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VOTE 19: ANALYSIS OF THE 2016/17 DEPARTMENT OF DEFENCE BUDGET ALLOCATION

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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 The DOD Budget Vote has eight programmes with various sub-programmes through which planning for the Department is conducted. The Budget for 2016/17 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

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



2016/17.² 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).

2. OVERVIEW OF THE 2015/16 FINANCIAL YEAR³

Spending during the 2015/16 financial year was generally in line with projections. By the end of the Third Quarter on 31 December 2015, a total of R31.911 billion of the Department's adjusted budget of R45.088 billion had been spent, representing 70.8 per cent of the total budget. At programme level, variations between the projected and actual expenditure were marginal. The largest variation was with the Force Employment Programme, which spent only 58.3 per cent of its allocated budget against a projected expenditure of 64.9 per cent. The Department indicated that the slow spending on Force Employment is due to a planned spending cycle that will require significant spending in the last two months of the financial year. The General Support Programme in turn spent 70.6 per cent of its adjusted allocation against a projection of 66.3 per cent.

In terms of performance targets set for the year, the Department did well to maintain a positive overall performance. Nonetheless, by the end of the Third Quarter, it was clear that a number of targets posed challenges, including:

- The payments of accounts within 30 days (although progress has been made in this regard).
- Dealing with disciplinary cases (due to a capacity constraints).
- Reserve Force marketing.
- Maintenance of medical stock levels (due to a shortage of funding).
- Flying hours and sea hours for the SA Air Force and SA Navy respectively (inadequately low to maintain international standards).

Finally, vacancies for critical skills posts remain an ongoing concern. By the end of the Third Quarter, the major areas of concern included Aircrew (42 per cent), Naval Combat Officers (40.1 per cent), Engineering (6.5 per cent), nursing (25.0 per cent) and Technical skills (32.2 per cent).

3. POLICY PRIORITIES FOR 2016/17

To encapsulate both strategic and operational goals, selected aspects of the priorities of the Minister of Defence as well as the Chief of the SANDF is highlighted in Table 1.

² This document should be read in conjunction with the documents prepared by the Content Advisor which will have a more strategic focus including the DOD's Strategic Plan and links to the NDP and MTSF.

³ Department of Defence. (2016a).



Table 1: Strategic priorities of the Minister of Defence and Chief of the SANDF

Minister of Defence Priorities ⁴	Chief of the SANDF priorities ⁵
Defence Strategic Direction: This includes strategic direction for the implementation of the Defence Review.	Strategic Direction: Implementing guidelines on the Defence Review.
Organisational Renewal: Restructuring of the DOD (SANDF).	Restructuring the SANDF. Compile a restructuring plan to be rolled out over the MTEF period.
Human Resources renewal: Aligning the DOD's personnel profile with current and future military needs (Military discipline and Defence Academy crucial).	Implement HR Strategy: Based on the "cradle-to-grave" concept and focus on the right-sizing of the SANDF. The Defence Academy will be established.
	Enforcement of Military Discipline: A discipline plan will be promulgated based on the military culture defined in the Military Strategy.
	Revitalisation and utilisation of Reserves: Improved feeder system for the Reserves.
Capability Sustainment: Aligning defence acquisition to the Defence Review.	Renovation of DOD Facilities: Devolving the responsibility for Defence Endowment property from the DPW to the DOD and utilising the Defence Works Formation for maintenance.
	Development and maintenance of strategic reserves: Chief SANDF will provide a policy on strategic reserves determining required reserve stock levels for emergencies.
	Development of SANDF capabilities: Physical development of appropriate capabilities through acquisition plans. Investigation of the establishment of a Coast Guard.
	Renewal of Landward Defence Capability: No output planned due to a lack of funding.
Ordered defence commitments: Sustaining ordered defence commitments.	Force Protection: Improved Intelligence Capabilities on all levels and improved preparation and force employment stock levels.
	Border safeguarding: Systematic increase of the SANDF's footprint on the borders.
Strategic Resourcing: Developing a Defence Funding Model.	

