2024/25

Annual Performance Plan

public enterprises
Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

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Public Enterprises
REPUBLIC OF SOUTH AFRICA

Department of Public Enterprises

ANNUAL PERFORMANCE PLAN

2024/25

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EXECUTIVE AUTHORITY STATEMENT

Pravin Gordhan, MP

Department of Public Enterprises

The end of the 6th Administration presents us with an opportunity to take stock of the accomplishments that we believe have laid the foundation for a more sustainable future for our State-Owned Enterprises(SOEs').

Coming into this portfolio in 2018, we were confronted with the reality of a very precarious backdrop to begin rescuing our strategic SOEs' from State Capture.

This Annual Performance Plan(APP), is also a statement of intent about the work that must be carried over into the new Administration to consolidate some of the progress that we have championed for the past five years.

President Cyril Ramaphosa aptly summed up the term of the 6th Administration when he declared in his 2024 State of the Nation Address that the last five years have been a time of recovery, rebuilding, and renewal.

In essence, these undertakings have characterised all the work of the Department of Public Enterprises(DPE) throughout the term of this Administration, guided by the injunction that the President gave back in 2018 for us to intervene decisively to stabilise and revitalise SOEs'.

At the start of this Administration, key financial and operational metrics pointed to systemic challenges across the Government's SOE portfolio. The most egregious shortcomings were identified in Eskom, Transnet, Denel, South African Airways(SAA) and Alexkor.

The underperformance of these entities posed one of the most significant risks to the economy, the fiscus and the general well-being of the people of South Africa. Through the implementation of the National Energy Action Plan(NEAP) and other measures government is on its way to ending loadshedding and resolving the freight and logistics crisis.

Continuity

The COVID-19 pandemic exacerbated the impact of State Capture on our economy as the world implemented growth-inhibiting lockdowns from 2020 through 2022, seriously impeding business.

The impact of endogenous shocks like load shedding and exogenous shocks such as the conflict in Ukraine and Russia, and the turmoil in the Middle East, all point to a fragile geopolitical context. We have seen increasing signs that the world is becoming more protectionist and polarised.

Fortunately, we determined very early on that unless Government instituted a set of far-reaching reforms to improve Governance, oversight, and operational performance of the beleaguered SOEs', the State's economic developmental imperatives will be compromised.

Our key priorities for the coming year evolve around the need to ensure that there is continuity in the strategic implementation of the reforms currently underway to reclaim, recalibrate, and reposition our SOEs' for long term sustainability.

The term of the 6th Administration will be ending following the National general elections scheduled to take place on May 29,2024. The interventions that have accrued through the mandate of the DPE, as the Government's Shareholder representative, touch key areas of our macro-economic engine: electricity, logistics, defence, mining, forestry, and aviation.

In addition, we have committed resources to lay the foundation for the establishment of a State Holding Company(Holdco) as envisaged in the National State Enterprises Bill(NSEB), among the last final pieces of Legislation introduced for consideration by the 6th Democratic Parliament.

More specifically, we have sought to make our SOEs' more responsive to their mandate as catalysts for our economic development and industrialisation. We have also worked tirelessly to ensure that the Boards have leaders who embody integrity, professionalism, courage, patriotism, and selflessness.

The DPE has been pre-occupied with cleaning up malfeasance that characterised the costliest period for our SOEs'. Stability of the Boards of Eskom, Transnet, Denel, and SAA is paramount, as these entities bore the brunt of the thievery.

Government is also intent on reclaiming our SOEs' from criminal syndicates who now want to subject us to State Capture 2.0. – new forms of corruption and rent seeking that are emerging as we continue with our relentless push to reform SOEs'. Granted, our work has been met with a lot of resistance and opposition. Nevertheless, we remain resolute.

Eskom

Firstly, at Eskom, the Board led by Mr Mteto Nyati, a highly regarded Business Executive, a visionary, and an inspirational leader, is overseeing the implementation of widescale restructuring of the utility into three distinct subsidiaries namely: Generation, Transmission, and Distribution.

In July 2023, the National Energy Regulator of South Africa(NERSA) approved all outstanding licenses for the newly established National Transmission Company of South Africa(NTCSA), whose Board was announced by Eskom in January 2024.

These steps, along with the approval by the National Assembly of the Electricity Regulation Amendment Bill(ERAB), herald a transformed, competitive, and a more sustainable electricity market for South Africa. Eskom has also received consent from key lenders for its restructuring.

On March 1, 2024, Mr Dan Marokane, assumed his position as Eskom's new Group CEO, a task that now involves the implementation the Just Energy Transition(JET), and plans to expand the grid by 14,000 kms over 10 years – an endeavour expected to require more than R350 billion in investments.

In February 2023, National Treasury(NT) provided Eskom with a R254 billion debt relief package, aimed at giving Eskom the ability to improve generation capacity and invest in maintenance to relieve load shedding.

The restructuring of Eskom underscores the importance that Government places on ensuring that South Africans have a secure, safe, and reliable energy supply. This is also vital for growing our economy to create more jobs.

Transnet

Secondly, work to overhaul Transnet consistent with the recovery plan that the Board has devised a plan to recover rail volumes, improve port operations, and stabilise finances is at an advanced stage. In December, Transnet was extended a R47 billion guarantee to allow it to resolve immediate short-term debt.

We are pleased that the Board expedited the process to fill the vacant Executive Management positions at Transnet, culminating with the appointment of Michelle Phillips as the new Group Chief Executive Officer(GCEO) and Nosipho Maphumulo as the Group Chief Financial Officer(GCFO).

We have always said that we are committed to ensuring that our SOEs' are equipped with competent, experienced, ethical, courageous, and committed leadership that can make a difference.

Transnet's recovery plan is focused on recovering rail volumes on coal and iron ore corridors, which have faced a marked decline since the 2017/18 period, and on improving efficiencies at the ports. It also prioritises, among other key interventions, protection of the rail network and optimisation of the rolling stock.

By early March 2024, total rail volumes were already showing a significant recovery, registering over 3 mt per week versus 1.9 mt per week prior to the implementation of the recovery plan. Coal corridor recovery tempo exceeded the recovery plan by 28 percent, while container corridor tempo surged by 33 percent.

The National Logistics Crisis Committee(NLCC) is overseeing the Government's response to the immediate freight logistics crisis, and this involves input from business to devise intermediate interventions.

Those interventions included recent acquisition of compressors and batteries to bring to service additional locomotives on the coal line, and facilitation of workshops between business and Transnet via an initiative known as "Action Labs" to develop plans and synergies for improving key freight lines and Pier 2 of the Durban Container Terminal.

Transnet has appointed an International terminal operator, International Container Terminal Services Inc.(ICTSI) to help expand and improve Pier 2 of the Durban Container Terminal.

Transnet is also pushing ahead with the implementation of the Freight Logistics Roadmap, a blueprint that was approved by Cabinet in December 2023 to begin opening access to third-party operators on the rail network starting in May 2024. Its other key feature is the establishment of the Infrastructure Manager in November 2023 as an independent owner and manager of rail infrastructure to leverage investment and expertise from private operators.

Another key milestone is the appointment of the inaugural Board of the Transnet National Ports Authority(TNPA), a key component in the plans to corporatise the entity as part of its strategic overhaul to better leverage our ports and improve their catalytic contribution to the economy.

SAA

Our third priority is to consolidate the recovery of SAA. Our National flag carrier is now on a sustainable financial path that should see the airline recapture a greater share of the Domestic, and International market as it continues to expand its network and optimise its fleet.

The SAA Board and Executive Management will engage with the shareholder to map out a funding path that leverages private investment to expand SAA's route network, recalibrate its fleet and recover market share.

Ever since SAA resumed flights in September 2021 after narrowly averting liquidation, SAA is on a much stronger financial footing, thanks to the strategic support and interventions by Government. The airline resumed operations with only six aircraft, but is now aiming to have as many as 20 planes in its fleet by the first quarter of 2025. In November 2023, SAA relaunched its first International route to São Paulo, to be followed by the re-introduction of Perth in April 2024.

As Government, we are committed to see to it that our SOEs' play a meaningful role in our economic development. Whether it is in the promotion of localisation or leveraging their procurement to advance transformation across key value chains, or in the

advancement of small business, SOEs' have a massive role to play. This vision is the cornerstone of the National Development Plan 2030, and it underscores why we have exerted our collective strength to recover, renew, and rebuild our SOEs' during my tenure.

As this is my last APP statement, I take this opportunity to thank President Cyril Ramaphosa for his principled leadership and support. I am certain that our SOEs' can make a critical contribution to our economic well being in the years ahead.

I also thank the Boards and Executive Management of all SOEs' for their immense contribution and for their courage to serve our nation.

I am also grateful for the opportunity I have had to work with the Acting Director-General(ADG) of the DPE, and its staff. It has been a journey characterised by many memories that will last us a lifetime, and whose outcome will serve as an inspiration to future generations.

Signature:

Pravin Gordhan, MP

Department of Public Enterprises

Deputy Minister's Statement

Obed Bapela, MP

Department of Public Enterprises

My short, but eventful tenure in the Department has been an eye opener and a very rewarding experience.

Being part of a shareholder Ministry with oversight responsibility over six SOEs' that account for at least 80% of our country's economic infrastructure has given me a broader appreciation of the immense potential that resides in our SOEs'.

As part of the DPE, we had to implement President Ramaphosa's mandate given to us in 2018 that required us to ensure that all SOEs', after years of State Capture, maladministration, and corruption, were restructured and repurposed to become instruments of inclusive economic growth and infrastructure development in the country.

As we conclude the final year of the 6th Administration, we are confident that we have delivered on the mandate given to us by the President in 2018 to rebuild our SOEs' so that they are in a much better shape to play their critical role of driving our economic growth engine.

Vested Interests

Unsurprisingly, the work to reform the SOEs' has faced formidable resistance and opposition from vested interests but we have remained steadfast in the belief that our economy cannot be held hostage by greed, rent seeking and patronage networks intent on ushering State Capture 2.0

The final year of the 6th administration also coincides with the country's 30th Anniversary of democracy, a milestone for a country that three decades ago was at a tipping point of civil strife.

The Department has made its fair contribution to sustaining our economic engine through SOE procurement, localisation, and infrastructure investments.

The Department has consistently committed to fulfilling its mandate by implementing the SOEs' infrastructure development plans as a catalyst for the country's Economic Reconstruction and Recovery Plan(ERRP).

Despite the SOEs' operational and financial challenges over the years, we have made decisive inputs in terms of Board appointment and new Executive Management teams to ensure our SOEs' are guided toward a sustainable future.

Catalytic Impetus

We are committed to ensuring that we bequeath to the next Administration and most importantly to the next generations, a portfolio of SOEs' that are ready to provide catalytic impetus to end load shedding, boost port

efficiencies and recover volumes on our rail network, provide standard timber-based products and mining commodities, and sustain the country's sovereign capabilities for defence.

Notably, Denel SOC Ltd, is in the middle of implementing its strategy to attract new business and execute on its current order book of close to R20 billion. With a new Group Executive Officer, Tsepo Monaheng, we are confident that Denel will regain its Original Equipment Manufacturer(OEM) status in the Domestic and International defence and armaments markets.

In 2023, the Minister of Finance(MoF) announced a R3.4 billion recapitalisation for Denel, whose 2023/24 planned total sales are projected to be R2.08 billion, compared with R1.08 billion in the 2022/23 FY.

The South African Forestry Company Limited(SAFCOL) is one of our stellar performers. The Group realised a profit of almost R300 million in 2023, and managed to pay a dividend. SAFCOL, through its forestry and processing operations, generates employment for approximately 5000 people through direct and indirect employment opportunities.

The diamond mining company, Alexkor is re-emerging from the claws of State Capture, and is undertaking efforts to reverse its financial and operational challenges, which have hampered its ability to undertake diamond explorations activities and maintain old infrastructure.

The Department is currently conducting extensive consultations and engagement with key stakeholders such as the Richtersveld Community, the Departments of Minerals Resources and Energy(DMRE), Department of Agriculture, Land Reform and Rural Development(DALRRD), National Treasury(NT), and the Provincial Government of the Northern Cape. The outcomes of the extensive consultations will lead to Government making an informed decision on the future role of Alexkor.

Failure to turn around the SOEs' is not an option. At any given time, the goods, products, and services offered by our SOEs' touch the lives of all South Africans through the provision of key economic inputs, including electricity and the ability to move goods for Domestic and export markets.

We are confident that through our efforts we have handed over to the next Administration, a stable portfolio of SOEs' that can be further recalibrated through ethical leadership, strategic foresight, and improved Oversight and Governance.

Signature:

Obed Bapela, MP

Department of Public Enterprises

Acting Accounting Officer's Statement

Jacky Molisane: Acting Accounting Officer

Department of Public Enterprises

As we draw the curtain on the 6th Administration, we remain committed to entrenching the reforms that the DPE has spearheaded over the last five years.

When we began the reform journey in 2018, it was clear that one of the things that required our attention was to disentangle the web of corruption that had crept into SOEs' because of State Capture.

The DPE has mounted a relentless effort to stabilize governance, operations and financial controls of SOEs' as outlined in the Medium-Term Strategic Framework(MTSF).

Over the past financial year, we have begun to see the result of a more stringent oversight framework, which involves stabilisation of the Boards, Executive Management, and the implementation of more rigorous oversight measures, including more enhanced Shareholder Compacts(SHC's) and Memoranda of Incorporation(MoI).

We are grateful for the bold, courageous, and pragmatic leadership of Minister Gordhan, a true patriot and role model.

Among the core priorities of the DPE, is ensuring that the respective Boards put in place appropriate measures and plans, to ensure the recovery, renewal, and rebuilding of our SOEs' and that their progress is monitored. The Department has facilitated and supported where necessary plans to ensure the current and future sustainability of these entities.

Eskom

The restructuring of Eskom into three separate businesses in line with the President's pronouncements is continuing with critical milestones achieved to date. The National Transmission Company of South Africa(NTCSA) has been established as a wholly owned subsidiary of Eskom Holdings and has been granted the requisite licensing from the National Energy Regulator of South Africa(NERSA). NERSA has also approved Eskom's application for a transfer of its powers and duties related to Section 34 Power Purchase Agreements(PPAs) with Independent Power Producers(IPPs) to the NTCSA, designating it the buyer of electricity. These measures are envisaged to enhance the operational efficiencies setting the stage for sustainable reform, and improved performance that will transform the local electricity market by introducing competition and leveraging Private Sector Investment(PSI).

Since the Board's appointment in September 2022, Eskom's leadership and operations have stabilised. The appointment of the new Board Chairperson, Mr Mteto Nyati, and the new GCEO, Mr Dan Marokane, have enhanced Eskom's capability to respond to the challenge faced by the country as Eskom works to end load shedding.

The Eskom Debt Relief Act No. 7 of 2023 (the Act) was promulgated on 7 July 2023. The Act stipulates that R78 billion, R66 billion and R40 billion has been allocated to Eskom for the 2023/24, 2024/25 and 2025/26 financial years respectively, to enable the utility to settle its debt and interest obligations. Government has committed to takeover R70 billion of Eskom debt in 2026 as part of the agreement with National Treasury(NT). The Department will continue to monitor Eskom's compliance to the Debt Relief conditions on a quarterly basis.

Eskom has made good progress on the implementation of the Generation Recovery Plan which seeks to end load shedding via recovery of 6000MW by 31 March 2025 from eight poorly performing stations. The Department provided oversight and assistance to Eskom on the implementation of the Koeberg Nuclear Power Plant's(KNPP's) Long Term Operation(LTO) programme. In addition it is important to note that in July 2023, three steam generators from unit 1 were replaced, and that unit 2 is presently undergoing refurbishment and is anticipated to be recommissioned during latter part of 2024.

Transnet

From 2018 to present, like other SOEs', Transnet has faced significant Governance lapses, but Shareholder interventions have resulted in the new Board, which was appointed in July 2023, embarking on a process to develop an extensive recovery plan.

Key elements of the Transnet Recovery Plan encompass improvements and leveraging of equipment, productivity, and security, as well as the operationalisation of Transnet National Port Authority(TNPA), whose inaugural Board was appointed in October 2023, the establishment of the Transnet Infrastructure Manager, pipelines , and active engagement with customers.

The Government's efforts to resolve the freight logistics challenges have led to the creation of the National Logistics Crisis Committee(NLCC) to assist Transnet with the accelerated implementation of structural reforms, including those envisaged in the Freight Logistics Roadmap, approved by Cabinet in December 2023. This is aimed at supporting economic recovery through the development and improvement of the freight logistics plan to Cabinet that was approved.

To give effect to the White Paper on National Rail Policy, the institutional arrangement has been implemented to separate the rail infrastructure and operations businesses to enable Private Sector Participation(PSP). An Interim Infrastructure Manager was appointed in March 2023 and the draft Network Statement was published for public comment in March 2024.

SAA

With the termination of the Strategic Equity Partner(SEP) transaction, SAA faces a pivotal moment in its journey and history. Despite successful completion of the Business Rescue(BR) process and the appointment of interim leadership, the airline now confronts the imperative to chart a new path forward with the opportunity to reposition itself as a global aviation player.

This necessitates a comprehensive revision of SAA's strategy to navigate the challenges ahead and capitalise on emerging opportunities. Key success factors include learning from the SEP termination, leveraging interim leadership's expertise, and fostering agility and resilience in adapting to market dynamics. By addressing these issues head-on, SAA can forge a new strategic direction that positions it for sustainable growth and success in the aviation industry as it commemorates its 90th Anniversary.

Since the commencement of the BR process, the DPE has facilitated the injection of R27.7 billion into SAA as part of the overall financial support that was required to enable it to recommence flight operations in September 2021.

