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VOTE 34: DEPARTMENT OF MINERAL RESOURCES AND ENERGY

1. INTRODUCTION

The Parliament of the Republic South Africa has a constitutional mandate (Section 55(2)(a), (b); Section 92(2)) to oversee service delivery and the expenditure of public resources by the Executive. Thus, Parliament provides mechanisms to ensure that public funds allocated to the Executive are utilised effectively, efficiently, equitably and economically. This is one of the oversight exercises that enables Committees of Parliament to hold the Executive accountable for their plans, strategies, and budgets. The main policy frameworks that guide the budget priorities of the Department of Mineral Resources and Energy are the National Development Plan (NDP) and the 2019-2024 Medium Term Strategic Framework (MTSF). The Department develops and implements its policies, programmes, and strategies for the sector drawing from these and other sectoral plans. The MTSF directly links the work of the Department to Priority 1 Economic Transformation and Job Creation through Operation Phakisa, which seeks to accelerate service delivery. Other priorities that impact the work of the Department are: Priority 2: Education, skills and health; Priority 3: Consolidating the Social Wage through Reliable and Quality Basic Services; Priority 4: Spatial integration, human settlements and local government, Priority 5: Social Cohesion and Safer Communities, and Priority 7: A better Africa and world

The purpose of this paper is to analyse the budget allocation to the Department of Mineral Resources and Energy ((DMRE), hereafter referred to as 'the Department') over the 2021 Medium Term Expenditure Framework (MTEF), from a sub-national perspective. Accordingly, it focuses on the conditional grant allocations to the provinces and municipalities, as presented in the 2021 Estimates of National Expenditure (ENE) and predetermined objectives set out in the Department's 2021/22 Annual Performance Plan (APP). As part of this analysis, an assessment of the linkages between policy priorities, performance outcomes, budget allocations and expenditure trends are presented.

It should be noted that following the re-configuration of government departments in June 2019, the Department of Mineral Resources and the Department of Energy were merged to form the new Department of Mineral Resources and Energy (DMRE).

Since budget assessment is one of the oversight exercises that enables Committees of Parliament to hold the Executive accountable for its plans, strategies, and budgets, the paper also raises issues for consideration by Parliament through the Select Committee on Land Reform, Environment, Minerals and Energy (hereafter referred to as the Select Committee) emanating from the APP and budget analysis.

2. POLICY PRIORITIES FOR 2021/22

It is important that Government priorities, as outlined in the NDP 2030, in particular the 2019 -2024 MTSF and announcements made in the 2021 State of the Nation Address (SONA),

inform the Department's plans and expenditure over the medium term period. The Department articulates its Vision as one that seeks to be 'a leader in the transformation of South Africa through economic growth and sustainable development in the mining and energy sectors'. Moreover, the Department indicates that its Mission is 'to regulate, transform and promote the minerals and energy sectors, providing sustainable and affordable energy for growth and development, and ensuring that all South Africans derive sustainable benefit from the country's mineral wealth'[1].

2.1. National Development Plan (NDP)

The National Development Plan (NDP[2]) was adopted in 2012, as Government's launch pad and blueprint for a future economic and socio-economic development strategy for the country. It sets key priorities for the Government "to eliminate poverty by 2030 and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the State and leaders working together to solve complex problems".[3]

'The Department's mandate is to ensure the secure and sustainable provision of energy and mineral resources for socio-economic development. Its strategic objective derives from the NDP, which envisages that, by 2030, South Africa will have a mineral resources and energy sector that promotes economic growth and development, social equity and environmental sustainability'.[4] This ensures an adequate supply of electricity and liquid fuels to maintain economic activity and prevent economic disruptions.

The Department's vision[5] is aligned with Chapters 3, 4 and 5 of the NDP, wherein a responsible mining sector prioritises the welfare of its human resources and the environment, and contributes significantly towards gross domestic product (GDP). Further, the NDP recognises South Africa's abundance in mineral resources, and production of more than 30 metal and mineral products.

