



# ANNUAL PERFORMANCE PLAN 2019/20



**public enterprises**  
Department:  
Public Enterprises  
REPUBLIC OF SOUTH AFRICA





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# FOREWORD BY THE MINISTER



Mr Pravin Gordhan

In the 2017/18 Annual Performance Plan, we committed to adapt the Department's focus to effectively implement President Cyril Ramaphosa's directives in his 2018 State of the Nation Address, to urgently intervene and restore our State Owned Enterprises (SOEs).

President Ramaphosa assured the nation in 2018 that "This is the year in which we will turn the tide of corruption in our public institutions".

Drastic measures have been implemented over a very short period that sought to instill proper governance at SOEs in the DPE

portfolio; address urgent short-term liquidity problems; and ensure stability in core operations.

We have made measurable progress in appointing new Boards to a number of SOEs with directors who command the requisite skills and integrity. On 24 May 2018 Cabinet confirmed new Boards for SA Express, Denel and Transnet as well as the appointment of Eskom's Group Chief Executive Officer. It must be acknowledged that some of our biggest SOEs – Eskom, South African Airways and Denel – are facing severe liquidity and debt problems after many years of bad management, malfeasance and poor governance by previous Boards and state capture.

We are urgently reviewing the funding models of all SOEs and constantly engaging commercial lenders and existing bond holders to identify solutions toward long-term financial sustainability. Over the medium-term, a number of tough, bold decisions will

be required from government and other important stakeholders about the future state and ownership structures of a number of SOEs.

SOEs remain key strategic assets of the state that exist to deliver crucial public services and goods to enable economic growth, thus they cannot be allowed to impose further risks to our fiscal framework. The Department has aligned its structures and is developing the institutional capacity to ensure it plays a far more effective oversight role to hold Boards and executive management teams to account. South Africa deserves better.

A handwritten signature in black ink, reading "Pravin Gordhan".

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**Mr Pravin Gordhan, MP**

Minister

# OFFICIAL SIGN-OFF

It is hereby certified that this Annual Performance Plan (APP) was developed by the management of the Department of Public Enterprises (DPE) under the guidance of Mr.Thuto Shomang, Acting Director-General, and prepared in line with the current Strategic Plan of the DPE.

It accurately reflects the performance targets that the DPE will endeavour to achieve, given the resources made available in the budget for the 2019/20 financial year.

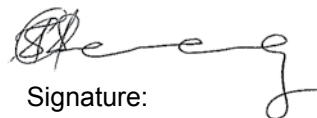


Signature:

**Ms Benedicta Mogaladi**

Chief Financial Officer

Date: 28 March 2019



Signature:

**Mr Thuto Shomang**

Acting Director-General

Date: 28 March 2019

**Approved by:**



Signature:

**Mr Kgathatso Tlhakudi**

Acting Deputy Director-General: Corporate Management

Date: 28 March 2019



Signature:

**Mr. Pravin Gordhan**

Minister

Date: 28 March 2019



# GLOSSARY OF ACRONYMS

<b>APP</b>	Annual Performance Plan	<b>MPSA</b>	Minister of Public Service and Administration
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>MT</b>	Megaton
<b>BRICS</b>	Brazil, Russia, India, China, South Africa	<b>MTEF</b>	Medium-Term Expenditure Framework
<b>CPI</b>	Consumer Price Index	<b>MTSF</b>	Medium-Term Strategic Framework
<b>CSDP</b>	Competitive Supplier Development Programme	<b>MVA</b>	Mega Volt Amp
<b>CSI</b>	Corporate Social Investment	<b>MW</b>	Megawatt
<b>DAFF</b>	Department of Agriculture, Forestry and Fisheries	<b>NDP</b>	National Development Plan
<b>DEA</b>	Department of Environmental Affairs	<b>NEMA</b>	National Environmental Management Act
<b>DMR</b>	Department of Mineral Resources	<b>NERSA</b>	National Energy Regulator of South Africa
<b>DoE</b>	Department of Energy	<b>NGP</b>	National Growth Path
<b>DPE</b>	Department of Public Enterprises	<b>NPAT</b>	Net Profit after Tax
<b>DPSA</b>	Department of Public Service and Administration	<b>NT</b>	National Treasury
<b>DRDLR</b>	Department of Rural Development and Land Reform	<b>PICC</b>	Presidential Infrastructure Coordination Commission
<b>DTI</b>	Department of Trade and Industry	<b>PFMA</b>	Public Finance Management Act
<b>EA</b>	Executive Authority	<b>PPFPA</b>	Preferential Procurement Policy Framework Act
<b>EDF</b>	Eskom Development Foundation	<b>PRC</b>	Presidential Review Committee
<b>ESCAP</b>	Eskom Rotek Industries	<b>RBCT</b>	Richards Bay Coal Terminal
<b>ESD</b>	Enterprise and Supplier Development	<b>RMC</b>	Richtersveld Mining Company
<b>GDP</b>	Gross Domestic Product	<b>SAA</b>	South African Airways
<b>GCM/H</b>	Gross Crane Moves per Hour	<b>SA Express</b>	South African Express Airways
<b>GFCF</b>	Gross Fixed Capital Formation	<b>SAFCOL</b>	South African Forestry Company Ltd
<b>IFLOMA</b>	Industriais Florestais De Manica, Mozambique	<b>SARB</b>	South African Reserve Bank
<b>IMC</b>	Inter-Ministerial Committee	<b>SDIP</b>	Service Delivery Improvement Plan
<b>IPAP</b>	Industrial Policy Action Plan	<b>SEIAS</b>	Socio Economic Impact Assessment
<b>IRP</b>	Integrated Resource Plan	<b>SIPs</b>	Strategic Integrated Projects
<b>KM</b>	Kilometre	<b>SOE</b>	State-Owned Enterprise
<b>MDS</b>	Market Demand Strategy	<b>SOC</b>	State-Owned Company
<b>MoA</b>	Memorandum of Agreement	<b>SONA</b>	State of the Nation Address
<b>Mol</b>	Memorandum of Incorporation	<b>StatsSA</b>	Statistics South Africa
<b>MPAT</b>	Monitoring Performance Assessment Tool	<b>TOR</b>	Terms of Reference



# **PART A** **STRATEGIC OVERVIEW**

# PART A: STRATEGIC OVERVIEW

## UPDATED SITUATIONAL ANALYSIS

The Presidential Review Commission (PRC), which undertook a review of all SOC's across all three spheres of government, was established in 2010 and completed its work in 2012. The Committee made a number of recommendations that were focussed on four main areas: developing an overarching strategy and governance framework for SOC's; creating an enabling environment for SOC's; improving the performance of SOC's; and enhancing the state's SOC oversight capacity. Based on the PRC recommendations, Cabinet approved a number of SOC reforms. These included determining an appropriate shareholder ownership model and an overarching shareholder policy, developing a standardised approach to the appointment of SOC boards, developing a private sector participation framework, considering a framework on the disposal of state assets to fund critical SOC's, considering proposals to empower boards, separating the developmental and commercial mandates of SOC's and linking the remuneration of officials to performance. In addition, a number of SOC's were identified where SOC-specific interventions should be implemented. As part of the reforms to be implemented, one of the key responsibilities assigned to the Department was the development of an SOC Bill and Shareholder Management Policy. Cabinet had approved a number of initiatives in November 2016, which government has been rolling out. These include a new remuneration framework, which most of the SOC's in the Department's Portfolio will have fully implemented in 2019/20. These proposals were approved by Cabinet in November 2016.

In terms of the NDP, the SOC's have a key role to play in maintaining and growing the national economic infrastructure network to address the demands of the economy effectively and efficiently, as well as contribute to greater regional integration. In the transport and energy sectors in order to meet the requirements of a growing economy requires investment alongside effective operation and maintenance of existing infrastructure. The NDP advocates collaborative investment involving a range of interested parties, including business. Specifically, the NDP views the role of the shareholder ministry as that of ensuring that the SOC's are viable and financially sustainable and that their assets are maintained and renewed. In the 2019/2020

financial year DPE will contract the Boards, through the Shareholder Compacts, to ensure that key performance areas (KPAs) are agreed on and are supportive of this national imperative.

According to the NDP, each SOC should have a well-defined and transparent mandate that sets out its role and how its activities serve the public interest. The mandate should also include the imperative of financial viability. In line with the President's undertaking in the SONA 2018 "...work will continue on the broad architecture of the state owned enterprises sector to achieve better coordination, oversight and sustainability". The Department regularly reviews the mandates of the SOC's, and updates the strategic intent statements.

The NDP indicates that for some SOC's, private investment, through the sale of a minority or non-controlling equity stake to private investors, could be a possibility and that private shareholders and lenders can provide the required management and capital allocation.

## ESKOM

Eskom is governed by the Eskom Conversion Act (2001), and is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Eskom generates 95 percent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. In fulfilling its mandate, Eskom contributes to outcome 6 (an efficient, competitive and responsive economic infrastructure network) of Government's 2014-2019 mediumterm strategic framework.

From 2007 until 2015 and again recently Eskom faced unprecedented supply shortages, resulting in load-shedding. This situation was precipitated by a number of causes including delays in the construction and commissioning of the new coal fired power stations Medupi and Kusile. In 2019 the country experienced supply shortages due to severely constrained financial position, deterioration in plant performance as a result of inadequate maintenance of an ageing generation fleet.

Recently there has been many debates about whether the current structure of Eskom is still fit for purpose, given the rapid changes that are taking place affecting the electricity sector both locally and internationally. These questions are based



on the challenges sector and the economy has been experiencing. The financial sustainability of Eskom has been negatively affected by the current cycle of investment in generation and transmission capacity. Inadequate maintenance over a number of years has contributed to the technical challenges that the Eskom power plants are experiencing. The challenges that the company is facing have been exacerbated by governance weaknesses, mismanagement and corruption that took place at the entity.

The stagnant economic growth and the increased use of alternative energy sources continues to put pressure on sales resulting in the “utility death spiral” where costs are recouped from an even smaller pool of customers resulting in an escalated increase in tariffs.

Eskom has undertaken a capital expansion programme which is funded by the borrowing in the capital markets due to the entity not generating sufficient revenues from its operations. The revenue generated from operations is unable to meet its debt obligations and capital expenditure. In other words Eskom borrows to pay its debts and capex which is not sustainable

The company’s financial metrics have continued to deteriorate due to an increase in operating expenditure and debt servicing costs for the new build, while revenue has not grown significantly enough to cover these costs. Furthermore, operational performance of the older plants has significantly deteriorated to the point where rotational load shedding was implemented in November/December 2018. Eskom has concluded a turnaround plan to deal with the short term recovery and the long term sustainability of Eskom. The turnaround strategy is premised on driving efficiencies and containment of operational costs, ensuring clean governance, driving operational excellence and operational performance improvements.

In the SONA, the President announced major reforms that Government will undertake to restructure the electricity sector so that it is appropriately positioned to respond to the changes taking place in the sector. These will start with the unbundling of the three Eskom Businesses (Generation, Transmission and Distribution) into separate entities under Eskom holdings.

With the support of the Department of Public Enterprises, Government Departments and other key stakeholders, Eskom plans to implement the turnaround strategy for

the next 3 years to align and position Eskom, restore financial and operational health, redefine its role for the changing energy markets, driving the necessary reforms that the industry needs while ensuring affordable, reliable electricity to South Africans. Together with the fiscal support that is to be provided, this will stabilise the company.

## **SAA AND SA EXPRESS**

SAA developed its turnaround strategy in 2017, which was subsequently fine-tuned to take account changes in the operating environment. The strategic plan anticipated that SAA would only turnaround in 2020/21. The airline is on-track with implementation, projecting that it will achieve the loss lower than the R5.2 billion budgeted for in the 2018/19 financial year. Almost all of the domestic and regional routes are now profitable, but the international operation continues to be loss making, putting a severe strain on the financial performance of the business.

SA Express services were suspended in both May 2016 and May 2018 by the South African Civil Aviation Authority (SACAA). The airline is currently rebuilding its operations. The airline has developed a strategic plan for turning around the airline. This has five pillars focused on addressing governance, profitability, operational efficiency, customer value proposition and human capital. The airline hopes to return to profitability in 2019/20.

Both airlines face a number of significant risks, including increasing competition, fluctuations in the currency and oil price, an aging aircraft fleet, loss of staff and difficulties filling critical positions, challenges securing adequate liquidity and potential labour disputes.

To address the liquidity challenges at the airlines, Government has provided support in the form of guarantees as well as funding to the two entities. SAA received a further R5 billion allocation in 2018/19, adding to the R10 billion provided in 2017/18. SA Express received an amount of R1.249 billion. The funding is intended to repay guaranteed debt.

SAA is delivering on its turnaround plan. However, the airline will be unable to trade itself back into a sound financial position and will require further shareholder support to restore solvency and service the remaining Government guaranteed debt.

Government is in the process of considering the consolidation of the state aviation assets with the objective of ensuring that these are optimised to enhance shareholder value and ensure their sustainability going forward. The Department will be evaluating options for introducing a Strategic Equity Partner (SEP) at the group level, to bring management expertise, expand the reach of SAA's network and reduce the future fiscal burden. However, the introduction of a SEP into SAA at this point is anticipated to require an immediate injection of significant capital into the company by Government. Moreover, until the airline has turned around, government is unlikely to realise optimal value for SAA. The Department will also be working with other relevant government departments with an aim of developing a holistic "Whole of State Air Transportation policy".

## **DENEL**

The Denel Board was appointed in May 2018. By the end of July, the company had finalised a turnaround strategy that is focused on restructuring the company to reduce costs, improve programme management, disposing of non-core and non-strategic assets as well as partnering with the private sector to grow the business. This plan was refined when finalising the 2019 Corporate Plan.

Nevertheless, Denel is still facing severe liquidity challenges. These arose mainly as a result of the allegations of state capture at the company, poor programme management and inefficient use of working capital. Due to liquidity challenges slowing operations, revenue fell from R8 billion in 2016/17 to R5 billion in 2017/18. Revenue is projected to decline further to R4 billion in 2018/19. As a consequence, the company realised a R1.8 billion loss in 2017/18 and it is projecting to make a significant loss in 2018/19.