Denel

From 2018 onwards, Denel has experienced shifts in its Governance structure, marked by resignations and interim appointments. The current Board consists of eight skilled and competent Directors focused on driving Denel's turnaround strategy, including the recently appointed Group Chief Executive, supported by an interim GCFO.

Efforts are underway to stabilise and finalise the permanent Executive Management structure, with key priorities including the appointment of a GCFO and strengthening of leadership at Executive level to drive the company's turnaround plan effectively.

Whilst DPE continues to support the implementation of the restructuring plan, Denel must also increase its revenue generation initiatives to reduce and eliminate its dependency on the fiscus. The Department will continue to support Denel's drive to grow the export order pipeline and facilitate the renegotiation of existing contracts and delivery dates with clients. It is important that Denel converts its order book into revenue.

SAFCOL

Since 2018, SAFCOL has undergone a transformative journey, pivoting from Governance challenges to a path of renewal and efficiency. With a revamped Board boasting diverse expertise, the company has strived to regain public trust. The Department will have to ensure that through the Board the vacancy arising from the resignation of the CEO is urgently filled.

In the 2023 financial year the company's strategic focus has been on cost management and revenue generation projects in order to achieve a net profit for the current financial year, despite economic challenges and load shedding hampering operations. Over the year the company's commitment to modernisation was exemplified by the investment of projects like Enterprise Resource Planning(ERP), mechanised harvesting equipment and the appointment of a strategic partner for the Combined Heat and Power(CHP) plant , alongside ventures in bio-chemicals and mechanised harvesting.

SAFCOL is spearheading significant infrastructure and technological advancements, contributing notably to the turnaround of SOEs'. Key projects like the ERP system, is set for roll out in 2024, and the Timbadola Re-investment/Upgrade project will contribute to modernisation and improved efficiency. The company continues to diversify the business from a strong reliance on sawlogs through initiatives like the IFLOMA Fibre and Pole Treatment Projects, and exploring new ventures including bio-chemicals.

SAFCOL continues to create opportunities for employment, skills development, and community participation through diversification.

Alexkor

Since 2018, Alexkor has undergone Governance shifts, transitioning from its previous Board to Interim Executive Management. The Department intervened and ensured that an Interim Board Management was put in place in 2022. The Department will prioritise that the Board and the Executive Management is strengthened to ensure the future stability of the entity.

Although the company has not been dependent on the fiscus, its financial sustainability has been at risk over the past ten years. A review of the business model must be undertaken, taking into consideration recommendations made in the research study undertaken, which will provide for the community to take advantage of the opportunities that will benefit them.

Recover, Renew and Rebuild

To conclude, our mandate is anchored in the three Rs: Recover, Renew and Rebuild. SOEs' are a critical catalyst for growth. Their immense capabilities should give our economy a competitive edge so that we can sustain the fight against unemployment, poverty and inequality.

We are grateful to everyone that has supported our work, even some of the critics who will soon realise that we really mean business with our pursuit of a much more nimble, agile and responsive SOE portfolio. Never again shall our SOEs' be subjected to narrow greedy interests as we seek to consolidate the gains of 30 years of Freedom!

Signature:

Jacky Molisane: Acting Accounting Officer(AAO)

Department of Public Enterprises

OFFICIAL SIGN-OFF

It is hereby certified that the 2024/25 Annual Performance Plan(APP):

- Was developed by the Management of the Department of Public Enterprises(DPE) under the guidance of the Acting Director-General(ADG).
- Takes into account all relevant Policies, Legislation and other Mandates for which the DPE is responsible.
- Accurately reflects the impact and outcomes which the DPE will endeavour to achieve over the 2024/25FY.

Bongile Gura

Deputy Director(DD): Strategic Planning

Henriette Strauss

Acting Deputy Director- General(ADDG)

Edwin Besa

Acting Chief Financial Officer(ACFO)

Jacky Molisane

Acting Director-General(ADG)

Obed Bapela(MP)

Deputy Minister

Approved by:

Pravin Gordhan(MP)

Minister

Glossary of Terms

Acronym	Description
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
ALEXKOR	Alexkor SOE Limited
APP	Annual Performance Plan
ARMSCOR	Denel and Armaments Corporation of South Africa SOC Limited
B-BBEE	Broad-Based Black Economic Empowerment
BEF	Board Evaluation Framework
BO	Black-Owned
BPI	Board Performance Index
BR	Business Rescue
BWO	Black Women-Owned
BYO	Black Youth-Owned
CC	Competition Commission
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRRC	China Rail Rolling Stock Corporation
CT	Competition Tribunal
DALRRD	Department of Agriculture, Land Reform and Rural Development
DCT	Durban Container Terminal
DDG	Deputy Director-General
DDM	District Development Model
DENEL	Detonics, Numerous, Electronics
DFFE	Department of Forestry, Fisheries and Environment
DG	Director-General
DMRE	Department of Mineral Resources and Energy
DoD	Department of Defense
DoEL	Department of Employment and Labour
DoT	Department of Transport
DPE	Department of Public Enterprises
DPWI	Department of Public Works and Infrastructure
DWYD	Department of Women, Youth and People with Disabilities
EAF	Energy Availability Factor
EAP	Energy Action Plan
EDCSA	Electricity Distribution Company of South Africa
EE	Energy Efficiency
ERAB	Electricity Regulation Amendment Bill
ERRP	Economic Reconstruction and Recovery Plan
ESDP	Enterprise Supplier Development Partnerships
Eskom	Eskom Holdings SOE Limited
FGD	Flue-Gas Desulphurisation
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
Holdco	Holding Company
HR	Human Resources
ICT	Information and Communication Technology
ICTSI	International Container Terminal Services Inc.
IGR	Inter-Governmental Relations
IGRF	Inter-Governmental Relations Framework
IPPs	Independent Power Producers
IRERC	Interim Rail Economic Regulatory Capacity
IR	Intergrated Report
IRP	Intergrated Resource Plan

Acronym	Description
IT	Information Technology
JET	Just Energy Transition
JV	Joint Venture
KNPP	Koeberg Nuclear Power Plants
KPA	Key Performance Area
KPI	Key Performance Indicators
KPMT	Key Performance Measures and Targets
LCP	Local Content Policy
LPMEF	Logical Planning, Monitoring and Evaluation Framework
LTO	Long Term Operation
MES	Minimum Emissions Standards
MoC	Memorandum of Cooperation
MoF	Minister of Finance
MoI	Memorandum of Incorporation
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTPA	Metric Ton Per Annum
MTSAO	Medium-Term System Adequacy Outlook
MTSF	Medium-Term Strategic Framework
MW	Megawatt
NCT	Ngqura Container Terminal
NDP	National Development Plan
NEAP	National Energy Action Plan
NECOM	National Energy Crisis Committee
NEDCSA	National Electricity Distribution Company of South Africa SOC Ltd
NEDLAC	National Economic Development and Labour Council
NEMAQA	National Environmental Management Air Quality Act
NES	National Emissions Standards

Acronym	Description
NewCo	New Holding Company
NERSA	National Energy Regulator of South Africa
NLCC	National Logistics Co-ordinating Committee
NLCC	National Logistics Crisis Committee
NPA	National Ports Act
NPA	National Ports Authority
NSDP	National Skills Development Plan
NSEB	National State Enterprises Bill
NSEHC	National State Enterprise Holding Company
NT	National Treasury
NTC	National Transmission Company
NTCSA	National Transmission Company of South Africa
OCFO	Office of the Chief Financial Officer
OCGT	Open Cycle Gas Turbines
OECD	Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacturer
ODG	Office of the Director-General
ODDG	Office of the Deputy Director-General
PCC	Presidential Climate Commission
PFMA	Public Finance Management Act
PPAs	Power Purchase Agreements
PPPFA	Preferential Procurement Policy Framework Act
PPR	Preferential Procurement Regulations
PPPS	Public-Private Partnerships
PSEC	Presidential State- Owned Enterprise Council
PSI	Private Sector Investment
PSP	Private Sector Participation
PV	PhotoVoltaics

Acronym	Description
PWDs	People with Disabilities
R&R	Repurposing and Repowering
RE	Renewable Energy
REIPPP	Renewable Independent Power Producer Programme
RET	Renewable Energy Technologies
RMIPP	Risk Mitigation Independent Power Producer
RMIPPPP	Risk Mitigation Independent Power Producer Procurement Programme
SAA	South African Airways
SAFCOL	South African Forestry Company Limited
SASEC	South Asia Sub-Regional Economic Cooperation
SCC	State Capture Commission
SDG7	Sustainable Development Goal 7
SfB	Skype for Business
SEP	Stakeholder Equity Partner
SEP	Stakeholder Engagement Plan
SHC	Shareholder Compact
SIS	Strategic Intent Statement
SIU	Special Investigations Unit

Acronym	Description
SMB	Shareholder Management Bill
SMME	Small, Medium and Micro-Enterprises
SMS	Senior Management Service
SOC	State-Owned Company
SOE	State-Owned Enterprise
SONA	State of The Nation Address
SP	Strategic Plan
TDP	Transmission Development Plan
TFG	Transformation Framework and GuidelineSs
TFR	Transnet Freight Rail
The dtic	Department of Trade, Industry and Competition
TNPA	Transnet National Ports Authority
ToR	Terms of Reference
TRANSNET	Transnet SOE Limited
TRP	Transnet Recovery Plan
TSO	Transmission System Operator
TVET	Technical and Vocational Education and Training
WYPD	Women, Youth, and Persons with Disabilities

PART A

OUR MANDATE

OUR MANDATE

The Department of Public Enterprises(DPE) undertakes Shareholder oversight of State-Owned Companies(SOEs) in its portfolio. The Department is the primary interface between Government and these SOEs', and provides input into the formulation of Policy, Legislation and Regulation. Through the execution of its responsibilities, the Department seeks to improve Governance, financial, commercial, and operational performance of these SOEs' and their contributions to the South African economy, as well as to support their transformation.

UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

The Presidency has mandated the DPE to serve as Secretariat to the Presidential State-Owned Enterprises Council(PSEC). As part of the key interventions to reform and repurpose SOEs, DPE developed the National State Enterprises Bill(NSEB), and it is also establishing an SOE Holding Company(Holdco) that will strategically house key SOEs' as part of the reform efforts. These initiatives aim to strengthen Governance systems, ensure Board stability, and promote financial and operational stability across SOEs'.

The Bill underwent a thorough public comment process, which included a dialogue at the National Economic Development and Labour Council(NEDLAC). Valuable feedback from the public was carefully considered and incorporated into the Bill before it was presented to Cabinet for approval. On 8 December 2023, during a Special Cabinet meeting, the Bill received approval for introduction in Parliament. Subsequently, on 25 January 2024, the Bill was formally submitted to Parliament.

UPDATES TO RELEVANT COURT RULINGS

Toto Investments Holdings filed an urgent review application against the Department in the Western Cape High Court. The application challenges the decision to appoint the Takatso Consortium as the preferred Strategic Equity Partner(SEP). The matter is on the discovery of documents stage.

In line with Rule 53 of the Uniform Rules of Court, Toto Investments requested the Department to provide the record of decision for the selection of the preferred Stakeholder Engagement Plan(SEP). The Department reciprocated, and filed the requested records, but not to the satisfaction of Toto Investments who ultimately launched an urgent application (interlocutory) to compel the Department to disclose all the records. This was after the Applicant (Toto Investments) rejected the confidentiality regime proposed by the Department in respect of which, the records would be confidentially shared with the Applicant's lawyers and a third-party expert in the urgent application, Toto Investments also sought an interim order to prohibit the Department from proceeding with the transaction. However, they were unsuccessful in obtaining this order as they failed to demonstrate the urgency of the case. Instead, the Court ordered that the main review application be placed under Case Management.

As part of the Court's directive, the Department was required to submit both confidential and non-confidential records of decision for the SEP selection process. The Department submitted the confidential record under the belief that all the information was confidential. However, the Applicants disputed this and requested the Judge to rule on the matter. The Department is currently awaiting the ruling, which has not been made as of now. There have been no new developments in the case.

PART B

OUR STRATEGIC FOCUS

OUR STRATEGIC FOCUS

UPDATED SITUATIONAL ANALYSIS

In his 2024 State of the Nation Address(SONA)held on the 08 February 2024, the Honourable President Cyril M. Ramaphosa emphasised the Government's commitment to addressing key obstacles to economic growth. He highlighted the progress made in stabilising our energy supply and improving our logistics system. Notably regarding Eskom/Energy, the Government has successfully attracted private investments to increase generation capacity, thereby reducing load shedding. The debt relief granted to Eskom will support investments in maintenance of generation and transmission infrastructure, ensuring long-term sustainability going forward. Over 2,500MW(Megawatt) of solar and wind power has been connected to the grid, with three times this amount already in procurement or under construction.

In addition, sweeping regulatory reforms to enable private investment in electricity generation, with more than 120 new private energy projects now in development.

The Government is actively driving the restructuring of the electricity sector to enhance competitiveness, sustainability, and reliability. Plans are underway to construct over 14,000km of new transmission lines to accommodate Renewable Energy(RE), with private investment playing a significant role. Private investment in transmission infrastructure will be enabled through a variety of innovative investment models to realise this expansion. The Electricity Regulation Amendment Bill(ERAB) will support the restructuring of Eskom and the establishment of a competitive electricity market.

Furthermore, the Government is positioning the economy for future growth in a world shaped by climate change and Green Technologies. Government is implementing a Just Energy Transition(JET), not only to reduce carbon emissions and combat climate change, but to create growth and job opportunities for our people. In the past year, there has been an increase in the financing pledges for South Africa's JET Investment Plan, from around R170 billion to almost R240 billion. This transition will be undertaken at a pace, scale and cost that our country can afford, in a manner that ensures energy security.

The President emphasised the need for Transnet (Transnet SOE Limited) and the freight logistics sector to collaborate in enhancing our ports and rail network, aiming to restore them to world-class standards. A comprehensive recovery plan has been implemented to stabilise the performance of Transnet and reform our logistics system. Collaboration with business and labour has led to the establishment of dedicated teams focused on revitalising five strategic corridors for export transportation. Transnet has also engaged an international terminal operator to enhance the Port of Durban, while plans to overhaul the freight rail system and allow Private Sector Participation(PSP) are underway.

State-Owned Enterprises(SOEs) Reform Imperative

The reform of SOEs, is crucial for our broader society and economy. The National Development Plan(NDP 2030) proposes that the SOEs that have greater societal impact need a clear public-interest mandate

and straightforward Governance structures, enabling them to balance and reconcile their economic and social objectives. For the larger SOEs involved in economic infrastructure provision, their mandate should not be limited to the imperative of financial viability and sustaining their asset base and balance sheet to maintain and expand services, but include a robust contribution to South Africa's developmental and transformation agenda.

Unfortunately, the performance of SOEs' has been undermined by factors such as poor Governance, malfeasance, lack of accountability and consequence management as well as a loss/lack of skills amongst others. This has impacted negatively on the respective SOEs' finances (balance sheets) and operations. However, the Department of Public Enterprises(DPE) is committed to implementing lasting reforms to address these challenges.

SOEs' have a vital role in promoting the economic and social well-being of all South Africans. They are instrumental in advancing the socio-economic transformation agenda and upholding the principles outlined in our Constitution.

Esko (Eskom Holdings SOE Limited)

Energy Availability

Eskom is prioritising the improvement of underperforming coal- fired stations to reduce the frequency and intensity of load shedding. This will provide a more reliable electricity supply, supporting economic growth by minimising disruptions to production, attracting investments and fostering a business friendly environment. As part of the Government's Energy Action Plan(EAP), Eskom implemented a Generation Recovery Plan in January 2023 to address the energy crisis, by recovering 6000MW from poorly performing stations. The plan focuses on the recovery of six stations (Tutuka, Kusile, Matla, Kendal, Duvha and Majuba). By 31 December 2023, 3095MW had been recovered.

To address the collapse of a chimney stack at Kusile Nuclear Power Station in 2022, Eskom has expedited the construction of a temporary solution to bring back units 1, 2, and 3 into service. Additionally, unit 5 was successfully brought online in December 2023 ahead of schedule, adding 500MW to the grid. The ongoing repair work on the permanent structures at Koeberg Nuclear Power Station is nearing completion. Despite reaching its original forty-year life span, Eskom has decided to extend the operations of the power station for an additional twenty years. Unit 1's steam generators have been replaced and the unit was brought online in December 2023. Unit 2 is currently undergoing a similar replacement and is expected to be back in service by March 2024, contributing an additional 900MW to the grid. This will assist to improve the energy security of the country.

In response to significant strain on the grid, Eskom has developed and implemented an Emergency Generation Programme, which involves procuring emergency power. Currently, 60MW has been secured through the programme, with an additional 150MW coming online from the Risk Mitigation Independent Power Producer(RMIPP) programme since December 2023. A Standard Offer programme was launched to efficiently procure power in the region and was fully subscribed for 1000MW by the end of the year. Consideration is being given to extending the capacity and duration of the programme to take capitalise on further opportunities. Furthermore, the National Energy Regulator of South Africa(NERSA) is finalising a national feed-in tariff framework, which will allow commercial customers to sell excess power to the grid.

Eskom is actively prioristising the implementation of the Transmission Development Plan(TDP) (2023-32). In the fiscal year 2023/24, Eskom plans to construct 166 kilometers of new power lines, with 54.5 kilometers already completed as of December 31, 2023. Over the next three years(FY2024/26) onwards Eskom has identified projects that will result in the installation of the first one thousand kilometers of power lines across seven Provinces. To ensure a successful rollout, key enablers such as collaboration with industry associations, expedited acquisition of servitude rights and land, exploring funding opportunities, and addressing community stability issues and servitude encroachment have been identified.

