

Annual Performance Plan 2020/2021 Department of Public Enterprises



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



public enterprises

Department
Public Enterprises
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF PUBLIC ENTERPRISES

Annual Performance Plan for 2020 - 2021

Table of contents

Executive Authority Statement	4
Deputy Executive Authority Statement	6
Accounting Officer's Statement	7
Official Sign-off.....	9
Executive Summary.....	13
Part A: Our Mandate	19
Updates to the relevant legislative and policy mandates	20
Updates to institutional policies and strategies.....	21
Updates to relevant court rulings	21
Part B: Our strategic focus	22
Updated situational analysis.....	23
External environment analysis	24
Internal environment analysis.....	28
Part C: Measuring our performance	30
INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION	31
1. PROGRAMME 1: ADMINISTRATION AND CORPORATE MANAGEMENT	31
Programme resource considerations	33

2. Programme 2: SOC Governance Assurance and Performance	36
2.1 Sub-Programme: Governance, Legal Assurance, Risk Profiling and Mitigation	37
2.2 Sub-Programme: Financial Assessment and Investment Support	38
Programme resource considerations.....	40
3. Programme 3: Business Enhancement and Industrialisation.....	42
3.1 Sub-Programme: Business Enhancement Services.....	42
3.2 Sub-Programme: Energy and Resources.....	46
3.3 Sub-Programme: Transport and Defence	50
3.4 Sub-Programme: Research and Economic Modelling.....	52
Programme resource considerations.....	54
Updated key risks and mitigation from the SP	56
Socio-economic impact Risks.....	56
Oversight Risks.....	56
Sustainability Risks.....	57
Public entities	58
Infrastructure projects.....	58
Public-Private Partnerships (PPPs)	58

Part D: Technical indicator descriptions (TIDs) 59

Annexures to the Annual Performance Plan 71

1. **Annexure A: Amendments to the Strategic Plan 75**

2. **Annexure B: Conditional grants 75**

3. **Annexure C: Consolidated indicators..... 75**

4. **Annexure C: Consolidated indicators..... 75**

5. **Annexure D: District Development Model 75**



Executive Authority Statement



The last two years have proven to be quite tumultuous for the DPE SOE, with operational performance shortcomings and liquidity crunches taking their toll on the sustainability of the businesses. We are now realising that the damage that was caused by State Capture and corruption has been more severe than we had anticipated at the beginning of President Cyril Ramaphosa's tenure.

In responding to the damage that was apparent then, the Department reviewed the leadership of the SOE and appointed boards of directors and executive management to provide stability at the top. Additional capital was provided to restart operations and restore solvency.

This has proven inadequate as some of the SOE have inevitably fallen into financial difficulties. South African Airways (SAA) and South African Express (SA Express) have gone into business rescue and it is proving to be a major test for the Business Rescue Practitioners (BRPs) to restore the businesses' going concern statuses. The DPE remains committed to the mandate of ensuring a national carrier due to the importance of air travel for the economies of the country and the continent.

The restructuring of SOE remains a focal area in the medium term. The Eskom restructuring roadmap has been released by the DPE in November 2019 and it is being implemented. Functional separation: individual management boards, separate financial performance and position statements, and delegations of authority have been achieved. The focus in the coming reporting period will be on achieving the legal separation within a single holding structure.

The effectiveness of the national logistic system is of paramount importance to the country. We are a country that is vast and endowed with natural resources that are extracted in remote parts of our country. The work is commencing with the leadership of Transnet to develop an optimum corporate structure for the SOE. An area of immediate focus is the long outstanding decision of Government for the corporatisation of Transnet National Ports Authority (TNPA). A responsible approach to carry out the mandate, which will ensure the SOE is not destabilised will be developed jointly by the DPE and the SOE leadership.

In response the DPE oversight of SOE methodology has been reviewed, as it has proven ineffective evidenced by its inability to effectively intervene in troubled SOE. Operational effectiveness of the SOE is at the core of any successful business, and this applies to SOE as well. This is feasible if the SOE and DPE have people, systems, policies, processes, and practices that are comparable to the best in their specific sectors, and customer and/or stakeholder satisfaction informs every facet of the business.

In pursuing this outcome, the recruitment of people with sector knowledge to lead our SOE and performing oversight functions in the DPE will not be compromised. The delivery system of the department is receiving attention and appropriate international knowhow and expertise are being consulted to ramp up the skills levels amongst the officials.

The leadership of SOE will be challenged to overhaul their operations and show evidence that they are providing adequate leadership in this area. The Ministry, to assure that this approach is taking root, will be having regular engagements with the SOE leadership. Further regular discussions with industry leadership in sectors that are serviced by the SOE will be the feature of the oversight model, to ensure that the SOE are positively contributing to the national production system.

The DPE will also be setting up a SOE Risk and Integrity unit to ensure that there is a coordinated effort with the national justice system in pursuing those that have been deemed to have been complicit in the damage caused to the SOE. There will be greater focus on ensuring that the forensic reports that have not received adequate attention up to now are processed and appropriate action taken.

Corruption and mismanagement of Alexkor's diamond mining operations have proven to be an insurmountable challenge. The DPE appointed an Administrator to ensure that those that have been found accountable for the damage to the business are charged in terms of the SOE disciplinary code and that criminal charges are also levelled against them. This effort has proven inadequate to save the SOE. This will be one of the priority intervention areas for the SOE Risk and Integrity unit.

Signature: 

Mr Pravin Gordhan, MP
Department of Public Enterprises



Deputy Executive Authority Statement



The two main Medium-Term Strategic Framework (MTSF) priorities that the Department will be responding to through our SOCs are Priority 1: a Capable, Ethical and Developmental State and Priority 2: Economic Transformation and Job Creation. The Department will be looking at oversight and sustainability more actively and with more rigour than before.

A handwritten signature in black ink, appearing to read 'Phumulo'.

Signature:

Mr Phumulo Masualle, MP

Department of Public Enterprises

The Department of Public Enterprises has received a lot of scrutiny and negative attention in the past three years or so, over our ability as a Department to play a meaningful oversight role. Our State-Owned Companies (SOCs) are still not performing at a level that they should be performing. This plan therefore comes under a very crucial time. It moves from the previous plans and is much more intentional, with clear deliverables on what we should do as the Department for our SOCs to be efficient, effective and relevant.

We believe that SOCs remain a key driver to economic growth, and therefore all our energies should and will be around making sure that they are stabilised, and kept sustainable for us to realise this economic growth.

Accounting Officer's Statement



In his State of the Nation Address held on 13 February 2020, His Excellency, President Cyril Ramaphosa stated that:

“This year, we are moving from the stabilisation of State-Owned Enterprises to repurposing these strategic companies to support growth and development”.

“After years of state capture, corruption and mismanagement, we are working to ensure that all SOEs are able to fulfil their developmental mandate and be financially sustainable. In consultation with the Presidential SOE Council, we will undertake a process of rationalisation of our state owned enterprises and ensure that they serve strategic economic or developmental purposes.”

These sentiments are relevant to State-Owned Enterprises (SOEs) in the Department's portfolio; Alexkor, Denel, Eskom, SAFCOL, SAA, SA Express and Transnet, which are either in financial distress or are edging closer to a cliff.

In order to stabilise our SOEs, decisive actions on their role and relevance to the citizens and the economy are needed.

The economic meltdown over the past two years, coupled with the devastating impact of Covid-19 have crippled the country's economy and, as a result, the country's GDP forecasts were adjusted downward.

With the current constrained fiscus, SOEs need to embark upon a different trajectory, they need to be financially viable and contribute to the GDP, create jobs and be at the cutting edge of Research and Development. To turn the tide and for this to be achieved, tough and unpopular decisions must be taken.

The adoption of the Roadmap for Eskom in a Reformed Electricity Supply Industry in 2019/20 showed Government's commitment to the task at hand, whereby Eskom will be divisionalised into three operating activities – generation, transmission and distribution, where each division will have its own board and management structure.

The new Eskom Executive team led by Mr Andre de Ruyter is moving with speed in stabilising this SOE which impacts on the lives of South Africans.

Indeed, Eskom did not have an easy start to 2020 which was mainly characterised by load shedding. The entity is committed to stabilising the grid, Eskom indicated that it needs about eighteen months to achieve this.

Both SA Express Airways and SAA are under Business Rescue.

SA Express Airways was placed under business rescue on 6 February 2020. The SAA Board placed the airline under business rescue on 6 December 2019.

It is equally important for Transnet to improve its operational efficiency; increase access to an affordable and reliable transport system and corporatise Transnet National Ports Authority.

Over the past financial year, Denel had a massive cash-flow problem and needed a Government guarantee. In order for the arms-manufacturer to improve its cash-flow, it must dramatically improve its contract execution. The company remains credible in

terms of its on-time delivery and this will be closely monitored. Where necessary, the Department will not hesitate to intervene.

Alexkor was put under Administration and an optimal operating structure for this mining-company is in the process of being finalised.

With regard to SAFCOL, efficiencies must improve. The company must conduct a feasibility study into the processing capacities in Limpopo and Mpumalanga.

The Department is on course in getting the Shareholder Oversight Model approved, which will assist in capacitating its staff and in enhancing its oversight capacity over these entities. It further continues with efforts to attract staff with requisite skills and to position the Department as an employer of choice.


Signature: 

Mr Kgathatso Tlhakudi
Acting Accounting Officer
Department of Public Enterprises


Official Sign-off

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of the Department of Public Enterprises under the guidance of the Acting Director-General.
- Takes into account all relevant policies, legislation and other mandates for which the Department of Public Enterprises is responsible.
- Accurately reflects the impact and outcomes which the Department of Public Enterprises will endeavour to achieve over the 2020/21 financial year.

Signature: .....

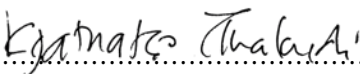
Nokubongwa Mdlalose: SPME

Signature: .....

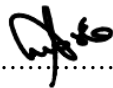
ADV Melanchton Makobe: Acting DDG: Corporate Management

Signature: .....

Benedicta Mogaladi: Chief Financial Officer

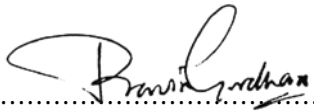
Signature: .....

Kgathatso Tlhakudi: Acting Director-General

Signature: .....

Phumulo Masualle (MP) Deputy Minister

Approved by:

Signature: .....

Minister Pravin Gordhan (MP) Executive Authority

Glossary of Terms

Acronyms used in the Department of Public Enterprises' documentation:

Acronym	Description
AGM	Annual General Meeting
APP	Annual Performance Plan
B-BBEE	Broad-based Black Economic Empowerment
BRICS	Brazil, Russia, India, China, South Africa
CAPEX	Capital Expenditure
CFO	Chief Financial Officer
CIPM	Chief Investment Portfolio Management
CPI	Consumer Price Index
CS	Corporate Services
CSDP	Competitive Supplier Development Programme
CSI	Corporate Social Investment
CRO	Chief Restructuring Officer
DAFF	Department of Agriculture, Forestry and Fisheries
DCT	Durban Container Terminal
DDG	Deputy Director-General
DEA	Department of Environmental Affairs
DG	Director-General
DHET	Department of Higher Education and Training
DM	Deputy Minister
DMRE	Department of Mineral Resources and Energy
DOC	Department of Communications
DOD	Department of Defence
DOE	Department of Energy
DOT	Department of Transport

Acronym	Description
DPE	Department of Public Enterprises
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development & Land Reform
DSBD	Department of Small Business Development
DTI	Department of Trade and Industry
DTPS	Department of Telecommunications and Postal Services
EA	Executive Authority
EDF	Eskom Development Foundation
EDI	Electricity Distribution Industry
EE	Economic Equity
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
ESCAP	Eskom Rotek Industries
ESD	Enterprise and Supplier Development
EXCO	Executive Committee
EU	European Union
FET	Further Education and Training
FMCG	Fast Moving Consumer Goods
FOSAD	Forum of South Africa's Directors-General
FSN	Full Services Network
GCH	Gross Crane Move per Hour
GCM/H	Gross Crane Moves per Hour
GDP	Gross Domestic Product
GFB	General Freight Business
GFCF	Gross Fixed Capital Formation
GSM	Government Shareholder Management
HR	Human Resources
ICASA	Independent Communications Authority of South Africa

Acronym	Description
ICT	Information and Communication Technology
IFLOMA	Industriais Florestais De Manica, Mozambique
IGR	Inter-governmental Relations
IMC	Inter-ministerial Committee
IMF	International Monetary Fund
IP	Intellectual Property
IPAP	Industrial Policy Action Plan
IPO	Initial Public Offering
IPP	Independent Power Producers
IRP	Integrated Resource Plan
ISMO	Independent System and Market Operator
JPF	Joint Project Facility
JV	Joint Venture
KLF	Komatiland Forests
KM	Kilometre
KPI	Key Performance Indicator
LTTS	Long-Term Turnaround Strategy
MDS	Market Demand Strategy
MISS	Minimum Information Security Standards
MOA	Memorandum of Agreement
MOI	Memorandum of Incorporation
MOU	Memorandum of Understanding
MPAT	Monitoring Performance Assessment Tool
MPSA	Minister of Public Service and Administration
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
MVA	Mega Volt Amp
MW	Megawatt

Acronym	Description
MYPD	Multi-year Price Determination
NCPM	National Corridor Performance Measurement
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NEMA	National Environmental Management Act
NERSA	National Energy Regulator of South Africa
NGP	National Growth Path
NIPF	National Industry Policy Framework
NPAT	Net Profit After Tax
NSF	National Skills Fund
NT	National Treasury
PAIA	Promotion of Access to Information Act
PBMR	Pebble Bed Modular Reactor
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordination Commission
PLO	Parliamentary Liaison Officer
PMS	Performance Management System
PPP	Public-Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PRC	Presidential Review Committee
PSJV	Pooling and Sharing Joint Venture
PSP	Private Sector Participation
R&D	Research and Development
RBCT	Richards Bay Container Terminal
RBCT	Richards Bay Coal Terminal
RMC	Richtersveld Mining Company
ROI	Return on Investment
SA EXPRESS	South African Express Airways

Acronym	Description
SAA	South African Airways
SAAT	South African Airways Technical
SAFCOL	South African Forestry Company Ltd
SAQA	South African Qualifications Authority
SARB	South African Reserve Bank
SCM	Supply Chain Management
SDIP	Service Delivery Improvement Plan
SEIAS	Socio-Economic Impact Assessment
SIP	Strategic Integrated Projects
SLA	Service Level Agreement
SMME	Small, Medium and Micro-Enterprises
SOC	State Owned Company
SOE	State Owned Enterprise
SONA	State of The Nation Address
SSA	State Security Agency
STATSSA	Statistics South Africa
TEU	Twenty-foot Equivalent Unit
TFR	Transnet Freight Rail
TNPA	Transnet National Ports Authority
TOR	Terms of Reference
WACS	West Coast Submarine Cable
9PP	Nine-Point Plan



Executive Summary

The Office of Public Enterprises (OPE) was established in 1994 to champion and direct the restructuring of State-Owned Companies (SOCs) and to ensure their optimal economic and developmental impact. A Cabinet decision was taken in 1999 to accelerate the restructuring of State-Owned Enterprises (SOEs) and the OPE was upgraded and re-designated as the Department of Public Enterprises (DPE) - a National Government Department.