⁴ Department of Defence. (2016b). p. 18-19

⁵ Department of Defence. (2016b). p. 20-22

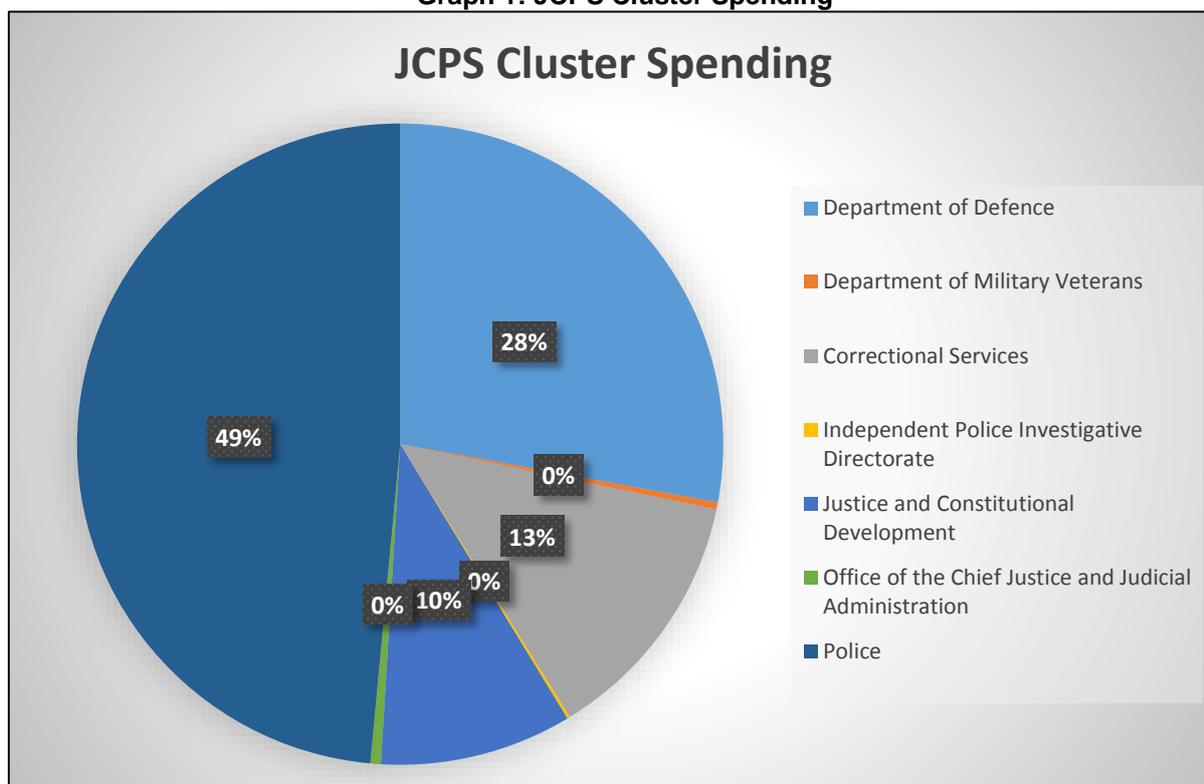


4. BUDGET ANALYSIS

4.1. General overview of the 2015/16 budget⁶

The Department of Defence and Military Veterans received a total allocation of R47.170 billion for the 2016/17 financial year, increasing from R45.088 billion in 2015/16. It should be noted that this includes an allocation of R597.6 billion towards the Military Veterans Department which forms part of the Vote. The DOD received approximately 28 per cent of the funds allocated to the Justice, Crime Prevention and Security (JCPS) Cluster while the DMV received slightly less than one per cent.

Graph 1: JCPS Cluster Spending



Although the Department's allocation increased by 4.6 per cent in nominal terms, it equates to a decrease of 1.86 per cent in real terms as adjusted for inflation. In real terms, the largest decreases were for the Air Defence and Force employment capabilities. Maritime Defence received a major boost with an 8.41 per cent real increase while General Support's allocation will increase with 3.21 per cent in real terms. In terms of economic classifications, there is an overall reduction in the allocation to Contractors, but some programmes (such as the Administration programme) reflect an increased use of contractors. There is also a major increase in the allocation for Operating Leases from R407.7 million in 2015/16 to R1.324 billion in 2016/17. The overall allocation for Machinery and Equipment decreases from R451.2 million to R164.5 million over the same period.

⁶ National Treasury. (2016). p. 333.



For details on these increases and decreases, Members should consult the sections below dealing with programme-specific allocations.

Table 2: Increase/decrease per programme from 2015/16 to 2016/17

Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17
	R million	2015/16				
Programme 1: Administration	4 862.4	5 151.1	288.7	- 30.2	5.94 per cent	-0.62 per cent
Programme 2: Force employment	3 813.3	3 899.6	86.3	- 155.1	2.26 per cent	-4.07 per cent
Programme 3: Landward Defence	15 202.4	15 651.4	449.0	- 520.0	2.95 per cent	-3.42 per cent
Programme 4: Air Defence	7 167.6	6 883.5	- 284.1	- 710.3	-3.96 per cent	-9.91 per cent
Programme 5: Maritime Defence	3 769.1	4 355.9	586.8	317.1	15.57 per cent	8.41 per cent
Programme 5: Military Health Support	4 069.3	4 416.8	347.5	74.0	8.54 per cent	1.82 per cent
Programme 7: Defence Intelligence	831.5	900.2	68.7	13.0	8.26 per cent	1.56 per cent
Programme 8: General Support	5 372.6	5 911.1	538.5	172.5	10.02 per cent	3.21 per cent
TOTAL	45 088.2	47 169.7	2 081.5	- 839.0	4.6 per cent	-1.86 per cent

4.2. Personnel information and salaries⁷

Personnel figures are set to increase slightly from 79 446 in 2015/16 to 79 777 in 2016/17. The total cost associated with employees rises from R24.890 billion in 2015/16 to R26.885 billion. National Treasury did indicate that the Department will finalise, develop and implement a plan to manage its personnel cost within a reduced expenditure ceiling over the 2017/18 and 2018/19 financial years.⁸

Furthermore, the target for the number of Military Skills Development System (MSDS) members in the system per year for 2016/17 is 4001.⁹ Given that the MSDS programme is a

⁷ National Treasury. (2016). p. 334.

⁸ National Treasury. (2016). p. 334.

⁹ National Treasury. (2016). p. 329.



two-year programme, this means that the SANDF will only have an intake of 2000 MSDS members for 2016/17.

The Committee may seek further clarity on:

- Although not excessively, personnel numbers and expenditure on personnel keeps rising. How is this aligned with Milestone 1 of the Defence Review which requires a significant reduction in personnel?
- The intake of MSDS members remains small. How is this aligned with Milestone 1 of the Defence Review? How does this affect force rejuvenation which has been highlighted by Members of the PCDMV and Departmental officials as a major concern in recent years? Have any alternatives been explored to rejuvenate the Force, including means to ensure the rank-age profile remains acceptable?

4.3. Programme 1: Administration

4.3.1 2016/17 Allocations to Programme 1 (Administration)¹⁰

In line with the overall real percentage reduction of the programme, the majority of subprogrammes received a real percentage reduction. The largest reductions are for the Ministry (9.9 per cent decrease) and Departmental Direction (11.44 per cent decrease). Two real percentage increases should be noted:

- Financial Services: 4.76 per cent increase
- Acquisition Services: 64.93 per cent. Although not noted specifically, it is expected that this relates to expanding the capacity for acquisition under the Defence Review.