Update on Roadmap for Eskom in a Reformed Electricity Supply Industry

The restructuring of Eskom into three subsidiaries(Transmission, Distribution and Generation) within Eskom Holdings is at an advanced stage. In October 2019, the DPE published "the Roadmap for Eskom in a Reformed Eskom Supply industry" which seeks to improve transparency, accountability, cost efficiencies and enable competition in the electricity sector. The National Transmission Company of South Africa(NTCSA) was established in December 2021 and has received licenses from the NERSA for the trading and import/export of electricity. To operationalise the NTCSA, Eskom needs to obtain lenders consent on Transmission debt, and lenders are in the final stages of their approval processes. Recently the Department has appointed a Board of Directors to the NTCSA, and it is anticipated that the NTCSA will begin trading by April 2024. The operational transition of the NTCSA as the Transmission System Operator(TSO) and the development of a competitive electricity market depend on the Parliamentary approval of the Electricity Regulation Amendment Bill(ERAB), which is currently undergoing public consultations.

Similarly, the Eskom Distribution Division is undergoing legal separation, which was completed in March 2021. The new entity, the National Electricity Distribution Company of South Africa SOC Ltd(NEDCSA), was registered on 31 October 2022. The Minister of Finance(MoF) and Minister of Public Enterprises have granted approval for the transfer of the distribution business assets to the NEDCSA under the Public Finance Management Act(PFMA) application in terms of Section 54(2)(a) and 54(2)(d). It is expected that the NEDCSA will apply for its license by 2024 and commence operations thereafter.

The functional separation for the Eskom Generation business was completed in March 2021. The DPE and Eskom are working towards the creation of a New Holdings Company(NewCo) and a separate wholly owned Generation Company. Eskom has completed the NewCos Due Diligence Report, and the Department is reviewing independent legal recommendations. Eskom Generation will be operationalised once the NewCo has been established. Legal separation of the Generation division is targeted for completion in the 2025/26 FY and is dependent on the establishment of the NewCo.

Just Energy Transition (JET)

At least 10 000MW of power from Eskom's coal plants will reach their 50-year design life by 2030. The 2019 Integrated Resources Plan(IRP) envisages that the majority of the electricity generation will be replaced by cleaner energy sources, other than coal. The coal fleet is currently non-compliant with National Emissions Standards(NES), requiring time consuming and costly refurbishment with Flue-Gas Desulphurisation (FGD) technology and other equipment to become compliant. Eskom may face challenges in financing such capital expenditure as funders have already communicated their policy decision not to fund coal or coal-related initiatives. As South Africa moves to a low carbon economy, Eskom is

also preparing for a JET, meaning that the transition will be done in a fair, inclusive and equitable manner, i.e., no one should be left behind and worse off. This is underpinned by the requirement of universal energy access, as promoted by the 2030 Agenda for Sustainable Development, particularly Sustainable Development Goal 7(SDG7). In addition, the Just Transition Framework adopted by the Presidential Climate Commission (PCC) adheres to three dimensions:

- **Procedural Justice -** this focuses on an inclusive process and recognises marginalised groups in the process by including them in the decision-making process,
- **Restorative Justice -** considers past, present and future damages that have occurred against individuals, communities and the environment, and
- **Distributional Justice -** focuses on the distribution of risks and responsibilities with the aim of addressing inequality in society.

While adhering to these principles, Eskom has revised its JET Strategy to resolving all components of the energy trilemma (energy security, affordability and access, and sustainability) by delivering on the 5 Es: Energy, Economy, Employment, Equity, and Environment. The revised strategy aims to optimise for economic growth and development, the reduction of emissions, the creation of jobs, and equitable socio-economic development. Eskom has embarked on Repurposing and Repowering(R&R) initiatives at the Komati Power Station i.e., construction of containerised micro-grids and a 500kWp(Kilowatts Peak) Agrivoltaics plant that involves electricity generation from solar Photovoltaic(PV) and agricultural activities. Repowering initiatives include 150MW solar PV, 70MW wind and, 150MW battery storage. These projects support clean electricity production and create jobs for communities. Furthermore, Eskom has embarked on training programmes for the reskilling, retraining and upskilling of Eskom employees and members of the community. Thus far, 260 individuals have been trained through courses such as solar PV, Business Plan writing, Financial Literacy, Leadership skills, Critical thinking skills, Communication skills, negotiation skills and Personal Management skills. The JET project at Komati is a flagship for Eskom and lessons learnt will be utilised at other stations that are due for shut down.

Denel(Detonics, Numerous, Electronics)

Denel has a robust order book of R18.37 billion for 2023/24, while planned total sales are projected to be R2.08 billion, compared with R1.08 billion in the 2022/23FY.

Transnet

Transnet is actively addressing accountability and operational challenges by focusing on several key areas. These include increasing its operational fleet of locomotives, repairing infrastructure to enhance ports and freight rail capacity, combatting cable theft and vandalism, and implementing digitisation of operations to improve business processes and boost efficiencies.

Strategic initiatives and reforms post 2023: -

- Re-invention and Growth strategy, with investment programme of ~R150bn,
- Of which ~R51bn will be delivered over the next 5 years,
- Transnet's direct contribution ~66% / Balance through partnerships and private players,
- Investments: port terminals – bulk, automotive, container and cruise, and

- Expansion of capacity for bulk commodities on rail and ports, as well as properties.

Future of Transnet

Transnet has through its board adopted the Transnet Recovery Plan(TRP) which outlines the reforms being implemented to establish a regulatory environment that fosters PSP and enhances competition in ports and rail.

This was undertaken due to limited logistics market evolution that leveraged partnership-based business models to help improve capacity and competitiveness. The Government aims to leverage public-private partnerships to crowd-in investment into the freight logistics sector, a move which will contribute to reforms at Transnet. Those reforms include recovering rail volumes, boosting port efficiency, investing equipment and human capital. The President has established the National Logistics Co-ordinating Committee(NLCC) to tackle the port and freight logistics crisis. The NLCC includes representatives from both the Department of Public Enterprises(DPE) and Transnet. One of the measures implemented is the introduction of Public-Private Partnerships(PPP) to attract additional capital for financing investments, maintenance, skills development, and operational improvements aimed at boosting efficiency.

South African Airways

Over the past 3 years, DPE and Takatso Consortium has been negotiating the transaction to sell 51% of SAA. DPE terminated the transaction with Takatso consortium by mutual agreement. Negotiations on the transaction were terminated as there was no agreement on the revised transaction structure. This was largely from a new business and asset valuation undertaken by professional firms.

SAA was on the verge of being liquidated. The Board of SAA placed the airline under business rescue, which Government supported. After that, the country went through the COVID-19 pandemic, and it impacted on the global aviation. The closure and opening of borders required Government to search for a SEP as directed by Cabinet.

Having identified Takatso as the preferred SEP to negotiate with, three key areas needed to be noted:

1. SAA is a public asset that has grown in value between 2019-2024.

2. Recognising that it is a public asset and that any sale of shares has to be at a fair market value.

3. Thirdly, the process must result in the sustainability of SAA and its growth, in terms of its aircrafts and routes that it needs to fly.

There were two valuations that were undertaken. The first valuation was undertaken during the COVID-19 periodand that valuation took place when the airline was not flying. The business and properties underwent a valuation using a liquidation asset valuation methodology. The total value amounted to R2.4 billion, while the business itself was assessed to have a value ranging from 0 to negative.

However, in the last year three years it became clear that market conditions have changed, the economy had improved, the demand for flying had increased formidably and this required that a new valuation be done. The business valuation came out at R1 billion and the property valuation at R5.5 billion. This meant that there was a net increase in the property by R3,1 billion in the value of SAA. The equity value had increased from 0 to R1 billion. It took almost a year for the Competition authorities to approve the transaction. The Competition Tribunal(CT) approved the transaction

subject to certain conditions including the divesture by Takatso of its minority Shareholders, before the implementation of the transaction.

It became clear during negotiations that the revised transaction structure must take into account public interest and fair market price. However, these requirements were not met in the renegotiations. As a consequence, a mechanism to terminate the Sale of Shares Agreement by mutual consent in terms of clause 10.1.1 of the Agreement was put into effect. It was then decided that there was no purpose in continuing with further negotiations.

Cabinet was briefed on this matter and took note of the stance taken by DPE that SAA will continue to remain a 100% State- Owned Company, and that a corporate plan needs to be devised by the Board and SAA Management . The new corporate plan will embrace more routes and aircraft. To bolster upcoming initiatives, an aviation strategy advisor will be engaged who will provide guidance to both the Board and Management. Additionally, there is a need to further strengthen the Board in order to enhance its capabilities.

There will be further steps taken both by this 6th administration and the 7th administration, to stabilise SAA. The Department is confident that SAA will continue to fly and grow in terms of the number of routes and aircraft that it is able to lease. Furthermore, a new form of raising finances on the basis of SAA's assets will be explored with financial institutions.

Future role of Alexkor SOE Limited(ALEXKOR)

The 2007 Land and Mineral settlement between the Government and the Richtersveld Community brought about a significant shift in the focus of Alexkor, transforming it from a diamond mining company. With the settlement agreement obligation at its final stages of implementation, the role of Alexkor as a mining company needs to be considered in line with the State's developmental agenda.

In addition to financial sustainability challenges, Alexkor has been plagued by allegations of corruption and mismanagement, emanating from Board level to Management entrusted to manage both the SOC and the Joint Venture(JV). These issues have had dire economic and social consequences for the country and the surrounding communities.

It is therefore critical to identify an appropriate operating model that will mitigate against further assets deterioration and enable the Government to maximise the value derived from owing these assets.

The Department has commissioned a study to explore this matter, which will aid the Government in making an informed decision on how to best leverage the diamond assets.

South African Forestry Company Limited(SAFCOL)

Economies have not fully recovered from the effects of the COVID-19 pandemic and the Russian–Ukrainian war has added further pressures on supply chains globally as well as prices of commodities and fuels, including energy, food, diesel and geopolitical security. South Africa is experiencing a depressed economic growth, exacerbated by constraints in electricity and lack of logistic capacity. Hence industries are experiencing production and operational challenges. Growth is expected to be modest in 2022 through to 2025. The Department's pursuit of key Government priorities is vital to the economic growth of the country. The Department plays an important role in providing oversight to SAFCOL and ensuring that the business operates efficiently and effectively within the manufacturing sector.

The entity's pursuit to vertical integration within the forestry value chain remains critical. Currently, SAFCOL is the primary sawlog supplier to private companies and the requires a diversification to alternative revenue streams and markets because the sawlog market is volatile and dependent on economic performance. SAFCOL has formulated a 50:50 business strategy and embarked on a journey to seize further opportunities within the forestry value chain such as the profitable timber producing industry. This would enable SAFCOL to generate revenue growths required to satisfy the Government's goal of building a Developmental State.

In addition, the Company has recently started investing in mechanisation forestry operations. This investment will benefit the Company by adopting new technologies for timber processing and diversifying its product line to cater for downstream industries.

There are risks to SAFCOL's business, including delays in the Land Settlement Model and potential waning interest from claimant communities as strategic partners. To mitigate these risks, SAFCOL has implemented community engagement methods, such as Corporate Socio-economic programmes and Enterprise Supplier Development Partnerships(ESDP).

The Company's operations and production are also influenced by weather and climate conditions. Climate change has resulted in a decline in SAFCOL's plantation area, from 121,000 hectares in 2015 to about 120,000 hectares in 2020.

To address this, SAFCOL has developed long-term adaptation and mitigation plans. These include researching new forestry species, promoting community-led Agroforestry initiatives to increase food production and employment, and exploring financing options for climate change adaptations and mitigations.

Load shedding directly affects SAFCOL's manufacturing processes, leading to unplanned downtime and decreased production output. Despite this, the Company remains resilient and has implemented mitigation plans to minimise the impact.

Economic Transformation

The advent of the Constitutional Courts judgement to invalidate the 2017 Preferential Procurement Regulations(PPR) has resulted in significant changes to the Supply Chain Policies and Preferential Procurement systems of SOEs within the DPE portfolio. These revisions aim to support economic transformation while ensuring compliance with both the Preferential Procurement Policy Framework Act(PPPFA) and the Broad-based Black Economic Empowerment(B-BBEE) Act. SOEs continue to play a critical role in the transformation of the economy. However, they face numerous challenges, particularly financial constraints, that impact their operational efficiencies. These challenges, to some extent, hinder their contribution to socioeconomic development and the achievement of NDP objectives and related strategic interventions. SOEs' commitments play a crucial role in accelerating localisation and Local Content interventions, which in turn support reindustrialisation. These commitments are essential and provide the necessary support.

Empowering Designated Groups

SOEs support Small-Medium and Micro Enterprises(SMME) development through various initiatives leveraging procurement of goods and services, including procurement through businesses owned by historically disadvantaged groups in support of achievement of socio-economic developmental objectives. SOEs are contracted in Shareholder Compacts(SHC's) to procure services and goods through B-BBEE compliant businesses, Black Owned(BO) businesses, Black Women Owned(BWO) businesses, Black Youth Owned(BYO) businesses, and businesses owned by Persons with Disabilities(PWDs). These commitments further support programmes co-ordinated by other Government Departments to strengthen co-ordination empowerment programmes and support the mainstreaming of Women, Youth, and

Persons with Disabilities(WYPD) as critical designated groups requiring special focus.

Skills Development

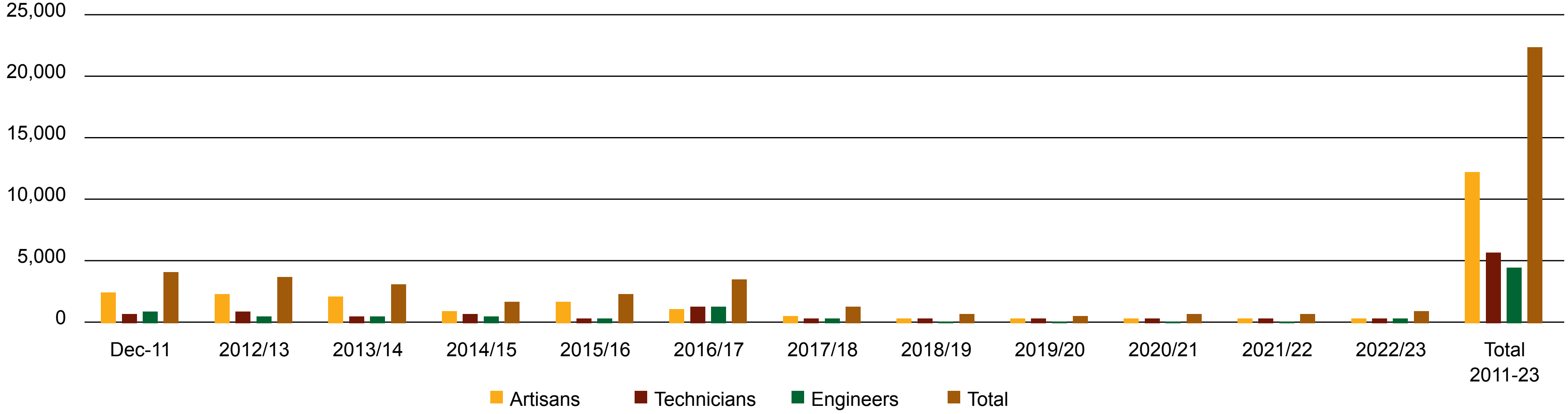
SOEs also contribute to youth employment through skills development. Their aim is to alleviate the triple challenges of poverty, inequality, and unemployment by supporting National strategic interventions such as the National Skills Development Plan(NSDP) 2030 and the Economic Reconstruction and Recovery Plan(ERRP) skills strategy.

Contributing to this critical National objective has however, not been a smooth one for the SOCs in the DPE portfolio. A myriad of challenges experienced in recent years included inter alia: the dire financial constraints arising from shrinkage in the fiscal space, declining orders and market share as well as operational inefficiencies emanating from economic decline which was exacerbated by the COVID-19 pandemic and malfeasance. This challenge has adversely affected the skills development ecosystem, and the capacity of SOCs to contribute optimally. To this end, DPE SOCs have generally seen a gradual decline in the number of enrolments and throughput rates.

A trend analysis comparing the periods 2011/12 up to 2017/18 and the 2018/19 up to 2023/24FY's as depicted in the above graph shows a sharp decline in the collective numbers of new learner enrolments within the portfolio, across all occupational categories being monitored, which are artisan, technician, and engineering. For instance, the graph shows that the enrolments for artisans for the period 2011/12 FY to 2017/18 FY was 10 913, when compared to the total of 1 470 from 2018/19 FY to 2023/24 FY. This trend suggests an average total enrolment of 1 559 trainees per annum for the 2011/12 FY to 2017/18 FY, against an average of 294 trainees per annum for the 2018/19 FY to 2023/24 FY. A similar pattern is seen with both technician and engineering trainees, averaging 640 to 245 per annum for technician trainees, and 570 to 107 per annum for engineering trainees, respectively. The same trend is also observable in the enrolment of sector specific training interventions. This analysis was further corroborated by the findings of a research study conducted by the Department to evaluate the impact and efficacy of SOC's Skills Development programmes in 2023.

To mitigate on this, the Department adopted the strategy of strengthening old and establishing new partnerships to acquire additional funding to sustain the SOE training facility optimisation programme. Key partners identified include relevant Policy Departments, Provincial Government Departments and Technical and Vocational Education and Training(TVET) colleges amongst others.

