



12 April 2015

**VOTE 19: DEPARTMENT OF DEFENCE
BUDGET ANALYSIS AND STRATEGIC PLAN FOR FINANCIAL YEAR 2015/16**

1. INTRODUCTION

The aim of the Department of Defence and Military Veterans (DODMV) is to defend and protect the country, its territorial integrity and its people, in accordance with the Constitution and the principles of international law.¹ Since 2014/15, the Department of Military Veterans reports separately on its annual budget and strategic plans. As such, this document will specifically refer to the Department of Defence (DOD). The DOD Budget Vote has eight programmes with various sub-programmes through which planning for the Department is conducted. The Budget for 2015/16 needs to be considered against priorities highlighted in the DOD Strategic Plan for 2015 – 2020 as well as the Department's Annual Performance Plan (APP) for 2015/16. It should be noted, however, that strategic priorities and fund allocations may shift in the medium- to long-term depending on the implementation of the 2014 Defence Review.

This brief includes the following:

- A summary of Policy Priorities and Strategic Focus Areas identified by the Ministry of Defence in the Strategic Plan against which budget allocations can be measured.
- A brief overview of selected quarterly expenditure, virements and adjustments during the 2014/15 financial year.
- A detailed analysis of the 2015/16 Budget Vote for the Department of Defence, including an analysis of nominal and real increases/decreases in the budgets of specific programmes and sub-programmes. This analysis will also highlight specific concerns regarding selective fund allocations in the context of existing strategic priorities, indicators and targets. A summary/analysis of planned targets and priorities set for 2015/16 according to the APP is also incorporated into this section.

2. ALIGNING THE STRATEGIC PLAN WITH GOVERNMENT PRIORITIES

The DOD's Strategic Plan is informed by national policy and national strategic direction. A summary of the most salient aspects informing the Strategic Plan is provided below:²

- *The National Development Programme (NDP) Vision 2030.* The DOD will contribute to poverty reduction and eliminating inequality through:
 - The National Youth Service
 - Assisting in disaster relief
 - Combatting maritime piracy (along the East Coast of Africa)
 - Strengthening national research and developmental capacity
 - Building safer communities
 - Building a capable and developmental state

¹ Constitution of the Republic of South Africa. (1996). Section 200.

² Department of Defence. (2015). p. 12 - 17.



- Curbing corruption and fraud
- *Contribute to Outcome 3 of the Medium Term Strategic Framework (All people are and feel safe).* This will be achieved through:
 - *Borderline security*
 - *Cyber-space security*
 - *Reducing corruption in the private sector*
- *Contribute to Outcome 11 of the MTSF (Creating a better South Africa, Africa and World).* This will be achieved through peacekeeping and post-conflict reconstruction efforts
- *The National Growth Plan.* The DOD will contribute through employment opportunities at entry level, the development of a National Youth Policy, and the creation of employment opportunities through the expansion of the Defence Industry.
- *Alignment with the Forum of South African Directors-General (FOSAD).* The DOD will support the FOSAD initiative through:
 - The development of a service delivery standard
 - The reduction in the time to fill vacancies
 - Payment of suppliers in 30 days
 - Finalisation of disciplinary cases in 90 days
 - Reduction in audit findings
 - Timeous submissions of Annual Reports to Parliament
 - Timeous responses to Chapter 9 and Chapter 10 institutions
- *The Management Performance Assessment Tool (MPAT).* The DOD will strive to improve its MPAT score beyond the 2.39 per cent achieved in 2013/14.
- *Corporate governance.* The DOD will strive to strengthen corporate governance through:
 - *Ethics awareness training in the DOD and the establishment of an ethics management programme in the DOD*
 - The DOD Audit Committee
 - Governance and risk management through the DOD Strategic Risk Management Committee
 - Information Technology governance
 - HR, Financial and Procurement compliance management
 - DOD Internal Audit
 - Stakeholder relations management

While the implementation details for many of these aspects will be discussed in relation to the APP and Budget, Members may inquire:

- Whether the DOD has the necessary skills and hardware to ensure cyber security? What other roleplayers are involved and how does this contribute to/hamper the DOD's efforts to ensure cyber security?
- Given the significant reduction in maritime piracy off the east coast of Africa, is it foreseen that the SA Navy mission in this region be terminated in the near future? Are there plans to expand maritime missions to other areas such as the west coast?



3. STRATEGIC PLAN: POLICY PRIORITIES FOR THE MINISTER OF DEFENCE AND MILITARY VETERANS

The Overarching Strategic Statement for 2015/16 provides an updated situational analysis of factors that have a bearing on the output deliverables of the DOD. Some of these are included in the Minister's Strategic Priorities and Strategic Focus Areas. These focus areas are largely aligned with Milestone 1 of the 2014 Defence Review. These factors include:³

- *Strategic Leadership.* The Minister wishes to ensure effective strategic leadership and successful succession planning over the next 20 years. Strategic leadership will be linked to the implementation mandates of the Defence Review. A Defence Communication Strategy will also be implemented for stakeholder management and communication with the general public.
- *Defence Funding Model.* This relates to a funding model to ensure the SANDF is effectively funded. The funding model will see the DOD return spending patterns to a 40:30:30 ratio (Personnel:Operations:Capital expenditure).
- *Human resources renewal.* Ensuring that the personnel profile meet the current and future defence requirements. The proposed force structures as per the Defence Review will be implemented and supernumerary positions will be limited to no more than two per cent. In terms of recruitment, the recruiting process will be devolved to services and divisions. Training and development will be strengthened by the implementation of a Defence Academy (as per the Defence Review) and the renewal of the External Training and Development (ETD) system.
- *Organisational renewal.* The aim is for the DOD to achieve greater transversal and departmental effectiveness. This will be achieved through:
 - The repositioning of the Defence Secretariat and establishing a Defence Accountability Concept.
 - Establishing a Delegation Regime whereby powers and duties are delegated down the command line.
 - Establishing an integrated Defence Enterprise Information System.
 - Revitalising the Defence Acquisition System.
 - Restructuring the SANDF.
 - Decentralising the procurement system.
 - Establishing a Facilities Master Plan, which will include the further development of the Defence Works Formation.
- *Capability renewal.* Reviewing the Defence Capability Strategy and directing defence acquisition in line with the first four Milestones of the Defence Review. Significant components of 'capability renewal' include:
 - Enhanced domain awareness which includes the restoration of an effective intelligence capacity at all levels.

³ Department of Defence. (2015). pp. iii.



- Expanding and enhancing the Special Forces capability (and the ability to support such Forces effectively).
 - Establishing a permanent forward base.
 - Enhancement of a Tactical Airfield Unit and Naval Port Operating Capacity.
 - Improving stock levels.
 - Defence Diplomacy enhancement.
- *Defence Industry.* This relates to the development of the Defence Industry and Technology Agenda and Innovation Plans to support the defence development programme. It will also assist in integrating the Defence Industry into the mainstream of the Industrial Action Plan.
 - *Defence Commitments.* This relates to the execution of ordered SANDF commitments and includes the optimising of border safeguarding as well as other internal/external operations.

The ministerial priorities clearly seek to align the strategic priorities with the implementation of the Defence Review, notably Milestone 1, which is set to be implemented between 2015 and 2020.⁴ While a number of strategic focus areas were identified, the Strategic Plan indicates that the Defence Review Implementation Plan will provide direction in terms of further policy, strategy and planning initiatives.⁵

Members may inquire:

- How does the DOD (SANDF in particular) aim to improve its public image and implement its communication strategy with the public?
- What will the repositioning of the Defence Secretariat entail? How will this differ from the current arrangements?
- The devolvement of the recruitment process to service-levels should be commended as the current centralised process has a number of challenges. However, do all the services and divisions have the capacity to do effective nation-wide recruitment?
- In terms of right-sizing, what is the current levels of supernumerary positions? The DOD can also be asked to provide a break-down of the number of personnel falling outside the age-bracket for their rank group. This will inform the PCDMV of the urgency of the need for force rejuvenation.
- The Minister's priorities included the 'establishing of a Delegation Regime whereby powers and duties are delegated down the command line'. What does the implementation of a Delegation Regime entail? How does this differ to the current hierarchical regime reflected in the rank system of the SANDF?
- What does the restructuring of the SANDF entail? How will this be achieved, over what period and at what cost?
- While the decentralisation of the procurement system should be welcomed as it will help save the SANDF money, what measures will be put in place to ensure that this system is not misused and become corruptible?

⁴ Department of Defence. (2015). p. 5.

⁵ Department of Defence. (2015). p. 7.



- How will the intelligence capability at all levels be enhanced? Will this, for example, imply the expansion of the Defence Intelligence Service and the Tactical Intelligence Regiments?
- Have there been any engagement with other countries on the establishment of a permanent forward base?
- The lack of a strategic airlift capability has been a constant draw-back to capacity renewal. Are there plans to address this?
- The aim at optimising of border safeguarding operations should be commended. How far along is the process of identifying and acquiring mission-specific equipment and weapons systems in this regard?
- When will the Defence Review Implementation Plan take effect and when will it be made available for scrutiny?
- The PCDMV may consider requesting the Minister of Defence to, for the purpose of contributing to the understanding of the Strategic Plan, provide a brief overview of the most important strategy and planning initiatives under Milestone 1 of the Defence Review Implementation Plan.

4. STRATEGIC PLAN: FOCUS AREAS FOR THE CHIEF SANDF

While a number of the above-mentioned ministerial priorities will be implemented by the Defence Secretariat, the Chief SANDF also has a number of focus areas on a more military-strategic level which include:

- *Restructuring the SANDF.* The restructuring of the SANDF will be done in a manner underpinning the DOD's 'Accountability Model'.
- *Renovation of DOD facilities.* The DOD will transfer endowment property from the DPW to the DOD and also increase the capacity of the Defence Works Formation to conduct repair and maintenance.
- *Development and maintenance of Strategic Reserves.* The Chief SANDF will commence with the streamlining of strategic reserves to align it with possible emergencies that may arise.
- *Implementing the HR strategy.* The concept 'Cradle to Grave' will be implemented to guide HR renewal.
- *Revitalisation of the Reserves.* This will focus specifically on the development of a feeder system for the Reserves.
- *Enforcement of military discipline.*
- *Development of SANDF capabilities.* This will be closely linked to the acquisition of force-enhancement equipment where funds are available. In terms of maritime defence, this will also include the possible development of a Coast Guard for South Africa.
- *Renewal of the Landward Defence Capability.*

Members may inquire:

- What are the practical implications of the restructuring of the SANDF?
- What does the concept 'Cradle to Grave' mean and what are the practical implementations steps of the HR Renewal concept?



- How will the feeder system for the Reserves function? Is it related to the Military Skills Development System (MSDS) system?
- The development of a Coast Guard for South Africa should be explained briefly. Will this be a SANDF competency, or will there be other lead departments? How will this be funded and how will capital acquisition occur? (Members should consider requesting a full briefing on this development)
- In addition to Project Hoefyster (the acquisition of new Infantry Fighting Vehicles), what other programmes are considered for the enhancement of the Landward Defence Capability?

5. STRATEGIC PLAN: KEY PERFORMANCE OUTPUTS (FIVE-YEAR GOALS)

A number of Key performance outputs for the five-year period of the Strategic Plan are reflected in Table 1.