In terms of economic classifications, two major increases should be noted. First, the allocation for Consultants increase from R8.3 million in 2015/16 to R49.9 million in 2016/17. Second, the allocation for Operating Leases increases form R298.5 million in 2015/16 to R1.274 billion in 2016/17. Property Payments will decrease from R1.792 billion to R918.2 million over the same period.

Table 3: Nominal and real increases/decreases in the Administration Programme

Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17
	2015/16	2016/17				
Sub-programme 1: Ministry	75.9	72.9	- 3.0	- 7.5	-3.95 per cent	-9.90 per cent
Sub-programme 2: Departmental Direction	53.6	50.6	- 3.0	- 6.1	-5.60 per cent	-11.44 per cent
Sub-programme 3: Policy and Planning	110.5	119.0	8.5	1.1	7.69 per cent	1.02 per cent
Sub-programme 4: Financial Services	323.0	361.4	38.4	16.0	11.89 per cent	4.96 per cent

¹⁰ National Treasury. (2016). p. 335-336.



Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17
	R million	2015/16				
Sub-programme 5: Human Resources Support Services	741.8	753.1	11.3	- 35.3	1.52 per cent	-4.76 per cent
Sub-programme 6: Legal Services	287.3	308.4	21.1	2.0	7.34 per cent	0.70 per cent
Sub-programme 7: Inspection and Audit Services	139.8	145.9	6.1	- 2.9	4.36 per cent	-2.10 per cent
Sub-programme 8: Acquisition Services	64.1	112.7	48.6	41.6	75.82 per cent	64.93 per cent
Sub-programme 9: Communications Services	41.0	45.2	4.2	1.4	10.24 per cent	3.42 per cent
Sub-programme 10: SANDF Command and Control	145.1	156.4	11.3	1.6	7.79 per cent	1.11 per cent
Sub-programme 11: Religious Services	13.2	13.7	0.5	- 0.3	3.79 per cent	-2.64 per cent
Sub-programme 12: Defence Reserve Direction	26.2	28.9	2.7	0.9	10.31 per cent	3.48 per cent
Sub-programme 13: Defence Foreign Relations	216.5	224.2	7.7	- 6.2	3.56 per cent	-2.85 per cent
Sub-programme 14: Office Accommodation	2 042.2	2 161.3	119.1	- 14.7	5.83 per cent	-0.72 per cent
Sub-programme 15: Military Veterans Management	582.2	597.6	15.4	- 21.6	2.65 per cent	-3.71 per cent
TOTAL	4 862.4	5 151.1	288.7	- 30.2	5.9 per cent	-0.62 per cent

The Committee may seek further clarity on:

- What is the reason for the 64.93 per cent real increase for the Acquisition Services subprogramme? What additional acquisition projects are being envisaged in the short-term (2016/17)?
- Why was the allocation to Financial Services increased? Members should monitor financial performance, given that this capacity received a 4.96 per cent real increase.
- The allocation for Consultants will increase from R8.3 million in 2015/16 to R49.9 million in 2016/17. What are the reasons for this? (Members should note that the increased utilisation of Consultants was previously highlighted as a major concern in the DOD).
- What constitutes the major increase in the allocation for Operating Leases which increases from R298.5 million in 2015/16 to R1.274 billion in 2016/17?
- Property payments will decrease from R1.792 billion to R918.2 million. How will this be achieved and how will this impact on the maintenance of properties?



4.3.2 Performance Indicators for Programme 1 (Administration)¹¹

Programme 1 constitutes the highest number of set targets for the DOD, reflecting 64 set targets across the various subprogrammes (excluding the Military Veterans subprogramme). The table below reflects only *selected targets* in the Administration Programme across the 2014/15, 2015/16 and 2016/17 financial years that may be of interest to Members.

Table 4: Selected performance targets for Programme 1

Performance Indicator	Audited Outcome	Estimated Performance	Estimated Performance
	2014/15	2015/16	2016/17
Military Ombud: Percentage of written complaints finalised	43%	60%	60%
Establish DOD Strategic Research Capability	Policy Research Unit Concept Document compiled	Policy Research Unit Concept Document approved	Policy Research Unit Concept Document approved
DOD Enterprise Risk Management maturity level	Level 4	Level 6	Level 4
Percentage payments to service providers made in 30 days after receiving legitimate invoices	73%	75%	75%
Number of Reserve Force person days	2 695 742	2 442 792	2 701 681
Percentage military court cases finalised (in-year)	33%	40%	40%
Status of public opinion on the DOD	72%	77%	77%
Number of Defence Attaché offices	43	45	46

The Committee may seek further clarity on:

- Whether the 60% target for complaints to be finalised by the Military Ombud is realistic, given that only 43 per cent was achieved in 2014/15?
- Why is the target related to the establishment of the Policy Research Unit the same for 2015/16 and 2016/17? What factors are causing the delay of establishing this Unit?
- Why has the target for the DOD Enterprise Risk Management maturity level been decreased from Level 6 in 2015/16 to Level 4 in 2016/17?
- With reference to the payment of invoices in 30 days, the wording of the target refers to “legitimate invoices”. Through this wording, the DOD thus excludes illegitimate invoices from the target which has been highlighted as an inhibiting factor to success in the past. Why is the target then not higher than 75 per cent if it only refers to payment of legitimate invoices in 30 days?

¹¹ Department of Defence. (2016b). p. 55-96



- There is an increase in the number of Reserve Force days for 2016/17. Is the Reserve Force sufficiently capacitated for this increased requirement?
- Why is it aimed to only resolve 40 per cent of military court cases for the year?
- How is the status of public opinion on the DOD determined?
- Where will the latest Defence Attaché office be opened? Is this really a strategic priority and necessity given the need for austerity measures?