The National Defence Industrial Council, an advisory structure to the Minister of Defence and Military Veterans, established in terms of the Defence Review, has identified the financial liquidity challenges facing Denel as having the potential impact of:

- Compromising South Africa's national security
- Negatively impacting the defence industry, which accounts for 20 000 jobs
- Exposing South Africa to mass exodus of skilled personnel in sensitive defence domains, including sovereign and strategic capabilities.

Other risks could include penalties being invoked against Denel, the company's reputation being compromised and the loss of future revenue opportunities.

With adequate funding, the company has a business that is fundamentally sound and can quickly recover. Between 2011 and 2017, the company consistently recorded profits. Denel has an order book of R18 billion and has a strong pipeline of opportunities in excess of R30 billion. Government continues to provide support to Denel. The SOC's guaranteed facility was increased by R1 billion, which took the total guarantee facility to R3.43 billion and the term of the guarantees was extended for a period of five years expiring in 2023.

Government will be giving consideration to the option of bringing in Strategic Equity Partners (SEPs) into some of the businesses. The main aim to open new sources of new capital, development of new technologies and processes, provide market access, safeguard the sovereign and strategic defence capabilities and support other national objectives.

## **TRANSNET**

A new Board was appointed in May 2018, which has been acting decisively on the forensic report findings. Simultaneously there is a need to improve Transnet's operational performance to reduce the unnecessarily high cost of freight transportation. The Department will be working with Transnet to develop, implement and monitor concrete plans for improving efficiency; reducing administered prices; and achieving a shift from road to rail.

Transnet as the largest freight transport company in the continent, with its responsibility of providing rail, ports and pipelines infrastructure and operations has continued to create capacity ahead of demand. However, there are still constraints that need to be addressed to enhance the competitiveness and effectiveness of the freight transport system, particularly in the transportation of general freight. To address these constraints the focus needs to be on improving the performance of the rail freight business, strategic container terminals and the interoperability of the system.

Growing the volumes transported by rail whilst driving down costs through improving efficiency will be essential to decreasing the cost of freight transportation to support the desired growth and development of the country. Tariffs in the port and rail sectors are also being realigned to support local industrial development. Opportunities for

introducing competition, which can also drive down costs will be explored.

Over the medium term, Transnet was able to increase the tonnage moved on rail to be above 226 metric tons per annum (mtpa) and average crane moves per hour ranged between 28 and 30 moves. The anchorage waiting time has decreased significantly, contributing to improved productivity and efficiency across the commercial ports. By the end of 2017/18, Transnet recorded the highest revenue generated in operations driven by volume increases.

Transnet remains financially stable. Nevertheless, the company did receive a qualified audit opinion for the 2017/18 financial year as there was insufficient audit evidence to ensure the completeness of the irregular expenditure reported by the company. To address this finding, Transnet is reviewing 11,000 contracts for irregularities and regularly updating lenders on progress.

## **SAFCOL**

The company has been sustainably managed with a chain-of-custody certification on plantations and processing. SAFCOL's commercial sustainability and financial performance indicators are the cornerstone of the business. The Group, with the support of the shareholder has been striving to focus on addressing and improving performance on set objectives.

SAFCOL's performance on its processing division has been characterised by a number of challenges due to a combination of market and other factors, i.e. depressed log and lumber market conditions which were recorded lower than anticipated. Despite challenging economic conditions, SAFCOL reported a net profit of R201 million during the 2017/18 financial year.

The resuscitation of IFLOMA business, which has been under care and maintenance for the past four years commenced in the 2017/18 financial year. To date, IFLOMA sawmills have been operationalised and there has been a noticeable progress on the operational performance. This is expected to improve the financial operation of the subsidiary and maintain its footprint in Africa.

SAFCOL has the potential of growing its revenue through developing new business ventures, which include tapping into the export market, both locally and in Mozambique. SAFCOL can also assist the government to increase the rural economy

through sustainable management of other forestry assets and increase security of timber supply.

## **SERVICE DELIVERY IMPROVEMENT PLAN (SDIP)**

The department will finalise the SDIP by the end of the 2019/20 financial year.

## **ORGANISATIONAL ENVIRONMENT**

The total personnel establishment consists of 209 funded posts, 75 of which are Senior Management posts. There are 34 funded vacancies and the Vacancy Rate is at 16%. Following consultation with the MPSA, a re-aligned organisational structure for the Department was approved in December 2017. The implementation was envisaged for 1 April 2018 but was placed on hold due to the new administration and then only implemented in January 2019. The re-alignment has had minimal impact on employees' current Job Profiles, but will have an impact on the reporting lines. The Department is currently in the process of filling vacancies in alignment with the new structure.

The following training will be prioritised and is compulsory for the SMS members in the 2019/2020 financial year: Strategic Capability and Leadership, People Management and Empowerment, Programme and Project Management, Financial Management and Change Management.

## APPROVED PROGRAMME BUDGET STRUCTURE

Administration		
Programme 1	Chief Financial Officer	Chief Financial Officer
	Communications	Communications
		Information Management & Technology
	Corporate Services	Corporate Legal Office
		Risk and Integrity Management
		Strategic Management and Project Office
	Human Resources	Security & Facilities Management
	Internal Audit	Human Resources
		Internal Audit
Management	DDG Corporate Management	
	Director-General	
Ministry	Deputy Ministry	
	Ministry	
Office Accommodation	Office Accommodation	
State-Owned Companies Governance Assurance And Performance		
Programme 2	Governance	Governance
	Legal	Legal
	Management	DDG: Legal and Governance
	Financial Assessment and Investment Support	Financial Assessment and Investment Support
Business Enhancement, Transformation And Industrialisation		
Programme 3	Research and Economic Modelling	Research and Economic Modelling
	Business Enhancement Services	DDG: Business Enhancement Services
		Industrialisation and Localisation
		Inter-Governmental Relations
		Special Programme
	Energy Resources	Energy
		Forestry
		Mining
	Transport And Defence	Aviation
		Defence
		Transport



## LEGISLATIVE AND OTHER MANDATES

The table below lists the SOC's that report to the Minister:

Name of entity	Legislative mandate	Minister's financial relationship with the SOC's	Nature of operations
Alexkor	Alexkor Limited Act (Act 116 of 1992)	Shareholder representative	A diamond mining company that operates primarily in Alexander Bay and the greater Namaqualand area.
Denel	None	Shareholder representative	A defence company. Although it was established as a private company in terms of the Companies Act of 2008 (Act 71 of 2008), Government exercises full control over it.
Eskom	Eskom Conversion Act (Act 13 of 2001)	Shareholder representative	Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.
SAFCOL	Management of State Forests Act (Act 128 of 1992)	Shareholder representative	SAFCOL is government's forestry company which conducts timber harvesting, timber processing and related activities, both domestically and regionally.
SA Express	South African Express Act (Act 34 of 2007)	Shareholder representative	SA Express is the regional air carrier with a mandate to provide air transportation services for passengers, cargo and mail on lower density routes within the Republic, in the African continent and surrounding islands.
SAA	South African Airways Act 5 of 2007	Shareholder representative	South African Airways is an air carrier with the mandate to provide reliable and extensive air transportation capacity linking the Republic with the main business, trading and tourism markets within the African continent and internationally.
Transnet	Legal Succession to the South African Transport Services Act (Act 9 of 1989)	Shareholder representative	Transnet is a freight and logistics company responsible for pipelines, ports and rail transport infrastructure and operations in South Africa.

## OVERVIEW OF BUDGET AND MTEF ESTIMATES

Table 1: Vote expenditure estimates by programme and economic classification

Programmes								
1. Administration								
2. State-owned Companies Governance Assurance and Performance								
3. Business Enhancement, Transformation and Industrialisation								
Programme	Revised estimate	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate R '000			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2018/19	2015/16 - 2018/19		2019/20	2020/21	2021/22	2018/19 - 2021/22	
Programme 1	152.0	-2.1%	2.0%	164.9	175.9	186.0	7.0%	9.1%
Programme 2	39.1	18.5%	0.4%	43.9	47.1	50.3	8.7%	2.4%
Programme 3	6 331.9	-35.1%	97.6%	84.2	89.8	95.7	-75.3%	88.5%
<b>Total</b>	<b>6 522.9</b>	<b>-34.6%</b>	<b>100.0%</b>	<b>293.0</b>	<b>312.8</b>	<b>332.0</b>	<b>-62.9%</b>	<b>100.0%</b>
Change to 2018				–	–	–		
Budget estimate								
<b>Economic classification</b>								
<b>Current payments</b>	<b>268.9</b>	<b>0.5%</b>	<b>3.2%</b>	<b>289.7</b>	<b>309.3</b>	<b>328.3</b>	<b>6.9%</b>	<b>16.0%</b>
Compensation of employees	171.4	3.8%	2.0%	184.5	198.3	211.2	7.2%	10.3%
Goods and services	97.5	-4.4%	1.2%	105.2	111.0	117.1	6.3%	5.8%
<b>Transfers and subsidies</b>	<b>0.4</b>	<b>-77.8%</b>	<b>0.1%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-67.5%</b>	<b>0.0%</b>
Provinces and municipalities	0.0	–	0.0%	0.0	0.0	0.0	5.7%	0.0%
Households	0.4	-33.9%	0.0%	–	–	–	-100.0%	0.0%
<b>Payments for capital assets</b>	<b>4.6</b>	<b>8.6%</b>	<b>0.1%</b>	<b>3.3</b>	<b>3.6</b>	<b>3.7</b>	<b>-6.6%</b>	<b>0.2%</b>
Machinery and equipment	4.5	8.2%	0.1%	3.2	3.4	3.6	-6.9%	0.2%
Software and other intangible assets	0.1	29.1%	0.0%	0.1	0.1	0.1	5.4%	0.0%
<b>Payments for financial assets</b>	<b>6 249.0</b>	<b>-35.2%</b>	<b>96.6%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>-100.0%</b>	<b>83.8%</b>
<b>Total</b>	<b>6 522.9</b>	<b>-34.6%</b>	<b>100.0%</b>	<b>293.0</b>	<b>312.8</b>	<b>332.0</b>	<b>-62.9%</b>	<b>100.0%</b>

## Expenditure Trends

Expenditure is expected to decrease over the medium-term from R6.523 billion in 2018/19 to R332 million in 2020/21. Expenditure on payments for financial assets is a significant share of the department's budget representing an average annual rate of 83.3% of the total budget. This is due to additional funding of R1.2 billion allocated to South African Express Airways and R5 billion allocated to South African Airways during 2018/19 adjustments budget.

The department's oversight activities are mainly funded in the State-owned Companies Governance Assurance and Performance, and Business Enhancement, Transformation and Industrialisation programmes. The combined budget for these programmes is expected to decrease at an average annual rate of 71.4% over the medium term, from R6.4 billion in 2018/19 to R148.7 million in 2021/22.

## STRATEGIC OUTCOME ORIENTED GOALS OF THE INSTITUTION

The Department contributes to the following government outcomes:

### Outcome 6: An efficient, competitive and responsive economic infrastructure network

1. Strategic goal	Strengthening the role of the Shareholder
<b>Goal statement</b>	SOCs' performance is measured to ensure that the SOC's governance structures, procedures and practices are established and implemented effectively and adequately.
<b>Strategic Objective</b>	<b>Promote the development of a strong Shareholder</b>
<b>Strategic Objective statement</b>	This is focussed on promoting the Department's capacity to oversee SOC's and lead in the creation of the standards for oversight functions across government and different spheres.

2. Strategic goal	Ensure SOC's financial sustainability
<b>Goal statement</b>	All the SOC's to be less reliant on government guarantees and remain competitive within their sectors in the local and international markets by 2025.
<b>Strategic objective</b>	<b>Promote independent financial stability of SOC's</b>
<b>Strategic objective statement</b>	Improve the financial sustainability of SOC's through the design and implementation of programmes that will reduce costs or develop new markets, for example pursuing opportunities on the African continent by 2020.

3. Strategic goal	Ensure SOC's maintain commercially viable operations
<b>Goal statement</b>	All the SOC's being managed effectively within reasonable operational costs by 2025.
<b>Strategic objective</b>	<b>Promote commercial viability of SOC's operations</b>
<b>Strategic Objective Statement</b>	Ensure that services provided by SOC's meet user requirements by setting clear service standards and continuously evaluating progress focused on network services such as rail, ports and electricity. In the process the SOC's can generate profits for sustainability.

4. Strategic goal	Delivery of capital projects
<b>Goal statement</b>	As forecast in the NDP, South Africa will need to meet 29 000 megawatt (MW) of new power demand between 2012 and 2030. As a result, more than 40 000 MW of capacity needs to be built to increase the electricity generation reserve margin from 1% to 19% by 2019.
<b>Strategic objective</b>	<b>Accelerate capital project delivery</b>
<b>Strategic Objective Statement</b>	Eskom capital expansion projects commenced in 2005 with an aim of adding capacity through new power stations, high-voltage power lines and sub-station capacity in order to meet South Africa's growing demand and strengthen the grid. Eskom planned to strengthen and substantially extend the transmission grid to meet increasing demand and N-1 compliance by expanding high voltage transmission lines and by adding 9 756 kilometers (KM) sub-station capacity by about 42 470 Mega Volt Amp (MVA) and generating capacity by 17 384 MW by the year 2022.

<b>5. Strategic goal</b>	<b>Supporting the acceleration of transformation of the South African economy</b>
<b>Goal statement</b>	Leverage on SOCs' procurement programmes to promote transformation in their value chains and their suppliers, develop initiatives to support development of small, medium and micro enterprises (SMMEs), cooperatives as well as rural and township businesses, including businesses owned by targeted groups and communities.
<b>Strategic objective</b>	<b>Accelerate transformation of the South African economy</b>
<b>Strategic objective statement</b>	The objective is indicated in the transformation scorecard as approved and set by the Department with the SOCs in terms of meeting SMME development objectives (30% of black business provided with opportunity to do business with SOCs) by 2025.