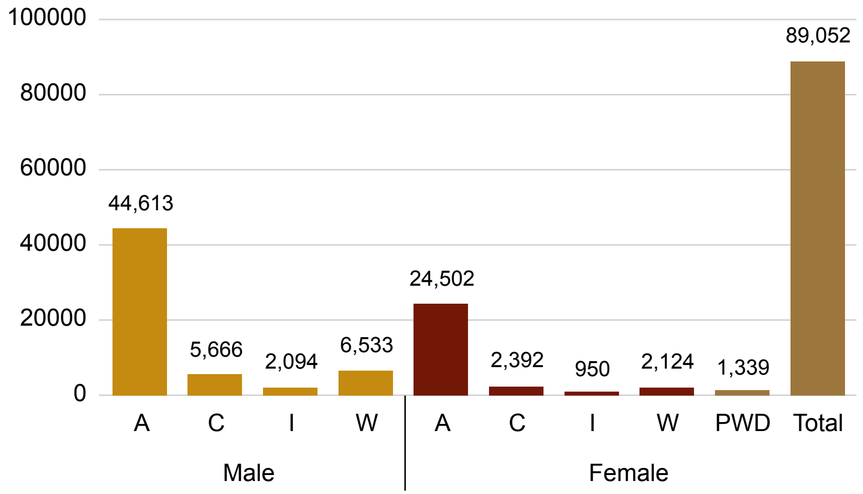
SOC Contribution to Skills Development for Period 2011 to 2023 Financial Years



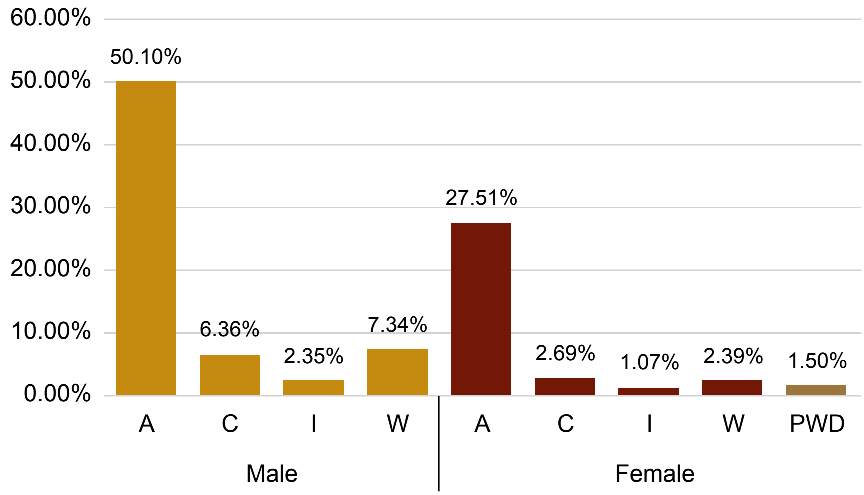
Employment Equity(EE)

Within the DPE context, Employment Equity(EE) forms an integral component of the Department's transformation strategy. To this extent, the DPE has developed and is implementing a Transformation Framework and Guidelines(TFG) document as a policy instrument to ensure compliance and alignment to Legislation and National objectives by the portfolio of DPE SOEs. Through this framework, the Department has successfully ensured standardisation in terms of planning, reporting, processes, and practices of EE implementation across the portfolio of its SOCs. DPE is also working in collaboration with key Policy Departments such as the Department of Employment and Labour(DoEL), the Department of Trade, Industry and Competition (the dtic), and the Department of Women, Youth and People with Disabilities(DWYD) to ensure that issues of gender mainstreaming and gender responsive programmes are implemented. By collaborating with Policy Departments, the DPE ensures that it builds and strengthens SOC capacity in this function to improve compliance, as well as the quality of EE reports. SOE performance as at the end of the 2022/23FY as depicted in the graphs below highlights that 38.61% women inclusive of 31.27% Black women and 7.34% White women as well as 1.50% PwDs were employed within DPE,s SOEs.

2022/23 DPE SOE Employment Equity Status



2022/23 DPE SOE 2023 Employment Equity % Stats



Localisation and Industrialisation

Government identified procurement as a key policy lever to support localisation and re-industrialisation of the country's economy. The spending on Capital Expenditure in SOEs has been identified as the biggest opportunity to stimulate the local manufacturing industry, support SME development, promote localisation, reduce the trade balance and create jobs

SOEs within the DPE portfolio are encouraged to adopt strategic sourcing approaches to ensure that Capital Expenditure procurements including robust requirements for localisation and supplier development. This will help achieve National imperatives for increased local content, technology accumulation and jobs so that in the medium to long- term, the SOC can buy from local service providers than multi-national Original Equipment Manufacturers(OEMs).

While the advent of the Constitutional Court judgement to invalidate the PPR 2017 had a negative impact in achieving these objectives, in consultation with the dtic, the SOEs' within the Department's portfolio revised their Supply Chain Policies and Preferential Procurement systems in compliance with both the, PPPFA, and the Local Content Policy(LCP).

EXTERNAL ENVIRONMENT ANALYSIS

SA's Strategy of SOE Reform

SOEs' are central to advancing national objectives through providing economic and social infrastructure. SOE reform processes are not unique. Several countries are undergoing similar initiatives. In Malaysia, there are ongoing reforms aimed at enhancing the efficiency of SOEs', aligning them with their intended purposes, and establishing robust accountability systems. In order to grow their economies as part of their objective, they established their National entity called Khazana, some 10 to 12 years ago, starting with five SOEs'. Today over 100 SOEs' fall under the Khazana banner. The President announced on the basis of this evidence, the creation of the Presidential State-Owned Enterprises Council(PSEC) in June 2020, in the midst of the COVID-19 pandemic, to provide independent guidance, noting among other factors that:The dependence of SOEs on the fiscus was no longer sustainable,

- The dependence of SOEs' on the fiscus was no longer sustainable,
- The SOEs' are key implementing agents of the Developmental State and thus must be marshalled accordingly,
- International best practices on the Governance of SOEs'/SOCs' showed the importance of separating the policy function from operational and regulatory functions, and
- Many global examples demonstrate that the development of a new entity requires several years. For instance, it took China 20 years to establish South Asia Sub-regional Economic Cooperation(SASEC), and Singapore's Temasek in Singapore is the result of three decades of efforts to safeguard their wealth and create a foundation for future generations.

The following measures were proposed by the PSEC:

- An appropriate centralised Shareholder Ownership Model,
- Introduction of an overarching Act or Legislation governing SOEs,
- Improve Governance, financial control, risk management and the infusion of the requisite skills in the Boards. This is a work in progress,

- After conducting a financial analysis of more than 30 other SOEs, proposals have been made for further business analysis by experts. This analysis aims to determine which SOEs should be merged or repurposed, and identify those that are no longer necessary, and
- Having undertaken a financial analysis of more than 30 SOEs, PSEC has identified which of those SOEs should be.
  - Retained,
  - Repurposed,
  - Disposed of,
  - Consolidated and restructured,
  - New SOEs' to be established,
  - Those that need private sector involvement, and
  - Which SOEs' will be transferred to HoldCo.

Business Case for a State-Owned Holding Company

To achieve a distinct division between ownership and management of State-Owned Companies(SOCs), it is essential to prioritise professional Board appointments. This will help foster a culture of financial and Governance discipline within the SOCs.

A National State Enterprises Bill(NSEB)

The Holdco Model finds expression in the Bill that was approved by Cabinet and submitted to Parliament for tabling and further processing in 2024. Boards will be expected to pursue a strategic direction consistent with Statements of Strategic Intent, Shareholder Compacts, Memoranda of Incorporation(MoI), and the SOE Performance Appraisal System. They should regularly assess and improve their business models while creating financial stability plans to ensure SOEs become financially self-reliant.

Post -Zondo Commission Period

Progress is being made on Eskom's contracts amounting to R14.7 billion in both criminal and civil proceedings. Currently, R4.8 billion is being claimed against former contractors and Directors of Eskom. The Special Investigations Unit(SIU) and Eskom successfully recovered R2 billion and 11 criminal cases were opened by law enforcement agencies. Contracts to the value of R11.1 billion have been cancelled and R3.7 billion were declared invalid by the courts. In terms of Transnet, Law enforcement agencies are investigating 12 criminal cases of contracts valued at R56.73 billion. Civil recoveries valued at R521 million have been launched against former contractors and former officials of Transnet. Civil claims amounting to R3.84 billion concerning contracts linked to "State Capture" corruption at South African Airways(SAA) have been instituted. The savings made to date amount to R130 million.

ESKOM

South Africa faces the gradual closure of 26 000MW of coal capacity, creating a 6 000MW gap in power supply. Furthermore, Eskom's non-compliance to the National Environmental Management Air Quality Act(NEMAQA) threatens to shut down a significant number of coal-fired stations by March 2025, because the Act requires old plants to comply with new plant air quality standards. If implemented, the decision will result in the loss of base load generation capacity in the short to medium-term of approximately 16GW immediately upon implementation of the decision and up to 30GW after March 2025.

The country is seeing an increase in large-scale Renewable Energy(RE) generation, particularly in Solar PV and onshore wind projects. However, delays in programmes like Risk Mitigation Independent Power Producer Procurement Programme(RMIPPPP) and Renewable Independent Power Producer Programme(REIPPP) pose potential risks to South Africa's power supply.

Small-scale Solar PV systems are being increasingly used to address electricity access limitations in remote areas. In addition, the procurement of RE systems by corporates has seen a significant growth in 2022, with large consumers seeking reliable alternatives amid intermittent power supplies as a result of load shedding. These disruptions add cost to industrial customers that need to complement grid power with self-generation assets, most of which are diesel-based, while remaining exposed to retail tariffs that can be increased by local utilities.

While mining companies and energy-intensive industries commonly adopt large self-generation projects, there has been a remarkable increase in the installation of smaller solar systems on corporate rooftops and warehouses. The Medium-Term System Adequacy Outlook(MTSAO) 2023 had taken a conservative view and assumed a growth rate of 880MW per annum for small-scale embedded generation (mostly rooftop PV). This trend is likely to continue, as companies aim to reduce their dependence on grid power, reliable and affordable energy sources, and meet emission reduction targets.

The performance of the Eskom Generation Energy Availability Factor(EAF) has plummeted to 55.42% in the 2023FY and is expected to continue to decrease. Given that the Eskom coal fleet still dominates the country's installed electricity capacity (over 80%), the downward spiralling of the EAF continues to pose a serious threat to the power system's security of supply.

The transmission networks of Eskom have capacity limitations to accommodate additional renewable generation in specific areas. This will require accelerating investments in transmission infrastructure to develop new corridors and substations, while also strengthening existing substations. The transmission grid would need to be augmented by approximately 14 200 km of extra-high-voltage lines and 170 transformers by 2032. However, constructing such infrastructure by 2032 poses a considerable challenge.

Eskom, currently a vertically integrated utility, is undergoing restructuring to transition from a monopoly to the single-buyer model. This involves procurement from Independent Power Producers(IPPs), through various wheeling arrangements and third-party trading, where electricity is procured from one or more IPPs, using the Eskom and municipal networks, and selling to several off-takers in the mining, industrial, manufacturing and commercial sectors.

Electricity retailing is at a crossroads as technological change is eroding revenues from the traditional electricity retailing business model. However, many of these new technologies have the potential to create new products and revenue streams for electricity distributors and retailers. Smart technologies are playing a significant role in reshaping how utilities and consumers interact with each other and with their generating technologies.

The Draft IRP 2023 and the MTSAO 2023–2027 have highlighted challenges that impact the adequacy of South Africa's power system. Factors such as the downward trend of Eskom's fleet performance, coal-fired station closures, delays in the license extension for Koeberg Power Station, and adherence to Minimum Emissions Standards(MES) regulations contribute to the precarious state of the power system. The MTSAO study suggest that unless there is a substantial improvement in the performance of Eskom's fleet, the security of the power system's supply will remain at risk, potentially worsening each year until 2027.

SAA

SAA would have been liquidated, but through the determined effort of Government and its commitment to the Business Rescue(BR) process, SAA has emerged as a viable entity. This has resulted in thousands of jobs being saved by SAA and its subsidiaries and more being created as it expands its operations Domestically, Regionally and Internationally.

Operational and related changes at SAA: -

- Routes as of March 2023: 12 destinations (10 Regional / 2 Domestic),
- Operational stabilisation,
- Profit maximisation,
- Competition benefitting consumers,
- Strategic initiatives and reforms,
- Finalise the SEP transaction,
- Competition Tribunal(CT) Process Completed,
- Routes March 2024: 20 destinations (1 Intercontinental, 16 Regional, 3 Domestic), and
- Additional routes for revenue generation (Planned – Lubumbashi, Gaborone, Maputo, Accra-Abidjan, Lagos-Abuja, Nairobi, Perth to connect Australia with South Africa).

Safcol

SAFCOL's profitability relies on closely monitoring its cash generation, primarily from the sale of sawlogs. The Company is dedicated to evolving its business model to achieve a balanced revenue strategy, focusing on contributions from plantation, processing, and related ventures, with a focus on high value products. Additionally, SAFCOL is committed to minimising fixed costs. Less than 20% of the Company's long-term grown timber is processed at one sawmill, the Timbadola processing plant in Limpopo, which is inefficient due to outdated machinery and infrastructure. The challenge of revenue generation, dependent on log sales in the external market, is continuously monitored by the Department through regular performance reporting and engagements.

To strengthen its market position, SAFCOL will actively commercialise its strategic project pipeline, prioritising initiatives that promise expanded market penetration and a broader customer base through innovative, value-added products such as the Ifloma Fibre and Pole Treatment projects.

Innovation and sustainability will be cornerstones of SAFCOLS operational optimisation, leveraging cutting-edge technologies to maintain a competitive edge in the forestry industry. This forward-looking approach is complemented by a commitment to cultivating strategic alliances with key stakeholders, fostering a mutually beneficial ecosystem that benefits all parties, including the community at large.

Transnet

Government developed a Transnet Roadmap that will translate policy commitments into reality. This includes the restructuring of Transnet Freight Rail to create a separate Infrastructure Manager for the rail network by October 2023. Transnet and private sector companies will conclude partnerships at the Durban and Ngqura container terminals, to enable new investment in our ports and improve their efficiency. There has been great success in repositioning the Port Elizabeth Automotive Terminal, which has more than doubled its capacity and has already seen an increase in exports. Transnet is also rehabilitating its idle locomotives and expanding its fleet. In improving operating efficiencies, the core focus remains on improving operating efficiencies to unlock capacity. Various detailed interventions are underway within Transnet to address current operating challenges and some of these are detailed below:

For coal, the focus is on increasing the Richards Bay coal channel's volume throughput from 49mtpa to 63mtpa for the 2023/24FY.

This will be through initiatives, including,

- Improve locomotive availability and reliability, and
- Adding additional wagons on the empty leg to Ermelo.

In the Provinces of North West, Limpopo, and Mpumalanga, where chrome and magnetite are key export commodities, the focus has been on increasing volume throughput from 9.6 Million metric tons per annum(mtpa) to 15.6mtpa for the 2023/24FY by doing the following:

- Running longer chrome trains (150 Wagons), and
- Running longer magnetite trains (160 Wagons) throughput by an additional 1.5mtpa.

INTERNAL ENVIRONMENT ANALYSIS

The Department's primary cost driver is employee compensation, which is projected to increase at an average annual rate of 3 percent, from R185 million in 2023/24 to R202 million in 2025/26. To ensure the Department remains within the expenditure ceiling for compensation of employees over the Medium-Term Expenditure Framework(MTEF) period, only critical vacant posts will be filled.

To ensure business continuity in the face of natural disasters and cyber attacks, an Information and Communication Technology(ICT) Disaster Recovery Plan will be implemented. These incidents can disrupt business operations and lead to data loss. Additionally, migration of Microsoft Skype for Business(SfB) to Microsoft Teams will take place as Microsoft no-longer supports SfB as it has reached its end-of-life stage. The risk can be mitigated by migrating to Microsoft Reams to enable the users to make audio/video calls over the internet. Automation of business processes, implementation of automated business processes to enhance organisational efficiency and eliminate manual processes. The procurement of Information Technology(IT) equipment, and replacement of end-user devices will allow users to perform their daily duties more effectively. Managed ICT Security Services will include Patch Management, Antimalware Management, Vulnerability Management, Penetration Testing, Security Information and Event Monitoring service and Firewall Management & Cyber Security Awareness.

Insufficient employment creation is a pressing issue.

The decline in Government Tax revenue collections is the main contributor to the current fiscal challenges. These constraints worsen the decline in labour absorption capacity which leads to a higher unemployment rate. Contributing factors include:

- Cost containment measures implemented by National Treasury(NT) and strict control measures relating to creating and filling of vacant posts,
- Due to cost cutting measures by NT over the last 3 years, many posts are already unfunded, and
- Labour market related matters.

Due to the uncertainty surrounding its future existence, the Department has ceased to procure alternative office space.

