Department of Public Enterprises

ANNUAL PERFORMANCE PLAN

2018/19

public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

public enterprises

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Public Enterprises
REPUBLIC OF SOUTH AFRICA

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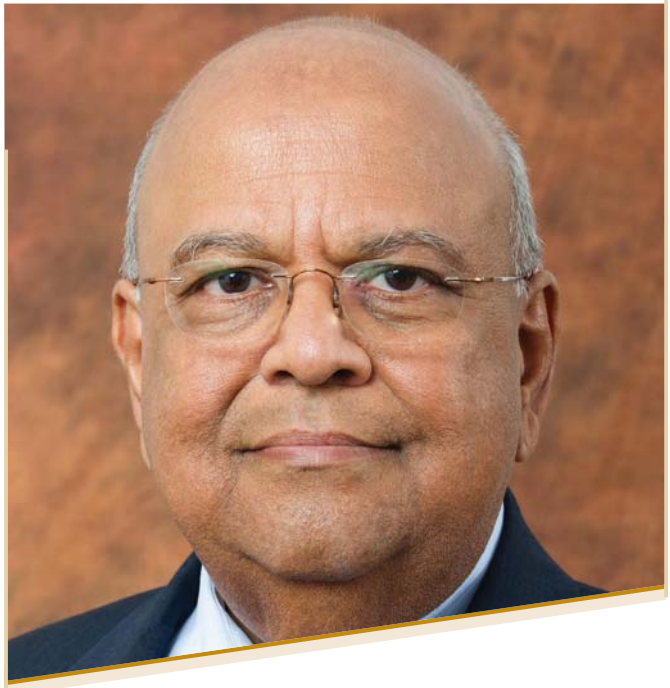
FOREWORD BY THE MINISTER



Mr Pravin Gordhan, MP
Minister

In the State of the Nation Address in February 2018, President Cyril Ramaphosa said the following about State Owned Enterprises:

"..Fellow South Africans,

Growth, development and transformation depend on a strong and capable state.

It is critical that the structure and size of the state is optimally suited to meet the needs of the people and ensure the most efficient allocation of public resources.

We will therefore initiate a process to review the configuration, number and size of national government departments.

Many of our state owned enterprises are experiencing severe financial, operation and governance challenges, which has impacted on the performance of the economy and placed pressure on the fiscus.

We will intervene decisively to stabilise and revitalise state owned enterprises.

The recent action we have taken at Eskom to strengthen governance, root out corruption and restore its financial position is just the beginning.

Government will take further measures to ensure that all state owned companies fulfil their economic and developmental mandates.

We will need to confront the reality that the challenges at some of our SOEs are structural – that they do not have a sufficient revenue stream to fund their operational costs.

These SOEs cannot borrow their way out of their financial difficulties, and we will therefore undertake a process of consultation with all stakeholders to review the funding model of SOEs and other measures.

We will change the way that boards are appointed so that only people with expertise, experience and integrity serve in these vital positions.

We will remove board members from any role in procurement and work with the Auditor-General to strengthen external audit processes.

As we address challenges in specific companies, work will continue on the broad

architecture of the state owned enterprises sector to achieve better coordination, oversight and sustainability.

This is the year in which we will turn the tide of corruption in our public institutions."

The focus of work during the 2018/19 financial year will be in line with the President's State of the Nation Address.

This APP will be adapted to effectively implement the clear instructions set out above. It is vital that within this fiscal year major State-Owned Companies are aligned with government's objectives.

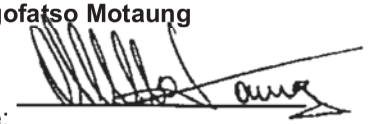
Mr Pravin Gordhan, MP
Minister

OFFICIAL SIGN-OFF

It is hereby certified that this Annual Performance Plan (APP) was developed by the management of the Department of Public Enterprises (DPE) under the guidance of Mr. Mogokare Richard Seleke, Director-General, and prepared in line with the current Strategic Plan of the DPE.

It accurately reflects the performance targets that the DPE will endeavor to achieve given the resources made available in the budget for the 2018/19 financial year.