<b>6. Strategic objective</b>	<b>Accelerate development of skills to support the needs of the economy</b>
<b>Objective statement</b>	Skills development ensures provision of scarce and critical skills by SOCs in support of the national skills agenda, targeting largely youth, women and people with disabilities.
<b>Strategic objective statement</b>	—

<b>7. Strategic goal</b>	<b>Advancing the re-industrialisation of the South African economy</b>
<b>Goal statement</b>	Development of targeted groups (i.e. women, people with disabilities, cooperatives), participation of designated groups and SMMEs in the core value chains of SOCs as guided by broad-based black economic empowerment (BBBEE) legislation, the Preferential Procurement Policy Framework Act (PPPFA, Act 5 of 2000), the Black Industrialists Policy, Employment Equity (EE) and SMME strategies. Implementation and development of the Black Industrialists Programme by 2030 as per the MTSF and NDP.
<b>Strategic objective</b>	<b>Position SOCs to support the re-industrialisation of the South African economy</b>
<b>Strategic objective statement</b>	SOCs can play a critical role in leveraging both their investment and operational activities to support the re-industrialisation of the economy. The focus is to ensure that SOCs localise their value chains and support the growth of manufacturing and other productive sectors.

<b>8. Strategic goal</b>	<b>N/A</b>
<b>Goal statement</b>	<b>N/A</b>
<b>Strategic objective</b>	<b>Promote alignment and efficiency across institutional model</b>
<b>Strategic objective statement</b>	The Department will receive an unqualified audit report and a Monitoring Performance Assessment Tool (MPAT) rating of 4 in 2019/2020.





## PART B PROGRAMME & SUB-PROGRAMME PLANS

# PART B: PROGRAMME AND SUB-PROGRAMME PLANS

## 1. PROGRAMME 1 – ADMINISTRATION AND CORPORATE MANAGEMENT

### Purpose of the programme:

To provide strategic leadership management and support services to the Department.

### Programme overview:

The programme includes the Ministry, the Office of the Director-General and Support Services. The programme currently comprises the following sub-programmes: Ministry; Management; Corporate Services; the Office of the Chief Financial Officer; Human Resources; Communications; Strategic Planning, Monitoring and Evaluation; Security and Facilities, Information Management and Technology and Internal Audit.

### Corporate Services is responsible for:

**Office of the Director-General/Management:** which provides technical support enabling Government to optimally exercise governance and performance over the portfolio of State Owned Companies (SOCs)

**Security and Facilities Management** which provides a safe and secure environment and internal administration and facilities services to internal customers.

**Information Management and Technology** which provides information technology services and applications as strategic tools for business enablement, including comprehensive records management, knowledge management, library and information services.

**Office of the Chief Financial Officer** which provides effective and efficient financial management services to ensure compliance with various legislation, including the Public Finance Management Act, 1999 (Act No 1 of 1999) and Treasury Regulations.

**Human Resources** which assist line management to implement operational excellence and develop the human capital potential in the Department.

**Communications** which reposition the DPE as a strong shareholder department; make the DPE brand relevant and meaningful to ordinary South Africans; provide impactful media relations and media communication; and improve employee engagement.

**Strategic Management** which coordinates, manages and oversees outcomes-based performance reporting of the Department; implements performance monitoring and evaluation processes for individual programmes and business units as a mechanism for measuring the delivery of strategic objectives; and reports to various stakeholders.

**Internal Audit** which provides independent and objective assurance and consulting on internal audit services to add value and improve the Department's operations; and assists the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## PROGRAMME OVERVIEW ON SERVICE DELIVERY

**Office of the Director-General/Management:** The principles of the new Shareholder Policy were approved by Cabinet in the 2016/17 financial year. The policy is meant to improve the performance of SOC's as well as strengthen and sharpen government's role as shareholder, Regulator and Policy Maker in the governance of SOC's. In 2019/2020 the office will coordinate the development of the Shareholder Management Bill. the sub-programme will hold more consultations with all the stakeholders. a study to inform the Green Paper will be conducted, subsequent to that, the Draft Green Paper will be finalised by the end of the year.

**Security and Facilities Management:** In 2018/19 the Department moved into a new building. In line with the critical nature of the function performed by the Department overseeing SOE that account for 70% of government's SOE assets, a conducive and safe environment for the high caliber of professionals employed by the Department is critical. An appropriate plan is being implemented to ensure this objective is rolled out by the unit.



**Information Management and Technology:** The function of government shareholder management is information intensive, with data for analysis received in various forms from SOCs under its purview. In this regard, the Information Management and Technology unit is a critical function in ensuring proper management of this information and its accessibility to a range of professionals who research information for strategic decision-making and fulfilling the Shareholder's mandate. One of the projects being undertaken by the unit in 2019/20 is the automation of identified processes to enable quicker decision-making.

**Human Resources:** The recruitment, selection, and development of professionals critical in the performance of the government shareholder management function of the Department. In this regard, the Department needs to be seen as an employer of choice for the economists, financial analysts, engineers, and other highly sought professions by various sectors of the economy. In performing this function, the Department continuously reviews its internal resource arrangements to create a knowledge and learning organisation. The latest iteration of the review was in the 2016/17 financial year. The process was signed off by the Minister of Public Service and Administration (MPSA) and Minister of Finance (MOF) with the concurrence of the Minister of Public Enterprises in December 2017.

**Communications:** The interphase with the public to communicate the plans and programmes of the Department and its SOCs is a critical function of the unit. Further, the unit coordinates the Minister's community engagement programmes: Imbizos, Back-to-School Campaigns, SOC Corporate Social Investment Projects, etc. In this regard, coordination with the rest of government and SOCs on matters as they arise is critical.

**Strategic Planning, Monitoring and Evaluation:** The year 2019/20 will see a new administration (6<sup>th</sup> Administration) this means that government will have a new 5year strategy; the Department will have to table two Annual Performance Plans and a new Strategic Plan to inform how it operates and delivers on its mandate. The Department will also hold strategic planning sessions to inform its strategy.



**Programme performance indicators and annual targets for Administration and Corporate Management for 2019/20**

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2015/2016	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Strategic Objective: Promote the development of a strong shareholder</b>							
<b>Office of the Director-General</b>							
1.1 Government Shareholder Management Bill adopted into law by 2021/22	SOC Stabilisation Programme	Draft concept paper on Shareholder Policy	Not achieved' Develop draft Bill on Shareholder Management.	Shareholder Management Policy developed and submitted to Cabinet.	Green Paper for the SOE Bill developed.	White Paper developed. SOE Bill developed.	Government Shareholder Management Bill adopted into law by 2020/21.
<b>Strategic Objective: Promote alignment and efficiency across institutional model</b>							
<b>Human Resource Management</b>							
1.2 Number of Training Interventions in line with WSP	None	None	None	22 training interventions provided (WSP)	20 training interventions provided (WSP)	15 training interventions provided (WSP)	10 training interventions provided (WSP)

**Quarterly targets for Administration and Corporate Management for 2019/20**

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2019/20	1st	2nd	3rd	4th
Strategic Objective: Promote the development of a strong shareholder						
Office of the Director-General						
1.1 Government Shareholder Management Bill adopted into law by 2020/21	Annually	Green Paper for the SOE Bill developed	None	None	None	Green paper for SOE Bill developed
Strategic Objective: Promote alignment and efficiency across institutional model						
Human Resource Management						
1.2 Number of training interventions provided	Quarterly	20 training interventions provided (WSP)	5 training interventions	5 training interventions	5 training interventions	5 training interventions



## BUDGET AND MTEF

**Table 2: Administration expenditure trends and estimates by sub-programme and economic classification**

	2015/16		2017/18		2018/19		2019/20	2020/21	2021/22
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Estimate	Revised Baseline	Revised Baseline	Revised Baseline
<b>Rand thousand</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Subprogrammes									
Ministry	28 611	31 221	35 252	34 985	28 766	28 766	30 908	32 775	34 822
Management	12 834	9 903	9 412	8 757	20 762	20 762	22 008	25 609	27 127
Communications	30 425	38 318	39 339	36 301	37 703	37 703	41 228	42 830	45 384
Chief Financial Officer	13 866	15 228	16 173	16 142	17 649	17 649	19 367	20 691	21 950
Human Resources	34 181	36 283	29 089	27 700	27 720	27 720	30 032	31 883	33 318
Internal Audit	5 314	6 062	4 701	3 579	4 624	4 624	5 732	5 746	6 100
Corporate Services	10 689	3 905	4 696	3 380	3 799	3 799	4 077	4 382	4 661
Office Accommodation	9 988	10 657	13 209	13 198	10 956	10 956	11 569	12 006	12 666
<b>Total</b>	<b>145 908</b>	<b>151 577</b>	<b>151 871</b>	<b>144 042</b>	<b>151 979</b>	<b>151 979</b>	<b>164 921</b>	<b>175 922</b>	<b>186 028</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>137 833</b>	<b>147 405</b>	<b>143 579</b>	<b>135 762</b>	<b>147 031</b>	<b>147 031</b>	<b>161 596</b>	<b>172 359</b>	<b>182 269</b>
<b>Compensation of employees</b>	<b>76 169</b>	<b>77 893</b>	<b>76 171</b>	<b>68 806</b>	<b>82 288</b>	<b>82 288</b>	<b>91 478</b>	<b>98 597</b>	<b>104 453</b>
Salaries and wages	70 013	71 723	69 002	61 883	75 830	75 830	85 133	90 776	96 123
Social contributions	6 156	6 170	7 169	6 923	6 458	6 458	6 345	7 821	8 330
<b>Goods and services</b>	<b>61 664</b>	<b>69 512</b>	<b>67 408</b>	<b>66 956</b>	<b>64 743</b>	<b>64 743</b>	<b>70 118</b>	<b>73 762</b>	<b>77 816</b>
Administrative fees	2 326	1 488	1 339	1 301	1 359	1 359	1 562	1 332	1 405
Advertising	2 326	1 824	997	991	2 369	2 369	2 263	2 361	2 491
Minor assets	224	87	276	270	607	607	165	174	183
Audit costs: External	3 559	3 328	3 294	3 293	3 404	3 404	3 554	3 749	3 955
Bursaries: Employees	724	407	582	580	850	850	898	1 669	1 761
Catering: Departmental activities	675	363	581	542	593	593	912	951	1 003
Communication (G&S)	3 724	6 660	3 575	3 463	3 994	3 994	4 352	3 836	4 046
Computer services	3 731	3 843	5 987	5 985	5 144	5 144	5 360	5 688	6 001
Consultants: Business and advisory services	7 393	6 932	5 264	5 248	10 410	10 410	12 594	13 819	14 580
Legal services (G&S)	119	1 288	0	0	318	318	499	684	722
Science and technological services	0	0	0	0	0	0	0	0	0

	2015/16		2017/18		2018/19		2019/20	2020/21	2021/22
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Estimate	Revised Baseline	Revised Baseline	Revised Baseline
Rand thousand	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Contractors	1 786	2 250	1 805	1 784	2 267	2 267	2 768	2 931	3 092
Agency and support/outsourced services	1 659	8 398	753	754	466	466	485	508	536
Entertainment	0	0	17	0	0	0	0	-1	-1
Fleet services (including government motor transport)	771	965	1 297	1 296	1 027	1 027	1 072	1 130	1 192
Housing	0	0	0	0	0	0	0	0	0
Inventory: Clothing material and accessories	1	1	0	0	0	0	0	0	0
Inventory: Materials and supplies	5	18	0	0	0	0	0	0	0
Inventory: Medical supplies	3	0	0	0	0	0	0	0	0
Consumable supplies	356	1 866	1 946	1 934	410	410	437	459	484
Consumables: Stationery, printing and office supplies	1 566	1 265	831	830	1 351	1 351	1 511	1 593	1 680
Operating leases	1 223	10 032	12 709	12 703	10 878	10 878	11 266	12 253	12 927
Rental and hiring	970	577	481	481	650	650	581	613	647
Property payments	10 321	1 972	5 177	5 150	3 860	3 860	4 085	3 746	3 952
Transport provided: Departmental activity	208	416	41	40	246	246	260	274	289
Travel and subsistence	12 611	11 288	16 403	16 295	9 814	9 814	10 511	11 090	11 702
Training and development	1 466	1 274	750	749	1 100	1 100	1 162	924	975
Operating payments	2 746	1 632	2 344	2 308	2 326	2 326	2 448	2 530	2 665
Venues and facilities	1 171	1 338	959	959	1 300	1 300	1 373	1 449	1 529
<b>Transfers and subsidies</b>	<b>1 714</b>	<b>307</b>	<b>2 872</b>	<b>2 864</b>	<b>356</b>	<b>356</b>	<b>11</b>	<b>12</b>	<b>13</b>
Provinces and municipalities	0	9	12	11	11	11	11	12	13
Municipalities	0	9	12	11	11	11	11	12	13
Municipal bank accounts	0	9	12	11	11	11	11	12	13
Households	1 714	298	2 860	2 853	345	345	0	0	0
Social benefits	1 267	278	2 692	2 686	345	345	0	0	0
Other transfers to households	447	20	168	167	0	0	0	0	0
<b>Payments for capital assets</b>	<b>6 341</b>	<b>3 865</b>	<b>5 159</b>	<b>5 156</b>	<b>4 592</b>	<b>4 592</b>	<b>3 314</b>	<b>3 551</b>	<b>3 746</b>
Buildings and other fixed structures	0	0	0	0	0	0	0	0	0
Buildings	0	0	0	0	0	0	0	0	0

	2015/16		2017/18		2018/19		2019/20	2020/21	2021/22
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Estimate	Revised Baseline	Revised Baseline	Revised Baseline
Rand thousand	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Other fixed structures	0	0	0	0	0	0	0	0	0
Machinery and equipment	5 731	3 763	4 945	4 942	4 480	4 480	3 196	3 427	3 615
Transport equipment	1 319	1 273	0	0	0	0	0	0	0
Other machinery and equipment	4 412	2 490	4 945	4 942	4 480	4 480	3 196	3 427	3 615
Software and other intangible assets	610	102	214	214	112	112	118	124	131
Payments for financial assets	20	0	261	260	0	0	0	0	0
<b>Total</b>	<b>145 908</b>	<b>151 577</b>	<b>151 871</b>	<b>144 042</b>	<b>151 979</b>	<b>151 979</b>	<b>164 921</b>	<b>175 922</b>	<b>186 028</b>

### Expenditure trends

The spending focus over the medium-term will be on supporting the Department to play its oversight role on SOCs by providing administrative support services to the Department. Spending in this programme is projected to grow from R152 million in 2018/19 to R186 million in 2021/22. Thus, over the medium-term, the bulk of the programmes' allocation will be spent on compensation of employees and the number of personnel will not increase significantly, but the expenditure will increase by an average growth rate of 8.3% over the medium-term. Expenditure on goods and services will increase over the medium-term as a result of spending on consultants, operating lease and travel and subsistence.