PART C

MEASURING OUR PERFORMANCE

1. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

1.1 PROGRAMME 1: ADMINISTRATION

Purpose:

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

The programme consists of the following Sub-programmes:

Ministry: Provides executive support to Political Principals,

Office of the Director-General(ODG)/Management: Provides technical support, enabling Government to optimally exercise Governance and performance over the portfolio of State-Owned Companies(SOEs'),

Security and Facilities Management: Provides a safe and secure environment, as well as internal administration and facilities services to internal customers,

Information Management and Technology: Provides Information Technology(IT) 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(OCFO): Provides effective and efficient Financial Management Services to ensure compliance with various Legislation, including the Public Finance Management Act(PFMA), 1999 (Act No 1 of 1999) and Treasury Regulations,

Human Resources(HR): Assists line Management to implement operational excellence and develop the human capital potential in the Department,

Communications: Repositions the Department of Public Enterprises(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: Co-ordinates, 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, and

Internal Audit: 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

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Promote alignment and efficiency across institutional model.	Monitor stakeholders' interventions to prevent SOCs' critical infrastructure theft and vandalism.	Number of reports on stakeholders' interventions to prevent SOCs' critical infrastructure theft and vandalism.	None.	50% of the Co-operation agreement milestone achieved (cable theft, infrastructure).	Four reports on the interventions to reduce loss of SOCs' infrastructure through theft and vandalism.	Four reports on stakeholders' interventions to prevent SOCs' critical infrastructure vandalism and cable theft.	Four reports on stakeholders' interventions to prevent SOCs' critical infrastructure vandalism and cable theft.	Four reports on stakeholders' interventions to prevent SOCs' critical infrastructure vandalism and cable theft.

Indicators, Annual and Quarterly Targets

Output Indicators	Annual target	Q1	Q2	Q3	Q4
1.1 Number of reports on stakeholders' interventions to prevent SOCs' critical infrastructure vandalism and cable theft.	Four reports on stakeholders' interventions to prevent SOCs' critical infrastructure vandalism and cable theft.	Report on stakeholders' interventions to prevent SOCs' critical infrastructure vandalism and cable theft.	Report on stakeholders' interventions to prevent SOCs' critical infrastructure vandalism and cable theft.	Report on stakeholders' interventions to prevent SOCs' critical infrastructure vandalism and cable theft.	Report on stakeholders' interventions to prevent SOCs' critical infrastructure vandalism and cable theft.

Explanation of planned performance over the medium-term period

The Department participated in the Task Team on Cable Theft and Infrastructure Vandalism, and National Rail Crime Combating Forum to support measures by Government to curb cable theft and infrastructure vandalism. The Department signed the Memorandum of Understanding(MoU) with relevant SOEs' to implement interventions that will assist in dealing with the impact caused by theft, vandalism and trade in ferrous and non-ferrous metal wastes, scrap etc.

PROGRAMME 1: ADMINISTRATION

Expenditure trends and estimates

Table 10.6 Administration expenditure trends and estimates by sub-programme and economic classification

Sub-programme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2020/21	2021/22	2022/23	2023/24	2020/21 - 2023/24		2024/25	2025/26	2026/27	2023/24 - 2026/27	
Ministry	23.4	23.3	24.7	34.9	14.2%	20.5%	35.5	35.6	37.3	2.2%	21.9%
Management	5.8	7.5	8.1	5.6	-1.1%	5.2%	11.3	13.6	15.1	39.2%	7.0%
Communications	32.9	29.2	34.8	35.2	2.3%	25.4%	37.8	39.6	41.4	5.6%	23.5%
Chief Financial Officer	18.8	19.5	17.1	19.4	1.1%	14.4%	21.7	22.8	23.8	7.1%	13.4%
Human Resources	17.6	18.7	21.7	27.7	16.3%	16.5%	32.2	22.9	24.0	-4.6%	16.3%
Internal Audit	3.9	3.9	4.5	5.5	12.1%	3.4%	6.4	6.8	7.1	9.0%	3.9%
Corporate Services	2.3	2.4	3.9	4.7	26.9%	2.6%	5.7	6.1	6.4	10.8%	3.5%
Office Accommodation	13.8	16.6	14.7	17.0	7.3%	12.0%	16.7	17.4	18.2	2.1%	10.6%
Total	**118.4**	**121.1**	**129.5**	**149.9**	**8.2%**	**100.0%**	**167.4**	**164.8**	**173.2**	**4.9%**	**100.0%**
Change to 2023 Budget estimate				–			(12.3)	(9.9)	(9.5)		
Economic classification											
Current payments	**113.0**	**120.0**	**125.6**	**145.8**	**8.9%**	**97.2%**	**163.1**	**160.3**	**168.6**	**5.0%**	**97.3%**
Compensation of employees	68.4	71.9	74.6	84.5	7.3%	57.7%	92.7	92.5	96.8	4.6%	55.9%
Goods and services	44.6	48.1	51.0	61.2	11.2%	39.5%	70.4	67.8	71.8	5.4%	41.4%
of which:						–					–
Audit costs: External	3.5	6.0	4.3	4.9	11.9%	3.6%	5.2	5.4	5.6	4.6%	3.2%

Expenditure trends and estimates

Table 10.6 Administration expenditure trends and estimates by sub-programme and economic classification

Sub-programme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2020/21	2021/22	2022/23	2023/24	2020/21 - 2023/24		2024/25	2025/26	2026/27	2023/24 - 2026/27	
Computer services	8.1	8.3	9.3	8.5	1.5%	6.6%	8.8	4.5	4.7	-17.7%	4.0%
Consultants: Business and advisory services	3.3	2.4	2.8	6.1	22.2%	2.8%	11.4	7.0	7.4	6.9%	4.9%
Operating leases	13.5	14.5	12.8	15.0	3.6%	10.8%	14.6	15.2	15.9	1.9%	9.3%
Property payments	4.0	5.7	6.3	6.6	18.8%	4.4%	7.1	7.1	7.4	3.8%	4.3%
Travel and subsistence	2.0	4.4	6.2	8.3	61.9%	4.0%	8.3	9.4	9.8	5.8%	5.5%
Transfers and subsidies	**0.2**	**0.3**	**0.4**	**0.6**	**47.8%**	**0.3%**	**0.0**	**0.0**	**0.0**	**-66.9%**	**0.1%**
Provinces and municipalities	0.0	0.0	0.0	0.0	12.6%	–	0.0	0.0	0.0	4.8%	–
Households	0.2	0.3	0.4	0.6	49.9%	0.3%	–	–	–	-100.0%	0.1%
Payments for capital assets	**5.2**	**0.8**	**3.5**	**3.5**	**-12.2%**	**2.5%**	**4.2**	**4.4**	**4.6**	**9.2%**	**2.6%**
Machinery and equipment	5.2	0.8	3.5	3.5	-12.2%	2.5%	4.2	4.4	4.6	9.2%	2.6%
Payments for financial assets	**0.0**	**0.0**	**–**	**–**	**-100.0%**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**118.4**	**121.1**	**129.5**	**149.9**	**8.2%**	**100.0%**	**167.4**	**164.8**	**173.2**	**4.9%**	**100.0%**
Proportion of total programme expenditure to vote expenditure	0.2%	0.3%	0.4%	54.5%	–	–	56.5%	53.4%	53.5%	–	–

Expenditure Analysis

Spending in this programme is projected to grow from R149.9 million in 2023/24FY, to R173,2 million in 2026/27FY. Thus, over the medium-term, the bulk of the programmes' allocation will be spent on compensation of employees, and the expenditure will increase by an average growth rate of 4.6% over the medium-term. Expenditure on goods and services will increase over the medium-term by an average growth rate of 5.4%.

2.1 PROGRAMME 2: STATE-OWNED COMPANIES' GOVERNANCE ASSURANCE AND PERFORMANCE

Purpose:

Provide and enforce SOEs' Governance, Legal Assurance and financial and non-financial performance monitoring, evaluation and reporting systems in support of the Shareholder to ensure alignment with Government priorities.

Objectives:

Ensure effective Shareholder oversight of SOEs' on an ongoing basis by:

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

Sub-Programmes

- **Management:** Comprises the Office of the Deputy Director-General(ODDG), which provides strategic leadership and Management for the programme's personnel.
- **Legal:** Provides external legal services and support, including transaction and Contract Management support to sector teams, and the commercial activities of the SOEs'within the Sector teams' portfolio.
- **Governance:** Develops, monitors and advises on Legislative, Corporate Governance, and Shareholder Management systems for the Department and its portfolio of SOEs'. This Sub-programme develops and implements Risk and Compliance Management guidelines and systems for Shareholders.
- **Financial Assessment and Investment Support:** Analyses SOEs' Capital plans, operational performance, the execution of Capital programmes and proposed restructuring proposals, and advises on appropriate action.

2.1.1 SUB-PROGRAMME 2: GOVERNANCE, LEGAL ASSURANCE, RISK PROFILING AND MITIGATION

- Develops standardised indicators for the SOEs'.
- 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 Legal Assurance services.

Risk Profiling and Mitigation

- Develops and facilitates the SOEs' Group Risk Management Framework.
- Maintains the SOEs' Group Risk Register (Transversal Risk Register, with cross-cutting risks).
- Co-ordinates 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 Indicator and Targets

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Repurpose SOCs, strengthen Governance systems and secure Board stability.	Implementation of the Board Evaluation Framework(BEF).	Number of Board Performance Index(BPI) pilot reports produced.	BEF approved.	None.	None.	Two pilot reports on BPI on two SOCs produced.	Two pilot reports on BPI on two SOCs produced.	Two pilot reports on BPI on two SOCs produced.

Indicators, Annual and Quarterly Targets

Output Indicators	Annual target	Q1	Q2	Q3	Q4
2.1 Number of Board Performance Index(BPI) pilot reports produced.	Two pilot reports on BPI on two SOCs produced.	None.	None.	One pilot report on BPI on two SOCs produced.	One pilot report on BPI on two SOCs produced.

Explanation of planned performance over the medium-term period

The BEF Report was approved during the 2021/22 Annual Performance Plan(APP)FY. The Department undertook to produce a BPI report upon stabilisation of the Boards through the filling of vacancies. During the 2024/25FY, the Department commits to conduct an independent assessment through a sample exercise on two SOEs'. The BPI is meant to empirically determine whether the SOC Boards apply the minimum standards of the BEF focusing on Ethical Culture Rating, Good Performance Rating, External Audit Outcome, and Stakeholder Satisfaction Rating.

2.1.2 SUB-PROGRAMME 2: FINANCIAL ASSESSMENT AND INVESTMENT SUPPORT

Purpose:

To provide financial assessment and instrument development support services.

Objectives:

- Develop standardised Financial Assessment guidelines and indicators for SOEs',
- Perform financial reviews and report thereon,
- Assess applications for funding instruments and co-ordination of authorisation thereof, and
- Facilitate, support, and monitor the implementation of financial sustainability initiatives for the DPE portfolio.

Outcomes, Outputs, Performance Indicators, and targets

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Improved independent financial sustainability of SOEs'.	Outlook on SOEs' financial position.	Number of SOEs' quarterly financial reviews conducted.	20	100% Assessment Compliance reports.	24	24	24	24
	Assess alignment of SOC plans to key priorities outlined in Strategic Intent Statement(SIS) and Shareholder Compact(SHC).	Number of Corporate Plans reviewed.	5	100% Assessment Compliance reports	6	6	6	6

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Compliance on Eskom's debt relief conditions Eskom debt.	Number of reports on monitoring compliance to conditions related to Eskom debt relief package.	None.	One report on preferred option to resolve Eskom debt.	Four quarterly reports on monitoring compliance to conditions related to Eskom debt relief package.	Four quarterly reports on monitoring compliance to conditions related to Eskom debt relief package.	Four quarterly reports on monitoring compliance to conditions related to Eskom debt relief package.	Four quarterly reports on monitoring compliance to conditions related to Eskom debt relief package.

Indicators, Annual and Quarterly Targets

Output Indicators	Annual target	Q1	Q2	Q3	Q4
3.1 Number of SOEs' quarterly financial reviews conducted.	24 Financial reviews conducted.	6	6	6	6
3.2 Number of Corporate Plans reviewed.	6	None.	None.	None.	6
3.3 Number of reports on monitoring of conditions related to Eskom debt relief package.	Four Quarterly Reports on monitoring compliance to conditions related to Eskom debt relief package.	One report on monitoring compliance to conditions related to Eskom debt relief package.	One report on monitoring compliance to conditions related to Eskom debt relief package.	One report on monitoring compliance to conditions related to Eskom debt relief package.	One report on monitoring compliance to conditions related to Eskom debt relief package.

Explanation of planned performance over the medium-term period

The Sub-programme over the medium-term will be overseeing the financial performance of the SOEs', and report accordingly that includes ensuring alignment of Corporate Plans and SHCs. The programme in the next financial year will provide support to SOEs', by monitoring the SOEs' compliance with the funding conditions.

3. PROGRAMME RESOURCE CONSIDERATIONS

PROGRAMME 2: STATE-OWNED COMPANIES' GOVERNANCE ASSURANCE AND PERFORMANCE

Expenditure trends and estimates

Table 10.8 State-Owned Companies Governance Assurance and Performance expenditure trends and estimates by sub-programme and economic classification

Sub-programme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2020/21	2021/22	2022/23	2023/24	2020/21 - 2023/24		2024/25	2025/26	2026/27	2023/24 - 2026/27	
Management	1.9	1.9	3.3	2.9	15.5%	5.2%	3.0	3.1	3.3	4.8%	4.6%
Legal	11.6	23.8	15.9	28.2	34.2%	41.9%	23.5	24.7	25.6	-3.1%	38.0%
Governance	12.6	11.9	12.0	19.7	16.2%	29.6%	21.3	27.3	28.7	13.4%	36.2%
Financial Assessment and Investment Support	11.2	9.8	10.8	12.4	3.4%	23.3%	14.6	14.7	15.4	7.5%	21.3%
Total	**37.2**	**47.4**	**42.0**	**63.1**	**19.2%**	**100.0%**	**62.4**	**69.8**	**73.0**	**5.0%**	**100.0%**
Change to 2023 Budget estimate				–			(0.2)	(0.2)	(0.2)		
Economic classification											
Current payments	**37.2**	**47.3**	**42.0**	**63.0**	**19.2%**	**99.9%**	**62.4**	**69.8**	**73.0**	**5.0%**	**100.0%**
Compensation of employees	28.1	26.8	28.2	33.0	5.5%	61.2%	36.0	37.0	38.7	5.5%	53.9%
Goods and services	9.1	20.4	13.8	30.1	49.1%	38.7%	26.4	32.8	34.3	4.5%	46.1%
of which:						–					–
Communication	0.2	0.2	0.2	0.2	4.0%	0.4%	0.3	0.3	0.4	19.8%	0.5%
Consultants: Business and advisory services	3.4	3.4	3.0	11.9	51.7%	11.4%	9.3	17.3	18.3	15.5%	21.1%

Expenditure trends and estimates

Table 10.8 State-Owned Companies Governance Assurance and Performance expenditure trends and estimates by sub-programme and economic classification

Sub-programme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2020/21	2021/22	2022/23	2023/24	2020/21 - 2023/24		2024/25	2025/26	2026/27	2023/24 - 2026/27	
Legal services	5.3	16.7	10.1	14.5	40.3%	24.6%	13.4	11.7	12.2	-5.7%	19.3%
Contractors	0.2	0.0	0.1	3.0	155.9%	1.7%	3.0	3.0	3.0	–	4.5%
Travel and subsistence	0.1	0.1	0.4	0.4	103.1%	0.5%	0.4	0.4	0.5	0.4%	0.6%
Venues and facilities	0.0	0.0	–	0.0	61.1%	–	0.0	0.0	0.0	-6.2%	0.1%
Transfers and subsidies	**0.0**	**0.2**	**–**	**0.1**	**13.8%**	**0.1%**	**–**	**–**	**–**	**-100.0%**	**–**
Households	0.0	0.2	–	0.1	13.8%	0.1%	–	–	–	-100.0%	–
Total	**37.2**	**47.4**	**42.0**	**63.1**	**19.2%**	**100.0%**	**62.4**	**69.8**	**73.0**	**5.0%**	**100.0%**
Proportion of total programme expenditure to vote expenditure	**0.0%**	**0.1%**	**0.1%**	**22.9%**	**–**	**–**	**21.0%**	**22.6%**	**22.6%**	**–**	**–**
Details of transfers and subsidies											
Households											
Social benefits											
Current	0.0	0.2	–	0.1	13.8%	0.1%	–	–	–	-100.0%	–
Employee Social benefits	0.0	0.2	–	0.1	13.8%	0.1%	–	–	–	-100.0%	–

Expenditure analysis

Expenditure in the programme increased at an average annual rate of 5 %, from R63.1 million in 2023/24, to R73 million in 2026/27. The focus for the programme will be to enhance the work of the PSEC, which seeks to reform SOEs'. Recommendations from the State Capture Commission(SCC) are also expected to be implemented, while a Government policy on minority Shareholders is set to be developed.

3.1 PROGRAMME 3: BUSINESS ENHANCEMENT, TRANSFORMATION, AND INDUSTRIALISATION

Purpose:

Provide sector oversight to ensure that SOEs' contribute to the advancement of industrialisation, transformation, Inter-Governmental relations and International collaboration services. Support the Shareholder in strategically positioning and enhancing the operations of SOEs'.

Objectives:

- Contribute to the performance of SOEs' on an ongoing basis by:
  - Conducting reviews, research and modelling of pipeline and new business-enhancement opportunities within the SOEs',
  - Assessing the operations of SOEs',
  - Developing mitigation instruments in conjunction with Policy Departments, Regulatory bodies and industry, and
  - Conducting research, modelling job creation, and transforming instruments for SOEs' to inform compact alignment imperatives.

Sub-programmes

- **Energy Resources:** Exercises Shareholder oversight over Alexkor SOE Limited(Alexkor), Eskom and South African Forestry Company(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 oversight of Detonics, Numerous, Electronics(Denel), South African Airways(SAA) and Transnet SOE Limited(Transnet).
- **Business Enhancement Services:** Develops and co-ordinates the implementation of SOEs' strategies to leverage localisation programmes, provides Inter-Governmental co-ordination and support to programmes and SOE's in relation to economic development programmes, as agreed with Provincial and Local Governments, maintains a register of commitments made by SOEs' and enables the implementation of special programmes focusing on skills development, transformation and youth development.

