 Members noted that the amounts indicated for the Taxi Recapitalisation programme and for international organisations differed in the presentation from the document that was sent to members.

5.5 The Department did not provide the Committee with the previously requested information on the amounts spent on PRASA's legal fees including court settlements.

5.6 The information on underspending in all programmes was the same from the 2018/19 and 2019/20 financial years which created an impression that the Department was not serious about service delivery. Members queried how the Department could reach 100% targets in rail since trains were hardly operational long before the COVID-19 lockdown period. Mangaung Metropolitan Municipality was also cited as an example where R550 million was spent on the PTNG while no buses were running and the roads were not completed.

5.7 The Department was asked to explain the delays in the implementation of regional corridor projects and the underspending on the national travel household survey. The Department was further asked to explain what happened to the R1.135 billion for taxi relief and what would happen to the money if the taxi industry did not take up the funding.

5.8 The Department was asked whether it monitored the spending of the Provincial Road Maintenance Grant (PRMG) since a number of provincial roads were poorly maintained.

5.9 It was noted that the Department was not achieving its safe road targets.

5.10 Members noted the ongoing vandalism and theft of PRASA's infrastructure. Furthermore, members noted the under expenditure in Rail and the continued decline in passenger numbers.

5.11 The Department was still renting a tug-boat from an Italian carrier and leasing a flight inspection aircraft; when South African flag carrying tug-boats and a flight inspection aircraft could have been purchased by now if one looks at how much is spent on renting this equipment.

5.12 The Department failed to disclose all expenditure on consultants as it was not included in the presentation.

5.13 The presentation from the Department indicated a decline in taxi scrapping and in the allocated budget. The Department was asked if it had a strategy in place to encourage an uptake from the taxi industry.

5.14 The Department was asked to provide the timeframes for the national anti-fraud and competition strategy for road environment and to provide information on reviewing the memorandum of understanding with the universities.

5.15 It was noted that there was a decline in passenger rail trips in the Rail transport programme even before the lockdown. The Department was asked whether it was upgrading the dilapidated train stations in the Eastern Cape.

5.16 Concerns regarding the Moloto Corridor were expressed once more. Specific concern was expressed regarding the halt of any progress with the Rail Corridor project. This concern was further linked to the budget allocation and expenditure for feasibility studies on a high-speed rail corridor while there were similar feasibility studies done for the Moloto Rail Corridor and the Johannesburg to Durban rail corridors, all of which were completed and the projects were not continued with.

5.17 There was a concern expressed that the aviation academic institutions were spending budget but that there was little transformation achieved through this in the industry.

## 6. COMMITTEE RECOMMENDATIONS

The Committee recommends that the Minister ensure that:

6.1 The Department submits quarterly reports on expenditure on time so that members have sufficient time to study the reports and that the information tabled are accurate.

6.2 The Department provides a clear plan to address the areas of non-achievement in its programmes in such a manner as to avoid repeating the same reasons in the next quarterly report or the next financial year.

6.3 The Department ensures improved alignment of its programmes and targets to service delivery.

6.4 The Department provides the Committee with quarterly reports on non-compliance by municipalities linked to the Public Transport Network Grant (PTNG) as well as the support given to these municipalities from the Department.

6.5 The Department's quarterly expenditure reports provide a breakdown of expenditure for Scholar Transport per province.

6.6 The Department initiates, without delay, the purchase of South African flag carrying tug-boats and a flight inspection aircraft.

6.7 The Department and its entities report on quarterly expenditure containing the amounts spent on consultants.

6.8 The Department and PRASA submit a report on the appointment of security personnel to assist in safeguarding PRASA's infrastructure.

6.9 The Department ensures it provides the Committee with all the additional requested quarterly reports from it and its entities per the 2020 Budgetary Review and Recommendation Report.

**Report to be considered.**

# 5. REPORT OF THE STANDING COMMITTEE ON FINANCE ON BUDGET VOTE 8: NATIONAL TREASURY, DATED 11 MAY 2021

The Standing Committee on Finance (SCOF/ the Committee), having considered the National Treasury and the South African Revenue Service's annual performance plans (2021/22), reports as follows:

## 1. INTRODUCTION

**1.1.** The Minister of Finance tabled the annual performance plans of the National Treasury (NT), the South African Revenue Services (SARS) and other entities under the Finance portfolio in line with section 10(1)(c) of the Money Bills Amendment Procedure and Related Matters Act, Act No. 9 of 2009 (Money Bills Act), for consideration and report.

**1.2.** The Deputy Minister, Dr. David Masondo, and the accounting and senior officials of National Treasury and SARS, through a virtual meeting, briefed SCOF on 04-05 May 2021.