Table 1: Key performance outputs according to the DOD Strategic Plan⁶

Performance Indicator	Target
% Defence Commitments accomplished (per Annum)	100%
- Number of force employment hours flown	32 500
- Number of hours at sea	60 000
% Border safeguarding commitment status	100%
- Number of landward subunits deployed	65
% Compliance with the SADC Standby Force	100%
% Adherence to DOD governance promulgation schedule	100%
% Compliance with regulatory framework	100%
- Number of Audit Findings	0
% Corruption and Fraud prevention status	92%
- Number of detection investigations of fraud and corruption	74
- % Written Complaints finalised	68%
% Defence Administration Compliance Index	100%
- Number of military Disciplinary cases finalised in 90 days	100% (3000 cases)
- % Litigation settled in favour of the DOD	50%
Number of Defence crime prevention activities	306 (Incl. fraud prevention)
- Number of deliberate crime prevention operations	248
- Number of awareness activities on corruption and fraud	48
% Reduction in criminal cases	15%
- Reduction in backlog cases	20%
- % Criminal cases finalised (in-year)	10%
% Management assessment	85.75%
Number of Defence Health Care activities	610 702 750
% Defence Primary military preparation activities	100%
- Number of interdepartmental/multinational military exercises	25

⁶ Note that targets with classified information are not reflected in this summary. To avoid duplication, only targets on which the PCDMV may wish to follow up on were included in this Table. (Department of Defence. (2015). p. 64 – 80).



Number of Defence Attaché offices	45
% HR Utilisation index	100%
- Number of reserve force person days	12 162 435
Number of MSDS members in system	19 635
Defence infrastructure revitalisation status	92.2%
- % of Approved capital work projects completed	54 (100%)
% Defence Critical stock level status	75%
% Logistical compliance	100%
% Defence ICT status	99%
% of Defence Armament acquisition commitment status	80%
Establishing a DOD strategic research capability status	Fully functional
Number of marketing events to promote the reserves	180
Defence ethics management status	Monitor and review
Number of vetting decisions taken per year	25 000
Level of implementation of cyber warfare plan	Fully implemented

Members may inquire:

- The DOD should be urged to differentiate between Operational hours flown and hours flown for the purpose of VIP transport when reporting (in Strategic Plans, SPP's and Annual Reports).
- In previous engagements with the Secretary for Defence, he indicated that a total of 21 sub-units would be sufficient for borderline safeguarding deployments. However, the Strategic Plan reflects that no increase beyond the current 13 sub-units are envisaged. This should be questioned by the PCDMV.
- Why is the percentage of 'Written Complaints finalised' in terms of Corruption and Fraud cases so low (68 per cent)?
- Why is the target set for criminal cases finalised in year (10%) so low?
- The number of MSDS members to be trained over the five year period is 19 635. Are there sufficient training facilities for this number? Will this be sufficient to rejuvenate the SANDF? Is there a sufficient exit mechanism for serving SANDF members that will allow the absorption of MSDS members without unnecessarily swelling the size of the organisation?
- A total of 180 events are planned for the promotion of the reserves. How many events will be held to promote the permanent force?
- The target to 'monitor and review' Defence Ethics is ambiguous. It may be suggested to provide a more measurable target for the five year period.
- What is the current status of the Cyber Warfare plan?



6. 2014/15 EXPENDITURE TRENDS

6.1 Quarterly Expenditure

This section highlights the expenditure trends of the Department's first three quarters of the 2014/15 financial year. Quarterly expenditure trends are important as the continuous monitoring of expenditure is necessary to ensure that allocated resources are utilised for their intended purposes and in so doing, ensuring accountability. Additionally, transparency and effective control of the Department's financial matters are promoted. The process is vital in determining possible budget overruns emanating from cost increases due to inadequate project cost analysis and to promptly intervene to facilitate corrective measures. The analysis of quarterly expenditure becomes necessary to prevent unauthorised, irregular, fruitless and wasteful expenditure and it is of paramount importance that the Department must account for expenditure at the end of every quarter.⁷

6.1.1 Main concerns identified in the First Quarter Expenditure (ending June 2014)⁸

By the end of the First Quarter on 30 June 2014 of 2014/15, a total of R8.301 billion of the Department's approved budget of R42.831 billion was spent, representing 19.4 per cent of the total budget. This figure was slightly lower than the 20.7 per cent projected expenditure. It was also 0.9 percentage points higher than the actual spending for the same period in 2013/14.

The Departmental spending analysis by 30 June 2014 was as follows:

- At programme level, variations between the projected and actual expenditure were marginal. The largest variation was with the **Air Defence Programme**, which spent only 14.2 per cent of its allocated budget against a projected expenditure of 17.0 per cent. Other low spending on programmes include 20.6 per cent on the **Administration Programme** (against a projected spending of 22.8 per cent) and 16.1 per cent spent on the **General Support Programme** (against a projected spending of 18.3 per cent)
- In terms of economic classification, four cases of high spending were recorded. The Department spent 20.9 per cent of its budget for **Machinery and Equipment** against a projected spending of 9.5 per cent. A further 44.8 per cent of the allocation for **Non-profit Institutions** was spent as opposed to a projection of 22.4 per cent. Finally, although a small amount, it should be noted that R9000 was spent on **Provinces and Municipalities** while no projection for this spending was made. Finally, the Department spent 29.7 per cent (R325.188 million) of its allocation for Public Corporations and Private Enterprises, which is 4.7 per cent higher than its projected expenditure for the First Quarter. Three cases of low spending were also recorded. A total of 13.4 per cent spent of the budget for **Goods and Services** was spent against an initial projection of 17.5 per cent). For **Buildings and fixed structures**, 3.7 per cent of the budget was spent against an initial projection of 9.0 per cent. Finally, only 0.9 per cent of the allocation for **Specialised Military Assets** was spent against an initial projection of 7.0 per cent.

⁷ National Treasury, (2013b).

⁸ Janse van Rensburg. (2014a). p. 1.



6.1.2 Main concerns identified in the Second Quarter Expenditure (ending September 2014)⁹

By the end of the Second Quarter on 30 September 2014 of 2014/15, a total of R18.713 billion of the Department's approved budget of R42.831 billion was spent, representing 43.7 per cent of the total budget. This figure is slightly lower than the 44.9 per cent projected expenditure. It is also somewhat lower than the 45.8 per cent of the budget that was spent by the same time in the 2013/14 financial year.

The Departmental spending analysis by 30 September 2014 was as follows:

- At programme level, only marginal variations between the projected and actual expenditure were recorded and the Department should be commended for this. The largest variation was with the **General Support Programme** which spent 38.1 per cent of its budget against a projected expenditure of 42.6 per cent. Other low spending on programmes include 34.2 per cent on the **Air Defence Programme** (against a projected spending of 37.1 per cent) and 44.2 per cent spent on the **Maritime Defence Programme** (against a projected spending of 46.0 per cent).
- In terms of economic classification, three cases of high spending were recorded (these categories also showed high levels of spending in the First Quarter). The Department spent 47.7 per cent of its budget for **Machinery and Equipment** against a projected spending of 22.9 per cent. A further 67.1 per cent of the allocation for **Non-profit Institutions** was spent as opposed to a projection of 44.8 per cent. Finally, although it is a small amount, R18 000 was spent on **Provinces and Municipalities** while no projection for this spending was made. This is the second consecutive quarter in which spending in this category was made without a provision therefore.

Four cases of significant low spending were also recorded. A total of 35.5 per cent of the budget for **Goods and Services** was spent against an initial projection of 41.6 per cent. For **Buildings and fixed structures**, 11.1 per cent of the budget was spent against an initial projection of 29.1 per cent. Only 14.0 per cent of the allocation for **Specialised Military Assets** was spent against an initial projection of 24.1 per cent. Only 0.3 per cent of the budget allocated for **Software and other intangible assets** was spent against a projection of 18.4 per cent.

6.1.3 Main concerns identified in the Third Quarter Expenditure (ending December 2014)¹⁰

The annual adjustments saw the DODMV's budget increased slightly from R42.831 billion to R42.857 billion. *Lower than expected expenditure continued in the Third Quarter.* By the end of the Third Quarter on 31 December 2013, a total of R29.702 billion of the Department's adjusted budget had been spent, representing 69.3 per cent of the total budget. This figure is slightly lower than the 70.5 per cent projected expenditure.

⁹ Janse van Rensburg, (2014b). p. 1.

¹⁰ Manganyi, (2014). p. 1



The Departmental spending analysis by 31 December 2014 was as follows:

- At programme level, variations between the projected and actual expenditure were marginal for all the programmes. The largest deviations were slow spending in the **General Support Programme** which spent 63.4 per cent of the adjusted budget against projected expenditure of 68.8 per cent. The **Administration** and **Force Employment Programmes** also recorded lower than expected expenditure by 2.9 and 2.3 per cent respectively.
- In terms of economic classification, a number of instances of low and high spending can be identified:
 - Spending on **Goods and services** was 7.1 per cent lower than expected.
 - No provision was made for transfers and subsidies to **provinces and municipalities**, but R31 000 was spent on this.
 - Transfers and subsidies to **non-profit institutions** recorded a 22.4 per cent higher than planned spending.
 - Payments for **buildings and fixed structures** was 25.5 per cent lower than planned.
 - Higher than planned spending was recorded for payments towards **machinery and equipment** (by 16.5 per cent) and **specialised military assets** (by 23.5 per cent).

The Committee may seek further clarity on the following questions regarding quarterly spending trends:

- The reasons for continued overall slightly **low levels of expenditure** during the first three quarters of the financial year and what the implications of such low spending was?
- The above quarterly expenditure trends illustrated that there is a recurring difficulty in managing spending on the **General Support Programme**. This programme has seen continued slow spending and reasons for this should be provided.
- While improvements were made in the Third Quarter, the slow spending on the **Air Defence Programme** during the first two quarters should be explained. Specifically, members should inquire how this slow spending impacted on flying hours in the SAAF.
- Slow spending in the **Administration Programme** should be explained.
- Quarterly expenditure trends reflect continued high spending on **Machinery and Equipment**. This should be explained by the DOD.
- Lower than planned spending on **Goods and Services** should be explained.
- The low levels of spending in terms of **Buildings and Fixed structures** should be explained. Specifically, the PCDMV should request an explanation of why these low levels of spending occur within the context of the expanded role of the Defence Works Formation. Furthermore, the impact on approved refurbishment projects should be explained. (Members may note that during the previous financial year, spending on this item was also noted as an area of concern).
- The high balance of the **Special Defence Account (SDA)** requires further explanation (By the end of the Third Quarter, the SDA had an adjusted allocation of R5.643 billion). National Treasury has, in the past, expressed concern about the high allocation for this Account and it should be questioned why some of this funds cannot be reprioritised to fund other operational requirements?



6.2 Adjusted Estimates of National Expenditure 2014

The 2014 Adjusted Estimates of National Expenditure indicates that the Defence budget increased only slightly (by R25.645 million) from R42.831 billion in February 2014 to R42.857 billion in October 2014.¹¹ The details of the adjustments are as follow:

- **Unforeseen and unavoidable expenditure**

No transfers were made for unforeseen/unavoidable expenses.

- **Virements and shifts**

A number of virements and shifts occurred within the various programmes. These are reflected in Figure 1 below. The most significant of these was a R336.865 million virement away from the Administration programme and the addition of R371.060 million to the Landward Defence Programme.