3.1.1 SUB-PROGRAMME 3: BUSINESS ENHANCEMENT SERVICES

Purpose:

To provide SOEs' business enhancement services.

Key Functions:

- Initiate and co-ordinate specialist research projects to model the short, medium and long-term business enhancement prospects,
- Develop and co-ordinate the implementation of SOEs' Group pipeline business enhancement strategies and instruments,
- Develop business enhancement models for the clusters and co-ordinate adoption processes,
- Initiate and co-ordinate specialist research projects to define business enhancement inhibitors for the SOEs' Group,
- Liaise with policy and regulatory institutions to mitigate the impact of identified business inhibitors,
- Provide technical input to influence alignment of the regulatory regime impacting on the operations of the SOEs' Group,
- Provide technical advisory services to support SOEs' Compact Alignment processes, and facilitate the development/adoption thereof,
- Co-ordinate Inter-Governmental relations activities with other spheres of Government, and
- Drive the District Development Model(DDM) implementation in accordance with the DDM framework and One Plan guideline within the Department and SOEs'.

Outcomes, Outputs, Performance Indicator and Targets

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Institutionalisation of DDMs in the Department and SOEs'.	Promote participation, contribution and implementation of DDMs.	Number of DDMs technical structures that DPE participated in.	None.	None.	Participation in two DDMs technical structures.	Participation in two DDMs technical structures.	Participation in two DDMs technical structures.	Participation in two DDMs technical structures.

Output Indicators	Annual target	Q1	Q2	Q3	Q4
4.1 Number of DDMs technical structures that DPE participated in.	Participation in two DDMs technical structures.	None.	Participation in two DDMs technical structures.	Participation in two DDMs technical structures.	Participation in two DDMs technical structures.

Explanation of planned performance over the medium-term period

The Sub-programme co-ordinates the DDM and will ensure participation of DPE and its SOEs' in DDMs technical structures. The DPE will focus on assigned DDM spaces allocated to the Political Champion over the medium-term.

3.1.2 SUB-PROGRAMME: ENERGY AND RESOURCES

Purpose:

The Sub-programme is responsible for the oversight of three SOEs', namely Eskom, Alexkor and SAFCOL.

This Sub-programme involves:

Management – The ODDG, 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 Regionally, as well as oversight of the entity's restructuring.

Objectives:

Eskom SOC LTD

- Examining on an ongoing basis Eskom's Maintenance Plan, 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 the Municipal debt, and
- Monitoring on an ongoing basis the roll-out of the Capital Investment Programme to ensure that it is delivered on time, is of appropriate quality, and within budget.

Alexkor SOC LTD

- Ensuring increased diamond production and promoting the financial stability of the Joint Venture(JV), by monitoring the implementation of Alexkor's strategy to promote financial sustainability and monitor the Pooling and Sharing JV turnaround strategy on a quarterly basis.
- Contributing to developing sustainable economic activities linked to the Agricultural Sector by continuously supporting, and co-ordinating the joint efforts of the DPE with the Department of Mineral Resources and Energy(DMRE) and the Department of Agriculture, Land Reform and Rural Development(DALRRD), to stabilise the Richtersveld Region and make use of revenues.

SAFCOL SOC LTD

- 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 DALRRD, Department Forestry, Fisheries and Environment(DFFE) and Department of Trade, Industry and Competition(the dtic), to ensure the warehousing of the Shares held by SAFCOL and on behalf of the Government 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.

Outcomes, Outputs, Performance Indicator and Targets

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
ESKOM								
Supply of energy secured.	Implementation of the Recovery Plan.	Number of Progress reports on implementation of the Recovery Plan.	None.	None.	None.	Four Progress reports on implementation of the Recovery Plan.	Four Progress reports on implementation of the Recovery Plan.	Four Progress reports on implementation of the Recovery Plan.
	Eskom restructured.	Number of reports on the progress of the NTCSA to trade.	Two Progress reports on the implementation of Eskom's Roadmap (restructuring process).	Corporation of Distribution and Generation companies.	Establishment and operationalisation of new National Transmission Company(NTC) by June 2023.	Two Progress reports on the progress of the NTCSA to trade.	Two Progress reports on operationalisation of the new Electricity Distribution Company of South Africa(EDCSA) and New Holding Company (NewCo).	Two Progress reports on the operationalisation of the new Generation subsidiary.

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Improved Governance and Accountability.	SHCs signed.	Number of SHCs signed per year.	Three SHCs were signed (Eskom, SAFCOL and Alexkor)	One SHC was signed by SAFCOL. (Eskom, and Alexkor not signed).	Three SHCs signed (Eskom, SAFCOL and Alexkor).	One 2025/26 Eskom SHC signed.	One 2026/27 Eskom SHC signed.	One 2027/28 Eskom SHC signed.
ALEXKOR								
Improved independent financial sustainability of SOEs'.	Alexkor Optimal Structure.	Number of Progress reports on consultations with stakeholders on the proposed role of Alexkor.	Proposed Shareholding structure for Alexkor's mining rights.	Four Progress reports on the implementation of the Optimal operating structure.	Alexkor Optimal operating structure study conducted.	Two Progress reports on the consultations with stake-holders on the proposed role of Alexkor.	Implement rec-ommendations.	Implement rec-ommendations.
Improved Governance and Accountability.	SHCs signed.	Number of SHCs signed per year.	Three SHCs were signed (Eskom and SAFCOL and Alexkor).	One SHC was signed by SAFCOL. (Eskom and Alexkor not signed).	Three SHCs signed (Eskom, SAFCOL and Alexkor).	One 2025/26 Alexkor SHC signed.	One 2026/27 Alexkor SHC signed.	One 2027/28 Alexkor SHC signed.

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
SAFCOL								
Improved operational efficiency of SOEs'.	Implementation of the identified Strategic projects to diversify products and enhance operations of SAFCOL.	Number of Progress reports on strategic projects to diversify products and enhance operations of SAFCOL.	Four Progress reports on SAFCOL's implementation of Timbadola re-investment projects.	Four Progress reports on SAFCOL's Timbadola re-investment projects.	Feasibility study of State forestry assets in Mpumalanga conducted.	Two Progress reports produced on identified strategic projects to diversify products and enhance operations of SAFCOL.	Two Progress reports produced on identified strategic projects to diversify products and enhance operations of SAFCOL.	Two Progress reports on identified strategic projects to diversify products and enhance operations of SAFCOL.
Improved Governance and Accountability.	SHCs signed.	Number of SHCs signed per year.	Three SHCs were signed (Eskom and SAFCOL and Alexkor)	One SHC was signed by SAFCOL. (Eskom, Alexkor not signed).	Three SHC signed (Eskom, SAFCOL and Alexkor).	One 2025/2026 SAFCOL SHC signed.	One 2026/2027 SAFCOL SHC signed.	One 2027/2028 SAFCOL SHC signed.

Indicators, Annual and Quarterly Targets

Output Indicators	Annual target	Q1	Q2	Q3	Q4
ESKOM					
5.1 Number of Progress reports on implementation of the Recovery Plan.	Four Progress reports on implementation of the Recovery Plan.	One Progress report on implementation of the Recovery Plan.	One Progress report on implementation of the Recovery Plan.	One Progress report on implementation of the Recovery Plan.	One Progress report on implementation of the Recovery Plan.
5.2 Number of reports on the progress of the NTCSA to trade.	Two progresses of the NTCSA to trade.	None.	One Progress report of the NTCSA to trade.	None.	One Progress report of the NTCSA to trade.

Output Indicators	Annual target	Q1	Q2	Q3	Q4
5.3 Number of SHCs signed per year.	One 2025/26 Eskom SHC signed.	None.	None.	None.	One 2025/26 Eskom SHC signed
ALEXKOR					
5.4 Number of Progress reports on consultations with stakeholders on the proposed role of Alexkor.	Two Progress reports on the consultations with stakeholders on the proposed role of Alexkor.	None.	One Progress report on the consultations with stakeholders on the proposed role of Alexkor.	None.	One Progress report on the consultations with stakeholders on the proposed role of Alexkor.
5.5 Number of SHCs signed per year.	One 2025/26 Alexkor SHC signed	None.	None.	None.	One 2025/26 Alexkor SHC signed.
SAFCOL					
5.6 Number of Progress reports on strategic projects to diversify products and enhance operations of SAFCOL.	Two reports on monitoring progress of strategic projects to diversify products and enhance operations of SAFCOL.	None.	One report monitoring progress of strategic projects to diversify products and enhance operations of SAFCOL.	None.	One report monitoring progress of strategic projects to diversify products and enhance operations of SAFCOL.
5.7 Number of SHCs signed per year.	One 2025/26 SAFCOL SHC signed.	None.	None.	None.	One 2025/26 SAFCOL SHC signed.

Explanation of planned performance over the medium-term period

In terms of the Eskom Roadmap, to-date the SOE has managed to restructure the entity into three divisions, namely Transmission, Generation and Distribution. The year 2024 marks the end of the current Medium-Term Strategic Framework(MTSF), and the Eskom entities will be legally registered and trade as independent subsidiaries with independent Boards. On an annual basis, the programme will ensure completion and signing of three SHCs namely (Eskom, SAFCOL and Alexkor).

3.1.3 SUB-PROGRAMME: TRANSPORT AND DEFENCE

Purpose:

The Sub-programme is responsible for the oversight of three SOEs, namely Transnet, SAA and Denel.

This Sub-programme involves:

Management – The ODDG 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.

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.

OBJECTIVES:

Transnet SOC LTD

- Provides oversight on Transnet's implementation of its Renewal and Growth Strategy, conclude the Transnet Roadmap to direct restructuring and reform initiatives, ensure the implementation of the Rail Infrastructure Manager to enable 3rd party access to rail, and ensure the corporatisation of the National Ports Authority(NPA) to fulfil the requirements of the National Ports Act(NPA).

South African Airways SOC Limited

- Monitor the SAA restructuring initiatives as part of the implementation of the Business Rescue(BR) outcomes,
- Monitor the resumption of operations to increase network connectivity and ensure sustainability of SAA,
- Monitor the restructuring of SAA's subsidiaries to ensure long term sustainability, and
- Collaborate with Government Departments to ensure SAA compliance with all Policy and Regulatory requirements.

Denel SOE Limited

- Manages Denel's turnaround initiatives aimed at achieving financial stability and repositioning the SOE for future growth, while producing 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 MTSF, the priority sectors that have identified to drive economic growth, and
- Ensures proper balance between Denel's primary mandate to develop and support indigenous defence capabilities, and the need to co-operate and collaborate with International armaments companies in the context of high development costs and limited access to stable export markets.

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
TRANSNET								
Increase access to an affordable and reliable transport system.	Improved movement of rail friendly commodities from road to rail by Transnet Freight Rail(TFR).	Number of Assessment reports on rail addressable market share versus customer willingness to move to rail.	None.	Not achieved. 10% Improvement of rail friendly commodities moved from road to TFR, not less than 2,12mt.	10% Year-on-year increase in rail volumes.	One Assessment report on rail addressable market share versus customer willingness to move to rail.	One Assessment report on rail addressable market share versus customer willingness to move to rail.	None.
	Facilitate transition from road freight to rail and participation of private sector.	Number of Assessment reports on rolling stock in identified corridors in line with Transnet's Recovery Plan.	Not achieved. Two Progress reports on rolling stock expansion and upgrade completed.	Achieved. Four Quarterly reports on progress on the investment programme in rolling stock and rail infrastructure was completed.	Idle locomotives (long standing) returned to service by 31 October 2023. (in line with Transnet's turnaround plan).	One Assessment report on rolling stock in identified corridors in line with Transnet's Recovery Plan.	One Assessment report on rolling stock in identified corridors in line with Transnet's Recovery Plan.	One Assessment report on rolling stock in identified corridors in line with Transnet's Recovery Plan.

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Increase access to an affordable and reliable transport system.	Develop and implement Transnet Roadmap.	Number of reports on the reform actions and deliverables of Roadmap for the Freight Logistics in South Africa.	None.	None.	DPE Transnet Roadmap by June 2023 finalised and approved.	Report on the 2024/25FY reform actions and deliverables of Roadmap for the Freight Logistics in South Africa.	Report on the 2025/26FY reform actions and deliverables of Roadmap for the Freight Logistics in South Africa.	Report on the 2026/27FY reform actions and deliverables of Roadmap for the Freight Logistics in South Africa.
Increase access to affordable and reliable transport systems.	Private Sector Partnerships (PSPs) concluded.	Number of Assessment reports on PSPs opportunities pursued.	PSPs defined in terms of the PSPs Framework.	Not achieved. Out of the 13 transactions identified for PSPs in ports and freight rail, only 5 transactions were confirmed.	Durban Container Terminal(DCT) and Ngqura Container Terminal(NCT) Partnership transactions concluded.	One Assessment report on PSPs opportunities pursued.	One Assessment report on PSP opportunities pursued.	One Assessment report on PSP opportunities pursued.
Improved Governance and Accountability.	SHCs signed per year with SOCs'.	Number of SHCs signed per year.	Three 2022/23 SHCs were not signed (Transnet, SAA and Denel).	2022/23 SHC not signed (Transnet).	Three 2024/25 SHCs signed (Transnet, SAA and Denel).	One 2025/26 Transnet SHC signed.	2026/27 Transnet SHC signed.	2027/28 Transnet SHC signed.

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
DENEL								
Improved Operational efficiency of SOEs.	Assess the implementation of Denel's 2022/23 restructuring plan.	Number of reports assessing the implementation of Denel's 2022/23 restructuring plan.	Four quarterly Progress reports on the implementation of the strategic initiatives to restructure Denel.	None.	Denel's restructuring finalised.	Four Assessment reports on the implementation of Denel's 2022/23 restructuring plan.	Four Assessment reports on Denel's sustainability and profitability.	None.
Improved Governance and Accountability.	SHCs signed per year with SOCs	Number of SHCs signed per year.	Three 2022/23 SHCs were not signed (Transnet, SAA and Denel).	Three 2023/24 SHCs were not signed (Transnet, SAA and Denel).	Three 2024/25 SHCs signed (Transnet, SAA and Denel).	One 2025/26 Denel SHC signed.	One 2026/27 Denel SHC signed	One 2027/28 Denel SHC signed.
Improved Governance and Accountability.	SHCs signed per year with SOCs.	Number of SHCs signed per year.	Three 2022/23 SHCs were not signed (Transnet, SAA and Denel).	Three 2023/24 SHCs were not signed (Transnet, SAA and Denel).	Three 2024/25 SHCs signed (Transnet, SAA and Denel).	One 2025/26 SAA SHC signed.	One 2026/27 SAA SHC signed.	One 2027/28 SAA SHC signed.

Output Indicators	Annual target	Q1	Q2	Q3	Q4
TRANSNET					
6.1 Number of Assessment reports on rail addressable market share versus customer willingness to move to rail.	One Assessment report of rail addressable market share versus customer willingness to move to rail.	None.	One Assessment report of rail addressable market share versus customer willingness to move to rail.	None.	None.
6.2 Number of Assessment reports on rolling stock in identified corridors in line with Transnet's Recovery Plan.	One Assessment report on rolling stock in identified corridors in line with Transnet's Recovery Plan.	None.	None.	One Assessment report on rolling stock in identified corridors in line with Transnet's Recovery Plan.	None.
6.3 Number of reports on the reform actions and deliverables of Roadmap for the Freight Logistics in South Africa.	One report on the 2024/25FY reform actions and deliverables of Roadmap for the Freight Logistics in South Africa.	None.	One report on the 2024/25FY reform actions and deliverables of Roadmap for the Freight Logistics in South Africa.	None.	None.
6.4 Number of Assessment reports on PSP opportunities pursued.	One Assessment report on PSP opportunities pursued.	None.	None.	One Assessment report on PSP opportunities pursued.	None.
6.5 Number of SHCs signed per year.	One 2025/26 Transnet SHC signed.	None.	None.	None.	One 2025/26 Transnet SHC signed.

Output Indicators	Annual target	Q1	Q2	Q3	Q4
DENEL					
6.6 Number of reports assessing the implementation of Denel's 2022/23 restructuring plan.	Four Assessment reports on the implementation of Denel's 2022/23 restructuring plan.	One Assessment report on the implementation of Denel's 2022/23 restructuring plan.	One Assessment report on the implementation of Denel's 2022/23 restructuring plan.	One Assessment report on the implementation of Denel's 2022/23 restructuring plan.	One Assessment report on the implementation of Denel's 2022/23 restructuring plan.
6.7 Number of SHCs signed per year.	2025/26 Denel SHC signed.	None.	None.	None.	2025/26 Denel SHC signed.
SAA					
6.8 Number of SHCs signed per year.	2025/26 SAA SHC signed.	None.	None.	None.	2025/26 SAA SHC signed.

Explanation of planned performance over the medium-term period

Regarding Transnet, the Department will assess and monitor on a quarterly basis the implementation of MTSF programmes, which are investment/maintenance programme in rolling stock and infrastructure. This programme will monitor the performance, turnaround times, and equipment reliability for three strategic container ports on a quarterly basis. The improvement of rail friendly freight from road to rail, as well as the implementation of Transnet's corridor strategy will also be monitored. In terms of signing SHCs, the programme will sign with Transnet, SAA and Denel.