**1.3.** The mandate of NT is based on section 216 (1) of the Constitution which establishes it to ensure transparency, accountability and sound financial controls in the management of the country's finances and on the Public Finance Management Act of 1999 (PFMA).

**1.4.** Its mandate is to coordinate intergovernmental financial and fiscal relations, promote national government's fiscal policy and coordination of macroeconomic policy, enforce transparency and effective management of revenue and expenditure, assets and liabilities, public entities and constitutional institutions, manage the budget preparation process and, ensure the stability and soundness of the financial system and financial services.

**1.5.** SARS's mandate is to contribute to the economic and social development of the country by collecting all taxes, duties and levies due to fund public service programs and priorities.

## 2. POLITICAL OVERVIEW BY THE DEPUTY MINISTER OF FINANCE

**2.1.** The Deputy Minister of Finance reminded the Committee of the priorities of government as articulated by the President in the State of the Nation, earlier this year. He said that government needed to defeat the Covid-19 pandemic, as this would free the country from added economic stress. He said that defeating the corona-virus pandemic would enable the country to focus on economic recovery.

**2.2.** Dr. Masondo explained that through the fiscal policy, the National Treasury is working very hard to ensure that it contains debt and debt-service costs. He said that debt negatively impacted on investment as it is drawn through the same pool of savings from hard-working South Africans. He said that debt was not in the interest of economic recovery as it 'crowds out' investments in the private sector.

**2.3.** He committed that the Ministry would work hard to ensure capacity to extract revenue and to implement structural reforms through Operation Vulindlela. He, again, informed members that plans were ongoing to establish the State Bank. He said that setting up the State Bank has taken time because of consultation with other departments and clusters.

**2.4.** Speaking the next day on the presentation of SARS's annual performance plan, Dr. Masondo told members that SARS had collected R38 billion more than expected in the previous year. He said that this achievement was cancelled-out by the expenditure that was far above revenue. He said that the national budget deficit was now at R553 billion and lower than the estimated R603 billion.

**2.5.** Dr. Masondo said that the minor improvements in the fiscal situation were insignificant, and SARS should not rest on its laurels. He decried the country's fiscal situation as poor, with high levels of debt. He told the members that debt was now close to R4 trillion and is projected to increase to as high as R5.2 trillion in 2023/24.

**2.6.** He stated that the revenue shortfall was high and debt servicing costs were projected to rise. He said that to turn the situation around, the economy needed to grow, as tax was a function of economic growth. He assured members that government was working hard to implement the economic recovery plan.

**2.7.** He said that the critical issues included the fight against COVID-19 and ensuring a reliable supply of electricity. He stated that the South African economy remained largely suppressed, despite signs of recovery. He emphasised the issue of public confidence in the tax administration and improved administrative measures as these increased the ability to collect revenue. He said that poor management of the tax revenue in the public sector hampered the citizens' willingness to pay tax.

## 3. OVERVIEW BY ACCOUNTING OFFICERS

NATIONAL TREASURY

**3.1.** Mr Dondo Mogajane, the Director-General of National Treasury, said that a key priority of National Treasury was to transition expenditure from consumption to investment. He said that this would be seen through strategies such as Operation Vulindlela and the Zero-Based Budgeting. Another priority was to manage debt. He said that National Treasury needed to contribute to advancing South Africa's interests in regional integration and international cooperation. National Treasury then presented the priorities and targets over its nine programmes, which will be discussed below.

THE SOUTH AFRICAN REVENUE SERVICE

**3.2.** The SARS Commissioner, Mr Edward Kieswetter, emphasised the need for SARS to remain independent and be governed by the law, instead of other influences. He said that tax collection is integral to the fiscal framework. He said that SARS's role extended to the protection of the country's borders from illicit flows of goods, people and finance. He said that the future that SARS will focus on involves people, technology, data, and integrity.

**3.3.** Mr Kieswetter explained that currently, South Africa had an advantage of a stable interest rate and low inflation. He said that the economy has improved slightly over the past six months and this momentum is expected to continue. He explained that a continued stable rand-dollar exchange rate is expected and this is good for imports to the country. He said that this situation, however, is not good for dollar-based revenue such as the export of minerals.

**3.4.** He explained that the state of government debt is aided by improved tax revenue collection. He explained further that this means that there is less need to raise money in the international markets through issuing bonds. He said that the National Treasury had, the previous day, reduced Treasury bonds on the international markets, thus improving South Africa's fiscal integrity.

**3.5.** Mr Kieswetter said that a notable challenge for government remained the illicit economic activities. He said that these activities gained ground during the lockdown in response to COVID-19. He said that the African Continental Free Trade Area (AfCFTA) presented positive aspects, as well as risks for South Africa. He said that opening borders and expanding markets presented opportunities and risks, and the latter arose mainly from the illicit economy. He said that AfCFTA did not only create a free trade zone, but opened the opportunity for additional risks to the formal economy.