This vision is to be implemented in phases through the MTSF. The 2019-2024 MTSF is structured around seven priority outcomes, which cover focus areas identified in the NDP. Of particular relevance to the work of the Department is Priority Outcome 1: Economic Transformation and Job Creation, through Operation Phakisa. Other MTSF priorities that the work of the Department contributes to are:

- Priority 1: Building a capable, ethical and developmental state,
- Priority 2: Economic transformation and job creation,
- Priority 3: Education, skills and health,
- Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services,

[1] DMRE (2021)

[2] NDP is a Government blueprint for the work that needs to be done to achieve a prosperous society for our country in 20 years' time. The core priorities of the NDP are to reduce poverty, unemployment and inequality.

[3] The Presidency: National Planning Commission (2012).

[4] https://nationalgovernment.co.za/units/view/429/department-of-mineral-resources-and-energy-dmre

[5] A leader in the transformation of South Africa through economic growth and sustainable development in the mining and energy sectors (DMRE 2021 APP)

- Priority 5: Spatial integration, human settlements and local government, and
- Priority 7: A better Africa and world.

2.2. State of the Nation Address (SONA)[6]

The pronouncements made in the SONA become part of Government's programme of action for the year (i.e. Government national priorities). Therefore, the Department and its entities must align their annual plans with SONA pronouncements on mineral resources and energy.

The SONA 2021 did not identify any specific policy priorities for the Mineral Resources Sector. However, SONA 2021 highlighted the fourth priority intervention of the Economic Reconstruction and Recovery Plan as being the rapid expansion of energy generation capacity, wherein the restoration of Eskom to operational and financial health, and accelerating its restructuring process was central to this objective. In these efforts, Eskom has been restructured into three separate entities for generation, transmission and distribution, with the aim of laying the foundations for an efficient, modern and competitive energy system. Further, the Government is working closely with Eskom on proposals to improve its financial position, manage its debt and reduce its dependence on the fiscus. This requires a review of the tariff path to ensure that it reflects all reasonable costs and measures to resolve the problem of municipal debt.

Over the past year, Government is said to have taken action to urgently and substantially increase generation capacity, over and above what Eskom generates. This was achieved following the signing of the historic Eskom Social Compact entered into between Government and its social partners in December 2020. The Compact outlined the necessary actions to be taken collectively and as individual constituencies to meet the country's current and future energy needs. The planned actions to realise the Eskom Social Compact are:

- The Department of Mineral Resources and Energy to announce successful bids for 2 000 megawatts (MW) of emergency power.
- The necessary regulations have been amended and the requirements clarified for municipalities to buy power from independent power producers. Systems are being put in place to support qualifying municipalities.
- Government will soon be initiating the procurement of an additional 11 800 MW of power from renewable energy, natural gas, battery storage and coal, in line with the Integrated Resource Plan 2019.

Even with these efforts, Eskom estimates that without additional capacity, there is a likelihood of an electricity supply shortfall of between 4 000 and 6 000 MW over the next five years, as old coal-fired power stations reach their end of life. The SONA 2021 presented the following opportunities to narrow the shortfall:

1. A request for proposals for 2 600 MW from wind and solar energy, as part of Bid Window 5, will be issued. This will be followed by another bid window in August 2021.
2. Additional capacity of up to 5 000 MW could be unlocked from easing the licensing requirements for new embedded generation projects, based on recent analysis, to

[6] SONA (2021)

ease the impact of load shedding. Therefore, Government will be amending Schedule 2 of the Electricity Regulation Act, No. 4 of 2006, within the next three months (from 11 February 2021), to increase the licensing threshold for embedded generation. This process will include consultation between key stakeholders on the level at which the new threshold should be set and the finalisation of the necessary enabling frameworks.

3. Eskom has already started work to expedite its commercial and technical processes to allow for additional capacity onto the grid without undue delay.