The DPE is the shareholder representative for Government and is mandated by the Executive to oversee a number of SOCs that operate in core sectors of the economy like Mining, Defence, Energy, Logistics and others. Of these, two (SAA and SA EXPRESS) are currently in Business Rescue and consequently strategically de-emphasised until the outcomes of the Business Rescue processes are known.

The DPE is the primary interface between Government and the SOCs concerned and, in addition to oversight, provides input to the formulation of policy, legislation and regulation.

A new strategy:

The Department's strategy has been developed in the context of the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF) and in response to internal and external environmental drivers. Of necessity, the strategy recognises the challenging and complex prevailing macro-environment and the attendant challenge of choosing where best to allocate scarce resources for maximum effect.

Our 2020 - 2025 Strategy is a "new" strategy, rather than simply an update of previous versions. Our desired outcomes remain essentially the same, but our focus, approach and language reflect fundamental changes. We have applied robust logic to ensure that there is a clear relationship between desired outcomes and the new "hard" indicators that measure our performance.

An evolving role:

The DPE has a significant role to play in the South African economy and is, albeit indirectly, a key enabler of economic stability and growth. It is our intention to progressively reposition the DPE from a largely compliance-driven focus to being a major contributor to the re-industrialisation of the economy through the capacity that exists within our portfolio of SOCs. This repositioning also re-emphasises the leading role that the DPE must take to set standards that guide the oversight function across Government.

Several of the SOCs under the DPE's oversight are deeply troubled, due to not only operational challenges and the legacy of state capture, but also the increasingly difficult and complex challenges of sustainably balancing financial and commercial viability and the needs of the markets they serve, with meeting the socio-economic commitments of the NDP.

The most important and actionable considerations under the DPE's control are likely to be found in three key Strategic Impact Areas:

i) Socio-economic

A renewed emphasis on the re-industrialisation of South Africa through the creation of an enabling environment underpinned by the localisation of industry value chains, SMME development and the development of appropriate technical skills in occupations in demand, to enhance efficiencies within SOC operations. This will require the active engagement of and collaboration with industry.

ii) Oversight

The adoption of a unified oversight function by all stakeholders in terms of an effective methodology and process, underpinned by coherent and consistent strategic directives to SOCs. This will require internal restructuring and capacitation as well as process, system and modelling enhancements.

iii) Sustainability

A strong emphasis on SOCs' financial, commercial, operational and environmental performance, underpinned by clear and relevant standards and globally-competitive pricing that delivers a competitive advantage to the South African industry.

A challenging future

There is no doubt that the next five-year period will be both complex and challenging as set out below:

- Globally, declining growth in the world's larger economies remains a concern. Trade tensions between the US and China will continue to affect global trade and negatively impact investor sentiment on manufacturing, investment activity, and foreign direct investment (FDI).
- The impact of the Coronavirus pandemic on the world's economy. Countries and cities have been locked down for between 2 weeks and in some instance for two months; economic activity has grinded to a virtual standstill. It is anticipated that a new world order will emerge after this pandemic.
- Consequently, South African manufacturers may face an increasingly challenging export environment, compounded by a substantial increase in competition from imports. Weaker Chinese demand will also impact industrial commodity markets with significant implications, particularly for mining and minerals-producing enterprises.
- With exports under pressure, economic growth is projected to remain moderate in key markets for South African products, including the Eurozone, US, UK and China. These markets account for more than 45% of South Africa's total merchandise exports.

- Regionally, Sub-Saharan Africa's (SSA's) economic growth momentum remains a challenge with multiple consecutive downward revisions to regional forecasts. The IMF lowered its growth estimates for SSA from 3.4% to 3.2% in 2019.
- The external environment is becoming less supportive of industrial commodity markets, both in price and volume terms. This poses a significant risk to the export performance of resource-intensive economies as well as to future investment activity. Consequently, debt vulnerabilities remain high in a number of SSA economies.
- Domestically, the pressure on the South African economy continues to be high as the country struggles to raise growth to reasonable levels. The overall South African domestic economic outlook remains fragile and business confidence remains negative.
- Some positive signs of improving business and investor confidence are emerging however, as evidenced by the commitments made by local and foreign entities at the second South Africa Investment Conference in November 2019. Investment pledges totalling R371 billion were made, potentially creating around 412 000 direct employment opportunities over the next five years in various sectors of the economy. The realisation of these pledges, however, may be contingent on an enabling economic environment.

Finding the balance

Our strategy thus offers a range of interventions and actions that will support the turnaround of the economy towards the realisation of economic objectives as outlined in the MTSF and the NDP. However, it also recognises that SOCs in the portfolio will continue to operate in a difficult and constrained economic environment. This recognition must be translated into actions that support SOCs to diversify and promote financial, commercial, operational and environmental sustainability. In drafting this strategy, we have attempted to find this balance.

Strategy development process

DPE follows a robust strategic planning and review process as illustrated in the graphic below. The process is designed to align with the annual public sector timetable for planning.



The DPE process ensures that the NDP priorities are reflected in its institutional SP and APP, as described in the MTSF for the relevant planning cycle. The MTSF ensures a coherent vision and plan that addresses the priorities and functions as a roadmap for developing five-year institutional plans. Consequently, the DPE's MTSF deliverables that are its direct responsibility have been integrated into the performance information section of our plan.

The research and environmental scanning process is internally managed by the Strategy Department. Included as sources are a wide range of industry interactions, affiliations, publications, subscriptions, original research and trend analysis, as well as feedback and reporting from our SOCs.

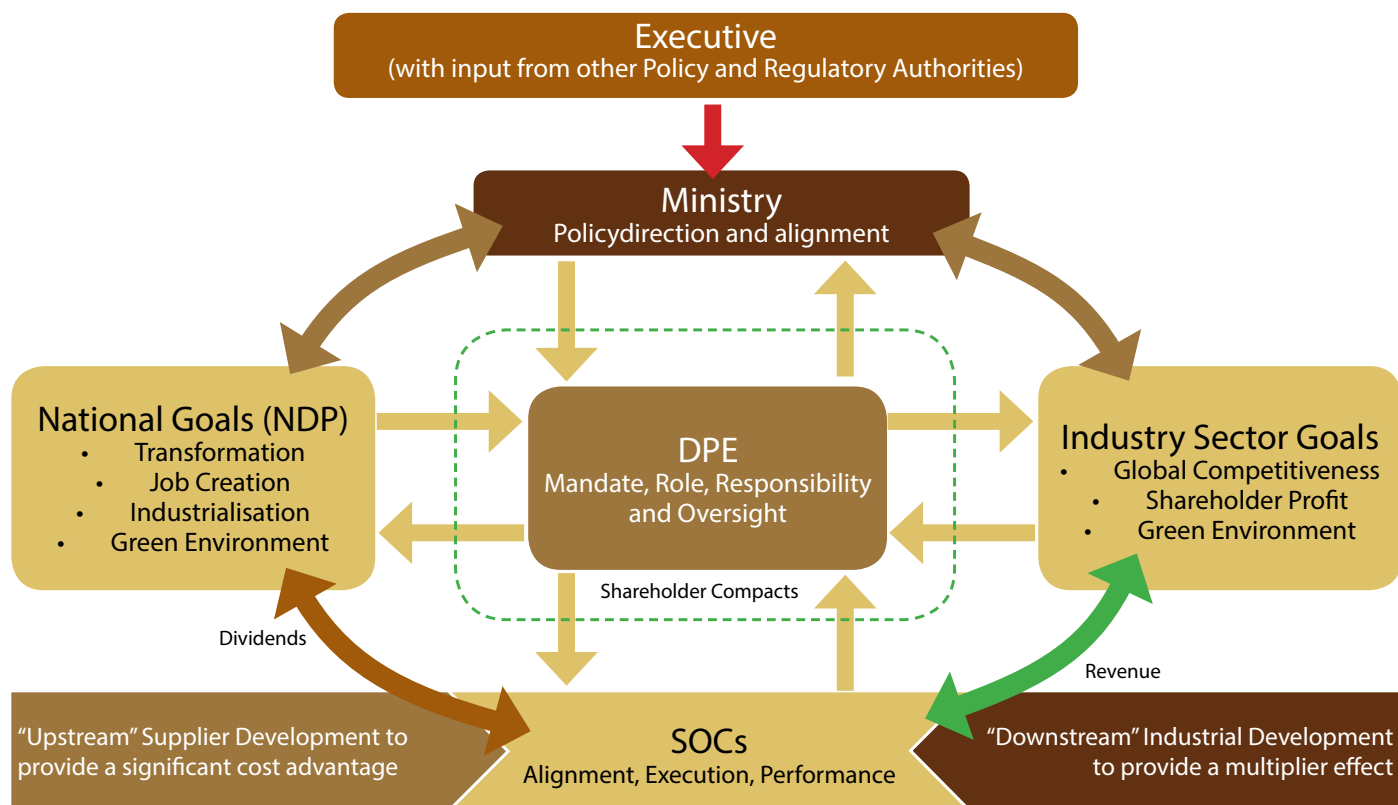
The annual strategy development and review is managed via a facilitated process and includes all senior DPE staff. The highly participative workshop-based process has proved to be effective and is delineated in the graphic below.



Setting the strategic context

The DPE's primary role is to seek a sustainable balance between the national goals of the NDP and the exigencies of industrial development, through its oversight and direction of SOCs.

SOCs are a fundamental part of the South African economic landscape and their performance is central to the competitiveness and performance of the economy. Where their roles are predominantly enabling, the DPE must pursue programmes and projects that will enhance cooperation between the State and the private sector that will advance the developmental objectives of the State.



Our strategic objective seeks to balance the requirements of all stakeholders in the SOC value chain, while ensuring that the SOCs operate at maximum capacity to provide those benefits needed to ensure the delivery of our NDP goals. Government must ensure that the SOCs within the DPE portfolio deliver quality and cost-effective services to those sectors that they serve and in so doing, unlock their global competitiveness. The SOCs will leverage their supply chains to develop a globally competitive supplier base. This should, in turn, enable our industries to be globally competitive, creating further opportunities for rapid industrialisation and support localisation objectives. This will result in a multiplier effect in job creation and the adequate supply of skills in occupations in demand needed in the economy. To achieve this, the DPE will align the goals and objectives of stakeholders with a singular mindset of ensuring the global competitiveness of the South African Industry .





Part A Our Mandate

Part A: Our Mandate

The DPE is the Shareholder representative for Government and currently instructed by the Executive to oversee core strategic State-Owned Companies. DPE is the primary interface between Government and the SOCs concerned and provides input to the formulation of policy, legislation and regulation.

Presently, the DPE does not have a legislated constitutional mandate. In effect, it has an agreed and assigned dual responsibility to:

- Direct and support improvements in the financial, commercial and operational performances of SOCs and their contribution to the South African economy; and
- Make a positive contribution to the transformation of the South African economy in line with the NDP to create a better and sustainable economic environment for all South Africans.

Each SOC within the DPE Portfolio is governed by specific legislated constitutional mandates.

Updates to the relevant legislative and policy mandates

The table below lists the SOCs that report to the Minister, their mandates and nature of operations:

Name of Entity	Legislative Mandate	Minister's financial relationship with the SOC	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.

Updates to institutional policies and strategies

None

Updates to relevant court rulings

Ruling 1

In 1998, the Richtersveld Community filed a claim against the Government for dispossession of land under the guidance of the Restitution of Land Rights Act 22 of 1994. The Deed of Settlement (DoS) was signed on 22 April 2007 among the Richtersveld Sida Hub Communal Property Association (RCPA), Government and Alexkor; and on 9 October 2007 made an order of court.

Ruling 2

This was a matter where Mr Seth Radebe, a former member of the Transnet Board approached court seeking to:-

- a) declare the conduct of Minister Gordhan to be unfair discrimination, unlawful, invalid and unconstitutional;
- b) order Minister Gordhan to reinstate Mr Radebe to his position forthwith, as non-executive Director of Transnet; and
- c) declare the decision of Minister Gordhan to appoint replacement directors at Transnet unlawful and invalid.

Minister Gordhan's conduct was alleged to be unlawful and invalid, falling foul of the equality and dignity clauses of the Constitution; allegedly offending the rule of law, the principle of legality and the rationality test.

The application by Mr Seth Radebe was dismissed by the court on the basis that Mr Radebe failed to show that Minister Gordhan acted irrationally and unlawfully, and thus unconstitutionally.

1. Mr Seth Radebe's notice of motion in this matter is dated 8 June 2018.
2. The matter was set down for trial on 10 September 2018.
3. The date of Judgment was 18 September 2018.

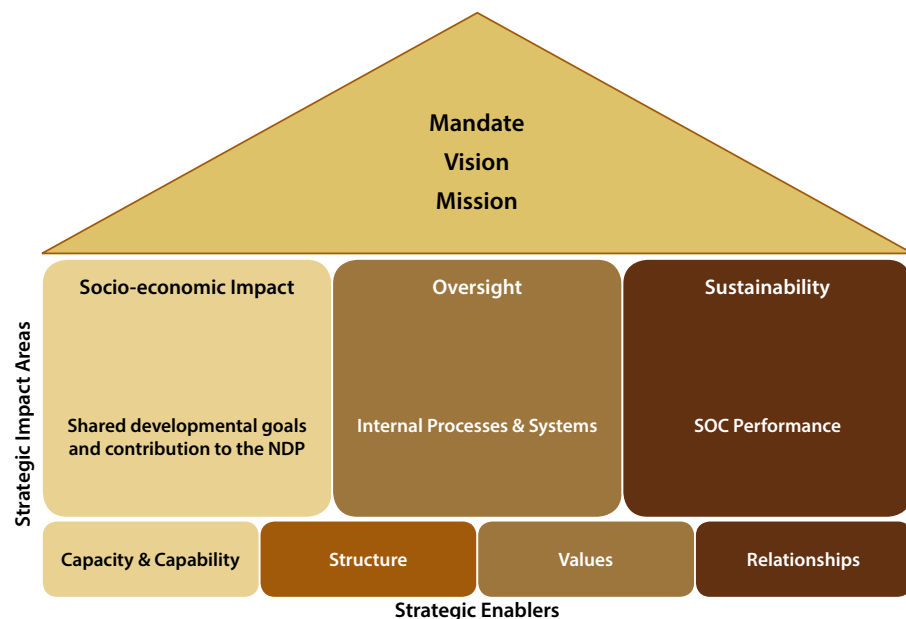


Part B
Our strategic focus

Part B: Our strategic focus

The DPE reviews its 5-year strategy on an annual basis. This document represents the most recent iteration of our strategy, finalised for the next period at two Management Strategy Sessions on the 10th and 24th February 2020, respectively.