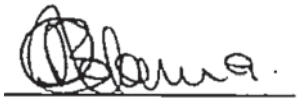
Ms Tshegofatso Motaung

Signature: 

Date: 2018/03/06

Acting Deputy Director- General: Corporate Management

Mr Bafenyi Lekoma

Signature: 

Date: 06 March 2018

Acting Chief Financial Officer

Mr Mogokare Richard Seleke

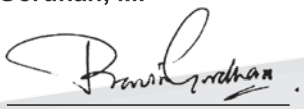
Signature:

Date: 06/03/2018.

Director-General

Approved by:

Mr Pravin Gordhan, MP

Signature: 

Date: 07/03/2018

Minister

GLOSSARY OF ACRONYMS

APP	Annual Performance Plan
B-BBEE	Broad–Based Black Economic Empowerment
BRICS	Brazil, Russia, India, China, South Africa
CPI	Consumer Price Index
CSI	Corporate Social Investment
CSDP	Competitive Supplier Development Programme
DAFF	Department of Agriculture, Forestry and Fisheries
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DoE	Department of Energy
DPE	Department of Public Enterprises
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade and Industry
GCM/H	Gross Crane Moves per Hour
EA	Executive Authority
EDF	Eskom Development Foundation
ESCAP	Eskom Rotek Industries
ESD	Enterprise and Supplier Development
GDP	Gross Domestic Products
GFCF	Gross Fixed Capital Formation
IFLOMA	Industriais Florestais De Manica, Mozambique
IMC	Inter-Ministerial Committee
IRP	Integrated Resource Plan
IPAP	Industrial Policy Action Plan
MoA	Memorandum of Agreement.
KM	Kilometre
MDS	Market Demand Strategy
MOI	Memorandum of Incorporation

MPAT	Monitoring Performance Assessment Tool
MPSA	Minister of Public Service and Administration
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
MVA	Mega Volt Amp
MW	Megawatt
MT	Megaton
NDP	National Development Plan
NEMA	National Environmental Management Act
NERSA	National Energy Regulator
NGP	National Growth Path
NPAT	Net Profit after Tax
NT	National Treasury
PICC	Presidential Infrastructure Coordination Commission
PFMA	Public Finance Management Act.
PRC	Presidential Review Committee
PPPFA	Preferential Procurement Policy Framework Act
RBCT	Richards Bay Coal Terminal
RMC	Richtersveld Mining Company
SAFCOL	South African Forestry Company Ltd
SA Express	South African Express Airways
SARB	South African Reserve Bank
SDIP	Service Delivery Improvement Plan
SEIAS	Socio Economic Impact Assessment
SONA	State of the Nation Address
SIP	Strategic Integrated Projects
SOE	State-Owned Entities
SOC	State-Owned Companies
TOR	Terms of Reference

PART A: STRATEGIC OVERVIEW

PART A: STRATEGIC OVERVIEW

Updated situational analysis

The National Development Plan (NDP) launched in 2012, was developed to address the socio-economic and developmental challenges facing South Africa, with a particular focus on addressing impediments to economic growth. The NDP seeks to ensure that there are adequate resources and means provided to the people of South Africa, with the assistance and guidance of Government, to address the challenges of poverty, inequality and joblessness in the country. This is to ensure that significant progress is made by 2030 through banishing these realities from South Africans' daily experiences.

The NDP has identified the role that should be played by the state-owned companies and by extension the Department of Public Enterprises (DPE) as the shareholder department of some of the SOCs and custodian of governance across government. The Department has therefore been entrusted with a responsibility to develop a shareholder policy which will be applicable across government.