3.1.4 SUB-PROGRAMME: RESEARCH AND ECONOMIC MODELLING

Objectives:

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

Outcomes, Outputs, Performance Indicator and Targets

Outcome	Output	Output Indicators	Annual Targets					
			Audited Performance		Estimated Performance	MTEF Period		
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Just transition to a low carbon economy.	Development and implementation of a Just Energy Transition(JET) Framework in collaboration with Eskom.	Number of Progress reports on the implementation of "Just" Energy Transition Framework.	Progress report on the development of JET Framework in collaboration with Eskom.	Four Monitoring reports on the implementa-tion of the JET Framework. 150MW PV EIA completed.	Komati Agrivoltaic commissioned, and training centre operational-ised.	Four Progress reports on the implementation of "Just" Energy Transition Framework.	Four Progress reports on the implementation of Eskom's revised JET Strategy in line with "Just" Energy Transition Framework.	Four Progress reports on the implementa-tion of Eskom's revised JET Strategy in line with "Just" Energy Transition Framework.

Indicators, Annual and Quarterly Targets

Output Indicators	Annual target	Q1	Q2	Q3	Q4
Number of Progress reports on the implementation of “Just” Energy Transition Framework.	Four Progress reports on the implementation of “Just” Energy Transition Framework.	One Progress report on the implementation of Eskom’s revised JET Strategy in line with “Just” Energy Transition Framework.	One Progress report on the implementation of Eskom’s revised JET Strategy in line with “Just” Energy Transition Framework.	One Progress report on the implementation of Eskom’s revised JET Strategy in line with “Just” Energy Transition Framework.	One Progress report on the implementation of Eskom’s revised JET Strategy in line with “Just” Energy Transition Framework.

Explanation of planned performance over the medium-term period

The Department over the medium-term will continue to assist South Africa to move to a low carbon economy through the implementation of the principles of a JET by supporting Eskom in the transition from coal to Renewable Energy(RE), in line with Government’s Energy Policy. The Department will also continue to conduct industry-specific research to inform the Department’s oversight role of the various SOEs.

4. PROGRAMME RESOURCE CONSIDERATIONS

Programme 3: Business Enhancement, Transformation and Industrialisation

Expenditure trends and estimates

Table 10.10 Business Enhancement, Transformation and Industrialisation expenditure trends and estimates by sub-programme and economic classification

Sub-programme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2020/21	2021/22	2022/23	2023/24	2020/21 - 2023/24		2024/25	2025/26	2026/27	2023/24 - 2026/27	
Energy Resources	56 010.6	31 703.0	21 867.3	15.0	-93.6%	74.6%	26.8	18.0	18.8	7.9%	28.0%
Research and Economic Modelling	6.6	4.3	3.5	6.0	-3.1%	–	3.8	3.9	4.1	-12.3%	6.4%
Transport and Defence	21 311.9	4 130.2	11 825.1	17.7	-90.6%	25.4%	14.2	19.8	20.8	5.5%	25.8%
Business Enhancement Services	18.7	21.3	21.0	23.5	8.0%	0.1%	21.9	32.4	33.7	12.7%	39.8%
Total	**77 347.8**	**35 858.7**	**33 716.9**	**62.2**	**-90.7%**	**100.0%**	**66.7**	**74.1**	**77.4**	**7.5%**	**100.0%**
Change to 2023 Budget estimate				–			(7.4)	(11.6)	(12.3)		
Economic classification											
Current payments	**62.8**	**49.6**	**46.8**	**62.2**	**-0.3%**	**0.2%**	**66.7**	**74.1**	**77.4**	**7.5%**	**100.0%**
Compensation of employees	44.7	41.3	39.2	49.8	3.7%	0.1%	47.9	54.4	56.8	4.5%	74.5%
Goods and services	18.1	8.3	7.6	12.4	-11.9%	–	18.9	19.6	20.5	18.3%	25.5%
of which:						–					–
Communication	0.3	0.2	0.2	0.4	16.6%	–	0.5	0.5	0.5	7.6%	0.7%
Consultants: Business and advisory services	17.2	4.4	6.5	6.5	-27.6%	–	11.8	13.5	14.1	29.4%	16.4%
Entertainment	–	0.0	–	0.0	–	–	0.0	0.0	0.0	–	–

Expenditure trends and estimates

Table 10.10 Business Enhancement, Transformation and Industrialisation expenditure trends and estimates by sub-programme and economic classification

Sub-programme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2020/21	2021/22	2022/23	2023/24	2020/21 - 2023/24		2024/25	2025/26	2026/27	2023/24 - 2026/27	
Consumable supplies	–	–	0.0	0.1	–	–	0.1	–	–	-100.0%	0.1%
Travel and subsistence	0.4	0.6	0.7	5.3	140.7%	–	6.4	5.5	5.8	3.1%	8.2%
Venues and facilities	–	0.0	–	0.1	–	–	0.1	0.1	0.1	-7.6%	0.1%
Transfers and subsidies	**0.9**	**0.3**	**0.0**	**0.0**	**-72.8%**	**–**	**–**	**–**	**–**	**-100.0%**	**–**
Households	0.9	0.3	0.0	0.0	-72.8%	–	–	–	–	-100.0%	–
Payments for financial assets	**77 284.0**	**35 808.8**	**33 670.0**	**–**	**-100.0%**	**99.8%**	**–**	**–**	**–**	**–**	**–**
Total	**77 347.8**	**35 858.7**	**33 716.9**	**62.2**	**-90.7%**	**100.0%**	**66.7**	**74.1**	**77.4**	**7.5%**	**100.0%**
Proportion of total programme expenditure to vote expenditure	**99.8%**	**99.5%**	**99.5%**	**22.6%**	**–**	**–**	**22.5%**	**24.0%**	**23.9%**	**–**	**–**
Details of transfers and subsidies											
Households											
Social benefits											
Current	0.9	0.3	0.0	0.0	-72.8%	–	–	–	–	-100.0%	–
Employee Social benefits	0.9	0.3	0.0	0.0	-72.8%	–	–	–	–	-100.0%	–

Expenditure analysis

No additional allocations to state-owned companies are expected over the period ahead. Total expenditure is expected to increase at an average annual rate of 7.5 per cent, from R62.2 million in 2023/24 to R77.4 million in 2026/27. The Eskom roadmap, which focuses on determining sustainable future business and operating models for the company's subsidiaries, will be implemented.

5. UPDATED KEY RISKS AND MITIGATION FROM THE STRATEGIC PLAN

Rating	Assessment	Impact on the Department's Performance
1	Insignificant	Negative outcome or missed opportunities with negligible impact on the ability to meet objectives.
2	Minor	Negative outcome or missed opportunities with low impact on the ability to meet objectives.
3	Moderate	Negative outcome or missed opportunities with moderate impact on the ability to meet objectives.
4	High	Negative outcome or missed opportunities with substantial impact on the ability to meet objectives.
5	Critical	Negative outcome or missed opportunities that are of critical importance to the achievement of objectives.

OBJECTIVE	IDENTIFIED CHALLENGES	RISK DESCRIPTION	ROOT CAUSE	IMPACT	RISK OWNER	MITIGATION PLAN	RESIDUAL IMPACT
Draft business case for National State Enterprise Holding Company (NSEHC).	Lack of Funding.	Potential lack of adequate budget to kick-start the operations of the Holdco.	Need to secure working capital to operationalise Holdco.	Critical.	DDG: SOC GAP.	Need to engage National Treasury(NT) for working capital or secure alternative sources of funding.	Critical.
Finalisation of the NSEB.	Stakeholder Management.	The probability that key- stakeholders in Government may not agree on certain principles of the Bill.	There is a possibility that key stakeholders could express resistance or opposition to the Bill.	Critical.	DDG: SOC GAP.	Facilitate timeous consultations within Government by placing the Bill on PSEC, DGs cluster, cabinet and Parliament agendas.	Critical.
Denel restructuring and operational excellence.	Denel not meeting the restructuring conditions and milestones as per the conditions of the Shareholder funding allocation.	Denel not being able to access the allocated funding to execute in full its restructuring plan which include supporting core operations.	Some conditions linked to the funding allocation are outside the control of the SOC.	Critical.	DDG: Transport and Defence.	Monthly meetings with critical stakeholders (NT, Department of Defense(DoD), Denel and Armaments Corporation of South Africa SOC Limited(Armscor)) to check progress on the restructuring plan including the conditions attached to the funding allocation.	Critical.

OBJECTIVE	IDENTIFIED CHALLENGES	RISK DESCRIPTION	ROOT CAUSE	IMPACT	RISK OWNER	MITIGATION PLAN	RESIDUAL IMPACT
						Approach NT for review of conditions where need arises, particularly those conditions that are outside the SOCs' control.	
Denel restructuring and operational excellence.	Stakeholder Management.	Limited alignment on certain key policy positions regarding the optimal positioning of Denel.	Differences in future vision of Denel by key stakeholders.	Critical.	DDG: Transport and Defence	Developing Memorandum of Cooperation(MoC) with DoD which will give guidance on how to navigate critical policy differences.	Critical.
Denel operational excellence.	Loss of skills, and inadequate working capital and investment in modernising operations.	Erosion of capability within Denel's operations including critical skills and unsatisfactory execution of contracts (deteriorated relationships with suppliers).	Liquidity constraints over the past 3 years.	Critical.	DDG: Defence.	Review of the Board. Oversee filling of executive and other critical management positions. Support Denel in accessing the balance of the allocated funding (See above). Monthly meetings with relevant stakeholders to discuss policy matters, and related support mechanisms to ensure the sustainability of Denel.	Critical.
Transnet operational improvement.	Transnet declining Rail volumes.	Revenue loss due to multiple inefficiencies within Transnet's operations.	Locomotives shortage. Infrastructure backlog. Theft and vandalism.	Critical.	DDG: Transport.	The National Logistics Crisis Committee(NLCC) Terms of References(ToRs) done and NLCC established. Four teams have been established to develop corridor improvement plans. These teams meet weekly to assess performance and make necessary adjustments to the plans.	Critical.

OBJECTIVE	IDENTIFIED CHALLENGES	RISK DESCRIPTION	ROOT CAUSE	IMPACT	RISK OWNER	MITIGATION PLAN	RESIDUAL IMPACT
						Resolution of dispute on the China Rail Rolling Stock Corporation(CRRC) tender. Negotiations are ongoing. (suppliers of 1064 locomotives). The National Energy Crisis Committee (NECOM) and National Logistics Co-ordinating Committee(NLCC) security working teams have merged to enhance collaboration and streamline ongoing processes. They will leverage each-others work to achieve greater efficiency. The combined team has an established partnership with the Security Cluster.	
Transnet fleet size restoration.	Inadequate operational locomotives.	Lack of replacement parts and maintenance for 1064 locomotives and beyond.	CRRC tender cancelation.	Critical.	DDG: Transport.	CRRC tender renegotiations ongoing. Transnet is currently evaluating the step-in Original Equipment Manufacturer (OEM) tenders.	Critical.
Oversee Implementation of Generation Recovery Plan/ Energy Action Plan.	Inadequate maintenance planning and scheduling.	Balancing between maintenance and keeping the lights on.	High breakdowns and unplanned maintenance due to high energy demand. Prolonged outage of Unit 1 at Koeberg due to its –first- of a-kind steam generators replacement.	Critical.	DDG: Energy.	Implementation of Demand Management solutions such as solar PhotoVoltaics(PV) for residential, commercial, and industrial Eskom customers through key Stakeholder engagements. Increasing Open Cycle Gas Turbines(OCGT) load factors and maintenance.	Critical.

OBJECTIVE	IDENTIFIED CHALLENGES	RISK DESCRIPTION	ROOT CAUSE	IMPACT	RISK OWNER	MITIGATION PLAN	RESIDUAL IMPACT
						Implementation of the lessons learned in Unit 1 steam generator replacement when Unit 2 is taken off grid for similar maintenance. Department to monitor and engage Koeberg management to provide support. (31 March 2024).	
Monitoring Eskom's debt relief conditions.	Eskom's non-compliance with debt relief conditions.	Eskom required to comply with debt relief conditions to enable the conversion of loans into equity.	Eskom not implementing requisite internal controls to ensure compliance with the debt relief conditions.	Critical.	DDG: FAIS.	Close monitoring of Eskom's compliance with debt relief conditions together with NT, on a quarterly basis.	Critical.
To provide and enforce SOCs' Governance, Legal assurance, financial and non-financial Pperformance Mmonitoring, Eevaluation and reporting systems, in support of the Shareholder, to ensure alignment with Government's priorities.	Erosion of Investment in SOCs'.	The risk that the value-added impact that the SOCs' must have to the public and the economy may not be realised.	Poor management and shortage of skills. Corruption. Inadequate Shareholder funding.	Critical.	DDG: FAIS.	Recruitment of competent relevant skills by revising Boards and Management through turnaround strategies, Development of Shareholder Management Bill(SMB). SOCs are meant to drive the developmental objectives of the Government where the Executive arm of Government or the private sector are unable to do so. Any erosion of investment has adverse outcomes to Government objectives hence the big initiative to reform our SOCs through the PSEC and the capacitation of the Boards with relevant skills and experience.	Critical. Critical.

OBJECTIVE	IDENTIFIED CHALLENGES	RISK DESCRIPTION	ROOT CAUSE	IMPACT	RISK OWNER	MITIGATION PLAN	RESIDUAL IMPACT
						The failure of SOCs is viewed as a failure of the Government as a whole. The Department cannot accept an erosion of more than 20% in our SOC investment portfolio. Our objective is to achieve 80% of the targets in line with the Auditor-General of South Africa(AGSA). This risk significantly impacts the use of SOEs such as Eskom and Transnet to drive economic growth. It may also result in job losses and potential retrenchments, affecting no more than 10% of the current total employees.	
Transnet National Ports Authority(TNPA) Corporatisation.	Non-compliance with the Ports Act.	Continued delays or failure to Corporatise TNPA as per the Ports Act.	Difficulty of implementing the Corporatisation according to the Ports Act because Transnet needs to demonstrate ownership control over the TNPA in- order to consolidate the TNPA's financial statements into Transnet's.	Critical	DDG: Transport	During October 2023, the Minister appointed 7 Non-Executive Directors and Two Executive Directors, including the Chief Executive Officer(CEO) and Chief Financial Officer(CFO) as the inaugural Board of Directors of the TNPA.	High.

OBJECTIVE	IDENTIFIED CHALLENGES	RISK DESCRIPTION	ROOT CAUSE	IMPACT	RISK OWNER	MITIGATION PLAN	RESIDUAL IMPACT
Eskom Unbundling (Generation, Transmission and Distribution).	Delay in the granting of the NTCSA license by the National Energy Regulator of South Africa(NERSA).	NTCSA must get a new license from NERSA before commencing operations.	NERSA's internal Governance processes taking too long to approve the NTCSA license.	Critical.	DDG: Energy.	Engagement with NERSA to expedite the licensing approval process (Ministerial engagement is currently also underway).	Moderate.
Implementation of "State Capture" Report recommendations.	Inadequate capacity.	The risk that the Department may not be able to attract and retain critical skills.	Staff turnover. Delays in filling vacancies. Complexity of the work that requires specialised skills.	Critical.	DDG: SOC GAP.	Appoint a legal firm to complement the existing DPE capacity. Fill vacant Director post. Collaborate with law enforcement, professional bodies, and other stakeholders to carry out the work. Participate in the reform of anti-corruption practices in partnership with Organisation for Economic Cooperation and Development(OECD).	Moderate.
Draft business case for NHESC.	Stakeholder Management.	The probability that key-stakeholders may delay the process due to misalignment.	Timeous consultation. Need to get buy in from key stakeholders (DG's cluster, inter-ministerial and cabinet). Lack of Policy alignment.	Critical.	DDG: SOC GAP.	Facilitate timeous consultations within Government by placing the establishment of HOLDCO on the PSEC, DGs cluster and cabinet agendas. The HOLDCO business case to be aligned to the Bill.	Moderate.

OBJECTIVE	IDENTIFIED CHALLENGES	RISK DESCRIPTION	ROOT CAUSE	IMPACT	RISK OWNER	MITIGATION PLAN	RESIDUAL IMPACT
Benchmarking of State Forestry assets.	Limited data available.	Probability of insufficient information to conclude a meaningful study.	Data sources are limited and difficult to access.	Minor.	DDG: Energy.	Engagements with key stakeholders (SAFCOL and Provincial Government) to share information more proactively and to also improve general access to data.	Minor.
Finalisation of appointment of SAA SEP.	Potential lack of funding.	Securing funding of R1.5 billion for SAA to complete the BR process.	Part of the conditions of the BR plan.	Minor.	DDG: Transport.	Securing alternative sources of funding for SAA such as disposal of non-core assets.	Minor.
				Minor.	DDG: Transport.	Secure funding from Government.	Minor.
Finalisation of appointment SAA SEP.	Regulatory Approvals.	Probability that regulatory approvals may be delayed or declined.	Merger not meeting the Competition Commission(CC) and/or air licensing council requirements.	Minor.	DDG: Transport.	Appeal can be lodged through the Competition Appeals court. Revise Licensing Council submissions to align with council requirements.	Minor.
Transnet Oversight improvement.	Inadequate capability and capacity within the DPE Transport team.	The lack of requisite Human Resources(HR) and relevant skills for the Department to exercise effective and efficient oversight on Transnet.	High staff turnover.	Minor.	DDG: Transport and Defence.	Recruitment of relevant skills and experience. Review of the oversight reporting system Logical Planning, Monitoring and Evaluation Framework(LPMEF). Effective implementation of the oOversight reporting system (LPMEF).	Minor.