## 2. PROGRAMME 2 – SOC GOVERNANCE ASSURANCE AND PERFORMANCE

### Purpose of the Programme

Provide and enforce state-owned companies' governance, legal assurance, financial and non-financial performance monitoring, evaluation and reporting systems, in support of the shareholder, to ensure alignment with government priorities.

### Objectives

Ensure effective shareholder oversight of SOCs on an ongoing basis by:

- Providing governance and legal systems.
- Developing and maintaining shareholder risk profiles and mitigating strategies.
- Monitoring, evaluating and reporting on the financial and non-financial performance, and proposing intervention measures when required.

### SUB-PROGRAMMES

- **Management** comprises the office of the Deputy Director-General, which provides strategic leadership and management for the programmes' personnel.
- **Legal** provides external legal services and support, including transaction and contract management support to sector teams and the commercial activities of SOCs within their portfolios.
- **Governance** develops, monitors and advises on legislative, corporate governance and shareholder management systems for the Department and SOCs in its portfolio. The sub-programme develops and implements risk and compliance management guidelines and systems for shareholder risk.
- **Financial Assessment and Investment Support** analyses SOCs' capital planning, operational performance, execution of capital programmes and proposed restructuring proposals; and advises on appropriate action.





## 2.1 Sub-programme: Governance, Legal Assurance, Risk Profiling and Mitigation

### Governance and Legal Assurance

- Develops standardised indicators for the SOCs.
- Performs governance assurance reviews and reports thereon.
- Develops and facilitates the implementation of governance enhancement initiatives.
- Provides technical assistance to the Minister on board functions.
- Provides governance early warning services.
- Provides legal assurance services.

### Risk Profiling and Mitigation

- Develops and facilitates the SOCs' Group Risk Management Framework.
- Maintains the SOCs' Group Risk Register (transversal risk register, with cross-cutting risks).
- Coordinates and facilitates the development of the group risk mitigation strategies.
- Provides early warning services to the Shareholder.
- Provides technical inputs supporting compact alignment processes.
- Coordinates special investigations initiated by the Shareholder.

### PROGRAMME OVERVIEW ON SERVICE DELIVERY

The programme will develop guidelines for board appointments that encompass evaluation and other sub sections of board appointments to make sure that there is transparency.

#### Programme performance indicators and annual targets for Governance, Legal Assurance and Risk Profiling and Mitigation for 2019/20

Performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Strategic Objective: Promote the development of a strong shareholder</b>							
2.1 Develop Board performance Evaluation framework	None	None	None	5 boards reviewed and new boards appointed	Board performance Evaluation framework developed and reviewed.	Review board performance in line with the Evaluation framework.	Review board performance in line with the Evaluation Framework
2.2 Monitoring SOC compliance with the norms and standards on MOIs	None	None	None	New indicator	Monitor SOC compliance with the norms and standards on MOIs	Implement standardised SOC MOIs Monitor SOC compliance with the norms and standards on MOIs.	Implement standardised SOC MOIs Monitor SOC compliance with the norms and standards on MOIs.
2.3 Percentage of Anti-Fraud and corruption hotline incidents reports forwarded to the relevant authorities	None	None	None	Shareholder Anti-Fraud and Corruption Hotline established	80% of Anti-Fraud and corruption hotline incidents reports forwarded to the relevant authorities	90% of Anti-Fraud and corruption hotline incidents reports forwarded to the relevant authorities	90% of Anti-Fraud and corruption hotline incidents reports forwarded to the relevant authorities
2.4 Develop SOC Risk integrity management framework	None	None	None	New indicator	Draft SOC risk integrity management framework developed	SOC risk integrity management framework finalised	Implement and monitor compliance with SOC risk integrity management framework

**Quarterly targets for Governance, Legal Assurance and Risk Profiling and Mitigation for 2019/20**

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2019/20	1st	2nd	3rd	4th
Strategic Objective: Promote the development of a strong shareholder						
2.1 Board performance Evaluation framework developed	Quarterly	Board performance Evaluation framework developed	Conduct gap analysis of existing board evaluation tools	Conduct gap analysis of existing board evaluation tools	Draft board performance Evaluation framework	Final board performance Evaluation framework developed
2.2 Report on monitoring of SOC compliance with the norms and standards on MOIs	Annually	Report on monitoring of SOC compliance with the norms and standards on MOIs produced.	None	Report on monitoring of SOC compliance with the norms and standards on MOIs produced.	None	None
2.3 Percentage of Anti-Fraud and corruption hotline incidents reports forwarded to the relevant authorities	Quarterly	80%	80%	80%	80%	80%
2.4 Develop SOC Risk integrity management framework	Quarterly	Draft SOC Risk integrity management framework developed	Project plan approved for implementation	Draft SOC risk reporting norms and standards	Draft conflict of interest norms and standards	Draft security vetting norms and standards

## 2.2 Sub-programme: Financial Assessment and Investment Support

- Develop standardised financial assessment guidelines and indicators for SOCs.
- Perform financial reviews and report thereon.
- Assess applications for funding instruments and coordination of authorisation thereof.
- Facilitate, support and monitor the implementation of financial sustainability initiatives for the DPE portfolio.

## PROGRAMME OVERVIEW ON SERVICE DELIVERY

In 2019/20 the programme will provide financial assessment, financial instruments development as well as secure adequate and diversified funding for SOCs. The programme will further proactively monitor the adequacy of the implementation of response plans to findings by both internal and external auditors so as to improve the financial control environment within SOCs. This will further include the standardisation, review and alignment of the key accounting and financial policies of SOCs in order to improve oversight and transparency across the portfolio.

### Programme performance indicators and annual targets for Financial Assessment and Investment Support for 2019/20

Performance indicator	Audited/Actual performance			Estimated performance	Medium-term targets		
	2015/2016	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Strategic Objective: Promote independent financial sustainability of SOCs</b>							
3.1 Number of SOC quarterly financial reviews and reports produced	None	None	None	24	28	28	28
3.2 Number of corporate plans reviewed	None	None	None	6	7	7	7
3.3 Number of consolidated progress report on SOCs' audit findings	None	None	None	New Indicator	2	2	2

### Quarterly targets for Financial Assessment and Investment Support for 2019/2020

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2019/20	1st	2nd	3rd	4th
Strategic Objective: Promote independent financial sustainability of SOCs						
3.1 Number of SOC financial reviews and reports assessed produced	Quarterly	28	7	7	7	7
3.2 Number of SOC corporate plans reviewed	Annually	7	None	None	None	7
3.3 Number of consolidated progress reports on SOCs' audit findings	Bi-Annually	2	None	1	None	1

## RECONCILING PERFORMANCE TARGETS WITH THE BUDGET AND MTEF

Expenditure estimates

**Table 3: State-owned Companies Governance Assurance and Performance**

	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Estimate	Revised Baseline	Revised Baseline	Revised Baseline
<b>Rand thousand</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Subprogrammes									
Management	2 756	3 161	3 074	2 825	2 913	2 913	3 120	3 338	3 551
Legal	7 163	12 873	13 408	11 589	11 431	11 431	12 206	13 030	13 840
Governance	3 955	7 640	7 761	7 158	10 699	10 699	12 089	12 906	13 419
Financial Assessment and Investment Support	5 487	9 982	7 624	5 960	14 041	14 041	16 498	17 833	19 450
<b>Total</b>	<b>19 361</b>	<b>33 656</b>	<b>31 867</b>	<b>27 532</b>	<b>39 084</b>	<b>39 084</b>	<b>43 913</b>	<b>47 107</b>	<b>50 260</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>19 357</b>	<b>33 566</b>	<b>31 738</b>	<b>27 405</b>	<b>39 084</b>	<b>39 084</b>	<b>43 913</b>	<b>47 107</b>	<b>50 260</b>
<b>Compensation of employees</b>	<b>16 547</b>	<b>17 695</b>	<b>25 406</b>	<b>21 433</b>	<b>30 132</b>	<b>30 132</b>	<b>33 988</b>	<b>36 451</b>	<b>39 017</b>
Salaries and wages	14 755	15 219	22 936	19 736	27 521	27 521	31 178	33 430	35 799
Social contributions	1 792	2 476	2 470	1 697	2 611	2 611	2 810	3 021	3 218
<b>Goods and services</b>	<b>2 810</b>	<b>15 871</b>	<b>6 332</b>	<b>5 972</b>	<b>8 952</b>	<b>8 952</b>	<b>9 925</b>	<b>10 656</b>	<b>11 243</b>
Catering: Departmental activities	5	41	31	18	19	19	16	19	20
Communication (G&S)	142	253	219	150	290	290	312	322	340
Computer services	0	0	0	0	0	0	0	0	0
Consultants: Business and advisory services	612	4 812	775	584	3 875	3 875	4 559	5 002	5 277
Infrastructure and planning services	0	0	0	0	0	0	0	0	0
Laboratory services	0	0	0	0	0	0	0	0	0
Legal services (G&S)	710	5 162	3 262	3 261	2 810	2 810	2 967	3 131	3 303
Science and technological services	0	0	0	0	0	0	0	0	0
Contractors	0	3 413	0	0	125	125	0	0	0
Agency and support/outsourced services	0	0	4	0	0	0	0	0	0
Entertainment	0	0	14	0	0	0	-1	-3	-3
Rental and hiring	0	0	0	0	12	12	0	0	0
Property payments	0	0	0	0	0	0	0	0	0

	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Estimate	Revised Baseline	Revised Baseline	Revised Baseline
<b>Rand thousand</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Transport provided: Departmental activity	0	0	0	0	0	0	0	0	0
Travel and subsistence	1 307	2 013	1 984	1 921	1 761	1 761	2 008	2 117	2 234
Training and development	0	0	0	0	0	0	0	0	0
Operating payments	0	0	9	9	0	0	0	0	0
Venues and facilities	34	177	34	29	60	60	64	68	72
Transfers and subsidies	4	90	129	127	0	0	0	0	0
Households	4	90	129	127	0	0	0	0	0
Social benefits	4	90	129	127	0	0	0	0	0
<b>Total</b>	<b>19 361</b>	<b>33 656</b>	<b>31 867</b>	<b>27 532</b>	<b>39 084</b>	<b>39 084</b>	<b>43 913</b>	<b>47 107</b>	<b>50 260</b>

### Performance and expenditure trends

The spending focus will be on the review of seven (7) SOCs' corporate plans, five (5) Boards in line with the Evaluation Framework and development and implementation of conflict of interest framework. The expenditure for programme 2 is expected to increase from R39.0 million in 2018/19 to R50.3 million in 2020/21. The Legal, Governance and Financial Assessment & Investment Support sub-programmes will receive the bulk of the programme's allocation in the medium-term. The increase in expenditure on goods and services is as a result of spending in Travel & subsistence, Consultants and Legal services.





### 3. PROGRAMME 3 – BUSINESS ENHANCEMENT AND INDUSTRIALISATION

#### Purpose of the Programme:

Provide sector oversight to ensure that state-owned companies contribute to the advancement of industrialisation, transformation, intergovernmental relations and international collaboration services. Support the shareholder position and enhancing the operations of state-owned companies.

#### Objectives

- Contribute to the enhancement of the performance of SOCs on an ongoing basis by:
  - Conducting reviews, research and modelling of pipelines and new business enhancement opportunities within the SOCs.
  - Assessing operations of SOCs and developing mitigation instruments in conjunction with policy departments, regulatory bodies and industry.
  - Conducting research, modelling job creation and transforming instruments for SOCs to inform compact alignment imperatives, unlock bottlenecks affecting state-owned companies and inform evidence-based policy formulation.

#### Sub-programmes

- **Business Enhancement Services** develops and coordinates the implementation of SOCs' strategies to leverage localisation programmes; provides inter-governmental coordination and support to programmes and SOCs in relation to economic development programmes, as agreed with provincial and local governments; maintains a register of commitments made by SOCs and enables the implementation of special programmes focusing on skills development, transformation and the youth.
- **Energy Resources** exercises shareholder oversight over Eskom, Alexkor and SAFCOL.
- **Research and Economic Modelling** conducts cost benefit analysis reviews on business enhancement and transformation initiatives and develops economic sustainability models for proposed work packages and projects.

- **Transport and Defence** exercises shareholder oversight over Transnet, SA Express, SAA and Denel.

### PROGRAMME OVERVIEW ON SERVICE DELIVERY

#### International and Intergovernmental Relations

The Chief Directorate Intergovernmental Relations (IGR) was established in line with the intergovernmental Relations Framework Act (2005) to foster relations and co-operation between the Department, different spheres of government and foreign states to advance DPE SOCs, mandate and objective.

At the core of the IGR Unit is:

- The Constitutional imperative, which states that “government is constituted by national, provincial and local spheres of government which are distinctive, interdependent and interrelated”. IGR shall give effect to the principle of cooperative government.
- The practice of IGR developed a programme of interdepartmental and international relations programmes to realise cooperative government by fostering working relations, strengthening alignment, informing one another, and consulting one another on matters of common interest; coordinating actions; adhering to agreed procedures; and avoiding legal proceedings against one another.
- IGR should manage all engagements SOCs are involved with, be they with government departments, foreign states or international agencies, to report back to the department on agreements and have knowledge on such contracts.
- Reviewing the Africa Strategy.

#### Transformation

Transformation, in all its facets, has deep-rooted political, social and economic foundations in the South African context. To address these socio-economic challenges, the DPE has through its Transformation Framework and Guidelines identified areas of intervention in ensuring SOCs' contributions to create opportunities for participation by marginalised sectors of our society and previously disadvantaged individuals in the sectors our SOCs operate.

The Transformation Framework and Guidelines is thus premised on four key pillars critical to transformation, which are:

- (a) Skills Development;
- (b) Employment Creation;
- (c) Procurement; and
- (d) Corporate Social Investment (CSI) Contributions.

### **Corporate Social Investment (CSI)**

The South African BBBEE Code, not only aims to correct racial imbalances, but also strives to promote social investment and the empowerment of communities. It is thus important that as required by both the BBBEE Codes and the Companies Act (2008), SOCs commit 1% of the Net Profit after Tax (NPAT) and other additional financial resources for development of the communities in which their businesses operate through social compacts. In this regard, the programme will:

- Ensure SOCs' CSI spend is strategically leveraged to ensure the delivery of impactful interventions in various communities.
- Coordinate SOCs' quarterly forums on CSI to advance community development and transformation.
- Conduct SOCs' quarterly performance assessments on CSI.