The DPE's strategic framework is illustrated in the graphic below which illuminates the inter-relationship between vision, mission, strategic impact areas and strategic enablers, within the context of the DPE mandate.



Strategic impact areas

Key themes and strategic priorities were identified from various sources including environmental scanning, feedback from SOCs and internal organisational effectiveness considerations. These themes were clustered into three Strategic Impact Areas (SIAs):

- Socio-economic impact - to enable a better and more sustainable economic environment through the re-industrialisation of the South African economy.
- Oversight - ensure alignment across SOCs and uniformity of oversight models and their execution.
- Sustainability - ensure stable and predictable SOC service levels underpinned by enhanced financial, commercial, operational and environmental performance.

Each SIA has one or more outcomes and supporting objectives assigned to it. These are further explored in Part C.

3.1 Updated situational analysis

Given the challenging environment, the sooner bold action is taken, the better the prognosis.

There is no doubt that the next 5-year period will be both complex and challenging. The DPE has a significant role to play in the South African economy and is, albeit indirectly, a key enabler of economic stability and growth.

Several of the SOCs under the DPE's oversight are deeply troubled, arising from operational challenges and the legacy of state capture¹, and also related to the increasingly complex challenges of sustainably balancing financial and commercial viability and the needs of the markets they serve, with meeting the socio-economic commitments of the NDP.

Given that SAA and SA EXPRESS are currently under Business Rescue, and there is not yet a clear way forward proposed, we have elected not to include specific strategic directives in relation to these two SOCs at this stage. This will be addressed once the outcomes of the Business Rescue processes are known.

If this balance is not forthcoming, however, tough decisions relating to SOCs may need to be taken and resources allocated to the best effect. In the absence of effective oversight and the provision of clear and actionable strategic directives to SOCs, the DPE will experience challenges as to its relevance.

3.2 External environment analysis

3.2.1 Economic Outlook: Global²

Global trade and manufacturing indicators are showing signs of stabilisation with resilient services suggesting that global growth rates will be sustained. A range of downside risks to growth remain, they include: -

- geo-political developments;
- trade tensions;

1 State capture is a form of systemic political corruption in which private interests significantly influence a state's decision-making processes to their own advantage. It has many corrosive effects including the misappropriation of funds, fruitless and wasteful expenditure, process non-compliance (especially relating to procurement), interference in appointment processes, the destruction of trust, the alienation of staff in the organisations concerned and the exerting of undue influence on policy and business decisions. The outcomes of state capture include patronage, organisational incapacitation and inefficiency. The creation of a capable and ethical developmental state calls for all resources, especially monetary, skills, land and "minerals" to be directed towards a singular goal of ensuring a better South Africa for all.

2 Sources consulted in the compilation of this overview include:

- IDC Economic Overview – November 2019
- Investec Macro-Economic Outlook Q3 2019
- National Treasury Economic Overview 2019
- South African Reserve Bank: Statement of the Monetary Policy Committee - January 2020

- oil price shocks; and
- high levels of corporate and sovereign debt.

The International Monetary Fund (IMF) recently revised its forecast for world growth down to 3% for 2019, from 3.2% previously. Several key economic variables reflect the deteriorating economic, trade, investment and risk environments. Inflationary pressures and moderate growth underscore the accommodative monetary policy stances being maintained by central banks around the globe.

International trade volumes contracted year-on-year and global industrial production increased by a mere 0.4% in August 2019. The manufacturing PMIs for the Eurozone and United Kingdom (UK) have been negative for some time.

The slowdown in fixed investment outlays in China continues to impact the global economy. Since investment activity is highly reliant on commodity inputs, reduced capital spending is also changing the composition of China's imports.

Business impact

The declining growth in the world's larger economies remains a concern. Trade tensions between the US and China will continue to affect global trade and will negatively impact investor sentiment on manufacturing, investment activity, and foreign direct investment (FDI).

Consequently, South African manufacturers may face an increasingly challenging export environment, compounded by a substantial increase in competition from imports. Also, weaker Chinese demand will impact the industrial commodity markets. This has significant implications for mining and mineral-producing enterprises. The wider impact of this may affect companies in the construction sector and key supplier industries such as fabricated metal products, cement, concrete and bricks, machinery and equipment, as well as a wide range of service sectors.

With exports under pressure, economic growth is projected to remain moderate in key markets for South African products, including the Eurozone, US, UK and China. These markets account for more than 45% of South Africa's total merchandise exports.

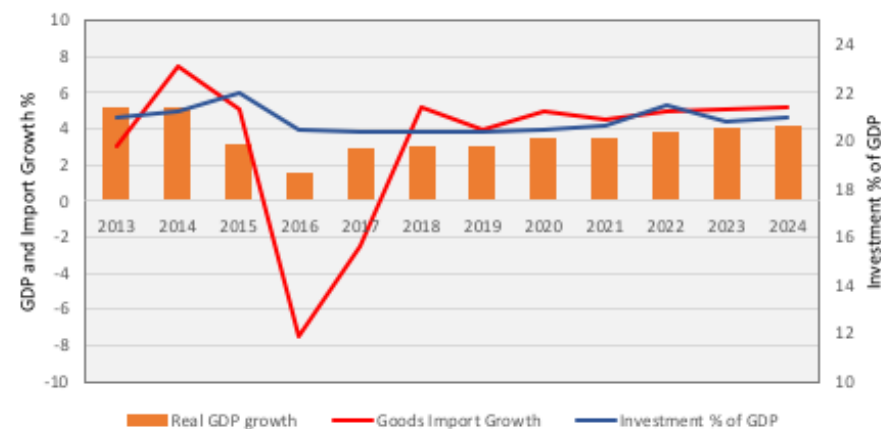
Some positive signs of improving business and investor confidence are emerging as evidenced by the commitments made by both local and foreign entities at the second South Africa Investment Conference hosted by President Cyril Ramaphosa on 6 November 2019. Investment pledges totalling R371 billion were made, potentially creating 412 000 direct employment opportunities over the next five years in various sectors of the economy. The realisation of these pledges, however, may be contingent on an enabling economic environment.

Sub-Saharan Africa faces strong external headwinds

The strengthening of Sub-Saharan Africa's (SSA's) economic growth momentum remains a challenge with multiple consecutive downward revisions to regional forecasts. The IMF has lowered its growth estimates for SSA to 3.2% in 2019, from 3.4% previously.

The external environment is becoming less supportive of industrial commodity markets, both in price and volume terms. This poses a significant risk to the export performance of resource-intensive economies as well as to future investment activity. Consequently, debt vulnerabilities remain high in a number of SSA economies.

Sub-Saharan Africa Economic Projections
(2013 - 2024)



Source: IMF Sub-Saharan Africa Economic Projections as at 6 February 2020

3.2.2 Economic Outlook: Domestic

The pressure on the South African economy is high as the country struggles to raise growth towards reasonable levels. Consequently, the overall South African domestic economic outlook remains fragile and business confidence continues to be negative. It is estimated that economic growth could moderate to around 1% in Q3 2020 (quarter-on-quarter, seasonally adjusted and annualised rate [saar]).

The following indices provide insight to economic trends:

- The RMB/BER Business Confidence Index improved to 26 points from 21;
- ABSA Purchasing Managers' Index fell to 47.1 points in December 2019 from 47.7; and
- The SARB's composite leading business cycle indicator continued to trend lower.

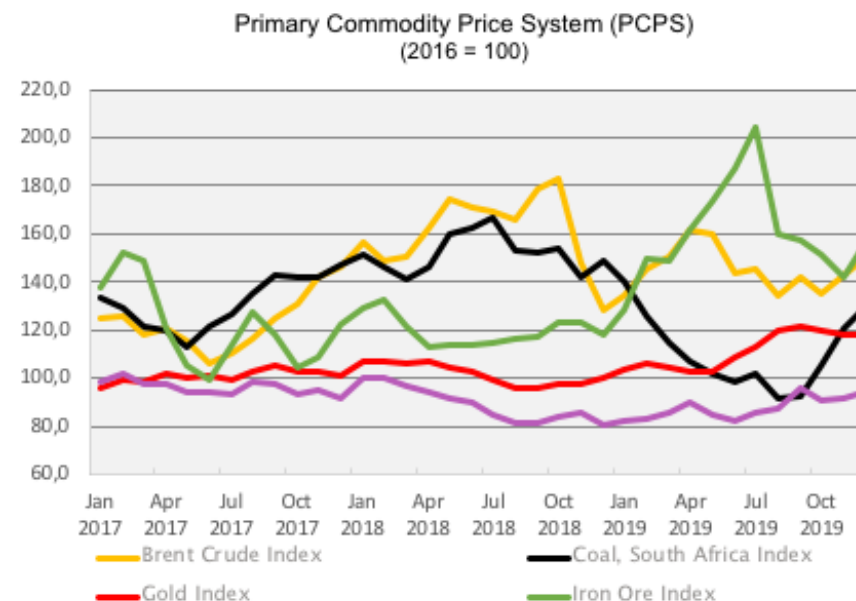
Manufacturing and mining remain under pressure

Lower outputs from mining and manufacturing bear testimony to the difficult operating and trading conditions facing these two important sectors of the economy. Weak domestic demand and increasingly challenging global markets accompanied by higher costs of doing business (particularly owing to electricity tariffs) and policy-related concerns have affected their productivity.

The outputs of the manufacturing and mining sectors have fallen, with business confidence down to a 20-year low. Most manufacturers remain pessimistic about investment owing to worsening global conditions and negative expectations on export performance. The retail sector shows only modest sales growth, while a steep drop in new passenger vehicle sales reflects the difficult consumer environment. After having held fairly steady over the 12 months to Q2 2019, consumer confidence fell to a reading of -7 in Q3, the lowest in almost two years. Negative sentiment and a limited appetite for additional debt are constraining consumption expenditure. As a consequence, manufacturers anticipate investing less in machinery and equipment over the next 12 months.

Global sentiment continues to have a significant impact on commodity markets with mining production falling by 1.7% (year-on-year) over the period January to September 2019, mainly driven by lower output of commodities like gold and iron ore.

The poor performance of the mining sector has considerable implications for many supplying and supporting industries across the South African economy. In the main, however, the demand for precious metals has benefitted from increased investor interest as uncertainty increases.



Source: IMF Primary Commodity Price System as at 6 February 2020

Energy remains a critical risk to the economy

Eskom poses a significant risk to the fiscus and to the economy in general owing to poor performance and an unsustainable debt burden of R450 billion. Operational challenges and financial constraints at Eskom, together with higher electricity tariffs and declining demand in a low-growth environment have affected the performance of the electricity sector.

Decisive actions by both the government and Eskom itself are required. In addition to R230 billion financial support over the next ten years, as announced in the February 2019 Budget, Eskom will receive an additional R59 billion as per the 23 July 2019 Special Appropriation Bill. A two-phased timetable for Eskom's restructuring has been put forward, with the first phase comprising the functional separation of the entity into three separate units, and the second phase involving the legal separation of the distribution and generation functions.

The recently gazetted Integrated Resource Plan (IRP) 2019 provides some clarity on South Africa's electricity requirements and how they will be supplied over the period up to 2030, indicating a more diversified energy mix with increasing contributions from renewable energy sources. As part of the risk management plan, the DMRE has issued the Determination of Section 34 of the Electricity Regulation Act for both the Emergency energy procurement and the new Bid Window, to assist with the low plan availability of Eskom. Sustained, reliable and cost-effective energy supply is critical to business planning, fixed investment decisions and overall economic growth.

Insufficient employment creation

Our economy's labour-absorption capacity has declined over time. Contributing factors include: -

- competitiveness pressures;
- skills shortages;
- technological change and other factors leading to increased mechanisation; and
- labour market-related matters.

New entrants into the labour market increased and continue to far exceed the economy's ability to create new jobs: for 570 000 new job seekers annually, only 250 000 new jobs are created annually. Thus, the unemployment rate continued to rise and reached a new record high of 29.1% in 2019, with 6.7 million people unable to find work.

GDP recovery remains sluggish whilst debt is rising

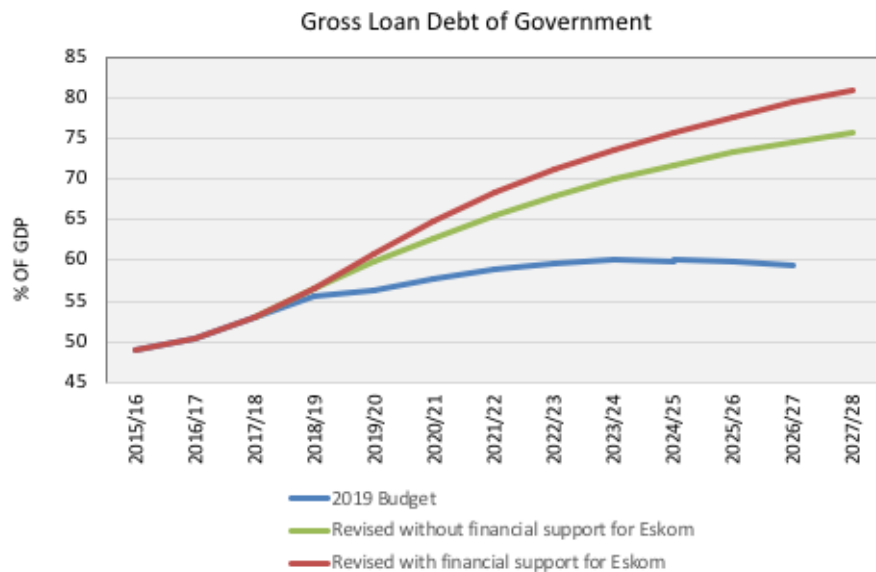
GDP growth shows no immediate recovery with the: -

- forecast for 2019 GDP growth revised down to 0.4% from 0.5%;
- 2020 and 2021 forecast revised down to 1.2% due to lower growth than previously expected in the third and fourth quarters of 2019; and
- GDP forecast growth for 2022 at 1.9%.

The budget deficit is projected to average 6.2% of GDP over the next three years according to the Medium-Term Budget Policy Statement (MTBPS). The gross loan debt of government is expected to reach 71.3% of GDP by 2022/23.

Government finances are still under enormous pressure and revenue collection has been adversely affected by subdued economic growth, notwithstanding increases in major tax categories. On the other hand, Government expenditure has risen rapidly. The estimated budget deficit for the current fiscal year is R306.2 billion (5.9% of GDP), compared to the 4.5% deficit projected in the National Budget for 2019.

The MTBPS is projecting the gross loan debt of government to rise to R4.5 trillion, equivalent to 71.3% of GDP, by 2022/23.



Source: National Treasury Medium Term Budget Policy Statement 2019

Debt servicing costs are projected to rise at an average annual rate of 13.7% over the next three years - the fastest of all expenditure items and a major contributor to the widening fiscal deficit. Foreign currency denominated debt represents 10% of the total gross loan debt of government and non-residents hold about 35% of the rand-denominated debt.