4.4. Programme 2: Force Employment

4.4.1 2016/17 Allocations to Programme 2 (Force Employment)¹²

Allocations for the various sub-programmes for 2016/17 remained fairly stable compared to 2015/16. There is a 12.91 per cent real decrease for Regional Security. This decrease is unlikely to affect regional operations by the SANDF, given the planned withdrawal from the UN/AU Mission to SUDAN (UNAMID). The 4.98 per cent real increase to Support to the People is likely related to the deployment of an additional 2 sub-units for the border safeguarding.

In terms of economic classifications, the allocation for Contractors increases from R369.3 million in 2015/16 to R411.3 million in 2016/17. Food and Food Supplies also increase from R120.2 Million to R143.2 million. Finally, the allocation for Machinery and Equipment over the same period decreases from R262.1 million to R92.1 million.

Table 5: Nominal and real increases/decreases in the Force Employment Programme

Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17
	2015/16	2016/17				
Sub-programme 1: Strategic Direction	170.8	186.9	16.1	4.5	9.43 per cent	2.65 per cent
Sub-programme 2: Operational Direction	299.9	307.8	7.9	- 11.2	2.63 per cent	-3.72 per cent
Sub-programme 3: Special Operations	754.4	813.4	59.0	8.6	7.82 per cent	1.15 per cent
Sub-programme 4: Regional Security	1 599.3	1 484.7	- 114.6	- 206.5	-7.17 per cent	-12.91 per cent
Sub-programme 5: Support to the people	989.0	1 106.8	117.8	49.3	11.91 per cent	4.98 per cent
TOTAL	3 813.3	3 899.6	86.3	- 155.1	2.3 per cent	-4.07 per cent

The Committee may seek further clarity on:

- What is the reason for the reduction in the allocation to Regional Security?

¹² National Treasury. (2016). p. 336



- Given the withdrawal of SANDF forces from UNAMID (in Darfur), how does this affect the allocation to Force Deployment? Is the withdrawal from UNAMID reflected in the 2016/17 Estimates of National Expenditure?
- Is the 4.98 per cent real increase towards Support to the People sufficient to fund the expansion of border deployments from 13 to 15 sub-units?
- The allocation for Contractors increases from R369.3 million in 2014/15 to R411.3 million in 2016/17. What is the reason for this?
- What is the reason for the increase in the Food and Food Supplies allocation?
- There is a major reduction in the allocation for Machinery and Equipment which decreases from R262.1 million to R92.1 million. How will this affect SANDF missions?

4.4.2 Performance Indicators for Programme 2 (Force Employment)¹³

The Force Employment Programme has 14 set targets for 2016/17 of which five are not revealed due to the information being classified. The targets are in line with previous years, except for the increase of the number of sub-units deployed on the borders from 13 in 2015/16 to 15 in 2016/17.

The classification of information is (in some instances) questionable, specifically where information was previously released and is now deemed 'classified'. These classified targets for 2016/17 include:

- Percentage compliance with force levels for external operations (previously released target was 98 per cent in 2014/15).
- Percentage compliance of equipment for external operations (previously released target was 77 per cent in 2013/14).
- Percentage reimbursement by the UN/AU (previously released target was 78 per cent in 2014/15).
- Percentage compliance with self-sustainment of personnel (previously released target was 79 per cent in 2014/15).

The Committee may seek further clarity on:

- Why are some of the performance targets for 2016/17 not revealed (information classified) while this information was previously publicly released? This is of particular importance in terms of the percentage reimbursement from the UN/AU, which Members of the PCDMV have previously identified as a major concern.

4.5. Programme 3: Landward Defence

4.5.1 2016/17 Allocations to Programme 3 (Landward Defence)¹⁴

Landward Defence is the largest of all the Defence programmes, mostly due to its dependence on a large personnel configuration. The following real percentage increases should be noted:

- Strategic Direction (32.43 per cent). This may be related to expansion plans for the Programme, including the acquisition of new Infantry Combat Vehicles and the provision of new Infantry Combat Gear.

¹³ Department of defence. (2016b). p. 98-100.

¹⁴ National Treasury. (2016). p. 338



- General Training (8.88 per cent). This is likely related to the reduction in training targets.
- Operational Intelligence (8.31 per cent).

The following real percentage decreases should be noted:

- Artillery Capability (17.66 per cent). This allocation has fluctuated significantly in recent years and is now at levels lower than in 2012/13 in nominal terms.
- Engineering Capability (10.52 per cent). The reduction in allocation follows on a significant increase in allocation during the two previous financial years.

In terms of economic classifications, the Department should be lauded for its reduction on the allocation to Contractors. Furthermore, there has also been a reduction in the allocation for Clothing Material and Accessories from R116.3 million in 1015/16 to R72 million in 2016/17. Furthermore, the allocation for Machinery and Equipment decreases from R34.63 million in 2015/16 to R25.8 million in 2016/17.