OBJECTIVE	IDENTIFIED CHALLENGES	RISK DESCRIPTION	ROOT CAUSE	IMPACT	RISK OWNER	MITIGATION PLAN	RESIDUAL IMPACT
Transnet Rail Reform.	Delays in separation of rail infrastructure and rail operations.	Potential delays to separate Transnet operations and infrastructure due to compliance with the rail policy.	Rail policy requirements.	Minor.	DDG: Transport and Defence.	Rail infrastructure Interim Manager appointed. Finalise network segmentation into A, B and C tiers and sub-tiers. Convene the Interim Rail Economic Regulatory Capacity(IRERC) and Transnet workshop on IM and 3rd party access. Facilitate approval of Rail Access Pricing Model. Facilitate approval of Basic Rail Access Contract.	Minor.
Eskom restructuring (Generation, Transmission and Distribution).	Delay in receiving lender's consent for the unbundling of the NTCSA.	Eskom's lenders must provide their consent on the unbundling of the NTCSA in line with their loan covenants.	Some lenders are concerned about probable loan defaults and are requesting additional information for clarity.	Minor.	DDG: Energy.	DPE to monitor that Eskom continuously engages and submits the additional required information to lenders.	Minor.

OBJECTIVE	IDENTIFIED CHALLENGES	RISK DESCRIPTION	ROOT CAUSE	IMPACT	RISK OWNER	MITIGATION PLAN	RESIDUAL IMPACT
Eskom restructuring (Generation, Transmission and Distribution).	Delay in the approval of the PFMA Section 54 application to transfer Distribution assets from Eskom Holdings to Distribution Subsidiary.	Possible delays in the transfer of Distribution assets from Eskom Holdings into Distribution Subsidiary.	Potential incomplete submission by Eskom for application to approve PFMA Sec 54 for the transfer of Distribution assets from Eskom to Distribution Subsidiary.	Insignificant	DDG: Energy	Application submitted and approved.	Insignificant

6. PUBLIC ENTITIES

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

Name of Entity	Legislative Mandate	Minister's Financial relationship with the SOEs'	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.
SAA	South African Airways (Act 5 of 2007)	Shareholder representative.	SAA is an air carrier that aims to provide reliable and extensive air transportation capacity, connecting the Republic with the key 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.

7. INFRASTRUCTURE PROJECTS

The Department does not have any Infrastructure Projects.

8. PUBLIC-PRIVATE PARTNERSHIPS(PPPs)

The Department does not have any PPPs.

PART D

TECHNICAL INDICATOR DESCRIPTIONS (TIDs)

PROGRAMME 1: ADMINISTRATION

1.1 Indicator title	Number of reports on stakeholders' interventions to prevent SOEs' critical infrastructure vandalism and cable theft.
Definition	To assess reports and make recommendations on interventions to prevent the impact of theft and vandalism of SOCs' infrastructure and measure the implementation of signed Memorandum of Understanding(MoU) between The Department of Public Enterprises(DPE) and SOCs' (Eskom and Transnet). Engagements with key stakeholders i.e., law enforcement agencies, SOCs', and other Government organs to address the vandalism of SOCs' infrastructure and cable theft.
Source of data	SOEs' record on vandalised infrastructure and cable theft. Engagements records. Terms of References(ToRs) for Task Team. Stakeholder Engagement Framework.
Method of calculation or assessment	Simple counts.
Means of verification	Quarterly reports signed by DG. Proof of Engagements (meeting invitations/agenda/minutes).
Assumptions	There will be a Corporation from all the stakeholders.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Quarterly.
Desired performance	Reduction on infrastructure vandalism and cable theft
Indicator responsibility	Chief Director: Communications.

SUB-PROGRAMME 2: GOVERNANCE, LEGAL ASSURANCE, RISK PROFILING AND MITIGATION

2.1 Indicator title	Number of Board Performance Index(BPI) Pilot reports produced.
Definition	Conduct a pilot evaluation to ensures that SOC Boards apply the minimum standards of the Board Evaluation Framework(BEF) that are namely, Ethical Culture rating, Good Performance rating, External Audit Outcomes rating, and Stakeholder satisfaction rating. The BPI quantifies the realisation of the four Governance outcomes and illustrates how the achievement of these Governance outcomes influences the overall performance of the SOC.
Source of data	Audited Financial Statements(AFS), Integrated Reports(IRs), SOE Board Self-Performance Evaluation Reports, Approved Board Evaluation Framework, and Annual General Meeting records.
Method of calculation or assessment	Sampling method (Two SOCs' Boards assessed to establish a baseline on the effectiveness of the framework).
Means of verification	Board Performance Index Pilot Reports approved by Director-General(DG) (Two reports for the sampled SOCs').
Assumptions	AFS and IR of SOC produced. SOC Board Self-Performance Evaluation Reports submitted to the Department. Fully functional Boards in place.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Quarterly.
Desired performance	Effective Board performance.
Indicator responsibility	DDG: SOE GAP.

3.1 Indicator title	Number of SOC's Quarterly financial reviews conducted.
Definition	To monitor the financial performance against agreed targets in the Corporate Plans and Shareholder Compacts(SHCs), were in place.
Source of data	SOC Quarterly reports.
Method of calculation or assessment	Simple count.
Means of verification	Approved Quarterly reports assessment by the DG.
Assumptions	Sampling method (Two SOCs' Boards assessed to establish a baseline on the effectiveness of the framework).
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Quarterly.
Desired performance	Improved financial performance of SOEs'.
Indicator responsibility	DDG: Financial Assessment and Investment Support.

3.2 Indicator title	Number of SOCs corporate plans reviewed.
Definition	The Department reviews SOCs' Corporate Plans to assess that alignment with Shareholder Compacts were in place and aligned to Government objectives.
Source of data	SOC's 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 reviewed Corporate Plans endorsed by the DG.
Assumptions	All SOCs' will submit their Corporate Plans.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Annual.
Desired performance	SOCs' Corporate Plans aligned to Governments plans to achieve Governmental objectives.
Indicator responsibility	DDG: Financial Assessment and Investment Support.

3.3 Indicator title	Number of reports on monitoring of conditions related to Eskom debt relief package.
Definition	Assess Eskom compliance with debt relief package conditions.
Source of data	Eskom quarterly reports and/or Letter from Minister of Finance.
Method of calculation or assessment	Simple count.
Means of verification	Briefing memo on the monitoring of the conditions of the Debt Relief package signed by DG.
Assumptions	Eskom completes incorporating various parameters to model preferred.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Quarterly.
Desired performance	Eskom reduced and sustainable debt level attained.
Indicator responsibility	DDG: Financial Assessment and Investment Support.

SUB PROGRAMME 4: BUSINESS ENHANCEMENT SERVICES

4.1 Indicator title	Number of DDM Technical Structures that DPE participated in.
Definition	Provide support to Political Champions through participation in the Technical Committees/structures of assigned DDM spaces and administratively.
Source of data	One plans of two assigned DDM Spaces, DCoG DDM guiding documents.
Method of calculation or assessment	Simple count/ participation in 2.
Means of verification	Consolidated report on DDM Political Champions activities.
Assumptions	DDM as an all-Government operational model will be implemented.
Disaggregation of beneficiaries (where applicable)	Local Government.
Spatial transformation (where applicable)	Not yet applicable.
Calculation type	Cumulative.
Reporting cycle	Bi-annual.
Desired performance	Effective support to Political support and assigned District/Metro spaces.
Indicator responsibility	DDG: Business Enhancement and Industrialisation.

5.1 Indicator title	Number of Progress reports on the implementation of the Recovery Plan.
Definition	To monitor and assess progress on the delivery of Eskom's Generation Plan. This is informed by the Eskom Recovery Plan approved in January 2023 by the Board and The National Energy Crisis Committee(NECOM) to improve performance at power stations.
Source of data	Eskom Quarterly Reports.
Method of calculation or assessment	Simple count.
Means of verification	Progress Report signed by DG.
Assumptions	SOE will submit reports on time.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Quarterly.
Desired performance	Improved reliability of electricity supply from Eskom power stations.
Indicator responsibility	DDG: Energy and Resources.

5.2 Indicator title	Number of reports on the progress of the NTCSA to trade.
Definition	Outline the progress on the activities of the NTCSA to commence trading.
Source of data	Bi-annual Progress Reports.
Method of calculation or assessment	Simple count.
Means of verification	Bi-annual Progress reports signed by DG.
Assumptions	Eskom will be restructured into three separate subsidiaries with separate Boards and Chief Executive Officers (CEOs).
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Bi-annual.
Desired performance	Efficient Eskom with increased transparency and accountability.
Indicator responsibility	DDG: Energy and Resources.

5.4 Indicator title	Number of Progress reports on consultations with stakeholders on the proposed role of Alexkor.
Definition	Determine the future operating structure for Alexkor, conduct stakeholder consultation on the preferred option for Alexkor.
Source of data	Proposed Future Options report. Consultation minutes/records.
Method of calculation or assessment	Stakeholder Engagement inputs.
Means of verification	Progress Report on consultation signed by 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	Annual.
Desired performance	Alexkor repositioned.
Indicator responsibility	DDG: Energy and Resources.

5.5 Indicator title	Number of Progress reports on strategic projects to diversify products and enhance operations.
Definition	To monitor strategic projects to diversify revenue streams of SAFCOL to improve efficiency.
Source of data	SOE quarterly reports.
Method of calculation or assessment	Simple count.
Means of verification	Reports signed by DG.
Assumptions	Projects will be implemented.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Bi-annual.
Desired performance	Improved sustainability of the Company.
Indicator responsibility	DDG: Energy and Resources.

5.6 Indicator title	Number of Shareholder Compacts(SHCs) signed per year (Alexkor, Eskom and SAFCOL)
Definition	An Annual Agreement document as per TR 29.2 between the Shareholder, Minister and the SOCs' on the agreed Key Performance Measures and Targets(KPMT's) to be attained by the SOC.
Source of data	Consultation with SOCs', previous SHCs and Strategic Intent Statement(SIS).
Method of calculation or assessment	Simple count.
Means of verification	Approved SHCs by Minister.
Assumptions	Timely agreement of Key Performance Areas(KPA's) and Key Performance Indicators(KPI's) with all stakeholders process not delayed. SHC will be approved before the end of the financial year.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Annual.
Desired performance	Attainment of KPIs by the SOCs'.
Indicator responsibility	DDG: Energy and Resources.

SUB-PROGRAMME 6: TRANSPORT AND DEFENSE

6.1 Indicator title	Number of Assessment reports on rail addressable market share versus customer willingness to move to rail.
Definition	To report on the addressable market share versus customers willing to move to rail.
Source of data	Transnet quarterly reports.
Method of calculation or assessment	Simple count.
Means of verification	Report signed by DG.
Assumptions	Transnet will implement road to rail strategy.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Annual.
Desired performance	Increased Rail market share.
Indicator responsibility	DDG: Transport and Defence.

6.2 Indicator title	Number of Assessment reports on rolling stock in identified corridors in line with Transnet's Recovery Plan.
Definition	To report on the improvement in rolling stock availability.
Source of data	Transnet quarterly reports.
Method of calculation or assessment	Simple counts
Means of verification	Assessment Reports signed by DG.
Assumptions	Repaired idle locomotives will increase the availability of rolling stock.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Annual.
Desired performance	Increased rail efficiencies.
Indicator responsibility	DDG: Transport and Defence.

6.3 Indicator title	Number of reports on the reform actions and deliverables of Roadmap for the Freight Logistics in South Africa.
Definition	To monitor the implementation of the reform actions and deliverables on the Roadmap for the freight logistics system in South Africa.
Source of data	Transnet reports and Governments reports.
Method of calculation or assessment	Simple count.
Means of verification	Memo/Report signed by DG.
Assumptions	Progress report provided at the National Logistics Crisis Committee(NLCC) will be sufficient to enable the Department to oversee the implementation.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Annual.
Desired performance	Affordable and reliable transport system.
Indicator responsibility	DDG: Transport and Defence.

6.4 Indicator title	Number of Assessment reports on PSP opportunities pursued.
Definition	To report on the Private Sector Partnership(PSP) opportunities (strategic transactions) under consideration (pursued) by Transnet as a means of adhering to Government Policy and Shareholder objectives generating more cash.
Source of data	Transnet reports.
Method of calculation or assessment	Simple count.
Means of verification	Report signed by DG.
Assumptions	The market will respond positively to the invitation to take part in the PSP opportunities pursued.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Annual.
Desired performance	That the transactions under consideration will improve Transnet's current cash issues.
Indicator responsibility	DDG: Transport and Defence.

6.5 Indicator title	Number of reports assessing the implementation of Denel's 2022/23 restructuring plan.
Definition	To assess progress by Denel in implementing its restructuring plan and propose any remedial actions that may need to be taken to ensure substantive implementation.
Source of data	Denel's quarterly reports.
Method of calculation or assessment	Simple counts.
Means of verification	Quarterly reports signed by DG.
Assumptions	SOE will submit reports as required.
Disaggregation of beneficiaries (where applicable)	N/A.
Spatial transformation (where applicable)	None.
Calculation type	Simple count.
Reporting cycle	Quarterly.
Desired performance	Financially and commercially viable SOE.
Indicator responsibility	DDG: Transport and Defence.

6.6 Indicator title	Number of SHCs signed per year (Transnet, SAA and Denel)
Definition	An annual agreement document as per TR 29.2 between the Shareholder, Minister and the SOCs on the agreed KPMT's to be attained by the SOC.
Source of data	Consultation with SOCs', previous SHC's and SIS.
Method of calculation or assessment	Simple count.
Means of verification	Approved SHCs signed by Minister.
Assumptions	Timely agreement of KPA's and KPI's with all stakeholders process not delayed. SHC will be approved before the end of the financial year.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Annual.
Desired performance	Attainment of KPI's by the SOCs'.
Indicator responsibility	DDG: Energy and Resources.

SUB-PROGRAMME 7: RESEARCH AND ECONOMIC MODELLING

7.1 Indicator title	Number of Progress reports on the implementation of "Just" Energy Transition(JET) Framework
Definition	To ensure that the JET framework is implemented, Komati Power Station was shut down in the 2022/23FY and is being repurposed with Renewable Energy Technologies(RET) that will supply clean electricity to the economy and the public.
Source of data	Power Plant Decommissioned Reports, Eskom Quarterly Shareholder Reports.
Method of calculation or assessment	Simple count.
Means of verification	Quarterly Progress reports signed by DG.
Assumptions	All stakeholders will agree and subscribe to a low carbon economy.
Disaggregation of beneficiaries (where applicable)	None.
Spatial transformation (where applicable)	None.
Calculation type	Cumulative.
Reporting cycle	Quarterly.
Desired performance	To have a fair, equitable, inclusive energy transition to a low carbon economy.
Indicator responsibility	DDG: BES.

Annexures to the Annual Performance Plan(APP)

Annexure A: Amendments to the Strategic Plan(SP)

2019/25 STRATEGIC PLAN OUTCOME	NEW 2024/25 ANNUAL PERFORMANCE PLAN OUTCOMES	REASON FOR AMENDMENTS
Position SOEs' to support the re-industrialisation of the SA economy.	Environmental Management and Climate Change.	Alignment to the revised Medium-Term Strategic Framework(MTSF).
	Just Transition to a low Carbon economy (mitigation).	Alignment to the revised MTSF.
Promote the development of a strong Shareholder.	Improved Governance and Accountability.	Alignment to the revised MTSF.
Improved Governance and Accountability.	Repurpose SOEs', strengthen Governance systems and secure Board stability.	Alignment to MTSF and Minister performance.
None.	Institutionalisation of DDMs in the Department and SOEs'.	Alignment to the DDM framework.
None.	Promote alignment and efficiency across institutional models.	Admin/support function not included in the SP 2020/25.
None.	Improve Information and Communication Technology(ICT) and business alignment and enhancement functions.	

Annexure B: Conditional grants

None.

Annexure C: Consolidated Indicators

None.

Annexure D: District Development Model

The District Development Model(DDM) is an integrated planning model adopted by Cabinet in 2019 as a government approach aimed at improving integrated planning, and service delivery across the three spheres of Government and State Entities. The DDM approach identifies the 52 District and Metropolitan spaces as focal points of Government and private sector investment. DDM validates Local Government as an epicenter for development / convergence of the whole of Government to invest and deliver coherently.

The objectives of DDM are to align plans of Government and its Entities, address Government's SILO planning, budgeting and implementation, further, to narrow / eliminate the distance between the people of South Africa, and Government by maximizing the impact of services rendered.

The DDM is anchored on a "One Plan", which is an Inter-Governmental Plan (25 -30yrs) setting out a long-term Strategic Framework to guide investment, development, and service delivery in relation to a specific District or Metropolitan space. The One Plan joint planning process is undertaken in seven critical stages, namely Profiling, Gap analysis, Diagnostic, Vision setting, Strategy formulation, Implementation commitments and Drafting of the One Plan.

According to DDM Strategic Implementation Framework, the year 2021/25 marks the "Institutionalisation Phase" of the model by All Government. The Key Indicators of the institutionalisation phase amongst others include promulgation of Inter-Governmental Relations Framework(IGRF) Act Section 47 (1)(b), strengthening Inter-Governmental Relations(IGR) Structures and align with DDM approach, development and adoption of 52 One Plans as well as establishment of identified DDM Hubs.

In the previous and current performance cycles, DPE participated in the National DDM Structures, formed part of quality assurance process of the first generation of One plan, provided support to the Political Champions in their assigned District / Metro spaces, and reviewed the Departmental IGR Framework to align with the DDM approach.

For the year 2023/24, DPE will institutionalise DDM within the Department and SOEs, by co-ordinating participation of SMS / SOE Technocrats in DDM Technical Committees, both at National and District / Metropolitan spaces as guided by the DDM Implementation Framework. As an Oversight Department, DPE will collate SOE Localised Project Plans, especially the Catalytic project per District / Metro space and analyse against the One Plans to ensure alignment and validation of information, as well as improve the support for Political Champions.

Annexure E: Changes to Outputs

None.

Notes

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