The SONA 2021 noted that as resources at the country's disposal are mobilised to support economic recovery, the threat posed by climate change to the environmental health, socio-economic development and economic growth should be considered. Accordingly, Government is working to fulfil its commitments under the United Nations Framework Convention on Climate Change and the Paris Agreement, to include the reduction of greenhouse gas emissions. Eskom, as the largest greenhouse gas emitter in South Africa, has committed in principle to net zero emission by 2050 and to increase its renewable capacity.

To this end, Eskom will be exploring partnerships with investors to repurpose and repower part of its coal fleet. This paradigm shift will be done in a way that stimulates investment, local economic activity and local manufacturing, as part of a just transition. The climate change efforts are said to be guided by the Presidential Coordinating Commission on Climate Change, who will work on a plan for a just transition to a low-carbon economy and climate resilient society.

The SONA 2021 highlighted the need for implementing structural economic reforms to enable the attainment of higher rates of growth and employment. The proposed reforms aim to reduce costs and barriers to entry, increase competition, stimulate new investment and create space for new entrants in the market. These economic reforms will be driven through Operation Vulindlela, which involves a team in the National Treasury and the President's office. Operation Vulindlela focuses on reforms in the electricity, water, telecommunications and transport sectors, as well as reforms to the country's visa and immigration regime.

2.3. Budget Speech: Alignment of Spending Priorities to the Economic Growth Plan[7]

The 2021 Budget Speech calls for the alignment of spending priorities to the economic growth plan, as this is the biggest contribution that can be made to support the country's Economic Reconstruction and Recovery Plan. The budget contained no specific pronouncements that directly affect the Mineral Resources and Energy Sectors[8]:

- ***The Fiscal Framework:*** The fiscal policy framework, crafted under the supervision of the President, extends support to the economy and public health services in the short term, while ensuring the sustainability of public finances in the medium term. The framework creates a sound platform for sustainable growth and contributions towards supporting the Economic Reconstruction and Recovery Plan.

[7] Budget Speech (2021)

[8] Budget Speech (2021)

- ***Progress on Economic Reforms***: Government has made meaningful progress in the implementation of structural economic reforms articulated in the Economic Reconstruction and Recovery Plan by aiming to remove the brakes on economic growth by lowering barriers to entry, broadening ownership patterns, raising productivity and lowering the cost of doing business. These are demonstrated through Operation Vulindlela that has made progress in accelerating the pace of implementation of high-impact structural reforms.

- ***Public Procurement and Zero-based Budgeting:*** National Treasury is fast-tracking the finalisation of the Public Procurement Bill, to be tabled before Cabinet by the end of the year. Further, National Treasury will be implementing a framework on zero-based budgeting across Government, to curtail spending in programmes that can no longer be afforded[9]. The Pilot of this new budgeting methodology is to be implemented by the Department of Public Enterprises and the National Treasury to produce significantly re-costed budgets from 2022/23.

2.4. Departmental Priorities

In order to give effect to the vision of the NDP, the Department will focus on six priority areas over the medium term. These focus areas respond to MTSF priorities,

- Priority 1: Building a capable, ethical and developmental state,
- Priority 2: Economic transformation and job creation,
- Priority 3: Education, skills and health,
- Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services,
- Priority 5: Spatial integration, human settlements and local government, and
- Priority 7: A better Africa and world.

2.5. Alignment of Department's Priorities with the 2019-2024 MTSF

In line with Government priorities, the Department prioritises poverty eradication, job creation, and addressing inequalities. The 2020-2025 Strategic Plan of the Department sets its strategic goals/ outcomes within the context of the 2019- 2024 MTSF priorities linked to the NDP. Table 1 below illustrates such alignment.

Table 1. Alignment of the DMRE strategic objectives with NDP and MTSF

[9]Zero-Based Budgeting "a budgeting process that asks managers to build a budget from the ground up, starting from zero." (Kavanagh, 2011). This involves an in-depth examination of all the activities typical to government departments, including service delivery, investment and economic development.