**3.6.** He said that of the three internal factors faced by SARS, adapting to remote working under COVID-19 is the most important. He said that responsible fiscal citizenship is a microcosm of the broader social contract in the country. He highlighted the role of Parliament in engendering trust in legitimate use of public finances.

**3.7.** Mr Kieswetter said that the underfunding previously experienced by SARS compromised its autonomy, and in turn impacted South Africa's fiscal integrity. He told members that the recruitment freeze at SARS was ending as SARS was re-hiring critical skills.

He said that the significance of an adequately funded revenue service would mean that there is little need to increase tax rates in the country.

## 4. OVERVIEW OF THE NATIONAL TREASURY BUDGET AND PROGRAMMES

**4.1.** A total of R41.0 billion will be allocated to the National Treasury in 2021/22. The projected allocations for the 2022/23 and 2023/24 are R32.0 and 32.1 billion, respectively.

**TABLE 1: National Treasury Budget Summary 2021/22 MTEF**

| Programme | Audited outcome | | | Adjusted appropriation | Average growth rate (%) | Average: Expen-diture/ Total (%) | Medium-term expenditure estimate | | | Average growth rate (%) | Average: Expen-diture/ Total (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R million | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2017/18 - 2020/21 | | 2021/22 | 2022/23 | 2023/24 | 2020/21 - 2023/24 | |
| Programme 1: Administration | 437.9 | 424.3 | 453.6 | 564.7 | 8.9% | 0.1% | 530.7 | 535.8 | 537.7 | -1.6% | 0.1% |
| Programme 2: Economic Policy, Tax, Financial Regulation and Research | 151.9 | 138.8 | 124.9 | 150.3 | -0.3% | 0.0% | 153.8 | 157.1 | 157.5 | 1.6% | 0.0% |
| Programme 3: Public Finance and Budget Management | 2,815.0 | 2,530.4 | 2,936.1 | 2,839.8 | 0.3% | 0.4% | 3,929.9 | 3,844.4 | 3,801.3 | 10.2% | 0.4% |
| Programme 4: Asset and Liability Management | 10,089.8 | 91.2 | 96.7 | 3,035.3 | -33.0% | 0.5% | 5,117.9 | 1,118.3 | 1,118.8 | -28.3% | 0.3% |
| Programme 5: Financial Accounting and Supply Chain Management Systems | 689.6 | 771.4 | 733.9 | 853.5 | 7.4% | 0.1% | 1,082.9 | 1,122.2 | 1,075.8 | 8.0% | 0.1% |
| Programme 6: International Financial Relations | 5,469.8 | 5,807.7 | 5,458.8 | 6,398.0 | 5.4% | 0.8% | 7,286.2 | 2,306.2 | 2,347.9 | -28.4% | 0.5% |
| Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits | 4,618.1 | 5,020.1 | 5,487.1 | 5,469.3 | 5.8% | 0.7% | 6,409.5 | 7,012.1 | 7,039.0 | 8.8% | 0.8% |
| Programme 8: Revenue Administration | 10,218.2 | 9,007.2 | 9,529.0 | 10,271.9 | 0.2% | 1.3% | 11,295.2 | 10,527.8 | 10,657.6 | 1.2% | 1.2% |
| Programme 9: Financial Intelligence and State Security | 5,105.6 | 4,763.5 | 4,951.1 | 4,942.9 | -1.1% | 0.7% | 5,249.5 | 5,381.0 | 5,411.6 | 3.1% | 0.6% |
| **Subtotal** | **39,595.8** | **28,554.6** | **29,771.2** | **34,525.7** | **-4.5%** | **4.6%** | **41,055.7** | **32,004.8** | **32,147.3** | **-2.4%** | **4.1%** |

Source: National Treasury 2021

### 4.2.Programme 1: Administration

4.2.1. The Administration programme provides strategic leadership, management and administrative support and capacity building to the National Treasury. A budget of R R530.7 million is allocated in 2021/22, down from an adjusted appropriation of R564.7

million in 2020/21. The projected allocations for the outer two financial years of the MTEF are R535.8 and R537.7 million respectively.

4.2.2. The priorities of this programme include: monitoring of the efficiency of ICT by ensuring 90 per cent delivery against the service level agreements; ensuring the usefulness and reliability of the reported performance information in accordance with the performance management and reporting framework by obtaining an unqualified audit opinion with 25% fewer findings than 2020/21 on financial and nonfinancial performance information; provide support for strategic planning, performance management and reporting across the organisation; ensuring good governance and sound control environment by achieving level 3.5 of the risk management maturity assessment; advance organisational optimisation by utilising 70% of the training and development budget; and producing 4 quarterly progress reports on the extent of mainstreaming and institutionalisation of Women, Youth, Persons with Disabilities (WYPD) in the department through the implementation of the action plan on gender mainstreaming.