- Expansion of the role played by state-owned enterprises in training artisans and technical professionals:
  - This requires that the state-owned companies leverage their training infrastructure to train not only for their own requirements, but for those of the sector in which they operate and the country as a whole.
- Development of project funding and implementation of strategies for critical economic infrastructure. The funding could either be on or off the SOCs' balance sheets. The exercise would be underpinned by the following principles:
  - The long-term users to pay the bulk of the costs for the infrastructure, with due protection for poor households through, where possible, subsidies to poor households in as direct and as transparent a manner as possible.
  - Government and the fiscus should provide the requisite guarantees so that the costs can be amortised over time. Thereby smoothing the price path, appropriate regulatory and governance frameworks should be put in place so that the infrastructure is operated efficiently and tariffs can be set at appropriate levels. In this regard, the guarantees should be used selectively to lower the cost of capital and to secure long-term finance.
  - Where private companies have a role, they would be expected to provide the funding and carry the liabilities incurred on their balance sheet subject to an agreement being reached with government where the above principles will not be violated.
- Informed by the above requirement, the DPE and National Treasury have led the effort during the MTSF period to develop the Private Sector Participation (PSP) framework, which is intended to leverage private sector resources.
- The NDP identifies the importance of governance in ensuring delivery of utility and network services to the populace, as shown by the root causes of the electricity crisis of 2008. In this regard, the need to address institutional weaknesses related to SOCs responsible for network infrastructure has been identified. Some of the areas that need to be addressed to ensure SOC sustainability are:
  - Clear institutional arrangements – where the roles of the various players (Shareholder Minister, Shareholder Department, Policy Department, SOC Boards of Directors, and SOC Executive Management) would be defined and captured in a guiding legislation. In this regard the awaited Government Shareholder Management Bill which is spearheaded by DPE would assist in ensuring that this requirement is fulfilled;
  - Transparent shareholder compacts – the development of the compacts would be the product of a consultative process with critical stakeholders and the performance areas agreed upon aligned to national priorities and then getting published;
  - Clean lines of accountability – the revelations of the 14 October 2016 Public Protector report, "The State of Capture", and the Portfolio Committee on Public Enterprises (PCPE) during 2017/18 have shown the importance of

maintaining clear lines of accountability between various governance role players, and what happens when for instance these lines of accountability are blurred, such that Boards end up getting involved in procurement decisions. In this regard the DPE as the custodian of governance across SOCs and has a critical role in rolling back the damage that has been done to government's reputation as a shareholder. Board Appointment Guidelines and Remuneration Standards as approved by Cabinet in November 2016 have to be speedily implemented.

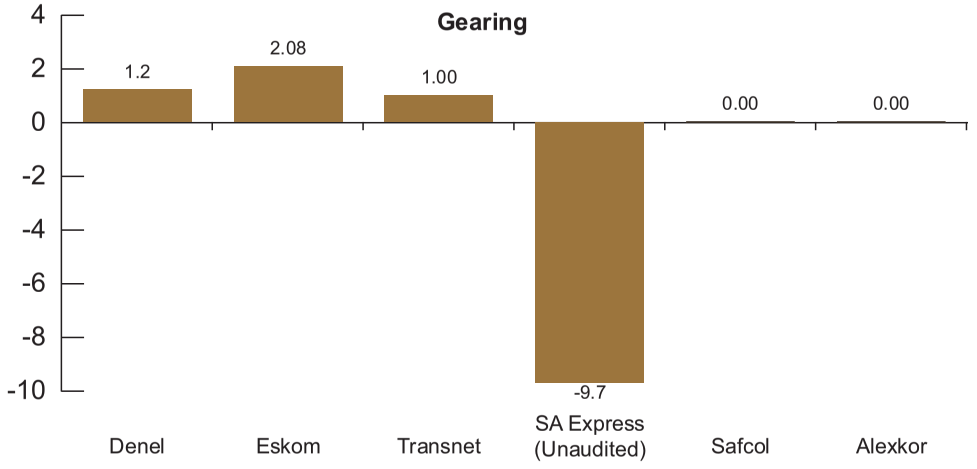
- Sound financial models – the SOC leadership has continually argued that the need to maintain unprofitable business units due to their importance in delivering public services is what in some instances has constrained the financial sustainability of the SOCs. The development of SOCs' business and financial models responsive to their socio-economic delivery mandates is critical in addressing this point.
- Stable leadership – addressing the cycle of rapid Board and Executive leadership turnover and the scourge of acting appointments is important in ensuring that stability is restored to the SOCs. This has to be through ensuring competent leadership with appropriate sector and technical skills is appointed to the entities.

Therefore, in ensuring that the APP 2018/19 going forward is aligned to government priorities, the Department made certain that the MTSF 2014-19 deliverables are explicitly reflected. This is to safeguard that in allocation of resources the MTSF is prioritised and therefore the expression of SOCs as delivery agents of government is realised.