MTSF Priority	DMRE Outcome	Outcome indicator	Target
Priority 1: Building a capable, ethical and developmental state	Functional, efficient and integrated Government	Percentage reduction of wasteful and fruitless expenditure compared to prior year	100% elimination of wasteful and fruitless expenditure
		Percentage reduction of irregular expenditure compared to prior year	100% reduction of irregular expenditure compared to prior year
		Receipt of an unqualified audit opinion for year under review	Receipt of an unqualified audit opinion for year under review
		Approval of Annual Performance Plans	Approved Annual Performance Plan
		Number of quarterly performance Reports produced	Four quarterly reports produced
		Annual Report tabled in Parliament	Annual Report produced and approved
		Approved shareholder compacts	Approved shareholder Compacts
		Approved Annual Performance Plan	Approved SOEs Annual Performance Plan tabled in Parliament
		SOEs' quarterly performance reports produced	SOEs' quarterly performance reports produced
		SOEs' Annual reports tabled in Parliament	SOEs' Annual reports tabled in Parliament
		Number of quarterly reports that detail the implementation of the 2019–2024 MTSF priorities	Four quarterly reports that detail the implementation of the 2019–2024 MTSF Priorities
	Improved governance and accountability	Percentage resolution of reported incidents of corruption	95% resolution of reported incidents of corruption
		Number of reports with detailed implementation of the DMRE Fraud Prevention Plan	Four reports with detailed implementation of the DMRE Fraud Prevention Plan
Priority 2: Economic transformation and job	Investing in accelerated inclusive Growth	Percentage of approved invoices from service providers paid within 30 days of receipt	100% approved invoices from service providers

creation		Number of jobs to be created through the issuing of mining rights and petroleum licences	4 000
		Number of SLP development projects completed	120
		Percentage of participation in district planning forums	100% participation in district planning forums
		Number of black industrialists created through mining and petroleum charters	10
		Beneficiation Master Plan	Approved Beneficiation Master Plan
		Number of investment promotion initiatives implemented and reported on	Five investment promotion events in the minerals and energy industrial complex held
		National Nuclear Regulator Bill submitted to Cabinet	Final National Nuclear Regulator Amendment Bill tabled to Cabinet for public consultation
		Bill submitted to Cabinet	Final Radioactive Waste Management Fund Bill tabled at Cabinet for public consultation
		Gas Master Plan submitted to Cabinet	Draft Gas Master Infrastructure Plan
		Amended NERA Bill	National Energy Regulator Act
		Amended ERA Bill	Electricity Regulation Act Act
		Just energy transition plan	Draft report on full coping on the first phase of the development of the just energy transition plan developed
		Percentage reduction in occupational fatalities compared to the prior year	10%
	Increased compliance with licensing conditions	Number of SLP (Social Labour Plan) inspections conducted	212
		Number of legal compliance Inspections (mineral laws-MLA) conducted	150
		Number of Mining Economics (MWP/PWP) Inspections conducted	500

		Number of environmental Inspections conducted	1 275
		Number of petroleum retail site compliance inspections conducted	540
	Increased compliance with fuel specification regulations	Number of fuel samples tested	1 080
	Economic participation in the mining and petroleum sectors	Percentage of petroleum licence applications approved with a minimum of 50% historically disadvantaged South Africans (HDSA) ownership	50%
	Supply of electricity secured	Power purchase agreements under the risk mitigation Independent Power Producer Procurement Programme signed	Emergency power contracting (power purchase agreements in place)
Priority 3: Education, skills and health	Total life expectancy of South Africans improved	Percentage reduction in occupational injuries compared to the prior year	Five per cent
Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services	State of geological infrastructure improved	Number of ingress control measures implemented	One strategy implemented
	Improve capacity to deliver basic services	Number of households electrified through non-grid technologies	15 000 additional households electrified through non-grid technology
		Number of quarterly reports on the planning, funding, implementation, monitoring and verification of the grid electrification of households towards the national commitment in the MTSF	Four
		Number of derelict and ownerless mine sites rehabilitated	One
		Report on key milestones of the Master Plan	Draft Renewable Energy (RE) Sector Master Plan finalised
	Improved energy efficiency across all sectors	Number of energy savings (TWh) realised and verified from Energy Efficiency Demand Side Management (EEDSM) projects	0.5 TWh savings realised and verified from EEDSM projects
			0.0194 TWh savings by