### **Industrilisation and Localisation**

Based on their procurement capacity, manufacturing capabilities and their role in providing infrastructure and economic services, SOCs are better positioned to support industrialisation of the Economy. They serve as clusters of expertise and have important linkages to various parts of the economy as anchor institutions in their sectors as channels for international knowledge spillovers, and as hubs for human capital development.

As set out in the New Growth Path (NGP) and Industrial Policy Action Plan (IPAP), procurement of locally manufactured products is one of the key levers identified by government to support industrial development in South Africa. Government is currently using (i) designation/local content, (ii) National Industrial Participation

Programme (NIPP) and (iii) the Competitive Supplier Development Programme (CSDP) as distinct procurement levers to leverage procurement to develop new industrial and technological capabilities.

In ensuring implementation of these programmes, DPE will monitor the implementation of its Localisation Strategic Framework (LSF) to ensure SOCs' contribution to the achievement of national imperatives for increased local content, investment, technology accumulation and establishment of trading partners so that in the medium to long term they can buy from local service providers than multinational Original Equipment Manufacturers (OEMs). This will support SMMEs development, transformation, localisation, reduce the trade imbalance and create jobs. In this regard, the programme will:

- (a) Ensure achievement of high local content in SOCs' procurement expenditures
- (b) Facilitate the implementation of Supplier Development and Localisation in SOC Capital Expenditure Programmes
- (c) Ensure SOCs invest in Research and Development activities directed at increasing the country's industrial capabilities.

### **Environmental Alignment**

- Environmental Alignment coordinates the Joint Working Committee engagements on a quarterly basis to discuss environmental issues that affect SOCs, and /to unlock bottlenecks to ensure that SOCs fully comply with relevant legislation.
- The Air Quality and Compliance Forum takes place on a quarterly basis to address challenges and accounting purposes related to Eskom.
- Develops the Environmental Implementation Plan, (as required by Chapter 3 of the National Environmental Management Act, (NEMA Act 107 of 1998 as amended) on SOCs' strategic projects.

### 3.1 Sub-programme: Business Enhancement and Industrialisation

#### Programme performance indicators and annual targets for Business Enhancement and Industrialisation for the year 2019/20

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Strategic Objective: Accelerate development of skills to support the needs of the economy</b>							
4.1 Monitoring reports on SOCs' contribution to the development of scarce and critical skills produced	None	None	None	Monitoring reports on SOCs' contribution to the development of scarce and critical skills produced	Monitoring reports on SOCs' contribution to the development of scarce and critical skills produced	Monitoring reports on SOCs' contribution to the development of scarce and critical skills produced	Monitoring reports on SOCs' contribution to the development of scarce and critical skills produced
<b>Strategic Objective: Accelerate transformation of the South African economy</b>							
4.2 Reports on monitoring of CSI strategic and high impact projects implemented.	None	9 High impact CSI projects launched in rural areas	Stakeholder engagement on the criteria for the selection of seven high impact CSI projects	Annual report produced on CSI strategic and high impact projects implemented.	4	4	4
4.3 Report on social impact assessment of SOCs' CSI programmes	None	None	None	New indicator	Report produced on social impact of SOCs' CSI programmes	None	None
<b>Strategic Objective: Position SOCs to support reindustrialisation of the South African economy</b>							
4.4 Monitor implementation of the Localisation Strategic Framework	None	None	None	Development of the Industrialisation Strategic Framework	Monitor implementation of the Localisation Strategic Framework	Monitor implementation of the Localisation Strategic Framework	Monitor implementation of the Localisation Strategic Framework
4.5 Review DPE's Africa Strategy	None	None	None	New indicator	DPE Africa Strategy reviewed	DPE Africa Strategy reviewed	DPE Africa Strategy reviewed
4.6 Develop Environmental Implementation Plan (EIP) for DPE	None	None	None	Research implications of SOCs' environmental compliance	DPE EIP Developed	Annual Compliance Report submitted to DEA	4th Edition DPE EIP developed

## Quarterly targets for Business Enhancement and Industrialisation for 2019/20

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2019/20	1st	2nd	3rd	4th
Strategic Objective: Accelerate development of skills to support the needs of the economy						
4.1 Monitoring reports on SOC's contribution to the development of scarce and critical skills produced	Quarterly	Four (4) Quarterly monitoring reports on SOC's contribution to the skills development produced	Q4 2018/19 SOC quarterly reports produced	Q1 2019/20 SOC quarterly reports produced	Q2 2019/20 SOC quarterly reports produced	Q3 2019/20 SOC quarterly reports produced
Strategic Objective: Accelerate transformation of the South African economy						
4.2 Monitoring of SOC's CSI programmes	Quarterly	Four (4) Quarterly reports on the monitoring of SOC's CSI programmes	1	1	1	1
4.3 Report on Social impact assessment of SOC's CSI programmes	Quarterly	Report on Social impact assessment of SOC's CSI programmes produced	TOR developed and Service provider appointed	Progress report on the social impact assessment of SOC's CSI programmes	Progress report on the social impact assessment of SOC's CSI programmes	Final report on social impact assessment of SOC's CSI programmes
Strategic Objective: Position SOC's to support re-industrialisation of the South African economy						
4.4 Monitor implementation of the Localisation Strategic Framework	Quarterly	Assessment of SOC's quarterly reports on the implementation of the Localisation Strategic Framework	Develop implementation plans and Monitoring and Evaluation tool for the Localisation Strategic Framework	Assessment of SOC's quarterly reports on the implementation of the Localisation Strategic Framework	Assessment of SOC's quarterly reports on the implementation of the Localisation Strategic Framework	Assessment of SOC's quarterly reports on the implementation of the Localisation Strategic Framework
4.5 Review DPE's Africa Strategy	Annually	DPE's Africa Strategy Reviewed	None	None	None	Reviewed DPE's Africa Strategy
4.6 Develop Environmental Implementation Plan (EIP) for DPE	Quarterly	DPE EIP produced	Draft EIP approved by DDG	Draft EIP submitted to DEA for comments	Seek approval by DG for EIP	EIP approved by DG



## 3.2 Sub-programme: Energy and Resources

This sub-programme involves:

**Management** – the office of the Deputy Director-General, which provides strategic leadership and management of programme personnel.

**Eskom** – shareholder management and oversight of Eskom's financial performance.

**Alexkor** – shareholder management and oversight of Alexkor, including a review of its strategy to enhance financial sustainability and overseeing implementation of the Richtersveld Deed of Settlement.

**SAFCOL** – shareholder management and oversight, including forestry management, timber harvesting, timber processing and related activities, both domestically and internationally, as well as oversight of the entity's restructuring.

**Responsible for the following SOC's:**

### 1. Eskom SOC Limited

**Supports the security of supply by:**

- Examining on an ongoing basis Eskom's maintenance plans, operational practices, electricity generation and distribution efficiency, as well as its reserve margin.
- Ensuring on an ongoing basis that Eskom supplies electricity by monitoring, evaluating and engaging Eskom on system security and the new Build Programme to alleviate constraints.
- Facilitating on an ongoing basis engagement between Eskom and other spheres of government to address municipal debt.
- Monitoring on an ongoing basis the rollout of the capital investment programme to ensure that it is delivered on time, is of appropriate quality and within budget.

### 2. Alexkor SOC Limited

- Ensuring increased diamond production and promoting the financial stability of the joint venture by monitoring the implementation of Alexkor's strategy to promote financial sustainability and monitor the pooling and sharing joint venture turnaround strategy on a quarterly basis.
- Ensuring collaboration and alignment of the two SOC's to provide a clear indication to market by developing a collaborative model with the African Exploration Mining and Finance Corporation over the medium-term.

- Contributing to developing sustainable economic activities linked to the agricultural sector by continuously supporting and coordinating the joint efforts of the Department of Public Enterprises with the Department of Mineral Resources and the Department of Rural Development and Land Reform, to stabilise the Richtersveld region and make use of revenues.

### 3. SAFCOL

- Oversight of the implementation of the land restitution strategy for claims over the Komatiland Forests Land Claims Settlement Model, to ensure meaningful benefits to successful land claimants over the medium-term.
- Oversight of the implementation of SAFCOL's corporate strategy over the medium-term.
- Engagement with the Departments of Rural Development and Land Reform, Agriculture, Forestry and Fisheries, and Trade and Industry, to ensure the warehousing of the shares held by SAFCOL and shares in the four privatised forestry companies.
- Reduction of reliance on the sawlog market by supporting the development of the new business strategy over the medium-term.

## PROGRAMME OVERVIEW ON SERVICE DELIVERY

### The Department's oversight role in 2019/20 financial year

- Examining Eskom's maintenance plans, operational practices, electricity generation and distribution efficiency, and its reserve margin on an ongoing basis.
- Monitor the process of restructuring and the Turn-around Plan including the 9 point Generation Turnaround Plan
- Ensuring that Eskom supplies electricity by monitoring, evaluating and engaging Eskom on system security and the new Build Programme to alleviate constraints on an ongoing basis.
- Facilitates engagement between Eskom, Labour, funders and other spheres of government on the matter of restructuring and future sustainability of Eskom.
- Monitor the rollout of the capital investment programme to ensure that it is delivered on time, is of appropriate quality and within budget on an ongoing basis.

**Programme performance indicators and annual targets for Energy and Resources for 2019/20**

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Strategic Objective: Promote commercial viability of SOCs' operation</b>							
5.1 Number of shareholder compacts signed per year (Eskom, Alexkor and SAFCOL)	None	None	New indicator	3 Shareholder Compacts (2019/20) (Eskom, Alexkor and SAFCOL)	3 Shareholder Compacts (2020/21) (Eskom, Alexkor and SAFCOL)	3 Shareholder Compacts (2021/22) (Eskom, Alexkor and SAFCOL)	3 Shareholder Compacts (2022/23) (Eskom, Alexkor and SAFCOL)
<b>ESKOM</b>							
5.2 Review report on Eskom's fleet performance	None	Position paper on Eskom's operational sustainability	Monitor Eskom's operational performance	Review Eskom's generation fleet and life of plants	4 Review reports on Eskom's fleet performance	4 Review reports on Eskom's fleet performance	4 Review reports on Eskom's fleet performance
5.3 Report on the implementation of Eskom's Turnaround plan	None	None	None	New indicator	4 Reports on the implementation of Eskom's Turnaround plan.	None	None
<b>ALEXKOR</b>							
5.4 Reports on the implementation of Alexkor's proposed shareholding optimal structure	None	None	Assessment of Alexkor's Investment (Diversification Plan)	Draft study on State-Owned Mining Assets to propose an optimum structure	4 Quarterly reports on implementation of the proposed shareholder optimal structure	4 Quarterly reports on implementation of the proposed shareholder optimal structure	4 Quarterly reports on implementation of the proposed shareholder optimal structure
<b>SAFCOL</b>							
5.5 Develop MoA with State Organ/s into the review of State Forestry Assets	None	None	None	New indicator	MoA with State Organ/s into the review of the State Forestry Assets developed.	Implementation of the MoA to review the State Forestry Assets	None

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Strategic Objective: Accelerate capital project delivery</b>							
<b>ESKOM</b>							
5.6 Number of progress reports on the delivery of Eskom's Build Programme and Power Delivery Projects	Delivery of Medupi, Kusile, Ingula and Sere Wind Farm.	Review and monitor the delivery of Eskom's Build Programme	Monitor the delivery of Eskom's Build Programme (Medupi & Kusile)	4 reports on the monitoring of Eskom's Build Programme (Medupi & Kusile)	4 (Medupi & Kusile)	4 (Medupi & Kusile)	4 (Medupi & Kusile)
5.7 Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained	None	None	New indicator	Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained	Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained	Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained	None

#### Quarterly targets for Energy and Resource for 2019/20

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2019/20	1st	2nd	3rd	4th
Strategic Objective: Promote commercial viability of SOCs’ operations						
5.1 Number of Shareholder Compacts signed (Eskom, Alexkor and SAFCOL)	Quarterly	3 Shareholder Compacts (2020/21) signed (Eskom, Alexkor and SAFCOL)	None	None	3 Shareholder Compacts (2020/21) signed (Eskom, Alexkor and SAFCOL)	None
ESKOM						
5.2 Review report on performance of Eskom’s fleet produced	Quarterly	4	1	1	1	1
5.3 Report on the implementation of Eskom’s Turnaround plan	Quarterly	4	1	1	1	1
SAFCOL						
5.4 Develop MoA with State Organ/s on the review of State Forestry Assets	Annually	MoA with State Organ/s on the review of State Forestry Assets developed	None	None	MoA with State Organ/s on the review of State Forestry Assets developed	None

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2019/20	1st	2nd	3rd	4th
ALEXKOR						
5.5 Reports on the implementation of Alexkor's proposed shareholding optimal structure	Quarterly	4	1	1	1	1
Strategic Objective: Accelerate capital project delivery						
ESKOM						
5.6 Number of progress reports on the delivery of Eskoms Build Programme (Medupi, Kusile and Power Deliver Projects)	Quarterly	Four (4) Assessment reports on the delivery of Eskom's Build Programme (Medupi, Kusile and Power Delivery Projects)	1 (Medupi, Kusile, and Power Delivery Projects)	1 (Medupi, Kusile, and Power Delivery Projects)	1 (Medupi, Kusile, and Power Delivery Projects)	1 Programme (Medupi, Kusile, and Power Delivery Projects)
5.7 Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained	Quarterly	Four (4) Assessment reports on the electricity generation reserve margin to evaluate whether 19% is sustained	One (1) assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained	One (1) assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained	One (1) assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained	One (1) assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained



### 3.3 Sub-programme: Transport and Defence

This sub-programme involves:

**Management** – the office of the Deputy Director-General provides strategic leadership and management of programme personnel.

**Transnet** – aligns the corporate strategies of Transnet with government's strategic intent and monitors financial and operational performance.

**SA Express** – aligns SA Express' corporate strategies with government's strategic intent and monitors financial and operational performance.

**Denel** – shareholder management and oversight of Denel's financial performance and strategy implementation.

**SAA** — aligns SAA's corporate strategies with Government's strategic intent and monitors financial and operational performance.