Table 6: Nominal and real increases/decreases in the Landward Defence Programme

Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17	
	R million	2015/16					2016/17
Sub-programme 1: Strategic Direction		361.4	510.2	148.8	117.2	41.17 per cent	32.43 per cent
Sub-programme 2: Infantry Capability		6 118.7	6 208.7	90.0	- 294.4	1.47 per cent	-4.81 per cent
Sub-programme 3: Armour Capability		398.6	444.2	45.6	18.1	11.44 per cent	4.54 per cent
Sub-programme 4: Artillery Capability		527.5	463.0	- 64.5	- 93.2	-12.23 per cent	-17.66 per cent
Sub-programme 5: Air Defence Artillery Capability		580.5	588.9	8.4	- 28.1	1.45 per cent	-4.83 per cent
Sub-programme 6: Engineering Capability		743.0	708.7	- 34.3	- 78.2	-4.62 per cent	-10.52 per cent
Sub-programme 7: Operational Intelligence		218.7	252.5	33.8	18.2	15.45 per cent	8.31 per cent
Sub-programme 8: Command and Control Capability		198.1	202.7	4.6	- 7.9	2.32 per cent	-4.01 per cent
Sub-programme 9: Support Capability		4 414.6	4 424.1	9.5	- 264.4	0.22 per cent	-5.99 per cent
Sub-programme 10: General Training Capability		504.7	585.8	81.1	44.8	16.07 per cent	8.88 per cent
Sub-programme 11: Signal Capability		1 136.7	1 262.6	125.9	47.7	11.08 per cent	4.20 per cent
TOTAL		15 202.4	15 651.4	449.0	- 520.0	3.0 per cent	-3.42 per cent



The Committee may seek further clarity on:

- What is the reason for the significant increase in the Strategic Direction allocation?
- Members may inquire as to what is envisaged in terms of the expanding of the Operational Intelligence Capability? This is in line with the Chief SANDF's targets and an 8.31 per cent real increase was allocated to the Programme.
- The fluctuation in the Artillery Capability's allocation in recent years should be explained.
- What constituted the increase in the Engineering Capability's allocation in the previous two financial years and why was this decreased again for the 2016/17 financial year?
- The Department should be lauded for its reduction on the allocation to Contractors in this programme (but the increase in this allocation in other programmes should be attended to).
- The allocation for Clothing Material and Accessories decreases from R116.3 million to R72 million. How will this affect the supply of uniforms to members of the SANDF?
- The allocation for Machinery and Equipment decreased by R9.0 million to R25.8 million in 2016/17. However, this should be viewed as a decreasing trend from R531.5 million in 2012/13. What is the reason for this decreasing trend? Given the size of this programme in terms of personnel, military bases and equipment, this allocation seems low.

4.5.2 Performance Indicators for Programme 3 (Landward Defence)¹⁵

Only one performance target was set for this programme for 2016/17, relating to training targets. A total of 2 214 learners will attend courses for the year. This is significantly lower than the target for 2015/16 (3 146 learners on courses).

The Committee may seek further clarity on:

- Why is the number of learners on courses lowered from 3 146 in 2014/15 to 2 214 for 2016/17?

4.6. Programme 4: Air Defence

4.6.1 2016/17 Allocations to Programme 4 (Air Defence)¹⁶

The Air Defence Programme will focus on the replacement of the 3D Radar and Precision Guided Air Force ammunition accounts. This has some bearing on the increases and decreases in the allocation to subprogrammes. The most significant real percentage increases include:

- Strategic Direction (96.55 per cent).
- Training Capability (189.97 per cent). This increase remains unclear given that the training target for 2016/17 is lower than in 2015/16.

The most significant real percentage decreases include:

- Technical Support Services (37.60 per cent).

¹⁵ Department of defence. (2016b). p. 104-106

¹⁶ National Treasury. (2016). p. 340



- Command and Control (69.94 per cent).
- Transport and Maritime Capability (20.64 per cent). This is of concern given the limited maritime border safeguarding capabilities by the SA Air Force.

In terms of economic classifications, the allocation for Food and Food Supplies increases from R1.5 million to R82.7 million, but this reflects a return to normal spending patterns. The allocation for Fuel, Oil and Gas increases from R166.1 million in 2015/16 to R238.5 million in 2016/17. This is despite a reduction in the target set for force employment hours flown per year. There is also a significant reduction in the allocation for Departmental Agencies and Accounts from R1.838 billion to R1.257 billion over the same period. Finally, Machinery and Equipment's allocation decreases to only R6.8 million for 2016/17. This is a major decrease from a high of R164.1 million in 2012/13. No allocation is made for Specialised Military Assets.

Table 7: Nominal and real increases/decreases in the Air Defence Programme

Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17
	R million	2015/16				
Sub-programme 1: Strategic Direction	16.8	35.2	18.4	16.2	109.52 per cent	96.55 per cent
Sub-programme 2: Operational Direction	177.7	208.7	31.0	18.1	17.45 per cent	10.17 per cent
Sub-programme 3: Helicopter Capability	801.5	763.2	- 38.3	- 85.6	-4.78 per cent	-10.67 per cent
Sub-programme 4: Transport and Maritime Capability	794.9	672.5	- 122.4	- 164.0	-15.40 per cent	-20.64 per cent
Sub-programme 5: Air Combat Capability	1 437.2	1 371.2	- 66.0	- 150.9	-4.59 per cent	-10.50 per cent
Sub-programme 6: Operational Support and intelligence Capability	286.4	314.2	27.8	8.3	9.71 per cent	2.91 per cent
Sub-programme 7: Command and Control Capability	901.5	606.0	- 295.5	- 333.0	-32.78 per cent	-36.94 per cent
Sub-programme 8: Base Support Capability	1 818.5	1 819.6	1.1	- 111.6	0.06 per cent	-6.13 per cent
Sub-programme 9: Command Post	54.8	61.2	6.4	2.6	11.68 per cent	4.76 per cent
Sub-programme 10: Training Capability	184.4	570.0	385.6	350.3	209.11 per cent	189.97 per cent
Sub-programme 11: Technical Support Services	693.9	461.6	- 232.3	- 260.9	-33.48 per cent	-37.60 per cent
TOTAL	7 167.6	6 883.5	- 284.1	- 710.3	-4.0 per cent	-9.91 per cent

The Committee may seek further clarity on:



- What will the 96.55 per cent real increase in the allocation for Strategic Direction be utilised for?
- Why is there a 189.97 per cent real increase in the allocation for the Training capability while the figures for training were reduced from 843 in 2015/16 to 742 for 2016/17?
- The 37.60 per cent real decrease in the allocation for Technical support services is of concern as this is an essential service for the maintenance of aircraft. What is the reason for this decrease and what will the impact thereof be?
- Although Strategic Direction received a significantly increased allocation, the allocation for Command and Control decreased by 36.94 per cent in real terms. What are the reasons for this and will this impact on the capacity of SA Air Force Commanders to effect strategic direction?
- The 20.64 per cent reduction in the allocation to the Transport and Maritime Capability is of serious concern. The aircraft utilised by the SA Air Force's 35 Squadron for the purpose of maritime patrols are more than 60 years old. These aircraft are in urgent need of a more efficient replacement. How many serviceable aircraft does 35 Squadron have? How many flying hours are conducted by this Squadron per year? How many border patrol sorties are flown by this Squadron? What will the effect of the reduced allocation be?
- A number of aspects in terms of economic classifications should be questioned:
 - The allocation for Fuel, Oil and Gas increases from R166.1 million in 2015/16 to R238.5 million in 2016/17 despite a reduction in the target set for force employment hours flown per year.
 - There is a significant reduction in the allocation for Departmental Agencies and Accounts.
 - The allocation for Machinery and Equipment's allocation decreases to only R6.8 million. This should be questioned as it reflects a very low allocation for a specialised programme involving the SA Air Force.

4.6.2 Performance Indicators FOR Programme 4 (Air Defence)¹⁷

Two performance targets were set for this programme for 2016/17. A total of 742 learners will attend courses for the year. This is slightly lower than the target for 2015/16 (834 learners on courses). Furthermore, the number of flying hours are reduced from 6 500 in 2015/16 to 5 000 in 2016/17. Of this, 1 000 hours will be for VIP Transport, which is more than the VIP hours flown in the previous financial year (800 hours).

The Committee may seek further clarity on:

- Why are the number of flying hours for 2016/17 reduced by 1 500 hours while the allocation for Fuel, Oil and Gas was increased by more than R100 million?
- Why has the number of VIP flying hours been increased from 800 in 2015/16 to 1 000 in 2016/17? (Members should note that 20 per cent of the Air Force's flying hours are now allocated to VIP transport and this could impact negatively on the SA Air Force's ability to support internal and external operations?) Members should request a breakdown of flying hours per capability (transport, fighter, training, helicopter etc.).

¹⁷ Department of Defence. (2016b). p. 108.



4.7. Programme 5: Maritime Defence

4.7.1 2016/17 Allocations to Programme 5 (Maritime Defence)¹⁸

The Maritime Defence programme allocation will include a focus on the long-term acquisition goals of the Department, including the replacement of the SA Navy's Hydrographic vessel and offshore patrol vessels. Allocation to most subprogrammes show a marginal real-percentage increase for all subprogrammes. The most significant increase is a 27.95 per cent real increase to the Maritime Combat Capability. The only subprogramme to receive a real percentage decrease is the Base Support Capability (8.39 per cent).

In terms of economic classifications, the allocation for Oil, Fuel and Gas decreases from R81.4 million in 2015/16 to R19.1 million for 2016/17. Furthermore, the allocation for Departmental Agencies and Accounts nearly doubles over the same period from R633.5 million to R1123.0 million.

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

Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17	
	R million	2015/16					2016/17
Sub-programme 1: Maritime Direction		545.2	581.6	36.4	0.4	6.68 per cent	0.07 per cent
Sub-programme 2: Maritime Combat Capability		1 252.2	1 708.0	455.8	350.1	36.40 per cent	27.95 per cent
Sub-programme 3: Maritime Logistics support Capability		859.7	930.7	71.0	13.4	8.26 per cent	1.56 per cent
Sub-programme 4: Maritime HR and Training Capability		467.1	505.9	38.8	7.5	8.31 per cent	1.60 per cent
Sub-programme 5: Base Support Capability		644.7	629.6	- 15.1	- 54.1	-2.34 per cent	-8.39 per cent
TOTAL		3 769.1	4 355.9	586.8	317.1	15.6 per cent	8.41 per cent

The Committee may seek further clarity on:

- How will the 27.95 per cent real increase for the Maritime Combat capability be utilised?
- Will specific bases be impacted by the reduction in the allocation to the Base Support Capability?
- Members may request a general explanation of the funding and delivery timeframes for the replacement of the Hydrographic Vessel and offshore patrol vessels.
- What is the reason for the increase in the allocation for Departmental Agencies and Accounts?
- The allocation for Oil, Fuel and Gas decreases from R81.4 million in 2015/16 to R19.1 million for 2016/17. How will this affect sea-hours?

¹⁸ National Treasury. (2016). p. 342.



4.7.2 Performance indicators for Programme 5 (Maritime Defence)¹⁹

Two performance targets were set for this programme for 2016/17. A total of 438 learners will attend courses for the year. This is slightly higher than the target for 2015/16 (422 learners on courses). Furthermore, the number of sea hours remained at 12 000, similar to the previous financial year.

4.8. Programme 6: Military Health Support

4.8.1 2016/17 Allocations to Programme 6 (Military Health Support)²⁰

In line with the Programme's 1.82 per cent real increase, most subprogrammes received a marginal increase. The most significant real percentage increase was for the Strategic Direction subprogramme (10.44 per cent). The largest real percentage decrease was for the Mobile Military Health Support capability (3.98 per cent).

In terms of economic classifications, both the allocations for Medical Supplies and Medicine increases significantly. For Medical Supplies, it increases from R71.7 million in 2015/16 to R110.2 million in 2016/17. Medicine increases from R126.2 million to R235.1 million in the same period. Finally, Machinery and Equipment's allocation decreases from R24.7 million to only R2.9 million in the same period. This should be viewed against an allocation of R80.1 million in 2012.13 and R105.4 million in 2013/14.