**4.3.Programme 2: Economic Policy, Tax, Financial Regulation and Research**

4.3.1. This programme is dedicated to economic policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, the financial sector, taxation and regulatory reforms. The 2021/22 allocation is R153.8, up from 150.3 million in 2020/21. Over the medium term, the budget is projected to grow by 1.6%, to R157.1 and R157.5 million in the two outer years respectively. National Treasury aims to publish 50 research papers through the SA-TIED programme, table financial sector and tax legislation in Parliament, develop four economic forecasts that provide reliable macro-economic projections to aid policy-making, produce four relevant micro and macro-economic research outputs that contribute to the promotion of macroeconomic stability, poverty alleviation, retirement reform, social security and the development of inclusive growth and job creating opportunities.

4.3.2. The National Treasury said it will continue to monitor the external vulnerabilities that are facing the domestic economy and would provide recommendations on how to address them and maintain macro stability that would provide a supportive environment for transformational policies. Among the legislation expected to be tabled are the Financial Matters Amendment Bill, Public Procurement Bill and the Financial Services Laws General Amendment Bill.

**4.4.Programme 3: Public Finance and Budget Management**

4.4.1. This programme provides analysis and advice on fiscal policy, public finances and, intergovernmental financial relations. It manages the annual budget process and provides public finance management support. It has been expanded to incorporate what was previously programme 8 "Technical Support and Development Finance" in the previous strategic plan.

4.4.2. This programme will be allocated R3,9 billion in 2021/22. The projected allocations are R3,8 billion for each of the outer two years of the 2021/22 MTEF.

4.4.3. The focus of this programme is to contribute to the South African economy by developing, ensuring Cabinet authorisation of and implementing South Africa's fiscal policy and related frameworks, importantly the budget process. The programme also aims to provide fiscal policy advice by monitoring economic and fiscal trends and advising on policy options and the budget framework. It will also coordinate the national budgeting process which includes coordinating resource allocation to meet strategic priorities set by government in line with a fiscal framework that will ensure sound and sustainable financial policies.

4.4.4. The targets for 2021/22 are to: introduce 3 reforms to enhance provincial and local government fiscal frameworks; implement 5 township economic development strategies; Produce 36 infrastructure plans assessment reports to monitor the ability of provincial departments to improve their infrastructure planning; identify and approve 20 catalytic projects in spatially targeted areas; produce 8 quarterly financial reports to monitor financial and conditional grant performance for all provinces; ensure that requests to draft financial recovery plans are efficiently responded to within 90 days of receipt; provide the Parliament with 4 high level summary reports of quarterly expenditure for all departments; provide support to provincial treasuries to strengthen their oversight and address municipal finance performance failures and; place 80 technical advisors at National Treasury, provincial treasuries and municipalities to provide assistance to all three spheres of government to effectively perform their responsibilities regarding local government financial management compliance, support, monitoring and oversight through the Municipal Finance Improvement Programme (MFIP).

**4.5.Programme 4: Asset and Liability Management**

4.5.1. The Asset and Liability Management programme manages financial assets, national debt and liquidity requirements of the fiscus in order to facilitate national expenditure and maintain favourable sovereign debt ratings. Over the medium term, the strategic focus of this programme continues to be its oversight of state owned companies (SOCs) by enabling them to meet government’s policy objectives in a financially and fiscally sustainable manner, as well as promote sound corporate governance.

4.5.2. Other targets are to: ensure timely and accurate payment of government debt obligations to avoid any credit defaults; finance government's gross borrowing requirement over the MTEF and minimise risk emanating from government's fiscal obligations by measuring performance and ensuring compliance with market and refinancing risk benchmarks; ensure sound management of government's cash resources by meeting government's liquidity requirements at all times and; produce 4 reports on the management of government's contingent liabilities.

4.5.3. This programme's budget allocation for 2021/22 is R5,1 billion, increasing from an adjustment allocation of R3 billion the previous year. It moderates at R1,1 billion for each of the outer financial years of the 2021/22 MTEF, which is a decrease of -28.3%.

**4.6.Programme 5: Financial Accounting and Supply Chain Management System**

4.6.1. This programme has been allocated R1,0 billion in 2021/22, from R853.5 million the previous year. The projected allocations in the outer financial years of the MTEF are R1,1 and R1.0 billion respectively. The programme seeks to promote effective and efficient government financial management and accountability across the three spheres of government. A major focus has been placed on improving government procurement processes and identifying malpractices as a result of procurement irregularities through the Office of the Chief Procurement Officer sub-programme.