Figure 1: Adjusted Estimates of National Expenditure 2014: Virements and shifts

Programme (R Thousand)	Main Appropriation	Roll- overs	Unavoid- able expenses	Virements/ shifts	Other adjustments	Adjusted appropriation
Administration	4 866 527	-	-	(366 865)	-	4 499 662
Force Employment	3 436 958	-	-	50 000	-	3 486 958
Landward Defence	13 854 866	-	-	371 060	15 929	14 241 855
Air Defence	7 166 896	-	-	-	9 716	7 176 612
Maritime Defence	3 678 505	-	-	-	-	3 678 505
Military Health	3 849 063	-	-	-	-	3 849 063
Defence Intelligence	792 112	-	-	21 606	-	813 718
General Support	5 186 307	-	-	(75 801)	-	5 110 506
TOTALS	40 243 343	0	0	-	25 645	42 856 879

In terms of economic classifications, the following major increases and decreases (as a result of virements/shifts and other adjustments) should be noted:¹²

1. Compensation of employees: An increase of R495.986 million. (This was for the purpose of improved conditions of service. National Treasury approval was obtained).
2. Goods and Services: A decrease of R495.986 million.
3. Departmental agencies and accounts: An increase of R25.645 million. (This included a R15.929 million increase for the Infantry Capability and R9.716 million for the Air Combat Capability)

¹¹ National Treasury. (2014). p. 167.

¹² National Treasury. (2014). p. 168.



- **Self-financing expenditure**

R25.645 million in revenue generated from selling equipment and spares procured through the Special Defence Account was surrendered to the National Revenue Fund. It was used for defence activities, as follows:

- Programme 3: Landward Defence R15.929 million
- Programme 4: Air Defence R9.716 million¹³

- **Additional information: (Revenue trends for the first half of 2014/15)**

Revenue in the first six months of 2014/15 was R270.408 million, or 33.2 per cent of the adjusted revenue estimate of R814.908 million for the year. In comparison, mid-year revenue in 2013/14 was R362.967 million, or 45.4 per cent of the 2013/14 adjusted estimate. Compared to the first six months of 2013/14, revenue over the same period in 2014/15 decreased by R92.559 million, or 25.5 per cent. This was mainly due to United Nations reimbursements being lower than the previous financial year and the disposal of redundant equipment that will take place over the next six months.

The Committee may seek further clarity on:

- The annual trend whereby additional funds are required for the compensation of employees (improved service conditions) during the adjustment period.
- How the additional allocations to the Landward Defence and Air Defence Programmes were used.
- What are the reasons for the United Nations reimbursements being lower in 2014/15 than in 2013/14?

7. BUDGET ANALYSIS

7.1 General overview of the 2015/16 budget

The DOD Budget allocation of R44 579.4 million for 2015/16 constitutes 3.65 per cent of the financial year's total appropriation of R1 222 344.7 million.¹⁴ This is a slight decrease from 2014/15 when the defence budget allocation constituted 3.75 per cent of the year's total appropriation.¹⁵ Although the budget allocation for 2015/16 increased by 4.02 per cent in nominal terms, it decreased by 0.75 per cent in real terms in comparison to 2014/15. This is the second consecutive real percentage decrease in the DOD Budget allocation. The latest allocation thus signifies a continuation of the slowdown in funds allocated to the Department.

¹³ National Treasury. (2014). p. 172.

¹⁴ As per the allocation in National Treasury. (2014a). p. xii.

¹⁵ National Treasury. (2015). p. xxi.



Matters that have been prioritised for the year 2015/16 include, *inter alia*, the following:¹⁶

- Maintaining current defence capabilities.
- Ongoing border safeguarding deployments.
- Developing a Cyber Security capability.

Table 2 indicates the percentage of the Department's budget that was allocated to each programme in 2014/15 and 2015/16 respectively. As has traditionally been the case, the Landward Defence Programme received the largest allocation, which translates to 33.21 per cent of the DOD's allocated budget for 2015/16. This is mainly due to its large personnel requirement. The Landward Defence Programme also received a large proportional increase in its allocation as it now receives almost one percent more of the total allocation than in past years. This might be related to efforts at renewing the Landward Defence Capability. A similar increase in proportional allocation can be observed in the General Support Programme. This is likely related to the expanding of the Defence Works Formation.

It is of concern that the allocation toward Programme 4 (Air Defence) as a percentage of the overall allocation for 2015/16 is 0.96 per cent lower than in 2014/15. A similar decrease is also visible in the Maritime Defence Programme. This is of concern as it may impact negatively on the flying hours and sea hours for the SA Air Force and SA Navy.

Table 2: Percentage of budget allocated to programmes

R thousand	2014/15 (R million)	Per cent of total budget per programme	2015/16 (R million)	Per cent of total budget per programme	Change in percent allocation
Programme 1: Administration	4 499.7	11.36 %	4 827.2	10.83 %	-0.63 %
Programme 2: Force Employment	3 487.0	8.02 %	3 603.2	8.08 %	0.06 %
Programme 3: Landward Defence	14 241.9	32.35 %	14 805.3	33.21 %	0.96 %
Programme 4: Air Defence	7 176.6	16.73 %	7 049.2	15.81 %	-0.92 %
Programme 5: Maritime Defence	3 678.5	8.59 %	3 717.2	8.39 %	-0.20 %
Programme 6: Military Health Support	3 849.1	8.99 %	3 932.9	8.82 %	-0.17 %
Programme 7: Defence Intelligence	813.7	1.85 %	827.5	1.86 %	0.01 %
Programme 8: General Support	5 110.5	12.11 %	5 817.0	13.05 %	0.96 %
TOTAL	42 857.0		44 579.5		

¹⁶ National Treasury. (2014a). p. 484.



Table 3 indicates the shifts in budget allocation per programme from 2014/15 to 2015/16. In line with the Department's prioritised initiatives, the biggest real percentage increase (8.16 per cent) is allocated to Programme 8 (General Support) while Programme 1 (Administration) also received a real percentage increase of 2.36 per cent. All other Programmes received a real percentage decrease. The largest increase for Programme 8 relates to an allocation of R951.8 to the General Support Programme over the MTEF period for the capacitation of the Defence Works Formation. The increase in Programme 1 is related to, among others, an increase in the allocation for Military Veterans Management.

The most significant decrease can be observed in Programme 4 (Air Defence), which received a 6.27 per cent real decrease. Funding for this programme is set to decrease further in 2016/17. This is of concern given the need for the SA Air Force to increase flying hours. Similarly, Programme 5 (Maritime Defence) also received a 3.58 real percentage decrease in its allocation. Furthermore, both Programme 7 (Defence Intelligence) and Programme 6 (Military Health Support) received real percentage decreases of 2.96 per cent and 2.50 per cent respectively. In terms of the prioritisation of Cyber Security through the Defence Intelligence programme, it is unclear how this decrease will affect the cyber security initiative and/or normal operations at Defence Intelligence.

Table 3: Increase/decrease per programme 2014/15 to 2015/16

Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
	R thousand	2014/15	2015/16	2014/15-2015/16	2014/15-2015/16	2014/15-2015/16
Programme 1: Administration	4 499.7	4 827.2	327.5	106.4	7.28 per cent	2.36 per cent
Programme 2: Force Employment	3 487.0	3 603.2	116.2	- 48.8	3.33 per cent	-1.40 per cent
Programme 3: Landward Defence	14 241.9	14 805.3	563.4	- 114.7	3.96 per cent	-0.81 per cent
Programme 4: Air Defence	7 176.6	7 049.2	- 127.4	- 450.3	-1.78 per cent	-6.27 per cent
Programme 5: Maritime Defence	3 678.5	3 717.2	38.7	- 131.6	1.05 per cent	-3.58 per cent
Programme 6: Military Health Support	3 849.1	3 932.9	83.8	- 96.3	2.18 per cent	-2.50 per cent
Programme 7: Defence Intelligence	813.7	827.5	13.8	- 24.1	1.70 per cent	-2.96 per cent
Programme 8: General Support	5 110.5	5 817.0	706.5	440.1	13.82 per cent	8.61 per cent
TOTAL	42 857.0	44 579.5	1 722.5	- 319.3	4.02 per cent	-0.75 per cent



In terms of economic classifications, *increases* in funds allocated for 2015/16, in comparison to 2014/15, include the following:

- Compensation of employees increased from R22 476.2 million to R24 595 million (9.43 per cent nominal).
- Property payments increased from R2 493.2 million to R2 755.9 million (10.54 per cent nominal).
- Machinery and equipment increased from R347.1 million to R451.2 million (30.0 per cent nominal).

In terms of economic classifications, *decreases* in funds allocated for 2015/16, in comparison to 2014/15, include the following:

- Fuel, oil and gas decreased from R623.5 million to R561.1 million (10.0 per cent nominal).
- Spending on travel and subsistence decreased from R740.6 million to R696.7 million (5.93 per cent nominal).
- Spending on specialised military equipment decreased from R45.3 million to R12.1 million (73.29 per cent nominal).

The Committee may seek further clarity on:

- Whether the funding allocated to the Defence Works Formation is sufficient to fulfil the tasks allocated to them and whether they are sufficiently equipped/trained to replace the DPW. (Members may also consider requesting a full briefing on the Defence Works Formation)
- How will the real percentage decreases impact on the operational capability of the SA Air Force and SA Navy?
- Will Defence Intelligence be able to implement the Cyber Security initiative despite the real percentage decrease in its allocation? If funds for that purpose have been put aside for the exclusive use in the cyber Security initiative, how will the real percentage decrease impact on the normal operations of Defence Intelligence?
- Why is there a 10.54 per cent nominal increase in Property Payments? Does this refer to rental properties? If so, why is the DOD not able to secure lower annual increases on rentals?
- What contributed to the high nominal increase in the allocation for Machinery and Equipment?
- Why is there such a major decrease (73.29 per cent nominal) in the spending on specialised military equipment?

7.2 Personnel information and salaries¹⁷

The Department has a funded establishment of 79 445 posts for 2015/16. This is higher than the number of funded posts recorded in 2014/15 (77 605 posts). The number is set to grow to 81 108 by 2017/18 in efforts to rejuvenate the Landward Defence capability and build capacity

¹⁷ National Treasury. (2015). p. 335.



within the Defence Works Formation. The future projections of personnel numbers are likely to be influenced by the Defence Review.

Spending on Compensation of employees is expected to increase from R22 476.2 million in 2014/15 to R24 595 million in 2015/16. The latter amount constitutes 55.17 per cent of the allocated budget. This is a proportional increase as in 2014/15, compensation of employees constituted 51.32 per cent of the DOD's total allocation. Similar to previous years, the high ratio of funds to be spent on compensation of employees is a concern, as less than half of the budget is left to be spent on other priorities. This has the potential to impact negatively on ensuring the execution of the SANDF's core mandate and the maintenance of its operational readiness. This should also be viewed against the Defence Review's aim of bringing compensation of employees as a percentage of the total spending down to roughly 40 per cent.

The Committee may seek further clarity on:

- The indications are that personnel numbers will increase over the MTEF period. However, Milestone 1 of the Defence Review indicates a target of only 72 000 Regulars, Reserves and Defence Civilians. How is this explained and what are the actual goals?
- The Defence Review notes that compensation of employees should be limited to 40 per cent of total expenditure. Why is the current trend not aligned to this goal?
- To what extent does the spending on compensation of employees impact on the SANDF's ability to conduct military exercises, maintain weapons and equipment and maintain its operational readiness?