**The programme is responsible for the following SOC's:**

#### Transnet SOC Limited

- Provides oversight on Transnet's implementation of the Market Demand Strategy including the 4.0 Strategy to optimise the economic impact of infrastructure investment on the economy by monitoring the rollout of Transnet's Capital Expenditure Programme, quarterly and annually; and by assessing any significant deviations from corporate plans and potential cost overruns and possible time delays on major capital projects.

#### South African Express Airways SOC Limited

- Develops a strategic proposal for the optimal group structure of the State owned airlines to assist in rationalising the structure of these airlines as well as to unify their operations.
- Monitors the implementation of the company's multi-year turnaround plan over the medium term

#### Denel SOC Limited

- Oversees the development of a long-term growth strategy to achieve financial stability and the growth of manufacturing export products on an ongoing basis.

- Monitors the implementation of the multi-year turnaround plan over the medium-term.
- Ensures alignment with key government stakeholders on the strategic capabilities to be maintained by Denel and the funding thereof;
- Works with Denel to identify of non-core businesses which could be sold or where strategic equity partners could be introduced and facilitates the process for doing so.

#### SAA

- Develops a strategic proposal for the optimal group structure of the State owned airlines to assist in rationalising the structure of these airlines as well as to unify their operations.
- Monitors the implementation of the company's multi-year turnaround plan over the medium term
- Develops a holistic approach to the policies affecting the aviation sector through engagement with the relevant policy departments.

### PROGRAMME OVERVIEW ON SERVICE DELIVERY

The programme will ensure that there is an alignment between the corporate strategies of Transnet and SA Express with government's strategic intent, and monitor and benchmark financial and operational performance through:

- Ensuring alignment of the corporate strategies of Transnet, Denel, SAA and SA Express with government's strategic objectives and ensuring that these companies remain competitive, financially sustainable and deliver the best service to the economy.
- Supporting Transnet, Denel, SAA and SA Express in delivering on their objectives by identifying appropriate (annually) key performance measures for their Shareholder Compacts and corporate plans (lead Shareholder Compact).
- Creating an enabling environment for transport and defence enterprises and ensuring an appropriate balance between the enterprises' interests, stability and developmental objectives by engaging with industry and government stakeholders (National Treasury), policy departments and regulators.
- Ensuring effective use of existing logistics infrastructure, planning for the creation of new infrastructure and providing optimal services.

**Programme performance indicators and annual targets for Transport and Defence for 2019/20**

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Strategic Objective: Promote commercial viability of SOCs' operations</b>							
6.1 Number of Shareholder Compacts signed annually (Transnet, SA Express, SAA and Denel)	None	None	New indicator	Three (3) Shareholder Compacts (2019/20) signed (Transnet, SA Express, SAA and Denel)	Four (4) Shareholder Compacts (2020/21) signed (Transnet, SA Express, SAA and Denel)	Four (4) Shareholder Compacts (2021/22) signed (Transnet, SA Express, SAA and Denel)	Four (4) Shareholder Compacts (2022/23) signed (Transnet, SA Express, SAA and Denel)
<b>DENEL</b>							
6.2 Report on implementation of Denel's restructuring plan	None	None	None	New indicator	Report on implementation of Denel's restructuring plan completed	Report on implementation of Denel's restructuring plan completed	None
<b>TRANSNET</b>							
6.3 Assess increase in tonnage moved on rail from 207 to 330 mtpa from 2014 to 2019	None	None	None	Assess increase in tonnage moved on rail to 235 mtpa by 2019	Assess increase in tonnage moved on rail to 235 mtpa by 2019	None	None
6.4 Assess improvement on operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019 annually	None	None	None	Assess improvement on operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Assess improvement on operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	None	None
<b>SAA and SA EXPRESS</b>							
6.5 Report on implementation of SAA and SA Express turnaround plans	None	None	None	New indicator	Report on implementation of SAA and SA Express turnaround plans completed	Report on implementation of SAA and SA Express turnaround plans completed	None
6.6 Report on Optimal Corporate Structure for the state-owned airlines completed	None	Strategic proposal for optimal group structure of State-owned airline assets	Review of developed optimal group corporate structure	Optimal Corporate structure for the state-owned airlines approved by Cabinet	Report on the implementation of the approved Optimal Corporate Structure for the state-owned airlines completed	Report on the implementation of the approved Optimal Corporate Structure for the state-owned airlines completed	None

**Quarterly targets for Transport and Defence for 2019/20**

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2019/20	1st	2nd	3rd	4th
Strategic Objective: Promote commercial viability of SOCs’ operations						
6.1 Number of Shareholder Compacts signed (Transnet, SA Express, SAA and Denel)	Annually	Four (4) Shareholder Compacts (2020/21) signed (Transnet, SA Express, SAA and Denel)	None	None	Four (4) Shareholder compacts (2020/21 signed (Transnet, SA Express, SAA and Denel)	None
DENEL						
6.2 Report on the implementation of the restructuring plan for Denel	Quarterly	4	1	1	1	1
TRANSNET						
6.3 Assess increase in tonnage moved on rail to 330mtpa by 2019	Quarterly	Assess increase in tonnage moved on rail to 235 mtpa by 2019	Assess increase in tonnage moved on rail to 235 mtpa by 2019	Assess increase in tonnage moved on rail to 235 mtpa by 2019	Assess increase in tonnage moved on rail to 235 mtpa by 2019	Assess increase in tonnage moved on rail to 235 mtpa by 2019
6.4 Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Quarterly	Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019
SAA and SA EXPRESS						
6.5 Report on implementation of SAA and SA Express turnaround plans	Bi-Annually	Report on implementation of SAA and SA Express turnaround plans completed	None	Report on implementation of SAA and SA Express turnaround plans, including any proposed remedial actions completed.	None	Report on implementation of SAA and SA Express turnaround plans, including any proposed remedial actions completed.
6.6 Optimal Corporate Structure for the state owned airlines	Annually	Report on the implementation of the approved Optimal Corporate Structure for the state-owned airlines completed	None	None	None	Report on the implementation of the approved Optimal Corporate Structure for the state-owned airlines completed

### 3.4 Sub-programme: Research and Economic Modelling

This sub-programme involves:

- **Management** - the office of the Deputy Director-General, which provides strategic leadership and management of the programme.
- **Economic modelling** - to provide specialist economic modelling and sustainability services.

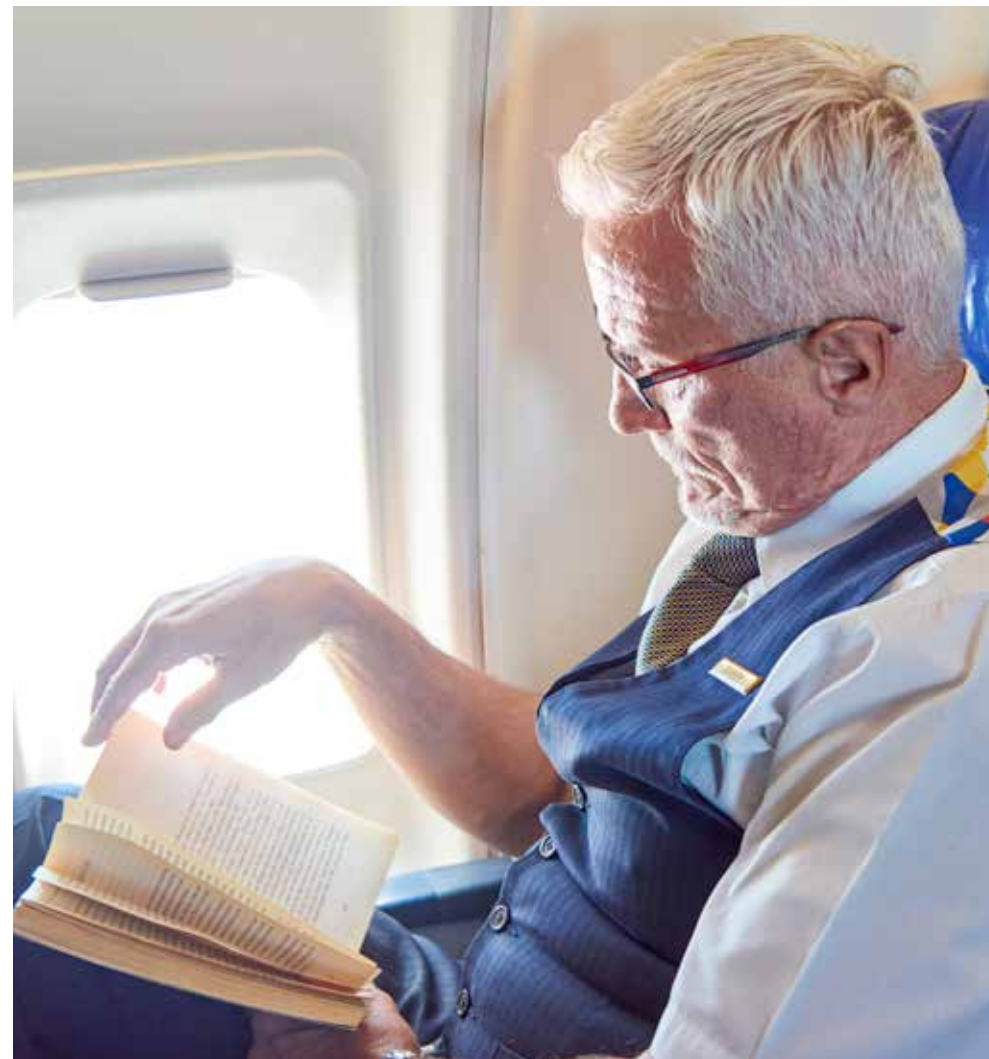
#### Objectives

- Conduct cost benefit analysis reviews of proposed business enhancement and transformation initiatives.
- Develop economic sustainability models for proposed work packages and projects.

#### PROGRAMME OVERVIEW ON SERVICE DELIVERY

- The sub-programme will carry out annual socio-economic impact assessments of DPE and SOC's economic activities with the objectives of promoting inclusive economic growth.
- Conduct annual macroeconomic and industry-specific research to enable evidence based policy formulation for the advancement of radical socio-economic transformation.
- Provide global, regional, country and industry economic insights on regular bases.
- Initiates and coordinates specialist research projects to model the short-, medium- and long-term business enhancement prospects.
- Develops and coordinates the implementation of SOC's group pipeline business enhancement strategies and instruments.
- Develops business enhancement models for the clusters and coordinates the adoption processes.
- Initiates and coordinates specialist research projects to define business enhancement inhibitors for the SOC Groups.

- Liaises with policy and regulatory institutions to mitigate the impact of the identified business inhibitors.
- Provides technical inputs to influence alignment of the regulatory regime impacting on the operations of the SOC Groups.
- Provides technical advisory services to support SOC's compact alignment processes and facilitate their development/adoption.





**Programme performance indicators and annual targets for Research and Economic Modelling for the year 2019/20**

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Strategic Objective: Accelerate transformation of the South African economy</b>							
7.1 Socio-economic impact assessment reports of SOCs' selected capital projects.	None	None	None	Socio-economic impact assessment of Transnet's selected capital projects.	Socio-economic impact assessment of Eskom's selected capital projects.	Socio-economic impact assessment of SAFCOL's selected capital projects.	Socio-economic impact assessment of aviation selected capital projects.
7.2 Number of industry-specific research conducted	None	None	None	Macroeconomic and industry-specific research.	10	10	10

**Quarterly targets for Research and Economic Modelling for 2019/20**

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2019/20	1st	2nd	3rd	4th
Accelerate transformation of the South African economy						
7.1 Socio-economic impact assessment reports of SOCs' selected capital projects completed	Quarterly	Socio-economic impact assessment report of Eskom's selected capital projects clompeted	None	Review report of Eskom's capital projects	Eskom's project site visit reports	One (1) Socio-economic impact assessment report of selected Eskom capital projects completed
7.2 Number of industry-specific researches conducted	Quarterly	10	None	None	None	10

## BUDGET AND MTEF

Table 4: Business Enhancement, Transformation and Industrialisation

	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Estimate	Revised Baseline	Revised Baseline	Revised Baseline
Rand thousand	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Subprogrammes</b>									
Energy Resources	23 019 195	22 548	15 803	14 450	13 658	13 658	14 732	15 866	16 855
Research and Economic Modelling	3 560	5 693	25 540	25 150	13 481	13 481	14 024	14 941	15 917
Transport and Defence	55 371	24 269	16 080	14 973	6 269 006	6 269 006	21 513	23 107	24 558
Business Enhancement Services	16 280	16 036	25 535	24 266	35 706	35 706	33 927	35 892	38 406
Total	23 094 406	68 546	82 958	78 839	6 331 851	6 331 851	84 196	89 806	95 736
<b>Economic classification</b>									
<b>Current payments</b>	<b>60 648</b>	<b>68 509</b>	<b>82 880</b>	<b>78 762</b>	<b>82 829</b>	<b>82 829</b>	<b>84 196</b>	<b>89 806</b>	<b>95 736</b>
<b>Compensation of employees</b>	<b>47 261</b>	<b>52 733</b>	<b>55 329</b>	<b>51 936</b>	<b>59 024</b>	<b>59 024</b>	<b>59 048</b>	<b>63 264</b>	<b>67 733</b>
Salaries and wages	42 967	48 028	50 317	47 154	55 543	55 543	55 361	58 300	62 447
Social contributions	4 294	4 705	5 012	4 782	3 481	3 481	3 687	4 964	5 286
<b>Goods and services</b>	<b>13 387</b>	<b>15 776</b>	<b>27 551</b>	<b>26 826</b>	<b>23 805</b>	<b>23 805</b>	<b>25 148</b>	<b>26 542</b>	<b>28 003</b>
Administrative fees	8	0	0	0	0	0	0	0	0
Advertising	0	0	51	50	80	80	0	0	0
Catering: Departmental activities	18	52	262	212	32	32	33	37	38
Communication (G&S)	299	503	1 478	1 354	573	573	607	638	674
Computer services	227	0	0	0	0	0	0	0	0
Consultants: Business and advisory services	6 795	10 340	11 168	11 133	14 227	14 227	16 596	17 296	18 247
Contractors	253	62	1 442	1 437	1 565	1 565	1 596	2 148	2 266
Agency and support/outsourced services	0	0	2 060	1 888	0	0	0	0	0
Entertainment	0	0	32	0	30	30	32	32	34
Consumable supplies	0	0	672	671	58	58	0	0	0
Consumables: Stationery, printing and office supplies	0	0	50	49	0	0	0	0	0
Operating leases	0	0	0	0	0	0	0	0	0
Rental and hiring	0	418	2 086	1 893	585	585	0	0	0
Property payments	0	0	0	0	0	0	0	0	0