4.6.2. A focus is also on the implementation of the IFMS 2 plan which includes a roll-out of the generic template for accelerated implementation to Lead Sites and Pilot Sites. This programme will also develop and approve policy directives in preferential procurement for institutions to spend by sex/gender, age and disability. Other targets include the implementation of 21 transversal term contracts and the 100% implementation of the strategic sourcing opportunities plan.

**4.7.Programme 6: International Financial Relations**

4.7.1. The programme's mandate is to manage South Africa's interests in shaping regional and global policies that advance the economic, financial and development objectives of the country and the African continent.

4.7.2. The focus and targets of this programme this year are to: ensure 100% response to all economic surveillance reports; host one advocacy forum to increase the uptake of development finance; produce three country partnership framework progress reports that report on the relationship between the government of South Africa and various Multilateral Development Banks that operate within the Republic of South Africa; produce one analysis report on the outcomes of South Africa's engagements in regional and global forums; develop policy positions to measure South Africa's engagement in various global forums and institutions.

4.7.3. This programme has been allocated R7,2 billion in 2021/22. It decreases to R2,3 billion over each of the two outer years of the MTEF, a decrease of -28.4%.

**4.8.Programme 7: Civil and Military Pensions, Contribution to Funds and Other Benefits**

4.8.1. The mandate of this programme is to ensure that government's pension and post-retirement medical benefit obligations to former employees of the state and retired military members are fulfilled. Its allocation amounts to R6,4 billion in 2020/21, increasing to R7,0 billion in each of the two outer year of the MTEF.

**4.9.Programme 8: Revenue Administration**

4.9.1. The Revenue Administration programme receives an allocation of R11,2 billion in 2021/22. In the outer years, the allocations are projected at R10,5 and 10,6 billion respectively. The budget allocation is a transfer payment to the South African Revenue

Service, which is responsible for administering the country's revenue system. This programme is discussed further below under SARS's APP.

### 4.10. Programme 9: Financial Intelligence and State Security

4.10.1. Financial Intelligence and State Security comprises transfers to the Financial Intelligence Centre (FIC) to combat financial crimes, including money laundering and terrorism-financing activities. The 2021/22 allocation for the Financial Intelligence Centre and the South African Secret Services is R5,2 billion increasing to R5,3 and R5,4 billion in the outer years.

## 5. OVERVIEW OF THE SARS'S BUDGET AND PRIORITIES

**5.1.** SARS receives a transfer from National Treasury under Programme 8. In 2021/22 SARS will be allocated a total budget of R11,2 billion. R44.9 million of this is a grant to the Office of the Tax Ombuds (OTO). The allocation to SARS is projected to decrease to R10,6 billion in 23/24, while the allocation to the OTO will increase to R51.2 million, an increase of 6.4%.

**TABLE 2: SARS Budget Summary 2021/22 MTEF**

| | **Audited outcome** | | | **Adjusted appropriation** | **Average growth rate (%)** | **Average: Expen-diture/ Total (%)** | **Medium-term expenditure estimate** | | | **Average growth rate (%)** | **Average: Expen-diture/ Total (%)** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R million | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2017/18 - 2020/21** | | **2021/22** | **2022/23** | **2023/24** | **2020/21 - 2023/24** | |
| South African Revenue Service | 10,218.2 | 9,007.2 | 9,529.0 | 10,271.9 | 0.2% | 100.0% | 11,295.2 | 10,527.8 | 10,657.6 | 1.2% | 100.0% |
| **Total** | **10,218.2** | **9,007.2** | **9,529.0** | **10,271.9** | **0.2%** | **100.0%** | **11,295.2** | **10,527.8** | **10,657.6** | **1.2%** | **100.0%** |
| Change to 2020 Budget estimate | | | | (238.1) | | | 322.1 | (840.2) | (994.6) | | |

**Source: National Treasury Budget Vote 8: Table 8.20 Revenue Administration expenditure trends and estimates**

**5.2.** SARS's focus continues to be on resolving significant taxpayer disputes, the illicit economy, border management and rebuilding its leadership and organisation.

**5.3.**SARS seeks to achieve five key outcomes, namely; Outcome 1: Increased customs and excise compliance, Outcome 2. Increased tax compliance, Outcome 3. Increased ease and fairness in doing business with SARS, Outcome 4. Increased cost-effectiveness and internal efficiencies and, Outcome 5. Increased public trust and credibility. A number of measures/targets have been set for the 2021/22 MTEF to achieve these five outcomes.