7.3 Programme 1: Administration

7.3.1 2015/16 Allocations to Programme 1 (Administration)¹⁸

The Administration programme, which consists of 15 sub-programmes, constitutes 10.83 per cent of the Departments total budget for 2015/16. In nominal terms, the budget for this programme increased by 7.3 per cent whereas the real percentage change showed an increase of 2.3 per cent. Sub-Programme 14 (Office Accommodation) represents the largest sub-programme and accounts for 41.93 per cent of the programme's total budget.

Table 4: Nominal and real increases/decreases in the Administration Programme

Programme 1: Administration	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	R million	2014/15				
Sub-programme 1: Ministry	77.4	69.7	- 7.7	- 10.9	-9.95 per cent	-14.07 per cent
Sub-programme 2: Departmental Direction	62.4	53.6	- 8.8	- 11.3	-14.10 per cent	-18.04 per cent

¹⁸ National Treasury. (2015). p. 336-337.



Sub-programme 3: Policy and Planning	98.0	113.6	15.6	10.4	15.92 per cent	10.61 per cent
Sub-programme 4: Financial Services	316.8	323.0	6.2	- 8.6	1.96 per cent	-2.71 per cent
Sub-programme 5: HR Support Services	700.8	706.9	6.1	- 26.3	0.87 per cent	-3.75 per cent
Sub-programme 6: Legal Services	271.8	287.3	15.5	2.3	5.70 per cent	0.86 per cent
Sub-programme 7: Inspection Services	116.6	139.8	23.2	16.8	19.90 per cent	14.41 per cent
Sub-programme 8: Acquisition Services	49.8	64.1	14.3	11.4	28.71 per cent	22.82 per cent
Sub-programme 9: Communication Services	40.0	41.0	1.0	- 0.9	2.50 per cent	-2.19 per cent
Sub-programme 10: SANDF Command and Control	142.3	147.8	5.5	- 1.3	3.87 per cent	-0.89 per cent
Sub-programme 11: Religious Services	12.6	13.2	0.6	0.0	4.76 per cent	-0.04 per cent
Sub-programme 12: Defence Reserve Direction	25.2	26.2	1.0	- 0.2	3.97 per cent	-0.79 per cent
Sub-programme 13: Defence Foreign Relations	212.4	216.5	4.1	- 5.8	1.93 per cent	-2.74 per cent
Sub-programme 14: Office Accommodation	1 869.3	2 042.2	172.9	79.4	9.25 per cent	4.25 per cent
Sub-programme 15: Military Veterans Management	504.2	582.2	78.0	51.3	15.47 per cent	10.18 per cent
TOTAL	4 499.7	4 827.2	327.5	106.4	7.3 per cent	2.3 per cent

The highest real percentage increase in Programme 1 is allocated to sub-programme 8 (Acquisition services), which received a 22.82 per cent increase. Other significant real percentage increases were recorded in Inspection Services (14.41 per cent), Policy and Planning (10.61 per cent) and Military Veterans Management (10.18 per cent). It should be noted that this is the second major real percentage increase for the Inspection Services which also received a 28.26 per cent increase in 2014/15. It is unclear if this relates to the opening of new Defence Internal Audit offices in Centurion in March 2015.¹⁹

Of the 15 sub-programmes in Programme 1, nine received decreased real percentage allocations for 2015/16. This was also the case in the preceding financial year. The largest of these decreases was to sub-programme 2 (Departmental Direction) which saw its budget decrease by 18.04 per cent in real terms. Similarly, the Ministry also saw a reduction of 14.07 per cent. HR Support services and Defence Foreign Relations also reflected smaller real percentage decreases of 3.75 per cent and 2.74 per cent respectively.

¹⁹ Makhubela. (2015).



In terms of economic classifications, there is a noteworthy increase for Compensation of Employees which increased from R1 571.0 million in 2014/15 to R1 703.5 million in 2015/16. This is likely due to the increase in personnel from 4 082 in 2014/15 to 4 234 in 2015/16. It should be noted that over the past three financial years, the DOD's overall personnel numbers increased by 731 members. Of this, 264 was added to the Administration Programme. This might have been influenced by the establishment of the Defence Force Service Commission which requires personnel funding from Programme 1 (Administration). It is, however, a significant figure as it implies growth in a non-core division of the DOD. There is a further significant increase for spending on Departmental Agencies and accounts from R526.9 million in 2014/15 to R604.4 million in 2015/16.

The Committee may seek further clarity on:

- What contributes to the 22.82 per cent increase in real terms for Acquisition Services?
- Why was there a 14.41 per cent real increase allocated to Inspection Services?
- Will the 18.04 per cent decrease in the allocation to the Departmental Direction subprogramme impact negatively on the implementation of the Defence Review?
- The constant addition of personnel to the Administration Programme should be explained. Why has this programme received more than 33 per cent of all additions to the DOD personnel strength over the past three years?
- The substantial increase in the allocation for Departmental Agencies and Accounts should also be clarified. Over the period 2010/11 to 2013/14, this allocation grew by 195 per cent. This trend continued in 2014/15 and again in 2015/16.

7.3.2 Performance Indicators for Programme 1 (Administration)²⁰

In previous years, only three performance indicators for Programme 1 (Administration) were provided by the DOD. This included the number of Defence Attaches, the number of MSDS students in the system per year, and the number of Reserve Force man-days. The 2015/16 APP does, however, subdivide Programme 1 and provides a number of targets for the various subprogrammes. The most salient of these are reflected in Table 5 and the subprogramme which the target relates to is provided in the first column. (Note: Targets related to the Military Ombud, Reserve Force Council and Defence Force Service Commission are not included in this table as it is reflected in separate analysis documents.)

Table 5: Performance indicators for the Administration Programme

Performance Indicator	Audited Outcome	Estimated Performance	Estimated Performance
	2013/14	2014/15	2015/16
Ministry: Compliance with submission date for accountability documents (this target is also reflected in other subprogrammes with a 100% target)	100%	100%	100%

²⁰ Department of Defence. (2015). p. 45-88



Departmental Direction: Adherence to DOD governance promulgation schedule	New target	New target	Submission of Defence Review Implementation Plan
Departmental Direction: Compliance with submission date for accountability documents	New target	New target	100%
Departmental Direction: Establish DOD Strategic Research capability	New target	Policy Research Unit concept document approved	Policy Research Unit concept document approved
Departmental Direction: Adherence to DOD governance promulgation schedule on the Information Strategy	100%	100%	100%
Departmental Direction: Adherence to DOD governance promulgation schedule on the Information and Communications Systems Policy Development Plan	100%	100%	100%
Policy and Planning: Adherence to governance schedule	New target	100%	100%
Policy and Planning: DOD risk Management Maturity Level achieved	Level 5	Level 5	Level 6
Policy and Planning: DOD MPAT level achieved	Level 2.4	Level 2.5	Level 2.5
Financial services: Number of Audit findings	1	0	0
Financial services: Compliance with submission dates of financial accountability documents	New target	100% (37)	100% (37)
Financial services: Percentage payments within 30 days	85%	100% payments of all invoices received per quarter	75%
Financial services: Percentage deviation from approved drawing schedule	New target	New target	<8%
HR Support Services: Compliance with promulgation schedule of HR Development Strategy	Strategy piloted	Approved strategy	Approved Strategy implementation plan
HR Support Services: Compliance with promulgation schedule of National Youth Service Plan	New target	Policy Development	Policy approved and promulgated
HR Support Services: Compliance with submission of SMS financial disclosures	92%	100%	100% (294)



HR Support Services: Compliance with submission of SMS Performance agreements	88%	100%	100% (294)
HR Support Services: Percentage grievances resolved	87%	85%	85%
HR Support Services: Number of disciplinary cases resolved in 90 days (civilian cases)	29 % (58 of 203 cases)	39	39
HR Support Services: DOD Ethics Management Status	New target	New target	DOD Ethics Policy approved
HR Support Services: Number of PSAP training programmes	1 716	2 587	2 587
HR Support Services: Compliance with planned staffing of funded posts	78 864 (113%)	77 606 (100%)	79 445 (100%)
HR Support Services: Number of positions filled against allocated quota for international institutions	14	36	12
HR Support Services: DOD Training targets (non-combat professional development courses)	179	1 970	1 934
HR Support Services: DOD Training targets (re-skilling)	30	8	50
HR Support Services: DOD Training targets (Youth Service programme)	2 158	2 000	2 000
HR Support Services: Number of military skills development members in the system per year	7 005	4 272	3 863
HR Support Services: Number of Reserve Force man days	New target	1 883 683	2 422 792
HR Support Services: Compliance with SANDF battle fitness requirement	New target	New target	85%
Legal Services: Percentage of cases of corruption and fraud prosecuted (R5 million and over)	New target	New target	0
Legal Services: Percentage litigation settled in favour of the DOD	45%	50%	50%
Legal Services: Percentage of cases of corruption and fraud prosecuted	New target	100%	40%
Legal Services: Percentage reduction of military court cases outstanding	New target	60%	60%
Legal Services: Percentage military court cases finalised	New target	40%	40%
Legal Services: Number of disciplinary cases finalised in 90 days (Military discipline)	New target	400	600



Inspection Services: Percentage progress of DOD Audit Plan	New target	New target	100%
Inspection Services: Number of detection investigations of corruption and fraud	6.8% (17)	10% (21)	19
Inspection Services: Number of detected national anti-corruption hotline cases conducted	New target	10	10
Inspection Services: Number of awareness activities on corruption and fraud	New target	New target	48
Inspection Services: Level of communication in DOD	Neutral	(IG Survey)	Positive
Acquisition Services: Compliance with promulgation schedule of Defence Intangible Assets Management	Establishment of ICA Management Organisation	Monitoring of ICA function	A functioning Defence ICA Management Organisation
Acquisition Services: Percentage Armament acquisition commitments approved	New target	>75%	>75%
Acquisition Services: Percentage technology development commitments approved	New target	85% – 100%	85% - 100%
Communications services: Status of public opinion on the DOD	New target	77%	77%
Command and control: Number of strategic activities per annum	New target	New target	10
Religious services: Number of covenantal relationships with Religious Advisory Boards	5	5	5
Defence Reserve Direction: Number of marketing events	New target	New target	36
Defence Foreign Relations: Total number of Defence Attaches	43	43	45
Defence international Affairs: Compliance with promulgation schedule of Policy products for Defence Diplomacy	Updating of policy products and position papers to ensure relevance and quality	Updating of policy products and position papers to ensure relevance and quality	Ensure 100% relevant quality policy products
Defence international Affairs: Compliance with promulgation schedule of Defence Foreign Relations Policy status)	Stakeholder consultation process	Policy approved	Policy monitoring and implementation
Defence international Affairs: Percentage deployments supported with appropriate legal instruments	100%	100%	100%



Office accommodation: Percentage payment of leases	100%	100%	100%
Office accommodation: Percentage payment of municipal services	100%	100%	100%
Office accommodation: Percentage payment of accommodation charges	100%	100%	100%

The Committee may seek further clarity on:

- Why is it taking two years for the Policy Research Unit concept document to be approved?
- In terms of the targets for Departmental Direction in terms of 'Adherence to DOD governance promulgation schedule on the Information and Communications Systems Policy Development Plan' and 'Adherence to DOD governance promulgation schedule on the Information Strategy', more information is needed on how these targets will be achieved.
- Why is there a decrease in the target for invoices paid within 30 days? When will the decentralisation of this pay-system take effect and how will this assist in securing a higher level of payments made within 30 days.
- Members may request further information on the National Youth Service Plan. What future plans are proposed in this plan? How many student will be trained and how will it be ensured that the programme is open to students from all over the country? What are the entry requirements and how is selection of students made? Are some of these students absorbed into the MSDS system?
- In terms of the Public Service Act Personnel (PSAP) Training courses per year, members may inquire what the nature of these courses are and how much is spent on these courses.
- The number of positions filled against allocated quota for international institutions fluctuated significantly over the past three years. What institutions does this refer to? Why did the number jump from 14 in 2013/14 to 36 in 2014/15 and now declined to 12 for 2015/16?
- The target for re-skilling of personnel is quite low (only 50 for 2015/16). More information should be requested on this. It should also be questioned if reskilling cannot be used more effectively as an exit mechanism whereby some members are equipped with new skills enabling them to leave the system in an effort to rejuvenate the DOD (as per the strategic priorities).
- The number of MSDS members in the system is quite low at only 3 863 members per year. Given that the MSDS programme is a two-year programme, this implies that the 2015/16 intake will only amount to 1 842 members. This is not aligned with the strategic priorities of rejuvenating the SANDF. Members should thus inquire as to which exit mechanisms are used to rejuvenate the DOD.
- There is a significant increase in the target for the number of Reserve Force person days set for 2015/16. This signifies an increase of close to 30%. Is the Reserve Force prepared for this in terms of available personnel requirements (especially at higher ranking level)?
- How is the target 'Compliance with SANDF battle fitness requirement' measured?
- Why is the target for the 'percentage of cases of corruption and fraud prosecuted (R5 million and over) set at zero?



- Why is there a decrease in the 'percentage of cases of corruption and fraud prosecuted' from 100 per cent in 2014/15 to 40 per cent in 2015/16?
- How is the 'percentage progress of DOD Audit Plan' measured?
- Defence Intangible Assets Management has been noted as a problem for the DOD in the past and has resulted in the DOD receiving negative audit results in this regard. Is the current plan for obtaining a functioning Intangible Capital Assets Management Organisation by 2015/16 on track?
- How is the 'Status of public opinion on the DOD' determined? Does this refer to a positive perception of the DOD?
- What does the target 'Number of strategic activities per annum' refer to? What qualifies as a 'strategic activity'? (Members may request this and other targets that are hard to measure accurately to be changed to more measurable targets).
- In 2012/13 there were 40 Defence Attaché offices while the target set for 2015/16 is 45. In which countries have the last five offices been opened? Is this in line with the broader Foreign Relations approach of the country? What strategic value does these offices hold for South Africa and the DOD in particular?
- The target for 'Compliance with promulgation schedule of policy products for Defence Diplomacy' for 2015/16 is to 'ensure 100% relevant quality policy products'. How will this be measured? (The target should be presented in a more transparent manner).
- The target 'Percentage deployments supported with appropriate legal instruments' is ambiguous. Should it not be the case (standard practice) that *all* deployments be supported with the appropriate legal instruments?

7.4 Programme 2: Force Employment

7.4.1 2015/16 Allocations to Programme 2 (Force Employment)²¹

The allocated budget for Programme 2 (Force Employment) increased with 3.3 per cent in nominal terms, but decreased by 1.4 per cent in real terms. The programme constitutes 8.08 per cent of the Department's total budget and has as its objective to provide and employ defence capabilities to conduct all operations and exercises. Major operations funded from this programme includes the SANDF's deployments in the DRC, Sudan and for the purpose of borderline safeguarding.

²¹ National Treasury. (2015). p. 337-339.



Table 6: Nominal and real increases/decreases in the Force Employment Programme

Programme 2: Force Employment	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	R million	2014/15				
Sub-programme 1: Strategic Direction	116.0	143.3	27.3	20.7	23.53 per cent	17.88 per cent
Sub-programme 2: Operational Direction	274.9	299.9	25.0	11.3	9.09 per cent	4.10 per cent
Sub-programme 3: Special Operations	653.8	750.2	96.4	62.0	14.74 per cent	9.49 per cent
Sub-programme 4: Regional Security	1 488.9	1 405.8	- 83.1	- 147.5	-5.58 per cent	-9.91 per cent
Sub-programme 5: Support to the People	934.1	982.3	48.2	3.2	5.16 per cent	0.34 per cent
Sub-programme 6: Defence Capability Management	19.3	21.7	2.4	1.4	12.44 per cent	7.29 per cent
TOTAL	3 487.0	3 603.2	116.2	- 48.8	3.3 per cent	-1.40 per cent

Similar to previous years, peace missions, border safeguarding and anti-piracy operations have been identified as priorities in this programme. This relates to the strategic priorities set by the Minister of Defence. Of significance, however, is that the SANDF's regional deployments have not been scaled down, yet there is a 9.91 per cent real reduction in the allocation for the subprogramme on Regional Security. In fact, this is the only subprogramme to receive a decrease.

Significant real percentage increases can be found in terms of subprogramme 1 (Strategic direction) which received a 17.88 per cent increase. Special operations also received a 9.49 per cent increase in real terms. This might be related to increased focus being placed on Special Forces operations as per the 2014 Defence Review. Finally, Defence Capability Management also received a 7.29 per cent increase in real terms.

In terms of economic classifications, two significant reductions should be noted. Firstly, the allocation for Training and Development decreased from R35.9 million in 2014/15 to R33.3 million in 2015/16. Given the ongoing participation of the SANDF in combat missions and the expanded use of the Special Forces, a decrease in spending on training could have negative operational consequences. Secondly, the allocation for Machinery and Equipment decreased from R31.3 million in 2015/16 to R15.9 million in 2015/16. Once again the limited spending on operational equipment could impact negatively on SANDF operations.

The Committee may seek further clarity on:

- What are the reasons for the reduction in funds allocated to the Regional Security subprogramme? How will this impact the ability of the SANDF to perform its functions in this regard?



- How will the increases for 'Strategic Direction' and 'Defence Capability Management' be utilised?
- The increase for Special Forces Operation should be explained. Does this imply that there will be increased foreign/domestic operations by the SANDF Special Forces in 2015/16? (The PCDMV should consider requesting a closed meeting on SANDF Special Forces deployments).
- Why has spending on Training and development been decreased despite the SANDF's ongoing participation in peacekeeping missions and other operational areas? Will this impact negatively on such SANDF deployments?
- The significant reduction in spending on Machinery and Equipment may also have operational implications. Will this impact negatively on the available of primary mission equipment to deployed soldiers (both internally and externally)?
- Although spending on Travel and Subsistence decreased, the Committee should request a breakdown of the exact costs spent on chartered aircraft per peace mission. This will aid further in establishing whether South Africa should prioritise the acquisition of strategic airlift capabilities for the SA Air Force.

7.4.2 Performance Indicators for Programme 2 (Force Employment)²²

A number of performance indicators for Programme 2 (Force employment) were set in the DOD Annual Performance Plan. A total of 13 targets are reflected of which five are classified. Classified targets include:

- Percentage compliance with force levels for external Operations.
- Percentage compliance with serviceability of main equipment for external operations.
- Percentage of value of reimbursement by the AU/UN recognised.
- Percentage compliance with self-sustainment of personnel.
- Percentage compliance with Joint force requirements as resourced.

The target for internal operations, which in previous years were reflected as one target, has been diversified and now includes four separate targets. These and other targets are reflected in Table 7.

Table 7: Performance Indicators for the Force Employment programme

Performance Indicator	Audited Outcome	Estimated Performance	Estimated Performance
	2013/14	2014/15	2015/16
Percentage compliance with SADC Standby Force agreement and South African pledge	79%	100%	100%
Percentage compliance with number of ordered commitments (external operations)	75% (3)	100% (3)	100%

²² Department of Defence. (2015). p. 92-94



Percentage compliance with number of ordered commitments (internal operations)	100% (4)	100% (4)	100%
Number of joint, interdepartmental and multinational military exercises conducted per year	5	9	5
Number of landward sub-units deployed on border safeguarding per year	13	13	13
Percentage compliance with number of ordered commitments (internal operations – safety and security)	100%	100%	100%
Percentage compliance with number of ordered commitments (internal operations – disaster aid and relief)	100%	100%	100%
Percentage compliance with number of ordered commitments (internal operations – search and rescue)	100%	100%	100%

The Committee may seek further clarity on:

- Why have targets that were made public until 2014/15 now been classified? Of specific importance is the 'percentage of the value of reimbursements by the AU/UN recognised' which is now a classified target. It is essential for the PCDMV to have access to this information to ensure that the SANDF received back funds that were put into foreign peace missions. This will also help the PCDMV determine operational readiness of deployed forces.
- The 100% compliance with SADC Standby Force requirements in 2015/16 is commendable. However, it should be inquired whether other countries are contributing equally and whether any collaborative training exercises were held.
- In previous years, the number of multinational exercises posed a problem due to cancellations by other nations. What measures have been put in place to prevent this in 2015/16?
- In a number of engagement with the PCDMV, the Secretary for Defence indicated that 13 sub-units are not adequate for the purpose of borderline safeguarding. However, the target of 13 units set for 2015/16 are set to remain in place over the MTEF period. What can be done to increase this number? Given that there will be a 30% increase in the call-up for Reserve Force members, will these members be utilised for the function of borderline safeguarding? Why does this then not result in increased borderline deployments?
- Will technology be utilised to serve as a force multiplier in borderline safeguarding operations? If so, what are the details? If not, why not?



7.5 Programme 3: Landward Defence

7.5.1 2015/16 Allocations to Programme 3 (Landward Defence)²³

The Landward Defence programme is the largest programme in the defence budget constituting 32.21 per cent of the Department's total budget for 2015/16. It provides prepared and supported landward defence capabilities for the defence and protection of South Africa. Arresting decline in terms of Landward Defence was identified as one of the priorities of Milestone 1 of the 2014 Defence Review. The two largest sub-programmes in this Programme are (1) the Infantry Capability and (2) the Support Capability. While allocation for this programme increased by 4.0 per cent in nominal terms, it decreased by 0.81 per cent in real terms from 2014/15 to 2015/16.

Table 8: Nominal and real increases/decreases in the Landward Defence Programme

Programme 3: Landward Defence R million	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	2014/15	2015/16				
Sub-programme 1: Strategic Direction	401.6	366.8	- 34.8	- 51.6	-8.67 per cent	-12.85 per cent
Sub-programme 2: Infantry Capability	5 340.3	5 816.4	476.1	209.7	8.92 per cent	3.93 per cent
Sub-programme 3: Armour Capability	392.6	398.6	6.0	- 12.3	1.53 per cent	-3.12 per cent
Sub-programme 4: Artillery Capability	445.6	527.5	81.9	57.7	18.38 per cent	12.96 per cent
Sub-programme 5: Air Defence Artillery Capability	492.2	580.5	88.3	61.7	17.94 per cent	12.54 per cent
Sub-programme 6: Engineering Capability	634.3	642.9	8.6	- 20.8	1.36 per cent	-3.29 per cent
Sub-programme 7: Operational Intelligence	193.8	218.7	24.9	14.9	12.85 per cent	7.68 per cent
Sub-programme 8: Command and Control Capability	180.7	198.1	17.4	8.3	9.63 per cent	4.61 per cent
Sub-programme 9: Support Capability	4 634.3	4 414.6	- 219.7	- 421.9	-4.74 per cent	-9.10 per cent
Sub-programme 10: General Training Capability	406.6	504.7	98.1	75.0	24.13 per cent	18.44 per cent
Sub-programme 11: Signal Capability	1 119.8	1 136.7	16.9	- 35.2	1.51 per cent	-3.14 per cent
TOTAL	14 241.9	14 805.3	563.4	- 114.7	4.0 per cent	-0.81 per cent

²³ National Treasury (2013). p. 507-510.