Table 9: Nominal and real increases/decreases in the Military Health Support

Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17
	2015/16	2016/17				
Sub-programme 1: Strategic Direction	172.6	203.2	30.6	18.0	17.73 per cent	10.44 per cent
Sub-programme 2: Mobile Military Health Support	118.9	121.7	2.8	- 4.7	2.35 per cent	-3.98 per cent
Sub-programme 3: Area Military Health Support	1 412.9	1 548.5	135.6	39.7	9.60 per cent	2.81 per cent
Sub-programme 4: Specialist Health Services	1 490.0	1 574.2	84.2	- 13.3	5.65 per cent	-0.89 per cent
Sub-programme 5: Military Health Product Support	186.7	208.9	22.2	9.3	11.89 per cent	4.96 per cent
Sub-programme 6: Military Health Maintenance	271.2	302.7	31.5	12.8	11.62 per cent	4.70 per cent
Sub-programme 7: Military Health Training Capability	417.0	457.7	40.7	12.4	9.76 per cent	2.96 per cent

¹⁹ Department of Defence. (2016b). p. 112.

²⁰ National Treasury. (2016). p. 343.



TOTAL	4 069.3	4 416.8	347.5	74.0	8.5 per cent	1.82 per cent
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The Committee may seek further clarity on:

- What strategic programmes will be undertaken under this programme for 2016/17 and how will the Strategic Direction increase be utilised for this purpose?
- The real percentage decrease of 3.98 per cent in the Mobile Military Health Support capability may raise concerns in terms of support to SANDF deployments. This needs to be explained by the Department.
- Although only a limited real percentage decrease (0.89 per cent), the reduction in Specialist Health Services should be explained. Will this reduce the SAMHS's responsibility to perform such functions?
- The Department should be congratulated for increasing the allocation for Medicine Supplies as well as for Medicine. Members have previously expressed grave concern about the stock levels of medicine and should therefore track whether this increased allocation results in higher stock levels throughout the year (despite the target for medical stock not being adjusted upwards).
- Only R2.9 million has been allocated for Machinery and Equipment for 2016/17. During an oversight visit to 1 Military Hospital, Members of the PCDMV expressed concern about the availability of Machinery and Equipment. Is this allocation sufficient to ensure a professional medical service? Will the Department be able to procure or even replace specialised equipment (e.g. X-Ray Machines, CT Scanners etc), with this small allocation?

4.8.2 Performance Indicators for Programme 6 (Military Health Support)²¹

Three targets were set for the Military Health Support Programme for 2016/17 as per the table below.

Table 10: Selected performance targets for Programme 6

Performance Indicator	Audited Outcome	Estimated Performance	Estimated Performance
	2014/15	2015/16	2016/17
Number of health activities per year	2 312 381	2 140 550	2 140 550
Percentage compliance with DOD training targets	687 (83%)	648 (80 %)	648 (80 %)
Percentage availability of medical stock	54 %	50%	50%

The Committee may seek further clarity on:

- Why is the target for the number of medical health activities lower than that achieved in 2014/15? (Members should note that with the increase of the number of Military veterans with access to the Military Health service, the number of activities can be expected to increase)

²¹ Department of Defence. (2016b). p. 116.



- Why is the target for the availability of medical stock set at only 50 per cent while the allocation for Medicine Supplies as well as for Medicine were increased significantly? (The allocation for Medical supplies increases from R71.7 million in 2015/16 to R110.2 million in 2016/17 while the allocation for Medicine increases from R126.2 million in 2015/16 to R235.1 million in 2016/17)

4.9. Programme 7: Defence intelligence

4.9.1 2016/17 Allocation to Programme 7 (Defence Intelligence)²²

The overall real percentage increase in allocation to the Defence Intelligence (DI) Programme is related to the development of cyber monitoring capability. The largest variant in this programme is a 7.94 per cent real increase in the allocation to the DI Support Services Programme. In terms of economic classifications, the allocations show a normal year-on-year increase, with the Compensation for Employees increasing more than usual. This is likely to accommodate additional personnel for the cyber security expansion programme. Additionally, only R600,000 is allocated for Machinery and Equipment, which is less than an average allocation of more than R4 million during the previous financial years.

Table 11: Nominal and real increases/decreases in the Defence Intelligence Programme

Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17
	2015/16	2016/17				
R million						
Sub-programme 1: Strategic Direction	0.1	0.1	0.0	0.0	0.00 per cent	0.00 per cent
Sub-programme 2: Operations	459.7	472.5	12.8	- 16.5	2.78 per cent	-3.58 per cent
Sub-programme 3: DI Support Services	371.7	427.7	56.0	29.5	15.07 per cent	7.94 per cent
TOTAL	831.5	900.2	68.7	13.0	8.3 per cent	1.56 per cent

The Committee may seek further clarity on:

- What will the 7.94 per cent real increase in the allocation to the DI Support Services be utilised for?
- What is the status of the cyber monitoring capacity at DI?
- Will the limited allocation for Machinery and Equipment (R600,000) impact negatively on operations or on the implementation of the cyber-security programme?

4.9.2 Performance Indicators for Programme 7 (Defence Intelligence)²³

²² National Treasury. (2016). p. 345.

²³ Department of Defence. (2016b). p. 120.



A total of 6 performance targets were set for the Defence Intelligence programme for 2016/17. The Cyber Warfare Strategy will be submitted to the JCPS Cluster in 2016/17. Functions and the structures of the Cyber Warfare Plan will also be finalised (This is in line with the prioritisation of cyber-crime in Outcome 6.3 of the MTSF. The number of vetting decisions to be taken will increase from 5 000 in 2015/16 to 6 500 in 2016/17.