## 6. OBSERVATIONS AND RECOMMENDATIONS

**6.1.** The Committee notes the annual performance plans of the National Treasury and SARS and notes their key priorities which were articulated by the Deputy Minister, Dr. David Masondo. The Committee agrees with the Deputy Minister and the government at large that one of the immediate priorities of our time is to defeat the coronavirus pandemic in order to get the economy recovery plan implemented. In this regard, the Committee notes the assurances made during its deliberations on the NT's annual performance plan that government has set aside R4.35 billion in vaccination funding, with possibilities to augment this should a need arise. The Committee believes that for the vaccine strategy to work, government would need to expedite the testing and approval of other credible vaccines instead of relying on only the current two vaccines.

**6.2.** The Committee notes that besides the Money Bills, the Ministry of Finance plans to table a number of ordinary Bills for processing by Parliament during this year and over the MTEF. These Bills include the FIC Act, the FAIS Act, the SARB Act, the SARS Act, the Cooperative Banks Act, and many others. The Committee requires NT to give it a more workable legislative programme for the year, to enable the Committee to plan accordingly.

**6.3.** The Committee notes that the Public Procurement Bill might finally be tabled within this financial year, but only in December 2021. In almost all its reports over the past few years, the Committee has been urging the National Treasury to expedite the introduction of this

Bill for processing by Parliament. The Committee believes that this Bill will assist in consolidating the fragmented procurement regime in the country, and help to root out corruption within the procurement system, among others. The Committee again urges NT to prioritise this Bill.

**6.4.**The Committee notes the plans by National Treasury on the implementation of the IFMS 2 project. The Committee is however aware of the risk that this project might again incur fruitless and wasteful expenditure as it has since the 2016/17 financial year. This project incurred fruitless and wasteful expenditure of R267 million since 2016/17, including R67 million in 2019/20 alone. The Committee will schedule a separate briefing soon, in order to receive an update on the status of this project and its timeline for completion. In the briefing, the Committee expects to be briefed on the resolution of the recurring adverse audit findings on this project, and all consequence management thereof.

**6.5.** The Committee notes that there are processes within the National Treasury to implement controls and improve audit outcomes through the audit action plan. We note that a committee of senior NT officials to implement this plan in cooperation with the Auditor-General's office was established. The Committee believes that the audit action plan should form part of the annual performance plan, with measurable targets and outcomes, and urges the NT to consider this.

**6.6.**The Committee notes the progress reported to the Committee in the filling of critical vacancies in the Department. The Committee noted in its BRRR that, according to the Auditor-General's report, some of the root causes of poor audit outcomes are as a result of management (accounting officers/authorities and senior management) not responding with the required urgency in addressing identified risks and improving internal controls. Another contributing root cause highlighted by the AGSA however is the instability caused by prolonged vacancies in key positions. In this regard, the Committee urges the Minister of

Finance to prioritise the filling of vacancies and acting positions at senior management level in the National Treasury and in the entities across the finance portfolio.

**6.7.** The Committee welcomes that National Treasury plans to include Operation Vulindlela in its annual performance plan from the next financial year going forward. The Committee further notes that while this is a joint project between National Treasury and the Presidency, there are specific and core business operations performed by the National Treasury that can be measured.

**6.8.** The Committee notes that the GTAC has now matured into a fully-fledged programme with a separate planning and reporting process, instead of being a sub-programme. The Committee will invite GTAC in the next quarter in order to learn more about its plans and work, including on the Jobs Fund and the Municipal Finance Improvement Programme.

**6.9.** The Committee notes the work of the National Treasury on the funding of anti-gender-based violence efforts under Programme One. In view of the escalation of gender-based violence, especially in rural areas, the Committee would like to be briefed in more detail on this in the next quarterly briefing.

**6.10.** The Committee notes that one of the targets under Programme 3 is to identify and approve 20 catalytic projects in spatially targeted areas. The Committee expects to be briefed more on this project and its expected impact on service delivery, growth and development.

**6.11.** The Committee notes the SA-TIED research initiative, which is a collaboration between the United Nations University World Institute for Development Economic Research, the International Food Policy Research Institute and South African government departments, including the National Treasury. We note further that National Treasury plans to publish 50 research papers through this programme in 2021/22 on such broad themes as enterprise development for job creation, public revenue mobilization for inclusive development, macro-economic modelling, inequality, climate change and energy transitions as drivers for change and regional growth, among others. The Committee will monitor this target closely as research is key in influencing policy and law-making.

**6.12.** The Committee notes the Deputy Minister's update on the establishment of the State Bank. The Committee is concerned that there seems to have been no tangible progress in this regard as it received the same update during this time last year. Last year the Committee was informed that the memorandum on the establishment of the State Bank was ready for tabling before Cabinet. The Committee urges the Minister of Finance, and the Deputy Minister as the leader of this project, to expedite this process. It also urges the National Treasury to nudge NEDLAC to put back on its agenda the financial sector transformation summit, which was promised several years ago.