The largest reduction in funds from 2014/15 to 2015/16 in Programme 3 (Landward Defence) was for the Strategic Direction subprogramme (12.85 per cent) and the Support Capability, which decreased by 9.10 per cent in real terms. This is the second consecutive reduction in the allocation for the Support Capability which decreased by 15.31 per cent in real terms from 2013/14 to 2014/15. The aim of this sub-programme is to provide support to units, bases and deployed combat units. Given the ongoing focus on regional and internal deployments of the SANDF, it is thus unclear how this reduced allocation for support services will affect deployed units. Smaller reductions are also reflected in real terms for the Armour capability, the Engineering capability and the signal capability.

The largest increase can be observed in Artillery and Air Defence Artillery capabilities where the allocation for 2015/16 increased by 12.96 and 12.54 per cent respectively. These are, however, smaller increases than was allocated to the General Training capability where the allocation increased by 18.44 per cent in real terms. Finally, the Operational Intelligence capability received a real percentage increase of 7.68 per cent.

In terms of economic classifications, the following should be noted:

- A significant increase in funds for contractors from R437.1 million in 2014/15 to R542.6 million in 2015/16.
- An increase in terms of departmental agencies and accounts from R2 158.6 million in 2014/15 to R2 450.0 million in 2015/16.
- A reduction in the allocation for clothing material and accessories from R141.6 million in 2014/15 to R116.3 million in 2015/16. This may impact negatively on the availability of uniforms for the SANDF deployments.
- A reduction in spending on Machinery and Equipment from R67.6 million in 2014/15 to R34.6 million in 2015/16.
- A reduction in spending on specialised military assets from R20 million in 2014/15 to R3.8 million in 2015/16.

The Committee may seek further clarity on:

- Since Landward Defence's renewal has been prioritised in the Defence Review, how will the real percent reduction in allocation affect these efforts at renewal?
- What are the reasons for the reduction in funds allocated to the Support Capacity? How will this impact on the ability of the DOD to support internal and external operations?
- What will the increased allocations for Artillery and Air Defence Artillery be used for?
- The allocation for General Training increased significantly (18.44 per cent in real terms). What will this be used for? (Members should note that the MSDS intake for the year is only approximately 1 842 members across *all* arms of service).
- The increased allocation for Operational intelligence should be commended as this has been noted in the past as one of the SANDF's pitfalls in terms of operational capacity. Members should follow up on what the funds will be used for and future briefings by the DOD should highlight the successes and challenges in terms of expanding this capability.
- Why is there such a significant increase in the allocation for Contractors?
- What will the increased funds for departmental agencies and accounts be used for?
- The reduction in the allocation for clothing material and accessories should be explained. Will this, for example, impact on the availability of uniforms for SANDF members?



- The reduction in spending on Machinery and Equipment as well as specialised military assets should be explained. Members may also inquire whether this will result in the decreased availability of equipment for operations.
- In relations to decreased spending on machinery and equipment, will this affect Project Hoefytser? Additionally, the Committee should request a timeline for delivery of the vehicles to be purchased under Project Hoefytser.

7.5.2 Performance Indicators for Programme 3 (Landward Defence)²⁴

In previous years (up to 2013/14), the DOD Annual Performance Plans indicated four Performance indicators for the Landward Defence Programme. However, three of these were considered to contain classified information. In 2014/15, one additional target was included (Percentage compliance with DOD training targets). As such, from 2014/15 onwards, only two performance indicator are referenced in the Annual Performance Plan, as indicated in Table 9.

Table 9: Performance indicators for the Landward Defence programme

Performance Indicator	Audited Outcome	Estimated Performance	Estimated Performance
	2013/14	2014/15	2015/16
Percentage compliance with the number of ordered commitments (external operations)	100%	100%	100%
Percentage compliance with DOD training targets	New target	80% (3 466)	80% (3 146)

The Committee may seek further clarity on:

- Why is the percentage compliance with DOD training targets set at only 80%? Why is 100% not achievable? (This should be viewed against the set increase in funds allocated to the General Training Capability, yet the target remains static.)

7.6 Programme 4: Air Defence²⁵

7.6.1 2015/16 Allocations to Programme 4 (Air Defence)

The Air Defence programme, which has 11 sub-programmes, is the second largest programme in the Defence budget constituting 15.81 per cent of the Department’s total budget. Fund allocations to this programme decreased by 1.8 per cent and 6.27 per cent in nominal and real terms respectively from the previous financial year as shown in Table 10. Sub-programme 4 (Transport and Maritime Capability) represents the largest sub-programme and accounts for about 26 per cent of the programme’s total budget. The arresting of the decline in the Air Defence Programme was also prioritised under Milestone 1 of the Defence Review. In addition, it is revealed in the ENE that the DOD will be acquiring equipment and developing systems to maintain a modern and balanced technologically advanced air force. It has budgeted for medium and light transport aircraft, a new generation mobile communications capability and

²⁴ Department of Defence. (2015). p. 102-103

²⁵ National Treasury (2014). pp. 341-343.



precision guided air force weaponry. This budgeting will, however, only come into effect in 2016/17 and 2017/18.²⁶

The most significant real percentage increases in terms of subprogrammes are reflected in the Command and Control capability (94.4 per cent), the Operational Direction capability (23.5 per cent), and the Technical Support services (22.24 per cent). A smaller increases are also indicated for the Air Combat Capability (18.40 per cent). Of significance is that it would seem that strategic management within the Air Defence programme is being prioritised. This may relate to the implementation of the Defence Review.

In terms of real percentage decreases, the transport and maritime capability was most affected with a decrease of 59.24 per cent. The training capability also saw a decreased allocation of 14.92 per cent in real terms while the Base Support capability's funds decreased by 7.25 per cent in real terms. The training capability's decrease should be highlighted as it stands in direct opposition to the significant increase of, for example, the Landward Defence's increased allocation to its training capability.

Table 10: Nominal and real increases/decreases in the Air Defence Programme

Programme: Air Defence R million	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	2014/15	2015/16				
Sub-programme 1: Strategic Direction	16.7	16.8	0.1	- 0.7	0.60 per cent	-4.01 per cent
Sub-programme 2: Operational Direction	137.3	177.7	40.4	32.3	29.42 per cent	23.50 per cent
Sub-programme 3: Helicopter Capability	737.0	801.5	64.5	27.8	8.75 per cent	3.77 per cent
Sub-programme 4: Transport and Maritime Capability	1 861.1	794.9	- 1 066.2	- 1 102.6	-57.29 per cent	-59.24 per cent
Sub-programme 5: Air Combat Capability	1 158.3	1 437.2	278.9	213.1	24.08 per cent	18.40 per cent
Sub-programme 6: Operational Support and Intelligence Capability	265.4	284.7	19.3	6.3	7.27 per cent	2.36 per cent
Sub-programme 7: Command and Control Capability	442.5	901.5	459.0	417.7	103.73 per cent	94.40 per cent
Sub-programme 8: Base Support Capability	1 785.3	1 735.3	- 50.0	- 129.5	-2.80 per cent	-7.25 per cent
Sub-programme 9: Command Post	50.6	54.8	4.2	1.7	8.30 per cent	3.34 per cent
Sub-programme 10: Training Capability	206.8	184.4	- 22.4	- 30.8	-10.83 per cent	-14.92 per cent

²⁶ National Treasury (2014). pp. 332.



- The reduction in spending on Machinery and Equipment as well as specialised military assets should be explained. Members may also inquire whether this will result in the decreased availability of equipment for operations.
- In relations to decreased spending on machinery and equipment, will this affect Project Hoefytser? Additionally, the Committee should request a timeline for delivery of the vehicles to be purchased under Project Hoefytser.

7.5.2 Performance Indicators for Programme 3 (Landward Defence)²⁴

In previous years (up to 2013/14), the DOD Annual Performance Plans indicated four Performance indicators for the Landward Defence Programme. However, three of these were considered to contain classified information. In 2014/15, one additional target was included (Percentage compliance with DOD training targets). As such, from 2014/15 onwards, only two performance indicator are referenced in the Annual Performance Plan, as indicated in Table 9.

Table 9: Performance indicators for the Landward Defence programme

Performance Indicator	Audited Outcome	Estimated Performance	Estimated Performance
	2013/14	2014/15	2015/16
Percentage compliance with the number of ordered commitments (external operations)	100%	100%	100%
Percentage compliance with DOD training targets	New target	80% (3 466)	80% (3 146)

The Committee may seek further clarity on:

- Why is the percentage compliance with DOD training targets set at only 80%? Why is 100% not achievable? (This should be viewed against the set increase in funds allocated to the General Training Capability, yet the target remains static.)

7.6 Programme 4: Air Defence²⁵

7.6.1 2015/16 Allocations to Programme 4 (Air Defence)

The Air Defence programme, which has 11 sub-programmes, is the second largest programme in the Defence budget constituting 15.81 per cent of the Department’s total budget. Fund allocations to this programme decreased by 1.8 per cent and 6.27 per cent in nominal and real terms respectively from the previous financial year as shown in Table 10. Sub-programme 4 (Transport and Maritime Capability) represents the largest sub-programme and accounts for about 26 per cent of the programme’s total budget. The arresting of the decline in the Air Defence Programme was also prioritised under Milestone 1 of the Defence Review. In addition, it is revealed in the ENE that the DOD will be acquiring equipment and developing systems to maintain a modern and balanced technologically advanced air force. It has budgeted for medium and light transport aircraft, a new generation mobile communications capability and

²⁴ Department of Defence. (2015). p. 102-103

²⁵ National Treasury (2014). pp. 341-343.



precision guided air force weaponry. This budgeting will, however, only come into effect in 2016/17 and 2017/18.²⁶

The most significant real percentage increases in terms of subprogrammes are reflected in the Command and Control capability (94.4 per cent), the Operational Direction capability (23.5 per cent), and the Technical Support services (22.24 per cent). A smaller increases are also indicated for the Air Combat Capability (18.40 per cent). Of significance is that it would seem that strategic management within the Air Defence programme is being prioritised. This may relate to the implementation of the Defence Review.

In terms of real percentage decreases, the transport and maritime capability was most affected with a decrease of 59.24 per cent. The training capability also saw a decreased allocation of 14.92 per cent in real terms while the Base Support capability's funds decreased by 7.25 per cent in real terms. The training capability's decrease should be highlighted as it stands in direct opposition to the significant increase of, for example, the Landward Defence's increased allocation to its training capability.