Expenditure reduction plans include reducing the massive public sector wage bill, which consumed approximately 46% of all tax revenues in 2019/20, or 35% of consolidated budget expenditure. Containing expenditure on goods and services, as well as reducing current and capital transfers, will also form part of the fiscal adjustment process to improve the situation over the outlook period.

Ratings remains negative

Ratings agencies are increasingly concerned about South Africa's worsening fiscal metrics and poor growth performance, particularly in the light of the significant risks posed by Eskom.

- Moody's kept the sovereign rating unchanged at Baa3 (1 November 2019) and altered their outlook from "stable" to "negative". Clarity on how Government plans to address the widening budget deficit and the steep rise in debt remains a critical factor in their view.
- S&P Global, which had already placed the sovereign rating two notches into sub-investment territory (November 2017), affirmed South Africa's "junk" rating and revised outlook to negative as debt metrics worsened.

Internal environment analysis

Energy remains a critical risk to the economy

Eskom poses a significant risk to the fiscus and to the economy in general owing to poor performance and an unsustainable debt burden of R450 billion. Operational challenges and financial constraints at Eskom, together with higher electricity tariffs and declining demand in a low-growth environment have affected the performance of the electricity sector.

Decisive actions by both the government and Eskom itself are required. In addition to R230 billion financial support over the next ten years, as announced in the February 2019 Budget, Eskom will receive an additional R59 billion as per the 23 July 2019 Special Appropriation Bill. A two-phased timetable for Eskom's restructuring has been put forward, with the first phase comprising the functional separation of the entity into three separate units, and the second phase involving the legal separation of the distribution and generation functions.

The recently gazetted Integrated Resource Plan (IRP) 2019 provides some clarity on South Africa's electricity requirements and how they will be supplied over the period up to 2030, indicating a more diversified energy mix with increasing contributions from renewable energy sources. As part of the risk management plan, the DMRE has issued the Determination of Section 34 of the Electricity Regulation Act for both the Emergency energy procurement and the new Bid Window to assist with the low plan availability of Eskom. Sustained, reliable and cost-effective energy supply is critical to business planning, fixed investment decisions and overall economic growth.

Insufficient employment creation

Our economy's labour-absorption capacity has declined over time. Contributing factors include: -

- competitiveness pressures;
- skills shortages;
- technological change and other factors leading to increased mechanisation; and
- labour market-related matters.

New entrants into the labour market increased and continue to far exceed the economy's ability to create new jobs: for 570 000 new job seekers annually, only 250 000 new jobs are created annually. Thus, the unemployment rate continued to rise and reached a new record high of 29.1% in 2019, with 6.7 million people unable to find work.

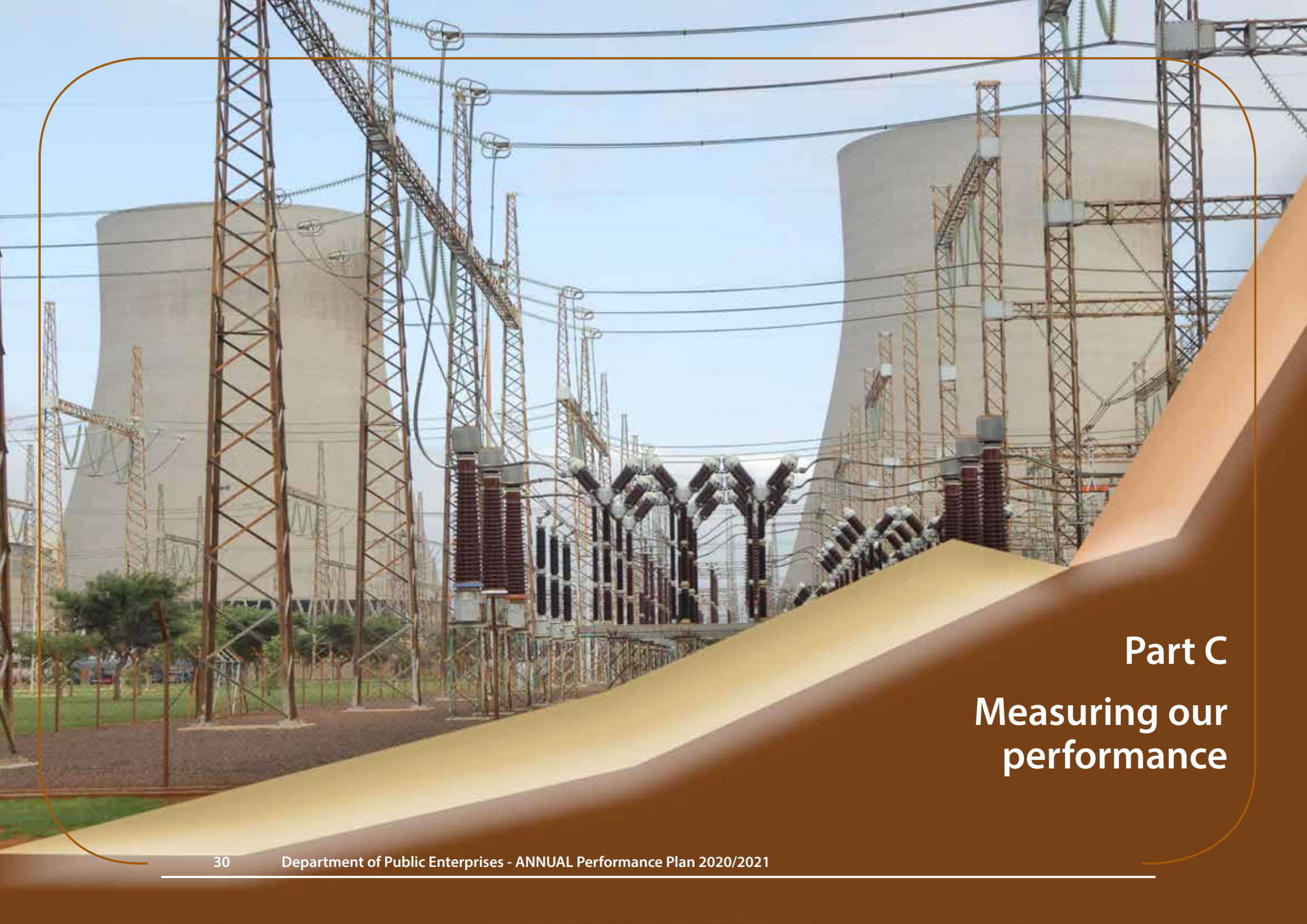
GDP recovery remains sluggish whilst debt is rising

GDP growth shows no immediate recovery with the: -

- forecast for 2019 GDP growth revised down to 0.4% from 0.5%;
- 2020 and 2021 forecast revised down to 1.2% due to lower growth than previously expected in the third and fourth quarters of 2019; and
- GDP forecast growth for 2022 at 1.9%.

The budget deficit is projected to average 6.2% of GDP over the next three years according to the Medium-Term Budget Policy Statement (MTBPS). The gross loan debt of government is expected to reach 71.3% of GDP by 2022/23.

Government finances are still under enormous pressure and revenue collection has been adversely affected by subdued economic growth, notwithstanding increases in major tax categories. On the other hand, Government expenditure has risen rapidly. The estimated budget deficit for the current fiscal year is R306.2 billion (5.9% of GDP), compared to the 4.5% deficit projected in the National Budget for 2019.



Part C

Measuring our performance

Part C: Measuring our performance

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

1. PROGRAMME 1: ADMINISTRATION AND CORPORATE MANAGEMENT

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

Sub-programmes:

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, secure environment, 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 assists line management to implement operational excellence and develop the human capital potential in the Department.

Communications: which repositions the DPE as a strong shareholder department; makes the DPE brand relevant and meaningful to ordinary South Africans; provides impactful media relations and media communication; and improves 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.

Outcomes, outputs, performance indicator and targets for Administration

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Promote alignment and efficiency across institutional model	Professionalising the public service	Number of training interventions provided (WSP)	None	22 training interventions provided (WSP)	20 training interventions provided (WSP)	15	10	10
Improved ICT and business alignment and enhanced oversight function	Approved implementation of Architecture Masterplan	Development of the DPE Enterprise Business Architecture (EA)	None	None	New indicator	Development of the Enterprise Architecture Masterplan	Implementation of Architecture Masterplan	Implementation of Architecture Masterplan

Quarterly Targets for Administration

Output Indicators	Annual target	Q1	Q2	Q3	Q4
1.1 Number of training interventions provided (WSP)	15	None	5	5	5
1.2 Development of the DPE Enterprise Business Architecture	Development of the DPE Enterprise Architecture (EA) Masterplan	Approved EA vision document	Development of as-is architecture	Development of to-be architecture	Development of GAP analysis and Architecture Masterplan

Explanation of planned performance over the medium-term period

The programme since 2018/19 has provided 22 training interventions to the employees in line with the work skills plan and employees with the PMDS. The target has been revised down due to budgetary constraints in the new financial year and only 15 training interventions will be provided.

2.3 Programme resource considerations

Programme 1: Administration

Table 2: Administration expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome (R million)			Adjusted Appropriation (R million)	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate (R million)			Average growth rate (%)	Average: Expenditure/ Total (%)
	R million	2016/17	2017/18				2018/19	2019/20	2016/17 - 2019/20		
Ministry	31.2	35.0	22.3	30.9	-0.3%	20.1%	24.0	37.0	38.7	7.8%	20.6%
Management	9.9	8.8	11.9	20.9	28.2%	8.6%	9.0	16.1	17.0	-6.5%	10.1%
Communications	38.3	36.3	33.6	40.2	1.6%	25.0%	31.6	39.8	41.9	1.4%	23.2%
Chief Financial Officer	15.2	16.1	17.2	19.4	8.3%	11.4%	19.8	22.3	23.4	6.5%	12.5%
Human Resources	36.3	27.7	27.5	29.3	-6.8%	20.3%	25.7	32.3	35.2	6.2%	18.6%
Internal Audit	6.1	3.6	3.6	6.9	4.3%	3.4%	6.9	7.4	7.7	3.7%	4.2%
Corporate Services	3.9	3.4	3.2	4.0	0.6%	2.4%	4.4	4.7	4.8	6.7%	2.6%
Office Accommodation	10.7	13.2	16.7	11.6	2.8%	8.8%	14.0	14.8	15.3	9.8%	8.1%
Total	151.6	144.0	136.0	163.1	2.5%	100.0%	135.4	174.4	184.1	4.1%	100.0%

Table 2.2: Administration expenditure trends and estimates by subprogramme and economic classification

Economic classification	Audited outcome (R million)			Adjusted Appropriation (R million)	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate (R million)			Average growth rate (%)	Average: Expenditure/ Total (%)
	R million	2016/17	2017/18				2018/19	2019/20	2016/17 - 2019/20		
Current payments	147.4	135.8	125.8	155.4	1.8%	94.9%	131.9	170.7	180.2	5.1%	97.3%
Compensation of employees	77.9	68.8	69.6	85.4	3.1%	50.7%	83.3	104.8	111.6	9.3%	58.3%
Goods and services ¹	69.5	67.0	56.2	70.0	0.2%	44.2%	48.6	65.9	68.7	-0.6%	38.9%
of which:											
Audit costs: External	3.3	3.3	4.0	3.6	2.2%	2.4%	4.7	5.0	5.2	13.5%	2.7%
Computer services	3.8	6.0	5.4	5.4	11.7%	3.5%	5.1	5.4	5.7	2.0%	3.1%
Consultants: Business and advisory services	6.9	5.2	2.2	12.6	22.0%	4.5%	2.6	8.1	8.5	-12.5%	5.4%
Operating leases	10.0	12.7	15.9	11.3	3.9%	8.4%	12.5	13.3	13.8	7.0%	7.4%
Property payments	2.0	5.2	3.7	4.1	27.5%	2.5%	4.7	5.0	5.2	8.3%	2.8%
Travel and subsistence	11.3	16.3	10.0	10.5	-2.3%	8.1%	3.4	12.1	12.6	6.2%	6.8%
Transfers and subsidies¹	0.3	2.9	1.0	4.3	140.5%	1.4%	0.0	0.0	0.0	-83.5%	0.6%
Provinces and municipalities	0.0	0.0	0.0	0.0	6.9%	-	0.0	0.0	0.0	20.0%	-
Households	0.3	2.9	1.0	4.3	142.6%	1.4%	-	-	-	-100.0%	0.6%
Payments for capital assets	3.9	5.2	9.3	3.4	-4.1%	3.6%	3.5	3.7	3.9	4.4%	2.1%
Machinery and equipment	3.8	4.9	8.8	3.3	-4.4%	3.5%	3.5	3.7	3.9	5.6%	2.1%
Software and other intangible assets	0.1	0.2	0.5	0.1	5.0%	0.1%	-	-	-	-100.0%	-
Payments for financial assets	-	0.3	0.0	-	-	-	-	-	-	-	-
Total	151.6	144.0	136.0	163.1	2.5%	100.0%	135.4	174.4	184.1	4.1%	100.0%

Expenditure analysis

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 R163 million in 2019/20 to R184 million in 2022/23. 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 9.3% over the medium-term. Expenditure on goods and services will decrease over the medium-term as a result of baseline reductions.





2. Programme 2: SOC Governance Assurance and Performance

Purpose: Provide and enforce SOCs' governance, legal assurance, financial and non-financial performance monitoring, evaluation and reporting systems, in support of the Shareholder, to ensure alignment with Government's 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 (DDG), 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 plans, operational performances, execution of capital programmes and proposed restructuring proposals; and advises on appropriate action.

2.1 Sub-Programme 2: 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 the Boards' 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.

Outcomes, Outputs, Performance Indicators and targets for Governance, Legal Assurance, Risk Profiling and Mitigation

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function.	Assessment of the SOC Boards as per the Board Performance Evaluation Framework.	Annual assessment of Independent Board Performance.	None	Five existing Boards reviewed, and five new Boards appointed.	Board Performance Evaluation Framework developed and reviewed.	Annual Board Evaluation Report.	80% Board performance.	80% Board performance.
	SOC standardised rules governing the conduct of SOC.	SOC MOIs standardised.	None	None	Report on SOCs' compliance to norms and standards on MOI.	Revised MOI approved.	100% compliance.	100% compliance.
Improved governance and accountability	Five "High Risk" SOE governance system reviewed by 2021 and recommendations implemented by 2023	Number of identified "High Risk" SOE governance system reviewed and recommendation implemented.	New Indicator	New Indicator	Final Draft Presented for Approval - Risk and Integrity Management Framework (RIMF)	Implementation of the RIMF	Implementation of the RIMF	Review and Implementation of the RIMF.
	Establish the SOE Council and improve performance and governance of the SOEs by 2020	Presidential State-Owned Enterprise Council (PSEC) established	New indicator	New indicator	New indicator	Establishment of PSEC through Presidency	Draft Bill for consultation with PSEC	Formal submission of Bill to Cabinet

Quarterly Targets for Governance, Legal Assurance, Risk Profiling and Mitigation

Output Indicators	Annual target	Q1	Q2	Q3	Q4
2.1 Annual assessment of Independent Board Performance.	Annual Board Evaluation Report.	None	None	None	Annual Board Evaluation Report submitted.
2.2 SOC MOI standardised.	Revised MOI approved.	Standard template submitted to the Minister for consultation with the SOC Boards.	Consultations with the SOC.	Consultations with the SOC.	Revised MOI approved.
2.3 Number of identified "High Risk" SOE governance system reviewed and recommendation implemented.	Implementation of the RIMF.	None	Presentation on Diagnostics outcome with SOEs.	1st RIMF Draft for review.	Final Draft for approval.
2.4 Presidential State-Owned Enterprise Council established.	Establishment of PSEC through Presidency.	None	None	None	Established PSEC through Presidency.