**6.13.** The Committee notes that although ongoing, the pension fund reforms have been quite slow. The Committee also notes that one of the main reasons for the slow progress is the complexity of discussions at Nedlac. The Committee requires NT to brief it on progress being made on these reforms.

**6.14.** The Committee notes the encouraging trajectory of recovery at SARS, given its recent unstable past. The Committee further welcomes the additional revenue of R38 billion collected by SARS in the previous financial year, despite the increased expenditure.

**6.15.** The Committee welcomes the uplifting of the freeze on filling vacancies at SARS and its recruitment drive to fill over 300 vacancies and its graduate programme. The Committee believes that this would enable SARS to operate more effectively in collecting revenue and serving the public in the future.

**6.16.** The Committee welcomes the assurance from the SARS Commissioner that SARS would not hesitate to act against anyone who does not comply with the country's tax laws, no matter their standing, political affiliation or position in society. The Committee further welcomes the assurance that SARS's case selection methodology is politically neutral and guided mainly by compliance risks.

**6.17.** The Committee notes the commitment from SARS to comply with the minimum requirements within the next five years, in respect to the employment equity of people living with disabilities. The Committee will hold SARS to this commitment and targets.

**6.18.** The Committee is aware that South Africa is one of the few countries that are already collecting VAT from the digital economy and, again, commends this. The Committee recommends that while NT participates on the Organization for Economic Cooperation and Development (OECD), it should also work in collaboration with African Tax Administration Forum and the African Union, in order to strengthen the interests of developing countries in the global digital tax regime. When this global regime is fully developed, the Committee believes that developing countries should be able collect income tax made by big corporates with high economic presence in their jurisdictions.

**6.19.** The Committee notes the comment by the SARS Commissioner to the Committee on 05 May that there is over R400 billion that is owned by South Africans in financial institutions outside the country or offshore. In the next quarterly briefing, the Committee requires SARS to brief it on the successes and challenges in implementing the automatic exchange of information framework.

**The Standing Committee on Finance accepts Budget Vote 8: National Treasury.**

**Report to be considered.**

## 1. Report of the Select Committee on Land Reform, Environment, Mineral Resources and Energy on the Budget Vote and Annual Performance Plan 2021/22 of the Department of Agriculture, Land Reform & Rural Development – Budget Vote No 28, dated 11 May 2021.

The Select Committee on Land Reform, Environment, Mineral Resources and Energy having considered Budget Vote: 28 and Annual Performance Plan 2021/2022 of the Department of Agriculture, Land Reform & Rural Development, reports that the that the committee met with the department on 6 May 2021, where the department briefed the committee on the matter of its APP and Budget.

The committee appreciated the inputs from the Minister and respective DG's related to the current APP, challenges with budget allocation and performing key responsibilities under Covid-19 restrictions and with a reduced budget. The committee, in its deliberations, focused on matters on interest to provinces, which include land reform and post settlement farmer support, the revitalisation of fresh produce markets and other forms of market access for small scale farmers, the department's response to climate change and actions taken to support farmers to cope with climate challenges, and continued challenges observed in terms of agriculture support infrastructure developed with conditional grant funding.

**Issues for consideration pertaining to the department's Annual Performance Plan**

- In the Annual Performance Plan, the Department indicates that it plans to achieve unqualified audit outcomes and 100 per cent compliance with government legislation and prescripts. It would be of interest for the Committee to establish what control measures will be put in place to aid in the achievement of these targets.

- The Department proposes introducing/registering 100 new plant varieties in this financial year. Some of these plant varieties address issues affecting crops, such as resistance to pests, weeds, and drought conditions. The Committee may need to establish if these varieties are matched to the production challenges for specific locations (will there be more productivity in different climates and amount of water available) and farming communities (i.e. level of mechanisation required, labour and technical expertise).

- The proposed two animal improvement schemes, namely Kaonofatso ya Dikgomo (KyD) and Poultry are welcomed, as they would benefit both smallholder and commercial farming sectors. The committee wishes that the Department ensures that these schemes become competitive in the local and global markets.

- The implementation of the Climate Change Adaptation and Mitigation Plan and smallholder producers capacitated on the Crop Suitability to Climate Change Programme are welcomed. This will contribute towards assisting farmers by improving and sustaining their production and livelihoods that are projected by the Intergovernmental Panel on Climate Change Report to be highly impacted by Climate Change as early as the year 2038. It will be of importance for the Committee to establish which of the four Provinces are earmarked for the Piloting of the Crop Suitability to Climate Change Programme, the reason being that they must be representative of the Country Biophysical (climate, soil profiles, major commodities) and Socio-economic conditions in order to provide a better picture to inform the national roll-out.