			EEDSM grant participating municipalities
Priority 5: Spatial integration, human settlements and local government	Greenhouse gas reduction	Greenhouse gas assessment and reporting framework for mining and energy sector developed	Greenhouse gas reporting and assessment framework submitted for Ministerial approval
		Number of carbon offset projects approved	Four
Priority 7: A better Africa and world	Economic diplomacy that promotes regional integration, global cooperation and development	Number of progress reports on agreed areas of collaboration and cooperation implemented	10
		Number of progress reports on Multilateral strategic partnerships	five

Issue for Consideration

The Department's planned Greenhouse gas assessment and reporting framework for the mining and energy sector for Ministerial, and the four carbon offset projects are a step in the right direction towards the climate change mitigation efforts and South Africa's commitments to international agreements, such as the Paris Agreement and reporting to the United Nations Framework on Climate Change.

3. DEPARTMENTAL BUDGET ANALYSIS OVERVIEW

Over the medium term, the Department plans to focus on transforming mining and energy resources; rehabilitating mines and the environment; extending access to electricity; enhancing energy efficiency; and managing nuclear energy in accordance with international commitments. The Department organises its work and expenditure into six programmes, namely Programme 1: Administration; Programme 2: Minerals and Petroleum Regulation; Programme 3: Mining, Minerals and Energy Policy Development; Programme 4: Mine Health and Safety Inspectorate; Programme 5: Mineral and Energy Resources Programmes and Projects; and Programme 6: Nuclear Energy Regulation and Management.

Shown in Table 2 and Figure 1b are the Department's overall budget allocation trends between 2017/18 to 2023/24. The trends indicate that the Departmental budget fluctuate over this period (2017/18 to 2023/24) with the lowest decline or dip in 2020/21 and thereafter increasing towards 2023/24, with programme 5 receiving the greatest allocations, as it includes transfers for conditional grants. The projected total expenditure of the Department is expected to increase over the medium term at an average annual rate of 11.3 per cent, from R7.6 billion in 2020/21 to R10.4 billion in 2023/24. This increase is mainly attributed to the relatively low baseline in 2020/21, owing to the once-off reductions effected on the integrated national electrification programme[10].

[10] National Treasury (2021)

The Department's total budget appropriated increased from R7.6 billion in 2020/21 to R9.2 billion in 2021/22, representing a nominal[11] increase of 21.3 per cent; whereas the inflation adjusted increase amounts to 16.4 per cent (ref. Table 3 and Figure 1). Over this period, the budget allocation to the Department increases by an average annual rate of 21.6 per cent in nominal terms, but in real terms it increases by an average annual rate of 16.44 per cent. Whilst being cognisant of the fiscal constraints of the country, the real percentage reductions in key departmental programmes, such as Mining, Minerals and Energy Policy Development; Minerals and Petroleum Regulation; and Nuclear Energy Regulation and Management Programmes and Projects could potentially undermine service delivery.

Table 2 Appropriations of 2017/18 to 2022/24

Programme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R million	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Programme 1 : Administration	604,9	622,1	631,3	589,1	623,8	631,9	633,6
Programme 2: Minerals and Petroleum Regulation	449,1	470,6	526,0	526,4	542,8	548,9	549,7
Programme 3: Mining, Minerals and Energy Policy Development	879,9	982,8	850,4	928,4	834,6	875,5	870,8
Programme 4: Mine Health and Safety Inspectorate	205,4	210,3	221,7	219,6	237,7	238,8	238,9
Programme 5: Mineral and Energy Resources Programmes and Projects	6 788,1	5 814,5	5 650,6	4 228,4	5 830,8	6 770,2	7 010,2
Programme 6: Nuclear Energy Regulation and Management	793,9	870,0	1 035,5	1 075,2	1 111,2	1 139,5	1 133,3
Total	**9 721,3**	**8 970,4**	**8 915,5**	**7 567,1**	**9 180,8**	**10 204,8**	**10 436,5**