SOCs are experiencing severe financial, operational and governance challenges

Financial

- SOC investment including infrastructure should leverage the private sector (PSP) capital and expertise through:
  - Public private partnerships,
  - Joint ventures,
  - Public-private collaboration, and
  - Strategic equity partnerships
- Adequate capitalisation of SOCs and ensure optimum capital structure
- Economic infrastructure, where relevant, must be funded on a 'user pays' principle reflective of the economic use of infrastructure (NDP)



	Denel	Eskom	Transnet	SA Express (Unaudited)	Safcol	Alexkor
Revenue (Rmillion)	8,057	177,136	65,478	2,327	1,014	386
Net profit/(Loss) (Rmillion)	333	800	2,765	(202)	114	6

How to improve efficiency:

- Improve DPE governance oversight model including reduction of performance monitoring and tracking intervals (e.g. weekly tracking of cash position, monthly tracking of adherence to debt covenants)
- Introduce an electronic dashboard tracking critical SOC health and effectiveness metrics to enable DPE intervention where required.

How to restore SOC financial sustainability and reduce dependence on the fiscus:

- Engage financial institutions with a view to ensuring an appropriate funding model for the SOCs
- Identify lossmaking operations/business units and implement appropriate solutions including disposal of non-strategic assets
- Benchmark SOC financial and operational metrics
- Leverage the private sector to reduce government exposure and introduce project execution discipline.

Stamp out corrupt practices at SOCs:

- Ensure that forensic investigation reports are acted on
- Strengthen SOC internal audit and enterprise risk management independence and capability
- Appoint an independent and credible organization to handle whistleblowing for instances where SOC employees, suppliers or customers would want to safely report instances of malfeasance
- Establish a DPE centralized depository of forensic investigation reports.

Key Themes from the 2018 State of the Nation Address

Decisive interventions	Review of Operating model	SOCs in sound financial position	Review of Funding models
How do we respond			
• Review of MOIs to include step-in rights for the shareholder • All Directors and employees to cease doing business with SOCs • Lifestyle audits for NEDs and Executives • Implementation of audit findings • Review of SMF for closer oversight • Introduce a weekly dashboard	• Benchmark SOCs' operational performance with domestic and global peers and SOCs' contracted accordingly • Benchmark SOCs' financial and operational metrics • Review of operating models in line with operating context, evolving markets and technology • Poor SOC overall performance with respect to service delivery mandates (electricity blackouts, commuter trains safety and inability to meet schedule) • Review of group structures, subsidiaries and intra-group relations • Appropriate tariff structures that facilitate trade and investment (e.g. port, rail and electricity tariff structure, tariffs that support export of manufactured products versus raw materials)	• Engage financial institutions with a view of ensuring an appropriate funding model for the SOCs • Assess profitability at BU level • Strictly enforce NT capital guarantee guidelines for SOCs to ensure discipline in accessing and utilization of capital raised (borrowings, equity injections, government guaranteed facilities, etc.) • Engagement with lenders on the SOCs' strategy to enable SOCs to borrow – restore credibility • Identification and Disposal of non-core assets to close the gap	• Define and Identify unfunded developmental mandates • Leverage the private sector to reduce government exposure and introduce project execution discipline (PSP) • Review of capital structure • Cost saving programme – Optimization of resources • Adherence to regulatory regimes

SOCs to fulfil their economic and developmental mandate	DenelSound leadership and governance	EskomConfront corruption	TransnetBetter co-ordination and oversight of government's role as shareholder
Revenue (Rmillion)How do we respond			
• Net profit/(Loss) (Rmillion)Utilizing the Strategic Intent Statement to ensure SOCs' mandate is aligned to address strategic drift • Ensure that SOCs' shareholder compacts are reflective of the NDP expectations and MTSF targets • The SOCs' commercial and developmental mandate should be clearly defined, including the funding thereof, and focus on the core mandate • Review SOCs' structures and discontinue business operations that are defocusing the business from their mandate	• 333 Appointments of new Boards • Appointments of strong Executive directors • Credibility of appointment methodology • Consequence management (including criminal prosecution) • Appoint members who have the requisite integrity, experience and competence • Ensure succession planning by appointing members who can learn from the experienced appointees, with a particular bias for black females	• 800 Limit the role of Boards in procurement • Ensure that forensic investigation reports are acted on • Strengthen SOCs' internal audit and enterprise risk management independence and capability • Appoint an independent and credible organization to handle whistleblowing for instances where SOC employees, suppliers or customers would want to safely report cases of malfeasance • Establish a DPE centralized depository of forensic investigation reports	• 2,765 Review of Schedule 2 entities as per cabinet approved complexes (mandate & relevance) • Streamline SOCs' business to emphasise focus on the core mandate in order to support the development of the state • Co-ordinate activities of IMC on reforms • Implementation of the DPSA Guidelines on Appointment of Boards and Executive Management; • Implementation of Executive remuneration guidelines across government