**Issues for consideration pertaining to the department's Budget**

- The Department's reprioritisation in terms of allocating more resources to service delivery programmes (i.e. Programme 2 to 5) and less on the Administrative programme should be commended. This contributes to efforts towards economic recovery and for empowering participation of the sector towards regional economic programmes such as the African Continental Free Trade Agreement.

- The Departments plans to provide the much needed post-settlement support and farmer training over the medium term, through the recruitment of 10 000 extension officers as stated in the Minister of Finance's budget speech and the Departmental APP, is appreciated. The committee wishes to express its concern, however, that the department has been allocating funds for its extension programme's improvement for a considerable period of time. In the current financial climate, it is vital that service delivery improvement programmes yield effective results in order to ensure that the limited financial resources available to the department for vital farmer support services is used optimally.

- The prioritised revitalising of infrastructure and providing equitable access to critical factors of production such as land, water and technology will improve the challenges facing farmers under the settlement support/, and thus contribute towards improved productivity and potential expansion in production. As with the extension recovery plan, the department has allocated significant resources to farm revitalisation in the past financial years. This activity reduces the budget available for land reform transactions, impacting on the pace of land reform. The Department is urged to improve its operational model for both farm settlements and post settlement support in order to ensure that beneficiaries of land reform are able to reach self-sustainability in the shortest possible period of time.

- The planned finalisation of the 1 409 restitution claims will redress the overdue land claims.

The Select Committee on Land Reform, Environment, Mineral Resources and Energy having considered Budget Vote: 28 and Annual Performance Plan 2021/2022 of the Department of Agriculture, Land Reform & Rural Development, reports that the Committee has concluded its deliberations thereon.

## Report to be considered

## 2. Report of the Select Committee on Land Reform, Environment, Mineral & Energy on the Budget Vote and Annual Performance Plan 2021/22 of the Department of Mineral Resources and Energy – Budget Vote No 34, dated 11 May 2021.

The Select Committee on Land Reform, Environment, Mineral & Energy having considered Budget Vote: 34 and Annual Performance Plan 2021/2022 of the DMRE, reports that the committee met with the department on 6 May 2021, where the department briefed the committee on the matter of its Strategic Plan, APP and Budget.

The committee appreciated the inputs from the Minister and respective DG's related to the current APP, challenges with budget allocation and performing key responsibilities under Covid-19 restrictions and with a reduced budget. The committee, in its deliberations, focused on matters on interest to provinces, which include mining affected communities, the implementation of Social and Labour plans, electrification of rural households and the challenges of climate change and air quality from an Energy and coal use perspective.

**Issues for consideration pertaining to the department's Annual Performance Plan**

- The Department should provide Parliament with an assurance that the 13.73 real per cent decline in the Mining, Minerals and Energy Policy Development Programme 3 funding would not negatively affect the newly-proposed greenhouse gas reduction plans, the development of policy and legislative in frameworks for the minerals and energy sectors, and ensure the security of mineral resources and energy supply through planning.

- The committee requests further clarity on how the Department plans to support the mineral and energy sectors to combat the impact of Covid-19 on mining operations and energy production, considering impacts from funding reductions, drop in end user demand for products and continued workplace restrictions.

**Issues for consideration pertaining to the department's Budget**

- The Committee noted the increase in grant allocations for connection of households to the ESKOM grid. While remaining focused on the importance of economic recovery and the importance of access to electricity to achieve this, the committee wishes to know what measure/s the Department had put in place to ensure that the planned 15 000 additional households are electrified, and whether non-grid technology will be offered to households where connection to the grid remains a challenge.

- In the 2020/21 financial year, the conditional grants allocation was significantly reduced in both nominal and real terms. Can the Department provide feedback to Parliament on the implications of this on service delivery, as this issue was raised in the previous year, specifically on the delivery of electrification and improved energy efficiency?

- Taking into account the impact of COVID-19, have the planned interventions that Parliament raised for the Department to consider during the 2020 budget re-allocation briefing been operationalised, and did these measures countered the COVID-19 impacts?

- What percentage of the overall energy shortfall does the potential energy savings target (the Department planned 0.5 TWh savings realised and verified from EEDSM projects and 0.0194 TWh savings by EEDSM grant participating municipalities) contribute for this financial year? What are the barriers to and potential for increasing the energy savings?

The Select Committee on Land Reform, Environment, Minerals & Energy having considered Budget Vote: 34 and Annual Performance Plan 2021/2022 of the Department of Minerals Resources and Energy, reports that the Committee has concluded its deliberations thereon.

## Report to be considered