Table 3 Analysis of the Appropriated Budget for 2020/21 to 2021/2022

Programme	Budget		Nominal ↑ or ↓ in 2020/21	Real ↑ or ↓ in 2020/21	Nominal Percent change in 2020/21	Real Percent change in 2020/21
R million	**2020/21**	**2021/22**				
Programme 1 : Administration	589,1	623,8	34,7	9,6	5,89 per cent	1,62 per cent

[11] This means it has not been adjusted to inflation

Programme 2: Minerals and Petroleum Regulation	526,4	542,8	16,3	- 5,6	3,10 per cent	-1,06 per cent
Programme 3: Mining, Minerals and Energy Policy Development	928,4	834,6	- 93,8	- 127,5	-10,11 per cent	-13,73 per cent
Programme 4: Mine Health and Safety Inspectorate	219,6	237,7	18,1	8,5	8,23 per cent	3,87 per cent
Programme 5: Mineral and Energy Resources Programmes and Projects	4 228,4	5 830,8	1 602,4	1 367,4	37,90 per cent	32,34 per cent
Programme 6: Nuclear Energy Regulation and Management	1 075,2	1 111,2	36,0	- 8,8	3,35 per cent	-0,81 per cent
TOTAL	**7 567,1**	**9 180,8**	**1 613,7**	**1 243,7**	**21,3 per cent**	**16,44 per cent**

Source: National Treasury (2021)

Issues for consideration

- The Department should provide Parliament assurance that the 13.73 real per cent decline in the Mining, Minerals and Energy Policy Development Programme 3 would not negatively affect the newly proposed greenhouse gas reduction, the development of policy and legislative in frameworks for the minerals and energy sectors, and ensure the security of mineral resources and energy supply through planning?
- How does the Department plan to support the mineral and energy sectors to combat the impact of Covid-19 on mining operations and energy production?

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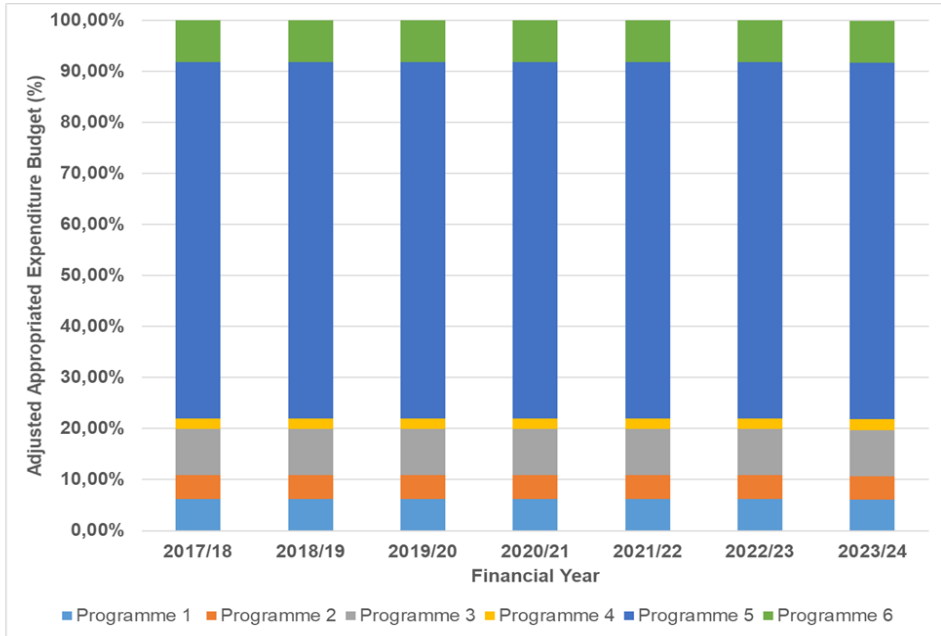
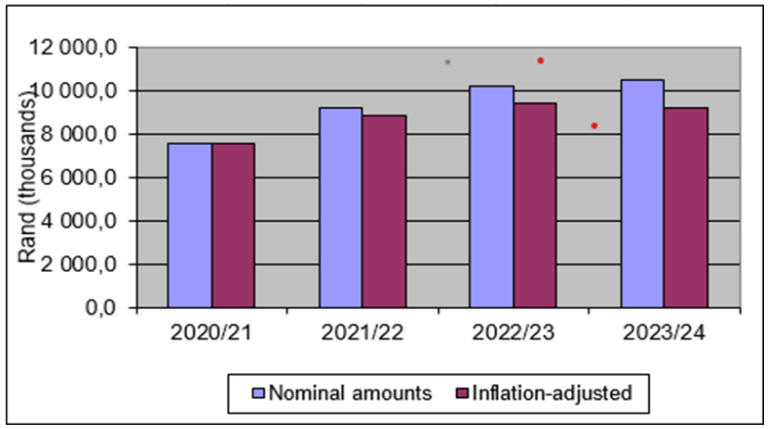
Figure 1 Departmental Programmes Budget Trends and Expenditure between 2017/18 and 2023/24