	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Estimate	Revised Baseline	Revised Baseline	Revised Baseline
<b>Rand thousand</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Transport provided: Departmental activity	0	0	992	991	0	0	0	0	0
Travel and subsistence	5 315	3 928	6 745	6 697	6 413	6 413	6 271	6 381	6 733
Training and development	0	0	0	0	0	0	0	0	0
Operating payments	121	63	103	102	0	0	0	0	0
Venues and facilities	349	410	410	349	242	242	13	10	11
Interest and rent on land	0	0	0	0	0	0	0	0	0
Interest (Incl. interest on unitary payments (PPP))	0	0	0	0	0	0	0	0	0
Rent on land	0	0	0	0	0	0	0	0	0
<b>Transfers and subsidies</b>	<b>33 758</b>	<b>37</b>	<b>78</b>	<b>77</b>	<b>22</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>
Public corporations and private enterprises	33 106	0	0	0	0	0	0	0	0
Public corporations	33 106	0	0	0	0	0	0	0	0
Subsidies on products and production (pc)	0	0	0	0	0	0	0	0	0
Other transfers to public corporations	33 106	0	0	0	0	0	0	0	0
Households	652	37	78	77	22	22	0	0	0
Social benefits	652	37	78	77	22	22	0	0	0
Payments for financial assets	23 000 000	0	0	0	6 249 000	6 249 000	0	0	0
<b>Total</b>	<b>23 094 406</b>	<b>68 546</b>	<b>82 958</b>	<b>78 839</b>	<b>6 331 851</b>	<b>6 331 851</b>	<b>84 196</b>	<b>89 806</b>	<b>95 736</b>

### Performance and expenditure trends

The spending focus over the medium-term will be on reviewing DPE Africa Strategy, implementation of Eskom's, SAA and SA Express turnaround plans including any proposed remedial actions completed. The expenditure for programme 3 is expected to decrease from R6.3 billion in 2018/19 to R95.7 million in 2021/22. Compensation of employee has increased over the medium term. The increase in the number of personnel from 55 in 2017/18 to 59 in 2020/21 is attributed to additional approved and funded posts to strengthen the Department's strategic oversight of infrastructure

projects. Carrying out the oversight function entails extensive travel and the use of consultants for specialised services. As such spending on goods and services, mainly travel and subsistence and consultants, is expected to increase from R23.8 million in 2018/19 to R28 million in 2021/22. The Department will continuously improve its oversight capacity of government's medium-term priorities for the SOC's to facilitate a conducive environment to reposition SOC's to advance their mandate and contribute to South Africa's economic development.



## **PART C** **LINKS TO OTHER PLANS**



## PART C: LINKS TO OTHER PLANS

Links to long-term infrastructure and other capital plans (MTSF and SOC plans)

Not applicable

**Conditional Grants**

Not applicable

**Public Entities**

Not applicable





ANNEXURES

# ANNEXURE A: AMENDMENT TO THE STRUCTURE (OLD AND NEW)

## INTRODUCTION

The process of restructuring was finalised in the 2017/2018 financial year. The table below indicates programmes and sub-programmes that were restructured.

New Budget Structure			Old Budget Structure	
PROGRAMME 1 - ADMINISTRATION AND CORPORATE MANAGEMENT				
Minister	Ministry	Minister	None	None
		Deputy Minister		
DG	Management	Director-General	None	None
		Executive Support, Office of the Head of the Department.		
		Internal Audit		
DDG	Corporate Services	Financial and Supply Chain Management	Corporate Services	Financial and Supply Chain Management
		Human Resources and Office Management		Human Resources and Office Management
		Communications, Marketing and Information Communication Technology (ICT)		Communications, Marketing and Information Communication Technology (ICT)
		Strategic Planning, Monitoring and Evaluation		Strategic Planning, Monitoring and Evaluation
		Security and Facilities Management		Inter-governmental and Stakeholder Relations
PROGRAMME 2 - SOC GOVERNANCE ASSURANCE AND PERFORMANCE			PROGRAMME 2: LEGAL AND GOVERNANCE	
DDG	Governance and Legal Assurance	Management	Legal and Governance	Management
		Legal Assurance		Legal
		Governance Assurance		Governance
		Corporate Legal Support		Risk
		Risk Profiling and Mitigation		
	Financial Assessment and Investment Support	Management	Strategic Partnerships	Management
		Financial Assessment and Investment Support		Project oversight
				Funding Mechanisms
				Supplier Relationship



New Budget Structure			Old Budget Structure	
PROGRAMME 3 - BUSINESS ENHANCEMENT, TRANSFORMATION AND INDUSTRIALISATION			PROGRAMME 3 PORTFOLIO MANAGEMENT AND STRATEGIC PARTNERSHIPS	
DDGs	<b>DDGs' Offices (Special Programmes)</b>	Management	<b>Manufacturing Enterprises</b>	Management
		Business Enhancement		Denel
		Industrialisation and Localisation		Alexkor
		Intergovernmental Relations and International Collaboration		South African Forestry Company Ltd (SAFCOL)
		Special Programmes		
		Project Management		
		Transformation, Skills and Youth Development		
		Environmental Policy Alignment		
	<b>Energy and Resources</b>	Management	<b>Energy Enterprises</b>	Management
		Eskom		Eskom
		Alexkor		
		South African Forestry Company Ltd (SAFCOL)		
	<b>Transport and Defence</b>	Management	<b>Transport Enterprises</b>	Management
		Transnet		Transnet
		South African Express Airways (SA Express)		South African Express
		Denel		
	<b>Research and Economic Modelling</b>	Management	<b>Economic Impact and Policy Alignment</b>	Management
		Research and Economic Modelling		Environmental Policy Alignment
		Under DDGs' Offices targets		Economic Policy Alignment
				Transformation, Skills and Youth Development



# ANNEXURE B:

## MTSF INDICATORS (2014/15 – 2018/19)

Departments are not yet required to prepare and submit the new Strategic Plans for the next planning cycle (2020-2025). However, departments that have Strategic Plans that do not cover the 2019/20 financial year were advised to amend their Strategic Plans by adding an Annexure to the 2019/20 APPs to cover the 2019/20 financial year. The DPE's Strategic Plan covering the 2014/15-2018/19 financial years shall also therefore cover the 2019/20 financial year.

### PROGRAMME 3: BUSINESS ENHANCEMENT AND INDUSTRIALISATION

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Promote commercial viability of SOCs' operations</b>							
Percentage Increase in tonnage moved on rail to 330 mtpa by 2019	None	None	None	Increase in tonnage moved on rail to 235 mtpa by 2019	Increase in tonnage moved on rail to 245 mtpa by 2019.	None	None
Average on improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	None	None	None	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	None	None
Percentage increase in the electricity generation reserve margin from 1% to 19% by 2019	None	None	New Indicator	19% electricity generation reserve margin available	Percentage increase in the electricity generation reserve margin from 1% to 19% by 2019	None	None

### Revision to strategic objectives as captured in the Strategic Plan and new Annual Performance Plan.

This annexure provides amendments made to the Departmental Revised Strategic Plan 2014-2019. The Department has become more responsive and strategic in ensuring realignment of its Strategic Objectives.

The following amendments were done:

Programme name	Strategic Objective in the 2014/2015 – 2018/2019 Strategic Plan	2019/20 Annual Performance Plan
Programme 1: Administration and Corporate Management	Promote alignment and efficiency across the institutional model	Promote alignment and efficiency across institutional model
Programme 2: SOC Governance assurance and performance	Ensure SOCs' financial sustainability	Promote the independent financial sustainability of SOCs
Programme 2: SOC Governance assurance and performance	Develop a strong shareholder	Promote the development of a strong shareholder
Programme 3: Business Enhancement, Transformation and Industrialisation	Ensure SOCs maintain commercially viable operations	Promote commercial viability of SOCs' operations
Programme 3: Business Enhancement, Transformation and Industrialisation	Advance the re-industrialisation of the South African economy	Position SOCs to support the re-industrialisation of the South African economy
Programme 3: Business Enhancement, Transformation and Industrialisation	Increase contribution of the SOCs to support the transformation of the South African economy	Accelerate the transformation of the South African economy
Programme 3: Business Enhancement, Transformation and Industrialisation	Oversee the implementation of infrastructure programmes within SOCs	Accelerate capital project delivery
Programme 3: Business Enhancement, Transformation and Industrialisation	Accelerate development of skills to support the needs of the economy	Accelerate development of skills to support the needs of the economy
None	Explore initiatives to support development of SMMEs, cooperatives as well as rural and township businesses, including businesses owned by targeted groups.	Removed

# ANNEXURE C:

## TECHNICAL INDICATOR DISCRIPTION (TIDS)

### Programme 1: Administration and Corporate Management

1.1 Indicator Title	Government Shareholder Management Bill adopted into law by 2021/22.
Short definition	To measure the development of SOE Bill.
Purpose/importance	The Bill will provide an overarching governance framework for managing SOEs, contributing to strengthened, transparent and accountable management of SOEs.
Source/collection of data	Report from Study to inform the Green Paper; Draft Green Paper signed off by the DDG.
Method of calculation	Completed study / draft Green Paper/Draft Bill.
Data limitations	None
Type of indicator	Output
Calculation type	Non-Cumulative
Reporting cycle	Quarterly
New Indicator	New
Desired performance	Strengthened, transparent and accountable management of SOEs.
Indicator responsibility	Chief Specialist: Transport and Defence

1.2 Indicator Title	Number of training interventions provided
Short definition	To ensure that all the employees are trained and properly skilled in their respective performance areas.
Purpose/importance	Measure the number of training interventions provided by the department under skills development and further training that includes bursaries allocated. Accredited and non-accredited training is recognised. The skills development programme can also be in the form of seminars or workshops.
Source/collection of data	Proof of attendance (signed register), Letters of bursary allocation, Certificates, Memo's approved by CD:HRM or DDG:CM.
Method of calculation	Number of training interventions provided.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Skilled employees.
Indicator responsibility	Chief Director: Human Resource Management

## PROGRAMME 2: SOC GOVERNANCE ASSURANCES AND PERFORMANCE

### Sub-programme: Governance, Legal Assurance and Risk Profiling and Mitigation

2.1 Indicator Title	Develop Board performance Evaluation framework.
Short definition	To measure the development of the framework to ensure that boards are evaluated on their duties and their performance agreements.
Purpose/importance	To ensure that all Boards' Evaluations are standardised
Source/collection of data	Board evaluation framework developed and approved
Method of calculation	Number of Board evaluation frameworks developed
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good SOC governance
Indicator responsibility	DDG: Governance, Legal and Risk Assurance

2.2 Indicator Title	Report on monitoring of SOC compliance with the norms and standards on MOIs.
Short definition	Enhance DPE's instruments relating to development, monitoring and implementation of SOC MOIs.
Purpose/importance	To enhance effective Shareholder oversight.
Source/collection of data	Existing SOC MOIs, Standard MOI template developed relevant prescripts and guidelines relating to board governance approved by DG. Progress report approved by the DG.
Method of calculation	Report on monitoring of SOC compliance with the norms and standards on MOIs
Data limitations	None
Type of indicator	Output
Calculation type	Non-Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good SOC governance
Indicator responsibility	DDG: Governance, Legal Assurance and Risk Profiling and Mitigation



2.3 Indicator Title	Percentage of anti-fraud and corruption hotline incident reports evaluated and maintained forwarded to the relevant authorities
Short definition	To measure responsiveness to incidents reported through the Shareholder Anti-Fraud and Corruption Hotline
Purpose/importance	Ensure an effective response plan concerning reported incidents in order to enhance the use of the hotline by whistle-blowers
Source/collection of data	Progress report approved by Director General
Method of calculation	Number of incident reports evaluated and forwarded to relevant authorities vs total number of incidents registered on the anti-fraud and corruption hotline
Data limitations	None
Type of indicator	Output
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good SOC governance
Indicator responsibility	DDG: Governance, Legal Assurance and Risk Profiling and Mitigation

2.4 Indicator Title	Develop SOC Risk integrity management framework.
Short definition	To develop a framework that establishes norms and standards geared to foster good governance in SOC's by 2021.
Purpose/importance	To ensure development of early warning systems that enhances the department's oversight practices.
Source/collection of data	Project plan approved by DDG. Draft conflict of interest norms and standards approved by DDG Draft SOC risk reporting norms and standards approved by DDG. Draft security vetting norms and standards approved by DDG.
Method of calculation	Conflict of interest norms and standards developed, SOC risk reporting norms and standards developed.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good SOC governance
Indicator responsibility	DDG: Governance, Legal Assurance and Risk Profiling and Mitigation

## SUB-PROGRAMME: FINANCIAL ASSESSMENT AND INVESTMENT SUPPORT

3.1 Indicator Title	Number of SOCs' financial review reports
Short definition	Ensure financial sustainability of SOCs.
Purpose/importance	To monitor the financial performance against agreed targets in the Corporate Plans and Shareholder Compacts.
Source/collection of data	Approved financial review reports by the DDG/DG, SOCs' financial reports submitted to DPE by SOCs.
Method of calculation	Number of SOC financial review reports produced.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Satisfactory financial performance and position.
Indicator responsibility	Chief Specialist: Financial Assessment and Investment Support

3.2 Indicator Title	Number of SOC Corporate Plans Reviewed
Short definition	Ensure alignment between DPE, NDP, MTSF and SOCs Corporate Plans.
Purpose/importance	To ensure that the department reviews 7 SOC corporate plans and ensures alignment with the shareholder compact KPIs.
Source/collection of data	DPE approved SOC corporate plans. Evidence of consultation and engagements. Memo on the review of the corporate plans approved by the DDG/DG/ Minister. Corporate plans submitted to DPE.
Method of calculation	Number of SOC Corporate plans reviewed annually.
Data limitations	None
Type of indicator	Output
Calculation type	None
Reporting cycle	Annually
New Indicator	No
Desired performance	Sector aligned policies, strategic plans, infrastructure plans, MTSF and NDP.
Indicator responsibility	Chief Specialist: Financial Assessment and Investment Support