PUBLIC TRUST IN THE DPE (PARLIAMENTARY ENQUIRY AND JUDICIAL COMMISSION ON STATE CAPTURE)

In the recent past, including 2017/18, the SOCs have attracted public attention due to the revelations of corrupt practices at state-owned companies orchestrated in some instances through poor oversight by the boards and delays in taking appropriate action where wrongdoing was revealed. The speed at which challenges are resolved and programmes to win back the public trust and confidence will be implemented in the current financial year is crucial.

The DPE will be developing and implementing in 2018/19 a Public Trust Recovery Plan in an attempt to rebuild public trust and goodwill in itself and the SOCs in its portfolio. The matter is serious enough to be regarded as an existential crisis for the DPE, especially as the logic of having the SOCs reporting outside their policy departments is being questioned in some quarters. The need to address the public reputation of SOCs is a matter of national importance and was therefore specifically addressed in the 2018 State of the Nation Address (SONA) by the President of the Republic of South Africa Mr Cyril Ramaphosa.

The Department will develop an improvement plan based on issues raised and highlighted by the Portfolio Committee on Public Enterprises and general stakeholders, including the banking community. The intention of the improvement plan is to build partnerships and new ways of improving governance, performance and greater influence in the South African economy.

The Judicial Commission is critical in ensuring that the extent and nature of state capture is established, that confidence in public institutions is restored and that those responsible for any wrongdoing are identified. The department will provide all available information and documentation to assist and mitigate all related issues of State Capture. In the 2017/18 financial year our Department appeared before the Parliamentary Enquiry on State Capture and it will continue to do as and when it is required.

The Judicial Commission is critical in ensuring that the extent and nature of state capture is established, that confidence in public institutions is restored and that those responsible for any wrongdoing are identified. The department will provide all available information and documentation to assist in mitigating all related issues of State Capture:

- Boards must not rely on the Parliamentary enquiry or the Judicial Commission to uphold the rule of law
- Boards must report to the law enforcement agencies' incidents of fraud and corruption
- All efforts must be made to recover funds
- SOCs to prepare and co-operate with the commission.

The following actions were taken at Eskom to strengthen governance, root out corruption and restore its financial position:

- A new Board was appointed
- Executives implicated in corruption were forced to leave
- The process of filling the executive vacancies will be finalised in the 2018/19 financial year; the target date is 30 June 2018.
- The Board was ceased with the review of the business model to ensure a sustainable Eskom
- New package agreed with the lenders
- Eskom clean audit status was restored
- SMF (Significant and Materiality Framework) reviewed.

Table 2: Presidential Review Commission (PRC) on SOE Diagnosis

Diagnosis	Interventions
Proliferation of the SOC	SOC Reform
No common agenda for SOC and understanding across government	
No commonly agreed strategic sectors and priorities	
No consolidated national repositories for all SOCs, therefore there is confusion of SOC categorization	
Challenges regarding the balancing of tradeoff between commercial and non- commercial objectives	DPE repositioning underway
Legislative framework of SOCs is inadequate	
Governance and ownership policy and oversight systems are inadequate	
Quality of board and executive recruitment is inadequate	DPSA developing a guide on the appointment of directors and executives in SOCs