Table 10: Nominal and real increases/decreases in the Air Defence Programme

Programme: Air Defence R million	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	2014/15	2015/16				
Sub-programme 1: Strategic Direction	16.7	16.8	0.1	- 0.7	0.60 per cent	-4.01 per cent
Sub-programme 2: Operational Direction	137.3	177.7	40.4	32.3	29.42 per cent	23.50 per cent
Sub-programme 3: Helicopter Capability	737.0	801.5	64.5	27.8	8.75 per cent	3.77 per cent
Sub-programme 4: Transport and Maritime Capability	1 861.1	794.9	- 1 066.2	- 1 102.6	-57.29 per cent	-59.24 per cent
Sub-programme 5: Air Combat Capability	1 158.3	1 437.2	278.9	213.1	24.08 per cent	18.40 per cent
Sub-programme 6: Operational Support and Intelligence Capability	265.4	284.7	19.3	6.3	7.27 per cent	2.36 per cent
Sub-programme 7: Command and Control Capability	442.5	901.5	459.0	417.7	103.73 per cent	94.40 per cent
Sub-programme 8: Base Support Capability	1 785.3	1 735.3	- 50.0	- 129.5	-2.80 per cent	-7.25 per cent
Sub-programme 9: Command Post	50.6	54.8	4.2	1.7	8.30 per cent	3.34 per cent
Sub-programme 10: Training Capability	206.8	184.4	- 22.4	- 30.8	-10.83 per cent	-14.92 per cent

²⁶ National Treasury (2014). pp. 332.



Sub-programme 11: Technical Support Services	515.5	660.4	144.9	114.7	28.11 per cent	22.24 per cent
TOTAL	7 176.6	7 049.2	-127.4	-450.3	-1.8 per cent	-6.27 per cent

In terms of economic classifications, there is an increase for contractors from R1 215.9 million in 2014/15 to R1 303.0 million in 2015/16. In contrast to most other programmes, the allocation for Travel and Subsistence for this programme also increased from R24.3 million to R55.8 million. Finally, the increase in the allocation for training and development should be noted (from R19.2 million in 2014/15 to R51.4 million in 2015/16). This requires clarification as, in terms of the economic classifications, there is an increase for training and development, but the subprogramme for Training Capacity showed a significant real percentage decrease in its allocation. Machinery and Equipment also received an increased allocation from R3.8 million in 2014/15 to R43 million in 2015/16.

A significant decrease that should be noted is for Fuel, Oil and Gas from R211.3 million in 2014/15 to R166.1 million in 2015/16. It should be questioned to which extent this affects the operational capabilities of the SA Air Force, specifically its target related to flying hours. There is also a substantial decrease in the allocation for Departmental Agencies and Accounts from R2121.2 million in 2014/15 to R1837.6 million in 2015/16.

The Committee may seek further clarity on:

- Why is there such a significant increase (94.4 per cent in real terms) for the Command and Control subprogramme? How will these funds be utilised?
- There is a decrease of 59.24 per cent in real terms related to the Transport and Maritime capability. What are the reasons for this and how will it affect the SA Air Force's ability to maintain its transport flights? Given this decrease, will the SA Air Force still be able to provide effective support to the SA Navy?
- It is stated that the Air Defence Programme has budgeted for medium and light transport aircraft, a new generation mobile communications capability, and precision guided air force weaponry to be purchased from 2016/17 onwards. However, the Programme's budget is set to decrease significantly in nominal terms by 2016/17. How will these targets be achieved?
- A significant decrease that should be noted is for Fuel, Oil and Gas from R211.3 million in 2014/15 to R166.1 million in 2015/16. It should be questioned to which extent this affects the operational capabilities of the SA Air Force, specifically its target related to flying hours?
- What resulted in the decrease for Departmental Agencies and Accounts?
- What will the increased funds for Machinery and Equipment be utilised for?



7.6.2 Performance Indicators²⁷

For 2014/15, only one performance indicator (Number of force employment hours flown per year) was provided. Another target was added for 2015/16 related to DOD training requirements. Other targets remain classified. Measureable targets are reflected in Table 11.

Table 11: Available performance indicators

Performance Indicator	Audited Performance	Estimated Performance	Estimated Performance
	2013/14	2014/15	2015/16
Number of force employment hours flown per year	4 471	6 985	6 500
Percentage compliance with DOD training targets	New target	80% (1 008)	80% (834)

The Committee may seek further clarity on:

- Even though the Training capability subprogramme received a decreased allocation, there was a comparative increase in funding allocated for training and development in terms of the economic classifications. This should be explained. It should also be explained in the context of a decrease in the number of students to be trained in 2015/16.
- In 2011/12 and 2012/13, the SA Air Force reached a total of 11 256 and 11 697 flying hours respectively. This decreased significantly thereafter and is set to remain at 6500 over the MTEF period. During previous visits by the PCDMV to Air Force bases, pilots decried the lack of flying hours in the SAAF. Why are no efforts made to increase flying hours over the MTEF period? How does the lack of flying hours impact on pilot and navigator training?
- Several qualified pilots are currently continuing with their Bachelor of Military Science studies at the Faculty of Military Science (Military Academy). As such they have less flying hours annually. Does the lack of flying opportunities (hours) impact on the morale of pilots? If yes, what are measures in place to ensure that the pilots get more flying hours in order to ensure their operational readiness?

7.7 Programme 5: Maritime Defence²⁸

7.7.1 2015/16 Allocations to Programme 5 (Maritime Defence)

The Maritime Defence programme has 5 sub-programmes and is responsible for providing prepared and supported maritime defence capabilities for the defence and protection of South Africa. This programme constitutes 8.39 per cent of the total defence budget for 2015/16. As illustrated in Table 12, the programme showed an increase of 1.1 per cent in nominal terms which resulted in a 3.58 per cent decrease in real terms from the previous year. Sub-

²⁷ Department of Defence. (2015). p. 102-103.

²⁸ National Treasury (2014). p. 343-344.



programme 4 (Maritime Human Resources and Training Capability) received the largest increase of 14.6 per cent in real terms. This increase is in line with the growth of personnel numbers in the programme by approximately 500 from 2014/15 to 2015/16. The Maritime Logistic Support Capability showed the biggest decreased allocation (17.84 per cent in real terms) between 2014/15 and 2015/16.

In terms of economic classifications, there is a major decrease in payments to contractors from R363.5 million in 2014/15 million to R262.7 million in 2015/16. Inventory (other supplies) also decreases from R145.7 million in 2014/15 to R59.2 million in 2015/16.

Table 12: Nominal and real increases/decreases in the Maritime Defence Programme

Programme 5: Maritime Defence	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16	
	R million	2014/15	2015/16				
Sub-programme 1: Maritime Direction		520.8	537.7	16.9	- 7.7	3.25 per cent	-1.48 per cent
Sub-programme 2: Maritime Combat Capability		1 200.9	1 252.5	51.6	- 5.8	4.30 per cent	-0.48 per cent
Sub-programme 3: Maritime Logistic Support Capability		989.3	851.8	- 137.5	- 176.5	-13.90 per cent	-17.84 per cent
Sub-programme 4: Maritime Human Resources and Training Capability		383.6	460.7	77.1	56.0	20.10 per cent	14.60 per cent
Sub-programme 5: Base Support Capability		583.9	614.6	30.7	2.6	5.26 per cent	0.44 per cent
TOTAL		3 678.5	3 717.2	38.7	-131.6	1.1 per cent	-3.58 per cent

The Committee may seek further clarity on:

- The Maritime Logistic Support Capability received a significant decrease compared to the previous financial year. How will this impact on SA Navy operations?
- The decreased payments to contractors should be commended.
- What does the economic classification 'Inventory (other supplies)' refer to? Why was its allocation so significantly decreased and what is the impact of this decrease?
- The budget for this programme is set to receive a significant boost in 2016/17. What are the reasons for this boost?

7.7.2 Performance indicators²⁹

Only two measurable targets are reflected in terms of Programme 5 (Maritime Defence) which relates to hours at sea and DOD training requirements (See Table 13).

²⁹ Department of Defence. (2015). p. 106-107.



Table 13: Available performance indicators³⁰

Performance Indicator	Audited Performance	Estimated Performance	Estimated Performance
	2013/14	2014/15	2015/16
Number of hours at sea	11 081	12 000	12 000
Percentage compliance with DOD training requirements	New target	80% (460)	80% (422)

The Committee may seek further clarity on:

- The PCDMV may request a breakdown of the seagoing hours. How much of this is allocated to Operation COPPER and how much are allocated to, for example, other functions such as the submarine capability and the hydrographic capability?
- The number of personnel in this programme is set to grow by approximately 500. Yet, only 422 training opportunities will be afforded. Why is there such a disconnect between these figures?
- Why are no efforts made to increase the number of sea-hours over the MTEF period? How will this impact on the SA Navy's ability to do additional patrols in Atlantic seaboard?
- Is sufficient resources allocated to ensure the effective patrolling of South Africa's offshore territories (Prince Edward Islands)? How often are these waters patrolled?

7.8 Programme 6: Military Health Support³¹

7.8.1 2015/16 Allocations to Programme 6 (Military Health Support)

With an allocation of R3.93 billion in 2015/16, the Military Health Support programme constitutes 8.82 per cent of the total defence budget. The programme received an increase of 2.2 per cent in nominal terms which translates to a decrease of 2.5 per cent in real terms as shown in Table 14. With regards to the various sub-programmes, sub-programme 3 (Area Military Health Service) received an increase of 4.91 per cent in real terms. The military hospitals and area military health units fall under this subprogramme. The only other subprogramme to receive an increase was the Military Health Training Capability with a real increase of 2.74 per cent.

The most significant decreases were noted for sub-programme 5 (Military Health Product Support Capability) which received a 28.08 per cent decrease in real terms. This is the second consecutive real percentage decrease for the subprogramme as, in 2014/15, it received a decrease of 38.81 per cent. Sub-programme 1 (Strategic Direction) also received a real decrease of 7.63 per cent while Mobile Military Health Support's allocation decreased by 5.62 per cent in real terms.

In terms of economic classifications, an increase was noted for compensation of employees, which increased from R2 670.8 million in 2014/15 to R2 978.3 million in 2015/16. This increase

³⁰ Department of Defence. (2014a). p. 106-107.

³¹ National Treasury (2014). pp. 500-502.



is of concern as the personnel figures for Programme 6 is only expected to increase by 272 members. Decreases in spending can be noted in terms of Contractors from R147.2 million in 2014/15 to R87.7 million in 2015/16. Medical supplies inventory also decreased from R95 million to R71.7 million which is cause for concern as it may affect front-line medical treatment capacity. Similarly, medicine inventory decreased from R163.3 million in 2014/15 to R126.2 million in 2015/16.