a) Departmental Programmes



b) Departmental Trends and Expenditure Budget between 2017/18 to 2023/24



c) Departmental Nominal and Inflation-adjusted Budget between 2020/21 to 2023/24

4. CONDITIONAL GRANTS

The conditional grants to municipalities are allocated in the form of transfers through Programme 5: Mineral and Energy Resources Programmes and Projects. They are:

- The **integrated national electrification programme (INEP) grant** – is the programme through which the Department aims to achieve universal access to electrification by 2025 in South Africa. The INEP is responsible for planning, project managing and funding the bulk infrastructure (e.g.MV lines and substations), grid and non-grid new connections for households that cannot afford to pay on their own to receive access to electricity.[12]
- The **energy efficiency and demand-side management (EEDSM) grant** – the programme supports municipalities in their efforts to reduce electricity consumption by optimising their use of energy. Interested municipalities have to respond to the request for proposals issued by Department in the beginning of October each year. Thereafter, these proposals are evaluated based on their energy savings potential, cost and payback period. The selected municipalities will then receive grants for the planning and implementation of energy efficient technologies ranging from traffic and street lighting to energy efficiency in buildings and water service infrastructure. The estimated electricity saving potential for traffic lights is up to 80%; for street lighting between 40-70%; for office buildings 20-30%; and 15-25% for pumps that are used for water provision and treatment.[13] .

Both these grants respond to the Department's priority focus areas of extending access to electricity and enhancing energy efficiency.

~~5.1~~4.1 Conditional Grants Expenditure Trends

The EEDSM grant to the provinces and municipalities have increased year-on-year from 2017/18 to 2019/20. Whilst the grant allocation displays a decline in the 2020/21 financial year, it is projected to grow over the 2020/21 to 2023/24 MTEF (Table 4). The INEP grant, on the other hand, fluctuated annually. The variation in INEP allocation could either be an indication of progress in the electrification programme or might negatively impact the provision of electrification to communities that are without. The EEDSM grant allocation increments might indicate uptake of the opportunities offered to the municipalities.

[12] Government Gazette (2018) no. 41704

[13] https://www.savingenergy.org.za/municipal-eedsm/

Table 4. Conditional grants allocation and programme wherein they are allocated

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R million	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**022/23**	**2023/24**
Programme 5: Mineral and Energy Resources Programmes and Projects							
Integrated National Electrification Programme Grant	2 087,0	1 904,5	1 859,8	1 358,8	2 003,2	2 118,7	2 212,0
Energy Efficiency and Demand- Side Management Grant	203,2	215,0	227,1	196,2	220,9	231,2	232,1
Total	**2 290,3**	**2 119,5**	**2 086,9**	**1 554,9**	**2 224,0**	**2 349,9**	**2 444,1**