Explanation of planned performance over the medium-term period

With the challenges that most of the Department's SOCs have been facing, it is important that emphasis is put on Boards' performances as they are responsible for making sure that the SOCs perform as mandated. The Board Performance Framework was developed in the previous financial year; the Department will implement this framework by ensuring that each existing Board undertakes an independent board performance. Moreover, the Department will be revising the SOC MOI to ensure that all SOCs comply.

2.2 Sub-Programme 2: Financial Assessment and Investment Support

Objectives

- 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.

Outcomes, Outputs, Performance Indicators and targets for Financial Assessment and Investment Support

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved independent financial sustainability of SOCs	Outlook on SOC financial position	Number of SOC quarterly financial reviews and reports produced	None	24	28	20 ¹	28	28
	Alignment of SOC plans to key priorities outlined in SIS and SHC	Number of corporate plans reviewed	None	6	6	5 ¹	7	7
	Monitor implementation of SOCs external auditors' audit findings	Number of consolidated progress report on SOCs' audit findings	None	None	2	2	2	2
	Payment of SOCs' proportion of earnings	Standardised methodology and frequency of payment of dividend	None	None	New indicator	SOCs Dividend Policy Framework developed	None	None

¹ Exclude SAA and SA Express Airways

Quarterly Targets for Financial Assessment and Investment Support

Output Indicators	Annual target	Q1	Q2	Q3	Q4
3.1 Number of SOC quarterly financial reviews and reports produced	20	5	5	5	5
3.2 Number of corporate plans reviewed	5	None	None	None	5
3.3 Number of consolidated progress reports on SOCs' audit findings	2	None	1	None	1
3.4 Standardised methodology and frequency of payment of dividend	SOCs' Dividend Policy Framework developed	None	None	None	SOCs' Dividend Policy Framework developed

Explanation of planned performance over the medium-term period

With most of the Department's SOCs under financial constraint, the Department will strengthen its monitoring insofar as finances are concerned. The Department will review all Corporate Plans to make sure that SOCs are on the right track in stabilising their finances, and additionally monitor the implementation of audit findings on SOCs to correct issues and challenges identified during the previous financial years' audit. In order to drive SOCs to a better financial footing, a Dividend Framework will be developed.

Programme resource considerations

Programme 2: State-Owned Companies' Governance Assurance and Performance

Table 3: State-owned Companies' Governance Assurance and Performance expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome (R million)			Adjusted Appropriation (R million)	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate (R million)			Average growth rate (%)	Average: Expenditure/ Total (%)
	R million	2016/17	2017/18				2018/19	2019/20	2020/21		
Management	3.2	2.8	2.7	3.1	-0.4%	8.7%	2.9	3.5	3.6	4.5%	6.3%
Legal	12.9	11.6	12.1	12.2	-1.7%	35.8%	13.4	19.1	19.9	17.6%	32.2%
Governance	7.6	7.2	8.8	11.6	14.9%	25.8%	13.7	16.3	17.5	14.6%	28.4%
Financial Assessment and Investment Support	10.0	6.0	9.9	14.7	13.7%	29.7%	13.6	19.0	20.2	11.3%	33.2%
Total	33.7	27.5	33.5	41.6	7.3%	100.0%	43.6	57.9	61.1	13.7%	100.0%
Economic classification											
Current payments	33.6	27.4	33.5	40.6	6.5%	99.1%	43.6	57.9	61.1	14.7%	99.5%
Compensation of employees	17.7	21.4	26.3	31.7	21.4%	71.2%	33.0	38.3	40.7	8.8%	68.1%
Goods and services ¹	15.9	6.0	7.2	8.9	-17.5%	27.8%	10.6	19.6	20.4	31.9%	31.4%
of which:											
Communication	0.3	0.2	0.2	0.3	7.2%	0.6%	0.3	0.3	0.3	1.2%	0.6%
Consultants: Business and advisory services	4.8	0.6	0.0	3.5	-9.8%	6.6%	6.0	11.6	12.1	50.8%	17.8%
Legal services	5.2	3.3	5.5	3.0	-16.9%	12.4%	3.0	3.2	3.4	4.5%	5.9%
Entertainment	-	-	-	-	-	-	0.0	0.0	0.0	-	-
Travel and subsistence	2.0	1.9	1.3	2.0	-0.1%	5.3%	1.2	4.4	4.5	30.7%	7.0%
Venues and facilities	0.2	0.0	0.0	0.1	-28.8%	0.2%	0.1	0.1	0.1	1.0%	0.1%
Transfers and subsidies¹	0.1	0.1	-	1.1	127.1%	0.9%	-	-	-	-100.0%	0.5%

Subprogramme	Audited outcome (R million)			Adjusted Appropriation (R million)	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate (R million)			Average growth rate (%)	Average: Expenditure/ Total (%)
	R million	2016/17	2017/18				2018/19	2019/20	2016/17 - 2019/20		
Public corporations and private enterprises	–	–	–	1.0	–	0.8%	–	–	–	–100.0%	0.5%
Households	0.1	0.1	–	0.0	-31.4%	0.2%	–	–	–	-100.0%	–
Total	33.7	27.5	33.5	41.6	7.3%	100.0%	43.6	57.9	61.1	13.7%	100.0%

Expenditure analysis

The expenditure for programme 2 is expected to increase from R41.6 million in 2019/20 to R61.1 million in 2022/23. The Legal, Governance and Financial Assessment & Investment Support sub-programmes will receive the bulk of the programme's allocation in the medium-term.

The spending focus will be on the following:

Development of Government Shareholder Management Bill: During 2020/21 the Department will, with the support of a service provider, be undertaking the development of a Green Paper for the SOE Bill. During 2021/22 the Department intends to develop the White Paper and in 2022/23 the draft Bill. It is anticipated that the Department will require support to undertake these tasks, in particular to ensure that the Bill draws on international best practice and experience as well as requiring specialised legal skills for drafting the Bill.

Review board performance in line with Board Evaluation Framework: The Department in 2019/20 financial year embarked on a review of its Board Performance Evaluation questionnaire and the practice of board evaluation by the companies. Within the scope of state capture and poor performance of the SOCs, it was found that Boards tend to excel in the Board performance ratings. As a consequence, a new Board Performance

Evaluation Framework is currently being developed to ensure that, inter alia, there is value for the Shareholder, derived from board performance evaluation report and that the report assists the Shareholder in the annual review of Board composition.

Verification of potential candidates for Boards: An integral oversight function is the appointment of appropriately skilled, competent and suitable persons to the Boards of these SOCs. As part of the board appointment methodology, the DPE has to undertake a vetting process of potential candidates who will eventually be nominated for appointment to Boards.

Forensic Investigations: The DPE has established a panel of Forensic Investigators that will be used when and where required to undertake proper investigations, make findings and recommendation to address wrongdoing that is detected through the hotline. It is critical that the DPE establishes the capability to properly investigate matters in the SOCs. It is in this context that provision has been made in the organisation budget to assist in this process.

3. Programme 3: Business Enhancement and Industrialisation

Purpose: To provide sector oversight of SOCs by advancing industrialisation, transformation, intergovernmental relations and international collaboration services; and support the Shareholder to strategically position and enhance the operations of SOCs.

Objectives

- To contribute to 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 inter alia inform compact alignment imperatives.

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 Airways, SAA and Denel.

3.1 Sub-Programme: Business Enhancement Services

Objectives

- Initiates and coordinates specialist research projects to model the short-, medium- and long-term business enhancement prospects.
- Develops and coordinates the implementation of SOCs' 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 SOCs' compact alignment processes and facilitate their development/adoption.

Outcomes, Outputs, Performance Indicators and targets for Business Enhancement and Industrialisation

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Increase the contribution of SOCs to support transformation of the South African economy	Improved SOCs' spend on locally manufactured goods and services	Increase % spent on SOCs' local content	None	None	New Indicator	4 Assessment Reports on SOCs' 75% spend on local content	Assessment report on SOCs' 75% spend on local content	Assessment report on SOCs' 75% spend on local content
	Improved SOCs' contribution on SOCs' transformation agenda	Increase % spend on SOCs' preferential procurement	None	None	New Indicator	4 Assessment Reports on SOCs' 75% spend on Preferential Procurement and BBBEE level 6	Assessment report on SOCs' 75% spend on Preferential Procurement	Assessment report on SOCs' 75% spend on Preferential Procurement
	Socio- economic development programme of SOCs	% increase in SOC CSI programme allocation	None	None	New Indicator	Assessment reports on 0.2% spend on SOC CSI programme	Assessment reports on 0.2% spend on SOC CSI programme	Assessment reports on 0.2% spend on SOC CSI programme
Support the development of small, medium and micro enterprises (SMMEs)	Improved SOCs' spend on enterprise development	Annual value of enterprise development contributions	None	None	New Indicator	Assessment report on SOCs' 1% TMPS spent	Assessment report on SOCs' 1% TMPS spent	Assessment report on SOCs' 1% TMPS spent
Accelerate the development of skills to support the needs of the economy	A minimum % of leviable amount (excluding the statutory skills development levy) on essential skills development	Number of new learners enrolled into SOCs' skills development programmes	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	4 Assessment Reports measuring SOCs' 3% spend of leviable amount	4 Assessment reports measuring SOCs' 3% spend of leviable amount	4 Assessment reports measuring SOCs' 3% spend of leviable amount	4 Assessment Reports measuring SOC 3% spent of leviable amount

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Increase the contribution of SOCs to support transformation of the South African economy	Development of SOCs' Africa Market Entry Plans	SOCs' implementation in line with the DPE Africa Strategy	None	DPE Africa Strategy reviewed	Report on alignment of 2 Africa market entry plans to DPE's Africa Strategy	Report on alignment of 2 Africa market entry plans to DPE's Africa Strategy	Monitoring of SOCs' Africa plans	Monitoring of SOCs' Africa plans



Quarterly Targets for Business Enhancement and Industrialisation

Output Indicators	Annual target	Q1	Q2	Q3	Q4
4.1 Increase % spend of SOCs' local content	4 Assessment reports on SOCs' 75% spend on local content	Assessment of SOCs' 75% spend on local content	Assessment of SOCs' 75% spend on local content	Assessment of SOCs' 75% spend on content	Assessment of SOCs' 75% spend on content
4.2 Increase % spend of SOCs' Preferential Procurement	4 Assessment reports on SOCs' 75% spend on Preferential Procurement and BBBEE level 6 compliance	Assessment report of SOCs' 75% spend on Preferential Procurement	Assessment report of SOCs' 75% spend on Preferential Procurement	Assessment report of 75% spend on Preferential Procurement	Assessment report of SOCs' 75% spend on Preferential Procurement and BBBEE level 6 compliance
4.3 % increase in SOC CSI programme allocation	4 Assessment reports on 0.2% spend on SOC CSI programme	Assessment of SOC spend on CSI programme	Assessment of SOC spend on CSI programme	Assessment of SOC spend on CSI programme	Assessment of SOC spend on CSI programme
4.4 Annual value of enterprise development contributions	4 Assessment reports on SOCs' 1% TMPS spend	Assessment of SOCs' 1% TMPS spend	Assessment of SOCs' 1% TMPS spend	Assessment of SOCs' 1% TMPS spend	Assessment of SOCs' 1% TMPS spend
4.5 Number of new learners enrolled into SOCs' skills development programmes	4 Assessment Reports measuring SOCs' 3% spend of leviable amount	Assessment Report measuring SOCs' 3% spend of leviable amount	Assessment Report measuring SOCs' 3% spend of leviable amount	Assessment Report measuring SOCs' 3% spend of leviable amount	Assessment Report measuring SOCs' 3% spend of leviable amount
4.6 SOCs' Implementation in line with the DPE Africa Strategy	Report on alignment of 2 SOCs' Africa market entry plans to DPE's Africa Strategy	None	None	None	Report on alignment of 2 SOC Africa market entry plans to DPE's Africa Strategy

Explanation of planned performance over the medium-term period

With all the challenges faced by SOCs, the role of assisting the transformation of the economy still remains. It is in this light that the Department will continue to monitor SOCs' spend on local content and further monitor the skills development of learners by the SOCs.

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.

Purpose

The sub-programme is responsible for the oversight of three SOCs, namely Eskom, Alexkor and SAFCOL.

Eskom SOC Limited

- 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.

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 SOCs 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 Energy and the Department of Agriculture, Rural Development and Land Reform, to stabilise the Richtersveld region and make use of revenues.

SAFCOL SOC Limited

- 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.

Outcome, Output, Indicators, Target for Energy and Resources

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved governance and accountability.	Shareholder compacts signed	Number of shareholder compacts signed per (ESKOM, Alexkor and SAFCOL)	None	3 Shareholder compacts signed per (ESKOM, Alexkor and SAFCOL)	3 Shareholder compacts signed per (ESKOM, Alexkor and SAFCOL)	3 Shareholder compacts signed per (ESKOM, Alexkor and SAFCOL)	3 Shareholder compacts signed per (ESKOM, Alexkor and SAFCOL)	3 Shareholder compacts signed per (ESKOM, Alexkor and SAFCOL)
Increase the contribution by SOCs in support of the transformation of South African Economy	SAFCOL's re-investment on Timbadola project.	SAFCOL's increased revenue.	None	Conduct the feasibility study in the processing capacity in Mpumalanga and Limpopo.	None	Progress report on SAFCOL implementation of Timbadola project.	4 Progress reports on SAFCOL implementation of Timbadola project.	None
	Optimal operating structure for Alexkor	Restructuring of Alexkor	Draft study on state owned mining assets		Implementation of the proposed shareholding structure	Proposed shareholding structure for Alexkor mining rights	None	None
Supply of the energy secured	Increase energy availability factor to above 80% by 2024.	Increased energy availability factor.	Monitor the delivery of Eskom's build programme (Medupi & Kusile).	4 reports on the monitoring of Eskom's build programme (Medupi & Kusile).	4 Assessment reports on the delivery of Eskom's Build programme (Medupi, Kusile and Power Delivery Projects).	4 Progress reports on Eskom's delivery of infrastructure programme.	4 Progress reports on Eskom's delivery of infrastructure programme.	4 Progress reports on Eskom's delivery of infrastructure programme.
	Increase electricity reserve margin by 15% by 2024.	Increased electricity reserve margin.	4 progress reports on the performance of Eskom's generation fleet.	3 progress reports produced and pending; 1 of which will be submitted at the end of quarter 4.	4 progress reports on the performance of Eskom's generation fleet.	4 assessment reports of Eskom's performance generation fleet.	4 assessment reports of Eskom's performance generation fleet.	4 assessment reports of Eskom's performance generation fleet.