Diagnosis	Interventions
No clarity of roles of Executive Authority, Boards and CEO in the governance and operations of SOCs	DPE to develop a training programme for prospective and appointed board members (IOD equivalent)
Remuneration frameworks and practices are inconsistent	SOC Remuneration Framework approved by Cabinet in November 2018
Many SOCs require massive capital injection and their finance policies require close re-examination	DPE/NT to develop a SOC funding model including incorporation of PSP principles
Funding for social and economic mandates are blurred and confusing, leading to under capitalisation in some instances	DPE/NT to develop a funding framework for social or developmental mandates
Service delivery of SOCs conflict across SOCs	SOC Reform
Shareholder Compacts not being signed on time make insufficient provision beyond the narrow goal of profitability	DPE to review the logical planning framework
SOCs lack robust leadership and initiative on crucial imperatives i.e. job creation, skills development and BEE	DPSA developing a guide on the appointment of directors and executives in SOCs
Poor collaboration among SOC and their oversight Departments	SOC Reform (optimization of SOC industrial complex)

DOMESTIC ECONOMIC OUTLOOK

According to the 2018 National Treasury Budget Review, the South African economy is forecast to grow by 1.5 per cent in 2018 and by 1.8 per cent in 2019. This follows an improved annual GDP growth rate of 1.3 per cent in 2017 compared to 0.6 per cent in 2016. The positive outcome is a result of strong growth in agriculture, mining, finance and transport sectors. The increased global demand for commodities has anchored the notable rise in the prices of crude oil, coal, iron ore and precious metals, thereby improving the near term outlook for commodity exporters such as South Africa. The better than expected growth outlook (in Table 1) is mainly a result of improved business and consumer confidence.

Percentage change	2014	2015	2016	2017	2018	2019	2020
	Actual			Estimate	Forecast		
Final household consumption	0.7	1.7	0.8	1.3	1.7	1.9	2.3
Final government consumption	1.1	0.5	2.0	0.0	-0.3	1.2	1.4
Gross fixed-capital formation	1.7	2.3	-3.9	0.3	1.9	3.3	3.7
Gross domestic expenditure	0.6	1.8	-0.8	1.3	1.7	2.2	2.4
Exports	3.2	3.9	-0.1	1.5	3.8	3.4	3.5
Imports	-0.5	5.4	-3.7	2.7	4.4	4.6	4.5
Real GDP growth	**1.7**	**1.3**	**0.3**	**1.0**	**1.5**	**1.8**	**2.1**
GDP inflation	5.8	5.0	7.0	4.9	5.7	5.3	5.5
GDP at current prices (R billion)	**3 807.7**	**4 049.8**	**4 345.8**	**4 604.4**	**4 940.8**	**5 298.3**	**5 704.6**
CPI inflation	6.1	4.6	6.3	5.3	5.3	5.4	5.5
Current account balance (% of GDP)	-5.3	-4.4	-3.3	-2.2	-2.3	-2.7	-3.2

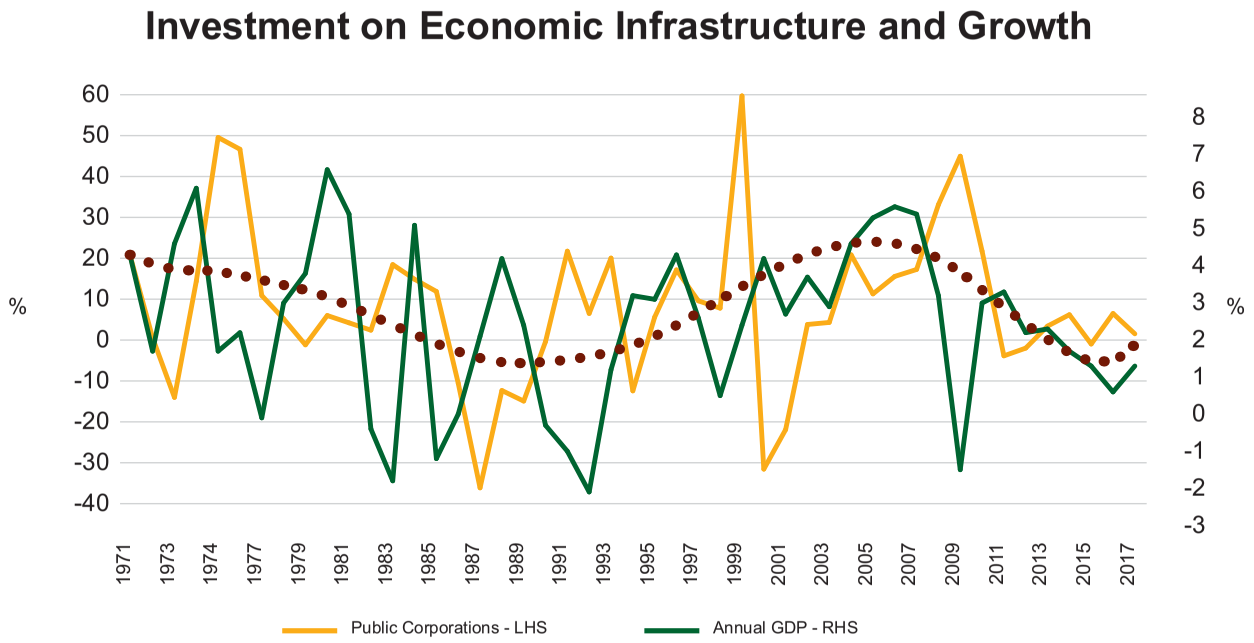
Source: National Treasury and Reserve Bank