4.10. Programme 8: General Support
4.10.1 2016/17 Allocation to Programme 8 (General Support)²⁴

The General Support Programme received a real percentage increase of 3.21 per cent for 2016/17. This is largely attributed to the 4.5 per cent real increase in the Joint Logistics Services subprogramme. Similarly, the Technology Development subprogramme received a 14.13 per cent real increase for 2016/17.

In terms of economic classifications, the allocations show a normal year-on-year increase. The Computer Services allocation increases from R727.9 million in 2015/16 to R857.5 million in 2016/17. The allocation for Machinery and Equipment is small at only R20.9 million while it received a total of R228.3 million as recently as 2014/15.

Table 12: Nominal and real increases/decreases in the General Support Programme

Programme	Budget		Nominal Increase / Decrease in 2016/17	Real Increase / Decrease in 2016/17	Nominal Percent change in 2016/17	Real Percent change in 2016/17
	R million	2015/16				
Sub-programme 1: Joint Logistics Services	2 618.5	2 916.9	298.4	117.8	11.40 per cent	4.50 per cent
Sub-programme 2: Command and Maintenance Information Systems	954.8	1 011.2	56.4	- 6.2	5.91 per cent	-0.65 per cent
Sub-programme 3: Military Police	530.1	565.4	35.3	0.3	6.66 per cent	0.06 per cent
Sub-programme 4: Technology Development	424.3	516.2	91.9	59.9	21.66 per cent	14.13 per cent
Sub-programme 5: Departmental Support	844.9	901.4	56.5	0.7	6.69 per cent	0.08 per cent
TOTAL	5 372.6	5 911.1	538.5	172.5	10.0 per cent	3.21 per cent

The Committee may seek further clarity on:

- What will the 4.50 per cent real increase in the allocation to the Joint Logistics Services be utilised for?
- In terms of technology development, what programmes are envisaged and how will the increased allocation for this subprogramme be utilised?
- What will the increased allocation for Computer Services be used for?

²⁴ National Treasury. (2016). p. 346.



- How will the limited allocation for machinery and equipment affect the programme?

4.10.2 Performance Indicators for Programme 8 (General Support)²⁵

Ten performance targets were set for the General Support programme for 2016/17. Members should note the targets in the table below.

Table 13: Selected performance targets for Programme 8

Performance Indicator	Audited Outcome	Estimated Performance	Estimated Performance
	2014/15	2015/16	2016/17
DOD Procurements policy status	New target	New target	Submission of Procurement Policy for approval
Percentage utilisation of endowment property in the DOD	New target	New target	90%
Percentage of sustainable DOD ICT Integrated Prime Systems Capabilities	New target	New target	92.45%
Number of crime prevention operations	230	248	124
Percentage criminal cases investigated (backlog)	New target	New target	40%
Percentage criminal cases investigated (in-year)	New target	New target	50%

The Committee may seek further clarity on:

- Members should track performance of the new performance targets throughout the year to ensure compliance.
- What are the reasons for decreasing the number of crime prevention operations from 248 in 2015/16 to 124 in 2016/17?

5. KEY ISSUES FOR CONSIDERATION BY PARLIAMENT

The sections above highlighted a number of focus areas and questions related to the specific programmes and subprogrammes. However, several broad themes can be identified on which Members of the PCDMV may focus in the 2016/17 financial year as in the figure below.

²⁵ Department of Defence. (2016b). p. 124.



Figure 1: Selected proposed focus areas for the PCDMV in 2016/17

<p>Defence Review</p>	<ul style="list-style-type: none"> Annexure D of the DOD's 2016/17 APP provides various targets for the implementation of the Defence Review's Milestone 1. Members should request the DOD to report on progress in this regard during quarterly briefings to the PCDMV.
<p>Withdrawal fo the SANDF from Darfur</p>	<ul style="list-style-type: none"> Members should request information on whether this withdrawal was factored into the 2016/17 budgeting. If not, how much additional funds will be available to the SANDF and how will this be utilised?
<p>Flying hours and SAAF capabilities</p>	<ul style="list-style-type: none"> The SA Air Force is only allocated 5 000 flying hours. How will this affect efficiency and compliance of pilots to required standards? The increase in VIP flying hours in the context of overall reduced flying hours may impact negatively on SA Air Force support to internal/external operations. Members have previously highlighted the need to address the lack of strategic airlift. No plans exist in the MTEF to address this.
<p>Border safeguarding (NPD Chapter 12: People living in South Africa)</p>	<ul style="list-style-type: none"> Increase of the number of sub-units from 13 to 15 in 2016/17. Members should monitor this roll-out. Members previously raised the use of UAV's for this purpose as a force multiplier and should request futher briefings on this.
<p>SA Air Force maritime capability (Also linked to NPD Chapter 12: People living in South Africa)</p>	<ul style="list-style-type: none"> Decreased allocation for this Capacity will rsult in very limited capacity to patrol maritime borders and assist the SA Navy. Members should request a briefing on this capability.
<p>Machinery and equipment</p>	<ul style="list-style-type: none"> The overall allocation for Machinery and Equipment has decreased signifcnatly. This is of specific importance where machinery and equipment is essential, such as the Military Health Support Programme, Air Defence and Maritime Defence Capabilities.
<p>Cyber security (MTSF Outcome 6.3: Tackling cyber-crime)</p>	<ul style="list-style-type: none"> Members should monitor the implementation of the cyber warfare plan. Members should request a briefing on the implementation of this plan, the acquisition of adequate equipment and the hiring of the relevant personnel.

6. REFERENCES

Department of Defence. (2016a) *Presentation on the Third Quarter performance for 2015/16 to the Portfolio Committee on Defence and Military Veterans.*

Department of Defence. (2016) *Department of Defence Annual Performance Plan for 2016/17.*

National Treasury. (2016) *Estimates of National Expenditure 2016.*