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Supply of the energy secured	Explore embedded generation (SSEG) options to augment generation capacity Eskom capacity by 1000 MW by 2024.	Additional 1000 MW by 2024 commissioned (200mw by 2021)	None	None	New Indicator	Progress report on additional embedded generation capacity added	Progress report on additional embedded generation capacity added	Progress report on additional embedded generation capacity added
	Separate Transmission Company established by 2020.	Independent generation and transmission company under ESKOM Holdings established by 2020.	None	None	Progress report on the status of the unbundling.	2 progress reports on the status of the unbundling.	Progress report on the status of the unbundling	Final report on the status of the unbundling.
	Implementation of the ESKOM Roadmap commitments by 2024.	Implement ESKOM Roadmap for reformed electricity supply industry.	None	None	New indicator	2 progress reports on the implementation of the Eskom roadmap	2 progress reports on the implementation of the Eskom roadmap	2 progress reports on the implementation of the Eskom roadmap

Quarterly Targets for Energy and Resources

Output Indicators	Annual target	Q1	Q2	Q3	Q4
5.1 Number of Shareholder Compacts signed (Eskom, Alexkor and SAFCOL)	3 Shareholder Compacts signed (Eskom, Alexkor and SAFCOL).	None	None	3 Shareholder Compacts signed (Eskom, Alexkor and SAFCOL).	None
5.2 SAFCOL's increase in revenue	4 progress report on SAFCOL's Timbadola re-investment project.	Assessment of SAFCOL's Timbadola re-investment project.	Assessment of SAFCOL's Timbadola re-investment project.	Assessment of SAFCOL's Timbadola re-investment project.	Assessment of SAFCOL's Timbadola re-investment project.
5.3 Restructuring of Alexkor	Proposed shareholding structure for Alexkor mining rights.	None	None	Cabinet Memo on the proposed shareholding structure for Alexkor's mining rights.	None

Output Indicators	Annual target	Q1	Q2	Q3	Q4
5.4 Eskom Planned Capacity Adherence (Infrastructure/Build program)	4 progress reports on Eskom's delivery of infrastructure programme).	Assessment reports of the infrastructure programme.	Assessment reports of the infrastructure programme.	Assessment reports of the infrastructure programme.	Assessment reports of the infrastructure programme.
5.5 Maintenance of security supply and prudent fleet management	4 assessment reports of Eskom's performance of generation fleet.	Assessment of performance of the generation fleet.	Assessment of performance of the generation fleet.	Assessment of performance of the generation fleet.	Assessment of performance of the generation fleet.
5.6 Implementation of the Eskom Special Paper	2 progress reports on Eskom's status of the unbundling process.	None	Assessment report on the unbundling process.	None	Assessment report on the unbundling process.
5.7 Explore embedded generation (SSEG) options to augment generation capacity Eskom capacity by 1000 MW by 2024.	2 progress reports on the additional embedded generation capacity added	None	Progress report on additional embedded generation capacity added	None	Progress report on additional embedded generation capacity added
5.8 Implement ESKOM Roadmap for reformed electricity supply industry.	2 progress reports on the implementation of the Eskom roadmap	None	Progress report on the implementation of the Eskom Roadmap	None	Progress report on the implementation of the Eskom Roadmap

Explanation of planned performance over the medium-term period

The unit will monitor fleet maintenance to make sure that the SOCs' build programmes are efficient and working optimally. The electricity shortage is still an issue for the SOC and the monitoring of electricity margins will be done in this financial year. The Department plans to restructure Alexkor by reviewing the shareholding structure. As announced by President Ramaphosa, Eskom will start with the process of unbundling this financial year.

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 sub-programme is responsible for the oversight of three SOCs, namely Transnet, SAA and SA Express Airways.

Transnet SOC Limited

- Provides oversight on Transnet’s implementation of the Market Demand 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 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.
- Facilitates the review of commercial arrangements as and when required to support the financial position of the company to ensure its long-term financial and commercial sustainability.

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.
- Leverages off the company’s advances in manufacturing capability through securing work packages in support of the industrialisation drive aligned with the Industrial Policy Action Plan (IPAP) over the medium-term.
- Ensures Denel’s ongoing sustainability by monitoring the implementation of the multi-year turnaround plan over the medium-term.
- Ensures proper balance between the need to develop indigenous capabilities in response to national defence equipment requirements and the need to cooperate and collaborate with international armaments companies in the context of high development costs and the importance of having access to selected markets on an ongoing basis.

Outcome, Output, Indicators, Target for Transport and Defence

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Improved governance and accountability	SOC implementation of agreed key performance indicators.	Number of shareholder compacts signed per (Transnet, Denel, SAA and SA Express).	None	Three 2019/20 Shareholder Compacts signed (Transnet, Denel and SA Express.	Four 2020/21 Shareholder Compacts signed (Transnet, Denel, SAA and SA Express).	Three 2021/22 Shareholder Compacts signed (Transnet and Denel).	Four 2022/23 Shareholder Compacts signed (Transnet, Denel, SAA and SA Express).	Four 2023/24 Shareholder Compacts signed (Transnet, Denel, SAA and SA Express).
DENEL								
Improved governance and accountability	Improved sustainability of Denel	Progress report on implementation of the strategic initiatives to turnaround Denel	None	None	Report on implementation of Denel's restructuring plan completed.	4 quarterly progress reports on the implementation of the strategic initiatives to turnaround Denel	4 quarterly progress reports on the implementation of the strategic initiatives to turnaround Denel	4 quarterly progress reports on the implementation of the strategic initiatives to turnaround Denel
TRANSNET								
Increase access to affordable and reliable transport system.	Investment programme in rolling stock and rail infrastructure	Progress reports on rolling stock expansion and upgrade.	None	None	New indicator	4 quarterly reports on progress on the Investment programme in rolling stock and rail infrastructure	4 quarterly reports on progress on the Investment programme in rolling stock and rail infrastructure	4 quarterly reports on progress on the Investment programme in rolling stock and rail infrastructure
		Final report on the Corporatisation of Transnet National Ports Authority (TNPA)	None	None	New indicator	4 quarterly progress reports on the corporatisation of TNPA	4 quarterly progress reports on the Implementation of the corporatisation recommendation	4 quarterly progress reports on the Implementation of the corporatisation recommendation
	Improved port terminal equipment reliability.	Assessment reports on port equipment reliability.	None	None	New Indicator	4 quarterly assessment reports on port equipment reliability	4 quarterly assessment reports on port equipment reliability	4 quarterly assessment reports on port equipment reliability

Quarterly Targets For Transport and Defence

Output Indicators	Annual target	Q1	Q2	Q3	Q4
6.1 Number of Shareholder Compacts signed per (Transnet and Denel)	Two 2021/22 Shareholder Compacts signed (Transnet and Denel).	None	None	Two 2021/22 Shareholder Compacts signed (Transnet and Denel).	None
Denel					
6.2 Progress report on implementation of the strategic initiatives to turnaround Denel	4 Quarterly progress reports on the implementation of the strategic initiatives to turnaround Denel	Quarterly progress reports on the implementation of the strategic initiatives to turnaround Denel	Quarterly progress reports on the implementation of the strategic initiatives to turnaround Denel	Quarterly progress reports on the implementation of the strategic initiatives to turnaround Denel	Quarterly progress reports on the implementation of the strategic initiatives to turnaround Denel
Transnet					
6.3 Number of progress reports on rolling stock expansion and upgrade	4 progress reports on rolling stock expansion and upgrade	Progress reports on rolling stock expansion and upgrade	Progress reports on rolling stock expansion and upgrade	Progress reports on rolling stock expansion and upgrade	Progress reports on rolling stock expansion and upgrade
6.4 Final report on the Corporatisation of Transnet National Ports Authority (TNPA)	4 quarterly progress reports on the corporatisation of TNPA	Quarterly progress reports on the corporatisation of TNPA	Quarterly progress reports on the corporatisation of TNPA	Quarterly progress reports on the corporatisation of TNPA	Quarterly progress reports on the corporatisation of TNPA
6.5 Assessment reports on port equipment reliability.	4 assessment reports of Eskom's performance generation fleet.	Assessment reports on port equipment reliability	Assessment reports on port equipment reliability	Assessment reports on port equipment reliability	Assessment reports on port equipment reliability

Explanation of planned performance over the medium-term period

This financial year the Department will monitor the restructuring plan of Denel. Moreover, there will be more emphasis on monitoring and directing Transnet to make sure that there is improvement to its rolling stock and its capacity.

3.4 Sub-Programme: Research and Economic Modelling

Objectives

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

Outcomes, Outputs, Indicators, and Quarterly Targets for Research and Economic Modelling

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Increase the contribution of SOCs to support transformation of the South African economy	Socio-economic impact assessment reports of SOCs' selected capital projects	Number of socio-economic impact assessment reports of SOCs' selected capital projects	None	Socio-economic impact assessment reports of SOCs	Socio-economic impact assessment of Eskom's selected capital projects	1 socio-economic impact assessment report of selected SAFCOL capital projects completed	Socio-economic impact assessment of aviation selected capital projects	Socio-economic impact assessment of Alexkor's selected capital projects
	Industry-specific research	Number of industry-specific research conducted	None	Macro-economic and industry-specific research	10	5 Industry specific research conducted	5 Industry specific research conducted	5 Industry specific research conducted

Quarterly Targets For Research and Economic Modelling

Output Indicators	Annual target	Q1	Q2	Q3	Q4
7.1 Number of socio-economic impact assessment reports of SOCs' selected capital projects	1 socio-economic impact assessment report of selected SAFCOL capital projects completed	None	Review report of SAFCOL's capital projects	SAFCOL's project site visit reports	One (1) socio-economic impact assessment report of selected SAFCOL capital projects completed
7.2 Number of industry-specific research conducted	5 Industry-specific research	None	None	None	5 Industry-specific research

Explanation of planned performance over the medium-term period

A socio-economic impact on SAFCOL's capital projects and industry-specific research will be done, to inform policy decision-making.

3.5 Programme resource considerations

Table 4: Business Enhancement, Transformation and Industrialisation expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome				Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
	R million	2016/17	2017/18	2018/19				2019/20	2016/17 - 2019/20	2020/21		
Energy Resources	22.5	14.5	9.5	49 013.7	1195.4%	77.7%	33 007.6	13.5	13.4	-93.5%	81.6%	
Research and Economic Modelling	5.7	25.2	6.9	12.5	30.1%	0.1%	10.2	13.0	12.9	0.9%	0.1%	
Transport and Defence	24.3	15.0	6 262.1	7 620.0	579.7%	22.1%	4 566.4	4 348.9	1 817.4	-38.0%	18.3%	
Business Enhancement Services	16.0	24.3	26.7	32.0	25.9%	0.2%	24.2	29.7	30.2	-2.0%	0.1%	
Total	68.5	78.8	6 305.3	56 678.3	838.6%	100.0%	37 608.4	4 405.1	1 873.8	-67.9%	100.0%	
Economic classification												
Current payments	68.5	78.8	56.2	78.3	4.5%	0.4%	68.4	96.1	96.7	7.3%	0.4%	
Compensation of employees	52.7	51.9	47.9	53.1	0.3%	0.3%	50.8	66.9	66.8	7.9%	0.2%	
Goods and services ¹ of which:	15.8	26.8	8.3	25.1	16.8%	0.1%	17.6	29.2	29.9	6.0%	0.1%	
Catering: Departmental activities	0.1	0.2	0.0	0.0	-14.1%	-	0.0	0.0	0.0	2.9%	-	
Communication	0.5	1.4	0.2	0.6	6.5%	-	0.6	0.6	0.6	1.0%	-	
Consultants: Business and advisory services	10.3	11.1	4.3	16.6	17.1%	0.1%	14.0	21.3	21.6	9.2%	0.1%	
Entertainment	-	-	-	0.0	-	-	0.0	0.0	0.0	3.0%	-	
Travel and subsistence	3.9	6.7	3.6	6.2	16.7%	-	2.9	7.2	7.5	6.5%	-	
Venues and facilities	0.4	0.3	0.0	0.0	-68.3%	-	0.1	0.1	0.1	96.7%	-	
Transfers and subsidies ¹	0.0	0.1	0.1	-	-100.0%	-	-	-	-	-	-	
Households	0.0	0.1	0.1	-	-100.0%	-	-	-	-	-	-	
Payments for financial assets	-	-	6 249.0	56 600.0	-	99.6%	37 540.0	4 309.0	1 777.2	-68.5%	99.6%	
Total	68.5	78.8	6 305.3	56 678.3	838.6%	100.0%	37 608.4	4 405.1	1 873.8	-67.9%	100.0%	

Expenditure analysis

Excluding provisional allocations to Eskom and South African Airways over the medium term, additional allocation will be made including the R33 billion for Eskom in 2020/21; R9.9 billion for South African Airways (R3.8 billion in 2020/21, R4.3 billion in 2021/22 and R1.8 billion in 2022/23); R576 million for Denel in 2020/21; and R164 million for South African Express Airways in 2020/21. Additional allocations to state-owned companies will be used to settle government guaranteed debt and for working capital in certain instances, and are subject to conditions that include restructuring, the implementation of turnaround plans, the review of business models, the sale of non-core assets and the identification of strategic equity partners, among other things. Over the MTEF period, the department intends to closely monitor and assist the state-owned companies in implementing and complying with these conditions.