3.3 Indicator Title	Number of consolidated progress reports on audit findings
Short definition	Ensure corrective action on external auditors' findings.
Purpose/importance	Tracking the implementation of the external auditors' audit finding action plan for SOCs.
Source/collection of data	External auditors' management report and the SOC action plan.
Method of calculation	Number of progress reports produced.
Data limitations	SOC and/or external auditors not providing an action plan.
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Bi annual
New Indicator	Yes
Desired performance	Improved future audit outcomes for SOCs.
Indicator responsibility	Chief Specialist: Financial Assessment and Investment Support

### PROGRAMME 3: BUSINESS ENHANCEMENT AND INDUSTRIALISATION

4.1 Indicator Title	Number of reports on assessment of SOCs' contribution to skills development produced
Short definition	Assessment of SOCs' contribution to skills development in support of the National Development Skills Strategy (MTSF: Outcome 5).
Purpose/importance	Measure SOCs' contribution to skills development. Indicate the scarce and critical skills produced, and the equity profile of beneficiaries in terms of gender and race, age and disability.
Source/collection of data	Quarterly/Annual report/Briefing memo on number of learners enrolled into scarce and critical skills approved by the DDG/DG. Trainees' database. Approved validation report by the Director-General.
Method of calculation	Number of reports on monitoring of SOCs' contribution to skills development produced.
Data limitations	None
Type of indicator	Outcome
Calculation type	None
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Reduced unemployment rate
Indicator responsibility	DDG: Business Enhancement

4.2 Indicator Title	Report on CSI Strategic and high impact projects implemented by DPE and SOC's produced
Short definition	To measure financial and non-financial contributions to disadvantaged communities and designated groups for the purpose of social welfare and upliftment.
Purpose/importance	To play a leadership and catalytic role in the transformation and development agenda.
Source/collection of data	List of projects identified and implemented, Implementation plan, approved CSI report (quarterly or annually) by the DDG/ADG.
Method of calculation	Report on CSI strategic and high impact projects implemented by DPE and SOC's produced.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Annually
New Indicator	Yes
Desired performance	Sustainable CSI projects with high socio-economic impact.
Indicator responsibility	DDG: Business Enhancement

4.3 Indicator Title	4.3 Report on Social impact assessment of SOC's' CSI programmes
Short definition	To measure financial and non-financial contributions to disadvantaged communities and designated groups for the purpose of social investment and up-liftment.
Purpose/importance	Measuring the effectiveness of CSI programmes in playing a catalytic role in the transformation and developmental agenda.
Source/collection of data	Input from SOC's.
Method of calculation	Manual review and finalisation of input to the preliminary report.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Annually
New Indicator	Yes
Desired performance	Sustainable CSI projects with high socio-economic impact.
Indicator responsibility	Chief Director (Senior Specialist): Skills and Transformation



4.4 Indicator Title	Localisation strategic framework developed
Short definition	Ensure SOCs' contribution to the achievement of national imperatives for increased local content, investment, technology accumulation, job creation and imports substitutions.
Purpose/importance	Ensure SOCs' achieve high local content in their procurement expenditure.
Source/collection of data	Submission of the assessment reports to the DDG.
Method of calculation	Localisation strategic framework developed.
Data limitations	None
Type of indicator	Output
Calculation type	Non-cumulative
Reporting cycle	Annually
New Indicator	No
Desired performance	Support of localisation by SOCs.
Indicator responsibility	DDG: Business Enhancement

4.5 Indicator Title	Review DPE's Africa Strategy
Short definition	To promote growth of SOCs and encourage continental partnership growth.
Purpose/importance	The strategy assists SOCs to tap into new territories where opportunities are still vast.
Source/collection of data	Number of successful engagements held with foreign governments/ number of agreements signed/ progress reports approved by DDG/DG.
Method of calculation	DPE Africa Market Entry Strategy.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	SOC continental footprint grown.
Indicator responsibility	DDG: Business Enhancement

<b>4.6 Indicator Title</b>	<b>Develop environmental Implementation Plan (EIP) for DPE</b>
Short definition	Ensure that our SOCs fully comply with National Environmental Management Act, 1993 (NEMA) in all of their strategic projects.
Purpose/importance	To engage all stakeholders affected in case of non-compliance and produce projects monitoring reports. Further conduct research and use finding to advise SOCs.
Source/collection of data	Evidence of engagements, Approved project monitoring reports by DDG. Draft report, Approved research report by the DDG/DG.
Method of calculation	Number of DPE Environmental Implementation Plans developed (EIP) as required by NEMA Chapter 3.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	SOCs fully compliant to NEMA and new Environmental Laws.
Indicator responsibility	Chief Specialist: Research and Economic Modelling



## SUB-PROGRAMME: ENERGY AND RESOURCES

5.1 Indicator title	Number of Shareholder Compacts signed (ESKOM, SAFCOL and Alexkor)
Short definition	To ensure alignment between DPE, NDP, MTSF and SOC's Shareholder Compacts.
Purpose/importance	Shareholder Compact is a document that ensures both Ministers and Boards/Execs of SOC's on behalf of government enter into an agreement with SOC's, to ensure that government priorities are integrated and implemented.
Source/collection of data	3 Signed Shareholder Compacts, Evidence of consultations. Approved Shareholder Compacts by DDG/ADG/Minister.
Method of calculation	Number of Shareholder Compacts signed (ESKOM, SAFCOL and Alexkor).
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	All the KPIs in the Compacts implemented as signed.
Indicator responsibility	Chief Specialist: Energy and Resources.

5.2 Indicator Title	Review report on Eskom's fleet performance
Short definition	Monitor Eskom's implementation of the turnaround strategy to ensure improved operational performance.
Purpose/importance	Ensure sustainable plant availability to improve reliability of supply.
Source/collection of data	SOC's Quarterly reports and monthly engagements with the SOC's. ESKOM's Operational Performance and Efficiency quarterly report approved by the DDG/ADG/Minister. Evidence of engagements.
Method of calculation	Review report of performance of Eskom's fleet.
Data limitations	None
Type of indicator	Outcome
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Improved energy availability factor (EAF), plant capability load factor (PCLF) and Unplanned capability load factor (UCLF).
Indicator responsibility	Chief Specialists: Energy and Resources

5.3 Indicator Title	Report on the implementation of Eskom's Turnaround plan
Short definition	To monitor the implementation of the Eskom Turnaround Plan.
Purpose/importance	To ensure the operational and financial improvement of the Eskom business.
Source/collection of data	Quarterly and Annual Report.
Method of calculation	Review of Eskom's of Turnaround Plan.

<b>5.3 Indicator Title</b>	<b>Report on the implementation of Eskom's Turnaround plan</b>
Data limitations	None
Type of indicator	Outcome
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Improved Eskom financial position.
Indicator responsibility	Chief Specialists: Energy and Resources

<b>5.4 Indicator Title</b>	<b>Reports on the implementation of Alexkor's proposed optimal structure</b>
Short definition	To determine Alexkor's future state and optimisation of State Owned Mining Assets.
Purpose/importance	To monitor implementation of the proposed optimal structure on the optimisation of State Owned Mining Assets.
Source/collection of data	Report approved by DDG/DG.
Method of calculation	Number of reports on the implementation of the proposed optimal structure.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Alexkor continues to operate and create jobs.
Indicator responsibility	Chief Specialist: Energy and Resource

<b>5.5 Indicator Title</b>	<b>Develop MoA with State Organ/s on the review of the State Forestry Asset</b>
Short definition	Develop a memorandum of agreement for review status of the state forests.
Purpose/importance	The intention is to assess the status and ownership of the state owned plantation forests that are currently under custodianship and management of different State Organs.
Source/collection of data	Signed Memorandum of Agreement, proof of consultation
Method of calculation	Developed MoA with State Organs.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Yearly
New Indicator	Yes
Desired performance	Determine ownership and management status of state assets.
Indicator responsibility	Chief Specialist: Energy and Resources

5.6 Indicator Title	Number of progress reports on the delivery of Eskom's Build Programme and Power Delivery Projects
Short definition	Periodic reviews on progress being made on accelerated delivery of the build programme (Medupi and Kusile) and Power Delivery Projects).
Purpose/importance	Monitor and assess progress on the delivery of Eskom's Capital Programme
Source/collection of data	Quarterly assessment reports. Approved quarterly reports by DDG/DG.
Method of calculation	Number of assessment reports on the delivery of Eskom's Build Programme produced.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Delivery of Eskom's Build Programme.
Indicator responsibility	DDG: Energy and Resources

5.7 Indicator Title	Assess % increase in the electricity reserve margin from 1% to 19% by 2019
Short definition	The amount of electricity generation capacity planned to be available compared to the electricity system's expected maximum demand during the peak period.
Purpose/importance	South Africa had a challenge of reliable electricity supply (load shedding). Government through Eskom is expected to increase the energy generation reserve margin from 1% to 19% by 2019.
Source/collection of data	Monthly and quarterly reports. Approved Quarterly reports by DDG/DG.
Method of calculation	Assess % increase in the electricity reserve margin from 1% to 19% by 2019.
Data limitations	None
Type of indicator	Outcome
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Sufficient and reliable energy supply provided.
Indicator responsibility	DDG: Energy and Resources



## SUB-PROGRAMME: TRANSPORT AND DEFENCE

6.1 Indicator title	Number of Shareholder Compacts signed (Transnet, SA Express, SAA and Denel)
Short definition	To ensure alignment between DPE, NDP, MTSF and SOC's Shareholder Compacts.
Purpose/importance	Shareholder Compact is a document that ensures both Ministers and Boards/Execs of SOC's enter into an agreement, to ensure that government priorities are integrated and implemented.
Source/collection of data	Signed Shareholder Compacts by the ADG/Minister, Proof of consultations.
Method of calculation	Number of Shareholder Compacts signed.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Higher
Indicator responsibility	DDG: Transport and Defence

6.2 Indicator Title	Report on implementation of Denel restructuring plan
Short definition	To measure implementation of the restructuring plan to ensure that the SOC is operationaly and financially sustainable
Purpose/importance	To monitor progress by Denel in implementing its restructuring plan and propose any remedial actions that may need to be taken to ensure implementation remains on track in a medium term.
Source/collection of data	Quarterly review report signed off by DDG.
Method of calculation	Completed report
Data limitations	None
Type of indicator	Outcome
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Financially and commercially viable SOC.
Indicator responsibility	Chief Specialist: Transport and Defence

<b>6.3 Indicator Title</b>	<b>Assess % increase in tonnage moved by Transnet on rail</b>
Short definition	Assess increase in tonnage moved by Transnet on rail to 330 million tons per annum by 2019.
Purpose/importance	Monitoring Transnet's performance in increasing tonnages moved on rail.
Source/collection of data	Quarterly monitoring report approved by DDG/DG.
Method of calculation	Completed assessment/monitoring report.
Data limitations	None
Type of indicator	Output
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Sustained operations and increased tonnage moved on rail than roads.
Indicator responsibility	DDG: Transport and Defense.

<b>6.4 Indicator Title</b>	<b>Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019 (2019 being the end of the initial MTSF)</b>
Short definition	Measure the average on improving operational performance of sea ports and inland terminals from 28 to 35 average Gross Crane Moves per Hour.
Purpose/importance	Monitor the performance of Transnet towards achieving the target of 28 to 35 average movements of cranes per hour.
Source/collection of data	Quarterly reports approved by DDG/DG, Transnet quarterly reports.
Method of calculation	Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.
Data limitations	None
Type of indicator	Outcome
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Viable inland intermodal and sea ports facilities.
Indicator responsibility	DDG: Transport and Defence

6.5 Indicator Title	Report on implementation of SAA and SA Express turnaround plans
Short definition	Restructuring progress report – SAA and SA Express
Purpose/importance	To monitor progress by the airlines in implementing their restructuring plans and propose any remedial actions that may need to be taken to ensure implementation remains on track.
Source/collection of data	Quarterly review report signed off by DDG.
Method of calculation	Completed report
Data limitations	None
Type of indicator	Outcome
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Financial and commercially viable SOC.
Indicator responsibility	DDG: Transport and Defence

6.6 Indicator Title	Optimal Corporate Structure for the state owned airlines submitted to Cabinet
Short definition	Optimal Corporate Structure for the state owned airlines.
Purpose/importance	The implementation of the optimal corporate structure is aimed at realising cost savings and synergies through improved coordination which will contribute to improved financial and operational performance of the state-owned airlines, reducing the burden on the fiscus and improving their ability to promote trade and tourism.
Source/collection of data	Amendments to the founding legislation of the state owned airlines signed off by DDG; Report on the implementation of the approved Optimal Corporate Structure for the state-owned airlines signed off by DDG.
Method of calculation	Draft amendments to legislation/Report completed.
Data limitations	Optimal Corporate Structure may not be improved or a different implementation approach may be selected.
Type of indicator	Output
Calculation type	Non-Cumulative
Reporting cycle	Quarterly
New Indicator	New
Desired performance	Financial and commercially viable SOC.
Indicator responsibility	Chief Specialist: Transport and Defence

## SUB-PROGRAMME: RESEARCH AND ECONOMIC MODELLING

7.1 Indicator Title	Socio Economic Impact Assessment conducted.
Short definition	Conduct Impact Assessment of SOCs' selected capital projects.
Purpose/importance	To measure the impact of the selected capital projects to the communities living where the implementation is taking place.
Source/collection of data	Impact Assessment report approved by the DDG.
Method of calculation	Number of Socio-Economic Impact Assessments conducted.
Data limitations	None
Type of indicator	Output
Calculation type	None
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Socio-Economic Impact.
Indicator responsibility	Chief Specialist: Research and Economic Modelling

7.2 Indicator Title	Number of industry-specific research conducted.
Short definition	Conduct research studies that are sector-specific and are of use to the department and SOCs.
Purpose/importance	Conduct research studies to enable evidence based policy formulation.
Source/collection of data	Research report (Memo) approved by DG.
Method of calculation	Number of industry-specific research conducted.
Data limitations	None
Type of indicator	Output
Calculation type	None
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Department and SOCs using research based policy formulation.
Indicator responsibility	Chief Specialist: Research and Economic Modelling





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