Table 14: Nominal and real increases/decreases in the Military Health Support Programme

Programme 6: Military Health Support	Budget		Nominal Increase / Decrease in 2015/16	Real Increase/ Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	R million	2014/15				
Sub-programme 1: Strategic Direction	178.3	172.6	- 5.7	- 13.6	-3.20 per cent	-7.63 per cent
Sub-programme 2: Mobile Military Health Support	118.9	117.6	- 1.3	- 6.7	-1.09 per cent	-5.62 per cent
Sub-programme 3: Area Military Health Service	1 258.1	1 383.2	125.1	61.7	9.94 per cent	4.91 per cent
Sub-programme 4: Speciality/Tertiary Health Services	1 410.2	1 399.3	- 10.9	- 75.0	-0.77 per cent	-5.32 per cent
Sub-programme 5: Military Health Product Support Capability	247.7	186.7	- 61.0	- 69.6	-24.63 per cent	-28.08 per cent
Sub-programme 6: Military Health Maintenance Capability	248.4	256.6	8.2	- 3.6	3.30 per cent	-1.43 per cent
Sub-programme 7: Military Health Training Capability	387.3	417.0	29.7	10.6	7.67 per cent	2.74 per cent
TOTAL	3 849.1	3 932.9	83.8	- 96.3	2.2 per cent	-2.5 per cent

The Committee may seek further clarity on:

- Is the 4.91 per cent real increase for subprogramme 3 (Area Military Health Service) sufficient to address the needs at military hospitals and other military facilities?
- Sub-programme 5 (Military Health Product Support Capability) received its second major decreased allocation in a row. Why is this and what will be the impact on the procurement of much needed unique military health products?
- The 5.62 per cent real decrease in the allocation for mobile military health support should be questioned. How will this impact on the SANDF's ability to provide quality medical support to deployed forces abroad and for Operation Corona?
- What explains the significant increase of more than R300 million in terms of compensation of employees?
- The DOD should be commended for the reduction in spending on Contractors. However, the PCDMV should inquire how much is spent per annum on the outsourcing of medical services to private doctors and institutions.



- The reduction in the allocation for 'Medical supplies inventory' and 'Medicine inventory' should be explained. How will this affect the ability of the SANDF to provide medical treatment to its members?
- The PCDMV should view all the above decreases in financial allocation against the increased need for medical services for Military Veterans. It may thus be of value to ask for clarity on the procedure for providing medical services to Military Veterans through the Department of Military Veterans. Are there any challenges in this regard? How many medical activities were performed in relation to Military Veterans? Are funds transferred from the DMV to the DOD for such services rendered? Is this placing an increased burden on medical practitioners at Military Health Facilities or are there sufficient staff to deal with the increased requirement?
- During the oversight visit in August 2013, the management of 1 Military Hospital informed the PCDMV that the hospital was facing several challenges ranging from the lack of specialists to incomplete renovations of the First Floor. These contributed to the decision not to treat the late former President Nelson Mandela. According to reports, the Minister has instituted an independent task team looking, among others, at why medical doctors are leaving the SANDF and problems in 1 Military Hospital.³² What is the current state of 1 Military Hospital, 2 Military and 3 Military Hospitals? Perhaps the Committee should request a briefing on the findings of the task team in order to intervene proactively to ensure that the challenges within SAMHS are resolved.

7.8.2 Performance indicators³³

In 2013/14, six performance indicators were identified for Programme 6 (Military Health Support) of which three lacked information due to a confidential security clearance.³⁴ For 2014/15, no indicators were indicated for this programme in the APP, but information for three of them were again supplied in the 2015/16 APP. Information for previous years were also included where applicable (See Table 15)

Table 15: Available performance indicators

Performance Indicator	Audited Performance	Estimated Performance	Estimated Performance
	2013/14	2014/15	2015/16
Number of health activities per year	2 331 135	2 140 550	2 140 550
Percentage compliance with DOD training targets	New target	80% (648)	80% (648)

³² Gibson. (2014b).

³³ Department of Defence. (2015). p. 110-111.

³⁴ Department of Defence. (2013). p.67. and Department of Defence (2012b). p. 56.



Percentage availability of medical stock	67%	50%	50%
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The Committee may seek further clarity on:

- Given the projected growth of the DOD in terms of personnel over the MTEF period, why is the number of expected health activities per year not adjusted upwards as well? (The addition of Military Veterans will further heighten the need for such activities)
- Why has the percentage availability of medical stock target been decreased from 67 per cent in 2013/14 to 50 per cent in 2014/15 and over the MTEF period? Is this sufficient?

7.9 Programme 7: Defence Intelligence³⁵

7.9.1 2015/16 Allocations to Programme 7 (Defence Intelligence)

This Programme has three sub-programmes. No major shifts were apparent for the 2015/16 financial year. Programme 7 (Defence Intelligence) is the smallest of the defence programmes with an allocation of R827.5 million, an increase of 1.7 per cent in nominal terms and a decrease of 2.96 per cent in real terms as compared to 2014/15 as shown in Table 15. It provides a defence intelligence and counter-intelligence capability to the SANDF. Sub-programme 2 (Operations) received the largest real percentage decrease (7.38 per cent). On the other hand, the Defence intelligence Support Services received a real percentage increase of 3.16 per cent. The overall real percentage decrease in funding for this programme brings into question the prioritisation of a cyber-security capability through the Defence Intelligence programme.

In terms of economic classifications, no major shifts are apparent. The largest variance is an increase for Compensation of employees, which increased from R318.5 million in 2014/15 to R345.5 million in 2015/16. A total of 75 new members will be added to this programme in 2015/16.

³⁵ National Treasury (2015). pp. 345-346.



Table 16: Nominal and real increases/decreases in the Defence Intelligence Programme

Programme 7: Defence Intelligence	Budget		Nominal Increase / Decrease in 2015/16	Real Increase / Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	2014/15	2015/16				
R million						
Sub-programme 1: Strategic Direction	0.1	0.1	0.0	0.0	0.00 per cent	-4.58 per cent
Sub-programme 2: Operations	473.6	459.7	- 13.9	- 35.0	-2.93 per cent	-7.38 per cent
Sub-programme 3: Defence Intelligence Support Services	340.1	367.7	27.6	10.8	8.12 per cent	3.16 per cent
TOTAL	813.7	827.5	13.8	- 24.1	1.7 per cent	-2.96 per cent

7.9.2 Performance indicators³⁶

In 2014/15, only one indicator was identified for this programme as compared to four in 2013/14. The 2015 APP does, however, indicate five targets. These are reflected in Table 17.

Table 17: Available performance indicators

Performance Indicator	Audited Performance	Estimated Performance	Estimated Performance
	2013/14	2014/15	2015/16
Development of Cyber Warfare Strategy	New target	Draft strategy approved by JCPS Ministers	Approved Cyber Warfare strategy
Number of Defence Intelligence products	579	324	448
Percentage compliance with number of ordered commitments (external operations)	100%	100%	100%
Number of vetting decisions taken	6 124	4000	5000
Level of implementation of cyber warfare plan	New target	Establish Cyber Command HQ	Migration and merger of cyber functions and capabilities

³⁶ Department of Defence. (2014a). p.25.



The Committee may seek further clarity on:

- The ENE reveals that for 2015/16, a total of 75 new members will be added to this programme. Is this sufficient to handle (1) the increased target for Vetting and, (2) the increased requirements for the establishment of the Cyber Warfare capability?
- Why has there been a comparative decrease in the number of Defence Intelligence Products when comparing the output in 2015/16 and 2014/15 to that of 2013/14?

7.10 Programme 8: General Support³⁷

7.10.1 2015/16 Allocations to Programme 8 (General Support)

The General Support programme is the third largest programme in the defence budget and constitutes 13.05 per cent thereof. In 2014/15, the programme received an 8 per cent decrease in nominal terms which resulted in a 13.36 per cent decrease in real terms. In 2015/16, however, it received a renewed financial injection in the form of a 13.8 per cent nominal increase in allocation, which relates to an 8.61 per cent real increase. The increase was mainly for subprogramme 1 (Joint Logistics Services) which received a 24.03 per cent increase in real terms. This may relate to the increasing capacity of the Defence Works Formation which is housed in this subprogramme. Most other subprogrammes reflected a real percentage decrease. The most significant thereof is the Departmental Support capability with an 11.48 per cent decrease and the Technology Development capability with an 8.53 per cent decrease.

In terms of economic classifications, there is a significant increase from R1 545.9 million in 2014/15 to R2 177.2 million in 2015/16. This should be viewed against an increase in personnel by 316 for the programme. There is a major decrease in the allocation for contractors from R151.7 million in 2014/15 to R118.3 million in 2015/16. Finally, while R23 million was spent on specialised military equipment in 2014/15, no funds were allocated for this item in 2015/16.

Table 18: Nominal and real increases/decreases in the General Support Programme

Programme: General Support	Budget		Nominal Increase/Decrease in 2015/16	Real Increase/Decrease in 2015/16	Nominal Percent change in 2015/16	Real Percent change in 2015/16
	R million	2014/15				
Sub-programme 1: Joint Logistic Services		2 371.7	3 082.8	711.1	569.9	29.98 per cent 24.03 per cent
Sub-programme 2: Command and Management Information Systems		867.0	954.8	87.8	44.1	10.13 per cent 5.08 per cent
Sub-programme 3: Military Police		518.4	510.1	- 8.3	- 31.7	-1.60 per cent -6.11 per cent
Sub-programme 4: Technology Development		442.6	424.3	- 18.3	- 37.7	-4.13 per cent -8.53 per cent

³⁷ National Treasury (2013). p. 346-348



Sub-programme 5: Departmental Support	910.8	844.9	- 65.9	- 104.6	-7.24 per cent	-11.48 per cent
TOTAL	5 110.5	5 817.0	706.5	440.1	13.8 per cent	8.61 per cent

The Committee may seek further clarity on:

- Whether the increase for the Joint Logistics Services is, in fact, for the purpose of expanding the Defence Works Formation? What additional programmes will this formation take on in 2015/16? Have past projects proven successful and is the programme, in general, more successful than having DPW fulfil these functions?
- What will the impact of the decrease in the allocation to Departmental Support be?
- There is a large increase in the allocation for compensation of employees. This requires further explanation.
- The reduction in payments to contractors should be commended.
- Why were no funds allocated for specialised military equipment? What will be the impact of this?

7.10.2 Performance indicators³⁸

For 2014/15, no indicators were indicated for this programme in the APP. For 2015/16, however, a total of 14 targets were included, one of which includes classified information.

Table 18: Available performance indicators

Performance Indicator	Audited Performance	Estimated Performance	Estimated Performance
	2013/14	2014/15	2015/16
DOD Overarching Logistics Strategy	Not approved	Not approved	Completed
Compliance with DOD Refurbishment Programme	67.8% (24)	70% (60)	100% (56)
Percentage of approved capital works plan projects completed	22.22% (2)	70% (17)	70% (8)
Percentage compliance with DOD codification requirements	75.51%	80%	100%
Percentage request approved for disposal against requests received	73%	100%	100%

³⁸ Department of Defence. (2015). p.119 – 122.



Percentage ammunition disposed against the number of planned disposals	108% (650)	100% (1000)	100% (1000)
Percentage procurement requests completed within 90 days	161.63% (12 928)	100% (8000)	100%
Percentage compliance with DOD ICT portfolios of the Defence enterprise Information Systems Master Plan	100%	100%	100%
Percentage availability of the Defence Information and Communications infrastructure	98%	98%	98%
Percentage of cases of corruption and fraud investigated	New target	100% (80)	100% (80)
Number of crime prevention operations	227	248	248
Percentage reduction of criminal cases (backlog)	New target	20%	20%
Percentage criminal cases finalised	New target	10%	10%

The Committee may seek further clarity on:

- The target 'Percentage of approved capital works plan projects completed' should be explained. Does this refer to Defence Works Formation projects? Why has the number of projects decreased from 17 in 2014/15 to 8 in 2015/16?
- The last four targets in Table 18 are a repetition of similar targets in Programme 1. It should be suggested that aspects such as fraud investigation be combined into a single performance indicator that are not repeated in individual programmes.



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