Source: National Treasury (2021)

~~5.2.~~5.1. 2020/21 Conditional Grants Estimates

In this section, analysis of expenditure estimates for conditional grants are presented in Table 5. The total budget allocation for provincial conditional grants is **R2, 224 billion** for the 2021/22 financial year, a 37.26 per cent increase in real terms as compared to the **R1, 5549 billion** allocation in 2020/21. The bulk of the growth experienced in conditional grant allocations is driven by the significant real percentage increase of 41,48 per cent (R 563,7million) to the Integrated National Electrification Programme, followed by an 8,04 per cent (R 15,8 million) increase in real terms for the Energy Efficiency and Demand- Side Management Grant.

Table 5. Analysis of conditional grants allocations

R million	**Budget**		**Nominal ⬆ or ⬇ in 2020/21**	**Real ⬆ or ⬇ in 2020/21**	**Nominal % change**	**Real % change**
Conditional Grants	**2020/21**	**2021/22**	**2020/21-2021/22**		**2020/21-2021/22**	
Programme 5: Mineral and Energy Resources Programmes and Projects						
Integrated National Electrification Programme Grant	1 358,8	2 003,2	644,4	563,7	47,43 per cent	41,48 per cent
Energy Efficiency and Demand- Side Management Grant	196,2	220,9	24,7	15,8	12,58 per cent	8,04 per cent
Total	**1 554,9**	**2 224,0**	**669,1**	**579,4**	**43,0 per cent**	**37,26 per cent**

Source: National Treasury (2021)

Issues for Consideration

- With the increase in grant allocations, and pathway to economic recovery, what measure/s has the Department put in place to ensure that the planned 15 000 additional households are electrified through non-grid technology?

- In the 2020/21 financial year, the conditional grants allocation was significantly reduced in both nominal and real terms. Can the Department provide feedback to Parliament on the implications of this on service delivery, as this issue was raised in the previous year, specifically on the delivery of electrification and improved energy efficiency? Taking into account the impact of COVID-19, have the planned interventions that Parliament raised for the Department to put in place, owing to reduced allocation, countered the COVID-19 impacts?
- What per cent of the overall energy shortfall does the potential energy savings target (as stated in the APP the Department planned 0.5 TWh savings realised and verified from EEDSM projects and 0.0194 TWh savings by EEDSM grant participating municipalities) contribute for this financial year? What are the barriers to and potential for increasing the energy savings?

5. CONCLUSION

The rearrangement of the Department to combine Mineral Resources and Energy efforts, considering the projected tough global economic environment, has potential for the mining and energy economies to be realised. The Department's plans, policies and priorities, as indicated in its strategic plan and APP, are in line with Government's policy priorities over the medium term, as well as international agreement (specifically efforts towards meeting the Paris Agreement).

In the previous financial year some of the issues raised for consideration have been addressed by the Department. This includes the provision of a forward looking focus for implementation of the programmes over the MTSF period, which were included in their APP. Further, issues of inconsistencies in terms of the APP have been resolved. The Department should be commended for efforts made and encouraged for continued cooperation as they grow from the merger.

On a financial level, budget allocation to the Department has increased by 16.44 per cent in real terms in 2021/22 compared to 2020/21. This means that the Department has the incremental increase of above inflation, meaning that there is more money available to deliver on priorities given increasing delivery costs. The allocation to the conditional grants have been increased by 41,48 and 8,04 per cent in real-terms for Integrated National Electrification Programme and Energy Efficiency and Demand- Side Management Grant, respectively. This increase should see the Department working towards achieving the universal access to electrification by 2025 in South Africa, and the efforts to reduce electricity consumption by optimising municipalities' use of energy. In the medium term, the Department can use this increase in budget to narrow the bridge between supply and demand for energy through investment in alternative, economic and sustainable energy sources over and above those stated in the 2021 SONA, i.e. from renewable energy, natural gas, wind and solar, in line with the Integrated Resource Plan 2019.

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