Updated key risks and mitigation from the SP

Socio-economic impact Risks

Risk	Risk mitigation
NDP: Policy incoherence and uncertainty	<p>Collaborate with other policy and regulatory stakeholders and align objectives to ensure that SOCs remain relevant.</p> <p>Agree on specific policies regarding dividends and recapitalisation of SOCs with National Treasury.</p> <p>Develop strategies and plans to ensure effective collaboration and alignment between the DPE and all key stakeholders.</p>
NDP: Poor performance of SOCs jeopardises the NDP	<p>Requires additional resources/incentives to assist in the enablement of small to medium-sized businesses.</p> <p>Create a culture of ethical manufacturing in South Africa.</p> <p>Requires a re-think in industrial policy to create future competitive industries that are less reliant on SOCs and/or not impacted by underlying challenges.</p>
NDP: Policy alignment in capital acquisition	<p>Collaborate with other policy and regulatory stakeholders and align objectives to ensure alignment on industrial development objectives and strategy.</p> <p>Consider the entire value chain opportunity and its impact when directing investment to establish new value adding suppliers.</p> <p>Alignment of sourcing strategy with economic value add of new value adding suppliers.</p>

Oversight Risks

Risk	Risk mitigation
DPE: Inadequate tools and ineffective use of existing tools	<p>Re-engineer all our methodologies, procedures, and processes to ensure the effective implementation of oversight instruments.</p> <p>Identify specific gaps and weaknesses within our current tools to enhance automated reporting systems, machine learning technologies and the ability to collect and analyse big data sets for predictive analytics in oversight.</p> <p>Improve compliance and enforcement with intelligent performance management dashboard.</p>
DPE: Failure of governance at SOCs	<p>Finalise and implement the SOE Act to mandate and formalise oversight policy and procedures.</p> <p>Introduce policies that clearly define roles and responsibilities of each stakeholder within the SOC value chain.</p> <p>Establish a new oversight architecture and coordinate interventions through the Presidential SOE Coordinating Council (PSCC), chaired by the President and the DPE as the Secretariat to start.</p> <p>Re-purpose the DPE organisational structure and enhance capacity to provide effective oversight.</p>
DPE: Organisational structure and limited capacity constrain effective technical oversight	<p>Focus on the restructuring and re-engineering of DPE to enable effective oversight in terms of people, process and systems.</p>
DPE: Leadership continuity	<p>The DPE must implement clear policies to ensure the stability of DPE leadership.</p> <p>The appointment of long-term leadership performance contracts based on technical ability and meritocracy.</p>

Sustainability Risks

Risk	Risk mitigation
SOC: Unsustainable business model	<p>Introduce specific targets for costs containment and revenue “output” generation in the Shareholder Compacts.</p> <p>Enhance SOC Operating Model to focus on growth and business rightsizing initiatives via the SIS.</p> <p>Clarify the roles and responsibilities of each role player to deliver the above.</p> <p>Instruct the SOCs to enhance R&D to ensure their operating models stay in step with global disruptive business models in order to remain relevant.</p>
SOC: Failure of the SOCs to deliver on their mandates	<p>Align remuneration, performance and consequence management with Cabinet guidelines.</p> <p>Agree and implement a new Logical Planning Framework with specific adherence.</p> <p>Enhance and streamline the DPE’s internal processes to ensure rapid response and timeous decision making throughout the SOC value chain.</p> <p>Focus on capacitating core technical functions, develop and enhance technical skills and ensure implementation of sound operational and systems engineering business processes to ensure effective technical oversight.</p>
SOC: Corruption, fraud and maladministration	<p>Enhance the methodology and manner in which Boards are appointed to ensure independence and enable effective performance review with due consequence management.</p> <p>Ensure the effectiveness of financial, internal and value chain audits to provide credible independent oversight on the performance of SOCs.</p> <p>Ensure that SOCs implement effective internal controls to ensure all audit recommendations are implemented.</p>
SOC: Composition of SOC Boards does not provide independence for value chain oversight	<p>Review composition of Boards and establish a Value Chain Committee to the Board that will be tasked with independent operational oversight.</p> <p>Ensure that the members of this committee have the required technical skills to provide oversight.</p> <p>Implement an independent value chain audit methodology to advise on the efficiency of the SOCs’ value chain performance.</p>
SOC: Negative turnaround sentiment	<p>Requires a decisive intervention strategy on how to deal with corruption and state capture issues.</p> <p>Accelerate remedial processes to limit long-term negative impact on people.</p> <p>Agree on a leadership code of conduct to deal with corruption and state capture issues.</p>

Public entities

The table below lists the SOCs that report to the Minister, their mandates and nature of operations:

Name of Entity	Legislative Mandate	Minister's financial relationship with the SOC	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.
SAX Express Airways	South African Express Act (Act 34 of 2007)	Shareholder representative	SA Express Airways 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.

Infrastructure projects

The Department does not have infrastructure projects.

Public-Private Partnerships (PPPs)

The Department does not have any PPPs.



Part D Technical indicator descriptions (TIDs)

Part D: Technical indicator descriptions (TIDs)

Programme 1: Administration

1.1 Indicator title	Number of training interventions provided (WSP)
Definition	To ensure that all employees are trained and properly skilled in their respective performance areas. 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 of data	Proof of attendance (signed register), letters of bursary allocation, certificates, memoranda approved by the CD: HRM or DDG: CM.
Method of calculation or assessment	Number of training interventions.
Means of verification	Proof of attendance (signed register), letters of bursary allocation, certificates, memoranda approved by the DDG: CM.
Assumptions	Every attendee will sign registers, memoranda will be approved on time, and certificates will be issued on time.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Skilled employees
Indicator responsibility	Chief Director: Human Resources

1.2 Indicator title	Development of the DPE Enterprise Business Architecture
Definition	Development of a DPE infrastructure platform to support the oversight function.
Source of data	Approved EA vision and gap analysis report.
Method of calculation or assessment	Simple count
Means of verification	Approved DPE Enterprise Architecture Masterplan.
Assumptions	Delayed approval of the roadmap, limitation of the inputs/ information from relevant stakeholders (SOCs /Business units).
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Functional DPE Enterprise Business Architecture.
Indicator responsibility	Director: Information Management

PROGRAMME 2: GOVERNANCE ASSURANCE AND PERFORMANCE

Sub-Programme 2: Governance, Legal Assurance and Risk Profiling and Mitigation

2.1.Indicator title	Annual assessment of independent Board performance
Definition	To strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function through implementation of the Board Performance Evaluation framework.
Source of data	AGM table of resolutions/Independent Annual Board Evaluations.
Method of calculation or assessment	Number of Boards evaluated.
Means of verification	Independent Annual Board Evaluation assessment report submitted by each SOC. Record of decisions made at AGMs.
Assumptions	Each SOC's AGM held in line with prescripts. Each SOC's Board functioned in line with prescripts during the review period. Each Board will undertake the independent evaluation.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Non-cumulative
Reporting cycle	Annual
Desired performance	Each Board undertakes an independent evaluation in line with the framework.
Indicator responsibility	DDG: SOC GAP

2.2 Indicator title	SOC MOIs standardised
Definition	To strengthen the governance systems of SOCs and promote institutional alignment in the execution of the oversight functions through a standardised MOI.
Source of data	Inputs from the SOC Boards.
Method of calculation or assessment	Number of Boards that achieved 80% baseline performance.
Means of verification	Approved special resolutions for amendment of the MOI. Decision memo to the Minister. Letters to the SOC Boards.
Assumptions	Minister will approve the implementation of the MOI. Boards will provide feedback within the agreed timeframes.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Cumulative
Reporting cycle	Annual
Desired performance	Boards comply with the MOI.
Indicator responsibility	DDG: SOC GAP

2.3 Indicator title	Number of identified “High Risk” SOE governance system reviewed and recommendation implemented.
Definition	The RIMF is meant to foster maintenance of high standards of ethical conduct in SOEs’ promote accountability in management of public funds, promote integration between risk and performance and promote enhanced risk reporting by SOEs.
Source of data	Output of SOE risk maturity survey, Engagements between service provider and SOEs representatives.
Method of calculation or assessment	Simple Count
Means of verification	Meeting Invites, Presentation, Draft Document
Assumptions	Covid-19, Poor Performance by Service Provider and non-availability of key stakeholders
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative per Quarter
Reporting cycle	Quarterly
Desired performance	Improved and effective risk reporting culture from SOEs
Indicator responsibility	Chief Risk Officer

2.4 Indicator title	SOE Council and improve performance and governance of the SOCs established.
Definition	To measure the establishment of Presidential State-owned Enterprises Council to improve performance and governance by 2020.
Source of data	Council report, list of Presidential State-owned Enterprises Council.
Method of calculation or assessment	Simple counts
Means of verification	Quarterly reports/Memo
Assumptions	Presidential State-owned Enterprises Council will be established.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not Applicable
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Improved performance and governance of SOCs
Indicator responsibility	DDG: Governance, Legal Assurance, Risk Profiling and Mitigation.

SUB-PROGRAMME 2: FINANCIAL ASSESSMENT AND INVESTMENT

3.1 Indicator title	Number of SOCs' quarterly financial reviews and reports produced
Definition	To monitor the financial performance against agreed targets in the Corporate Plans and Shareholder Compacts.
Source of data	SOC Quarterly Reports
Method of calculation or assessment	Number of SOCs' submitted quarterly reports reviewed.
Means of verification	Approved financial review reports by the DG (excludes SAA and SA Express – entities under business rescue).
Assumptions	Non-submission of reports by SOCs for various reasons and some circumstances which are beyond control.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Improved financial performance of SOCs.
Indicator responsibility	DDG: Financial Assessment and Investment Support

3.2 Indicator title	Number of SOCs' corporate plans reviewed
Definition	To ensure that the Department reviews 6 SOCs' corporate plans and ensure alignment with the Shareholder Compact's KPIs.
Source of data	SOCs' Corporate Plans submitted to DPE.
Method of calculation or assessment	Number of Corporate Plans submitted by SOCs reviewed annually.
Means of verification	Memo on the review of the Corporate Plans endorsed by the DG (excludes SAA and SA Express – entities under business rescue).
Assumptions	All SOCs will submit their Corporate Plans.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Cumulative
Reporting cycle	Annually
Desired performance	SOCs' Corporate Plans aligned to Government's plans to achieve Government's objectives.
Indicator responsibility	DDG: Financial Assessment and Investment Support

3.3 Indicator title	Number of consolidated progress reports on audit findings
Definition	Tracking the implementation of the external auditor's audit finding action plan of SOCs.
Source of data	External auditor's management report and the SOC action plan.
Method of calculation or assessment	Progress report produced.
Means of verification	Assessment report on the SOCs' implementation of audit findings signed off by DG.
Assumptions	Non-submission of reports by SOCs for various reasons and some circumstances which are beyond control.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Cumulative
Reporting cycle	Bi-annual
Desired performance	Audit findings being addressed.
Indicator responsibility	DDG: Financial Assessment and Investment Support

3.4 Indicator title	Standardised methodology and frequency of payment of dividend
Definition	Develop a SOC dividend policy framework to be used by SOCs in developing their respective dividend policies. The framework will include payment methods.
Source of data	Research paper(s) on dividend policy.
Method of calculation or assessment	Dividend Policy Framework document.
Means of verification	SOC Dividend Policy Framework approved by DG.
Assumptions	SOCs to develop policies of declaring dividends guided by the framework.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Cumulative
Reporting cycle	Annual
Desired performance	Promotion of SOCs to be financially sustainable.
Indicator responsibility	DDG: Financial Assessment and Investment Support

Programme 3: Business Enhancement and Industrialisation

4.1 Indicator title	Increase % spend of SOCs' local content
Definition	In order to position SOCs to support the re-industrialisation of the SA economy, SOCs will be encouraged to procure locally manufactured goods and services as per Preferential Procurement Policy Framework Act regulation 8 (4) and 9.
Source of data	SOCs' Quarterly Reports/Annual Reports.
Method of calculation or assessment	% spend on locally manufactured or produced goods and services (total procurement spend).
Means of verification	Assessment report on SOCs' 75% spend on local content signed off by DDG.
Assumptions	SOCs to provide summary of procurement spend with trend analysis aligned to local content and developmental goals.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Percentage of procurement spend on locally manufactured goods and services.
Reporting cycle	Quarterly
Desired performance	To improve year-on-year percentage spend on procurement of locally manufactured goods and services.
Indicator responsibility	DDG: Business Enhancement and Industrialisation

4.2 Indicator title	Increase % spend of SOCs' Preferential Procurement
Definition	To measure spend of SOCs in supporting the transformation of the South African economy through procurement.
Source of data	Individual SOC procurement data.
Method of calculation or assessment	Designated percentage targets.
Means of verification	Assessment report on SOCs' 75% spend on Preferential Procurement signed off by DDG.
Assumptions	SOCs to provide a summary of procurement spend with trend analysis aligned to transformation, local content and developmental goals.
Disaggregation of beneficiaries (where applicable)	Designated groups, which means- (a) black designated groups; (b) black people; (c) women; (d) people with disabilities; or (e) small enterprises.
Spatial transformation (where applicable)	N/A
Calculation type	Percentage of procurement spend target per category.
Reporting cycle	Quarterly
Desired performance	SOCs spent 80% of their TMPS on designated groups.
Indicator responsibility	DDG: Business Enhancement and Industrialisation

4.3 Indicator title	% increase in CSI programme allocation
Definition	To measure financial and non-cash contributions to disadvantaged communities and designated groups for the purpose of social investment and upliftment.
Source of data	SOCs reports submitted for DPE Report.
Method of calculation or assessment	Simple method
Means of verification	Assessment reports on 0.2% spend for SOC CSI programmes signed by DDG (the 0.2% spend will reflect on annual reports of SOC).
Assumptions	Availability of allocated funding for CSI.
Disaggregation of beneficiaries (where applicable)	Designated groups
Spatial transformation (where applicable)	Provincial spread
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	All SOC under DPE allocate 1% of NPAT for CSI and 75% of the value directly benefits black people (BBBEE).
Indicator responsibility	DDG: Business Enhancement and Industrialisation

4.4 Indicator title	Annual value of enterprise development contributions		
Definition	Assess the level at which transformation and empowerment is implemented.		
Source of data	SOC BBBEE verification information/certificates.		
Method of calculation or assessment	Level 1	≥100 points on the generic scorecard	135%
	Level 2	≥95 but <100 points on the generic scorecard	125%
	Level 3	≥90 but <95 points on the generic scorecard	110%
	Level 4	≥80 but <90 points on the generic scorecard	100%
	Level 5	≥75 but <80 points on the generic scorecard	80%
	Level 6	≥but <75 points on the generic scorecard	60%
	Level 7	≥55 but <70 points on the generic scorecard	50%
	Level 8	≥40 but <55 points on the generic scorecard	10%
	Non contributor	< 40 points on the generic scorecard	0%
Means of verification	Assessment on SOC's 2% TMPS spend signed by DDG.		
Assumptions	SOCs understand the fundamental principles of measuring BBBEE compliance with substance taking precedence over the legal form. SOC should not merely comply with the legal form for BBBEE but should also ensure meaningful impact.		
Disaggregation of beneficiaries (where applicable)	DPE's Africa Strategy developed Management control. DPE's Africa Strategy developed Skills development. To promote growth of SOC and encourage continental partnership growth. The strategy assists SOC to tap into new territories where opportunities are still vast. HSRC/Africa Institute research papers/country profiles/DIRCO Bi-national reports/State visits/ Socio-economic development.		
Spatial transformation (where applicable)	None		
Calculation type	BBBEE scorecard		
Reporting cycle	Quarterly		
Desired performance	All SOC are BBBEE compliant and achieve BBBEE level 4 status.		
Indicator responsibility	DDG: Business Enhancement Services		

4.5 Indicator title	Number of new learners enrolled in SOCs' skills development programmes
Definition	To accelerate the SOCs' contribution to the development of scarce and critical skills in occupation, which are in demand to support the needs of the economy by measuring % spend of mandatory leviable amount. Track numbers trained per skills category and the equity profiles of beneficiaries.
Source of data	Quarterly SOC reports with data on skills development.
Method of calculation or assessment	Number of reports produced on SOCs' skills contribution Reflecting calculation of average % spent on training and skills development.
Means of verification	DG approved Assessment Reports on the measure on 3% measure of leviable amount.
Assumptions	Continued funding availability to support training and skills development initiatives.
Disaggregation of beneficiaries (where applicable)	Skills development beneficiaries profiled according to equity and demographics.
Spatial transformation (where applicable)	Skills development beneficiaries profiled according to their geographical locations.
Calculation type	None
Reporting cycle	Quarterly
Desired performance	Increased supply of scarce and critical skills in occupations in demand.
Indicator responsibility	DDG: Business Enhancement and Industrialisation

4.6 Indicator title	SOCs' implementation in line with the DPE Africa Strategy
Definition	To promote growth of SOCs and encourage continental partnership growth. The strategy assists SOCs to tap into new territories where opportunities are still vast.
Source of data	SOC progress reports.
Method of calculation or assessment	DPE's Africa Strategy developed.
Means of verification	Report on alignment of 2 SOCs' Africa market entry plans to DPE's Africa Strategy signed off by DG.
Assumptions	SOCs will develop market strategy.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Cumulative
Reporting cycle	Annually
Desired performance	SOC continental footprint
Indicator responsibility	DDG: Business Enhancement and Industrialisation

Energy and Resources

5.1 Indicator title	Number of Shareholder Compacts signed (Eskom, Alexkor and SAFCOL)
Definition	An annual agreement document as per TR 29.2 between the Shareholder Minister and the SOC on the agreed key performance measures and targets to be attained by the SOC.
Source of data	Consultation with SOCs.
Method of calculation or assessment	Simple count
Means of verification	Approved 2021/22 Shareholder Compacts by the Minister.
Assumptions	Timely agreement of KPAs and KPIs with all stakeholders and negotiation processes are not delayed. SHC will be approved before the end of the financial year.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Annual
Desired performance	Attainment of key performance measures by the SOCs.
Indicator responsibility	DDG: Energy and Resources

5.2 Indicator title	Maintenance of security supply and prudent fleet management
Definition	Monitor Eskom's prudent fleet management to support the Energy Availability Factor (EAF) that measures power station availability, taking into account energy losses not under the control of plant management and internal non-engineering constraints.
Source of data	Eskom quarterly reports.

Method of calculation or assessment	Simple count
Means of verification	Assessment of the performance of the generation fleet.
Assumptions	EAF in terms of lagging indicator.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Improved energy availability (EAF), plant capability load factor (PCLF) and unplanned capability load factor (UCLF).
Indicator responsibility	DDG: Energy and Resources

5.3 Indicator title	Eskom planned capacity adherence (Infrastructure/build programme)
Definition	Monitor and assess progress on the delivery of Eskom's Infrastructure programme
Source of data	SOC quarterly reports
Method of calculation or assessment	None
Means of verification	Quarterly assessment reports signed by DDG.
Assumptions	Timely submission of Eskom quarterly shareholder reports.
Disaggregation of beneficiaries (where applicable)	N/A

Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Delivery of Eskom Build Programme.
Indicator responsibility	DDG: Energy and Resources

5.4 Indicator title	Restructuring of Alexkor
Definition	Determine the future operating structure for Alexkor.
Source of data	Proposed future options report.
Method of calculation or assessment	Stakeholder engagement inputs.
Means of verification	Cabinet Memorandum signed off by the DG.
Assumptions	Proposed shareholding structure will be endorsed by key stakeholders.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Cumulative
Reporting cycle	Annually
Desired performance	Improved utilisation of State Mining Assets.
Indicator responsibility	DDG: Energy and Resources

5.5 Indicator title	SAFCOL's increased revenue
Definition	To assess SAFCOL's implementation of the upgrading of the Timbadola Sawmill.
Source of data	Quarterly Reports
Method of calculation or assessment	Simple count
Means of verification	Progress report on SAFCOL's implementation of Timbadola project signed off by DDG.
Assumptions	Adequate and reliable information on the upgrade of Timbadola.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Re-investment of Timbadola Sawmill.
Indicator responsibility	DDG: Energy and Resources

5.6 Indicator title	Implementation of the Eskom Special Paper
Definition	To separate and unbundle Eskom to eliminate cross-subsidisation and improve efficiency an unbundling report will be commissioned to explore all options.
Source of data	Eskom Special Paper and Quarterly Reports.
Method of calculation or assessment	Separate audited statements of the subsidiaries.
Means of verification	Progress report on Eskom's status of the unbundling process signed off by the DDG.
Assumptions	Eskom will be unbundled into three separate subsidiaries with separate boards and CEOs.

Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Bi-annual
Desired performance	Efficient Eskom with increased generation competition.
Indicator responsibility	DDG: Energy and Resources

5.7 Indicator title	Explore embedded generation (SSEG) options to augment generation capacity Eskom capacity by 1000 MW by 2024.
Definition	To increase electricity generation capacity in the country,
Source of data	Quarterly reports, NERSA , DMRE
Method of calculation or assessment	Simple counts
Means of verification	Progress report approved by DDG.
Assumptions	NERSA will finalise reports on time
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Bi-annually
Desired performance	Secured supply of energy
Indicator responsibility	DDG: Energy and Resource

5.8 Indicator title	Implement Eskom Roadmap for reformed electricity supply industry.
Definition	To measure the implementation of Eskom roadmap to ensure the separation and unbundling of Eskom of Eskom into 3 separate entities to eliminate cross-subsidisation and improve efficiency, to enable the expansion of generating capacity, to promote transparency by 2024
Source of data	Eskom reports
Method of calculation or assessment	Simple counts
Means of verification	Progress report approved by DDG.
Assumptions	Eskom will submit progress report timeously and unbundling will take place.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Bi-annually
Desired performance	Separate Transmission Company established by 2024.
Indicator responsibility	DDG: Energy and Resource

TRANSPORT AND DEFENCE

6.1 Indicator title	Number of Shareholder Compacts signed (Transnet and Denel)
Definition	An annual agreement document as per TR 29.2 between the Shareholder Minister and the SOC on the agreed key performance measures and targets to be attained by the SOCs.
Source of data	Consultation with SOCs
Method of calculation or assessment	Simple count
Means of verification	Approved 2021/22 Shareholder Compacts by the Minister (SAA and SA Express are excluded they are under business rescue).
Assumptions	Timely agreement of KPA and KPI with all stakeholders and negotiations process are not delayed. SHC will be approved before the end of the financial year.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Annually
Desired performance	Attainment of key performance measures by the SOCs.
Indicator responsibility	DDG: Transport and Defence

6.2 Indicator title	Progress reports on the implementation of the strategic initiatives to turnaround Denel.
Definition	To improve the viability of Denel that is more independent financial of support from the fiscus.
Source of data	SOC quarterly reports, bilateral information, industry data
Method of calculation or assessment	Number of contracts delivered within the contracts' milestones.
Means of verification	Quarterly reports approved by DDG
Assumptions	SOC programme meetings with clients to take place.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	A financial sustainable Denel that contributes positively to the socio-economic objectives of Government
Indicator responsibility	DDG: Transport and Defence

6.3 Indicator title	Number of progress reports on rolling stock expansion and upgrade
Definition	To increase the capacity and reliability of the transport network system, to increase public and private sector investment and participation in the transport system that supports the country's competitiveness and foreign direct investment.
Source of data	Stakeholder engagement, Transnet reports
Method of calculation or assessment	None
Means of verification	Quarterly reports,
Assumptions	
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Increased capacity and reliability of the transport system
Indicator responsibility	DDG: Transport and Defence

6.4 Indicator title	Final report on corporatization of Transnet National Ports Authority (TNPA)
Definition	To measure the corporatization of Transnet National Ports to reduce costs for priority sectors by increasing the efficiency of ports.
Source of data	Previous studies on the corporatisation of TNPA.
Method of calculation or assessment	None
Means of verification	Final report on the corporatisation of TNPA.
Assumptions	Required inputs on the corporatisation will be received from relevant stakeholders.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Corporatisation of TNPA
Indicator responsibility	DDG: Transport and Defence

6.5 Indicator title	Assessment report on port equipment reliability.
Definition	To measure reliability of ports terminal equipment in improving the ship turnaround time, and to ensure that equipment and cranes are maintained and reliable.
Source of data	SOC quarterly reports, monthly bilateral engagement and quarterly engagements with operational division (OD).
Method of calculation or assessment	None
Means of verification	Reports on the port equipment reliability.
Assumptions	Quarterly reports submitted on time, quarterly OD engagements and monthly engagements on SOC performance.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	Improved efficiencies on the port terminals.
Indicator responsibility	DDG: Transport and Defence



RESEARCH AND ECONOMIC MODELLING

7.1 Indicator title	Number of socio-economic impact assessments of SAFCOL selected capital projects
Definition	Conduct Impact Assessment of SOCs' selected capital projects.
Source of data	Research reports, survey research questionnaires and site visit reports.
Method of calculation or assessment	Simple count
Means of verification	Socio-economic impact assessment report of selected SAFCOL capital projects signed by DDG.
Assumptions	Site visits will take place and research reports will be completed timeously.
Disaggregation of beneficiaries (where applicable)	None
Spatial transformation (where applicable)	None
Calculation type	Cumulative
Reporting cycle	Quarterly
Desired performance	To determine the impact on key projects of SAFCOL.
Indicator responsibility	DDG: BES

7.2 Indicator title	Number of industry-specific research conducted
Definition	Conduct research studies that are sector-specific and are used to inform planning and decision-making.
Source of data	Research Report
Method of calculation or assessment	Simple count
Means of verification	Socio-economic impact assessment report of selected SAFCOL capital projects.
Assumptions	Site visits will take place and research reports will be completed timeously.
Disaggregation of beneficiaries (where applicable)	N/A
Spatial transformation (where applicable)	N/A
Calculation type	Cumulative
Reporting cycle	Annually
Desired performance	Research reports used for planning.
Indicator responsibility	DDG: BES

Annexures to the Annual Performance Plan

1. Annexure A: Amendments to the Strategic Plan

None

2. Annexure B: Conditional grants

None

3. Annexure C: Consolidated indicators

None

4. Annexure D: District Development Model

None

5. Annexure E: Changes to outputs

The following MTSF targets will not be included in the Annual Performance Plan for this financial year, but they are in the Strategic Plan document. The reasons for their exclusion are as follows:

Outcome: Compile long-term generation strategy linked to capacity plan (Explore embedded generation options to augment Eskom's capacity).

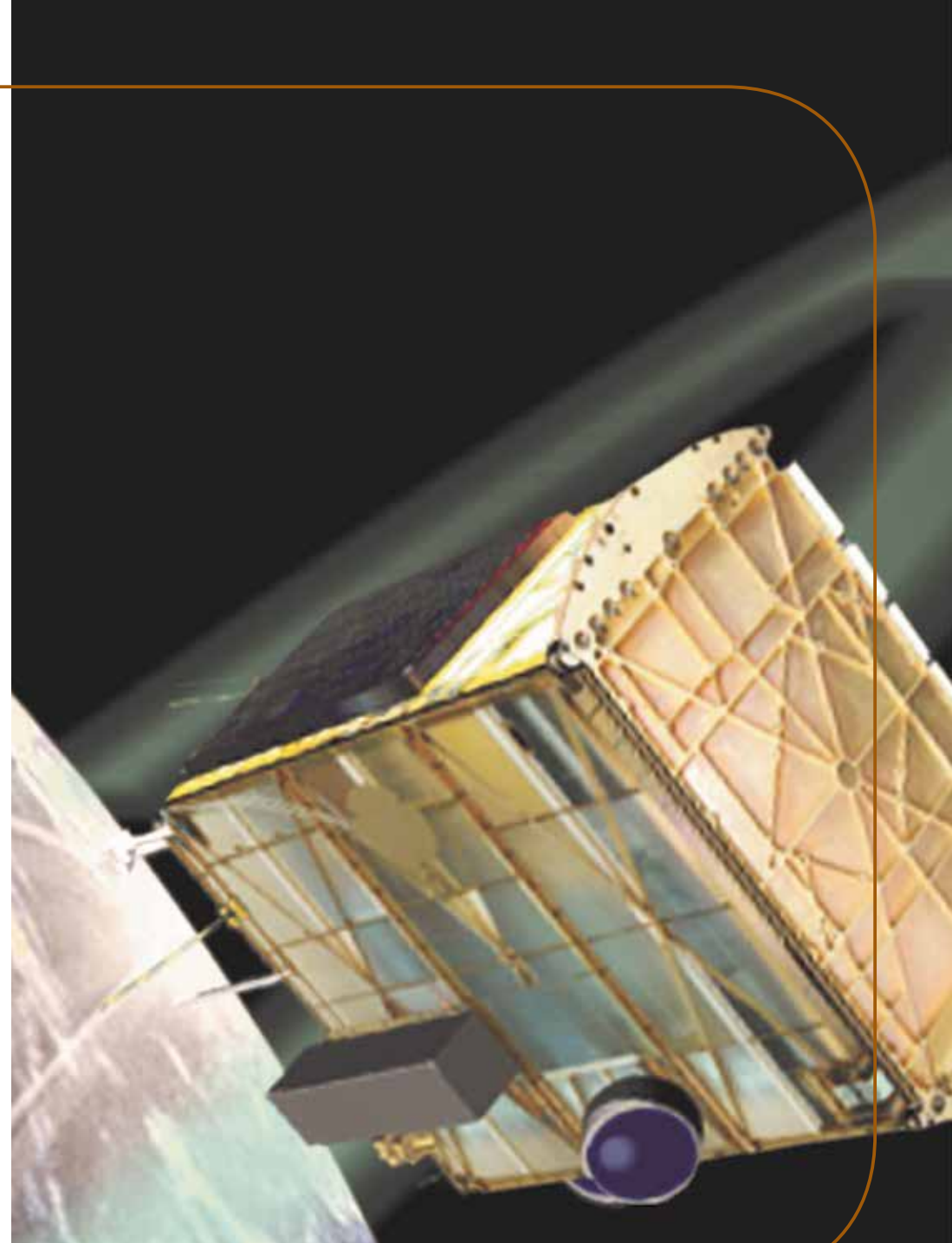
Output: Assessment on additional capacity.

The Department of Mineral Resources and Energy will lead on the compilation of the long-term generation strategy.

Outcome: Increased reserve margin.

Output: Assessment on the increased reserve margin.

The increase of electricity reserve margins will be covered on the Energy Availability Factor output which is part of the APP.



NOTES

Two columns of horizontal dashed lines for writing notes.

DEPARTMENTAL INFORMATION

Physical address

80 Hamilton Street
Arcadia
Pretoria

Postal address

Private Bag X15
Hatfield
0028

Telephone: +27 12 431 1000

Fax: +27 086 501 2624

E-mail: info@dpe.gov.za

Website: www.dpe.gov.za

RP 214/2020

ISBN: 978-0-621-48463-2