The importance of Capital Investment Programmes to Economic Development

Studies by Calderon and Serven (2010) and Prud'homme (2004) give evidence that investment in infrastructure is an important source of economic growth. Alschauer (1989) concluded that there is a strong positive relationship between public capital and productivity in the United States.

This has been supported by South African studies by Abedian & Seventer (1995); Coetzee & Le Roux (1998) and DBSA reporting on the positive impact of public sector infrastructure stock on growth. In this regard, Mabugu et al (2009) concluded that increased investment in water, health, electricity, communications, roads and transport has a positive effect on South African GDP.

SARB's data shows that investment on economic infrastructure and growth is critical for economic expansion, with periods of economic distress cushioned by an uptick in expenditure towards economic infrastructure.



Source: SARB

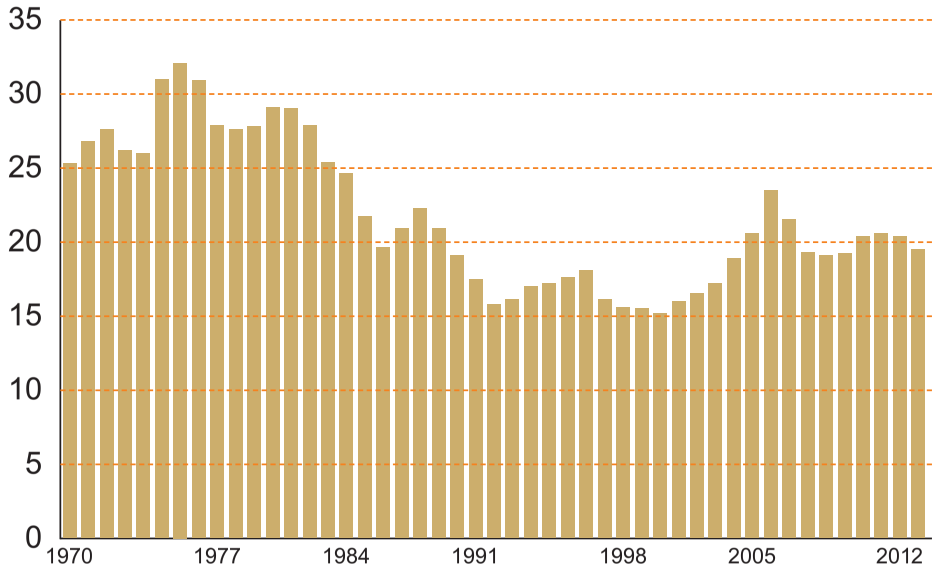
How is South Africa Performing in Developing its Economic Infrastructure

Gross Fixed Capital Formation (GFCF)

The signing of the Infrastructure Development Act No.23 of 2014 saw the establishment of co-ordination structures of the Presidential Infrastructure Coordinating Commission (PICC) to ensure co-ordination across the three spheres of government; ensure high levels of public investment; and to improve the management of infrastructure over the life-cycle phases. The PICC is also required to assess the impact of infrastructure projects on economic and social development and inclusion.

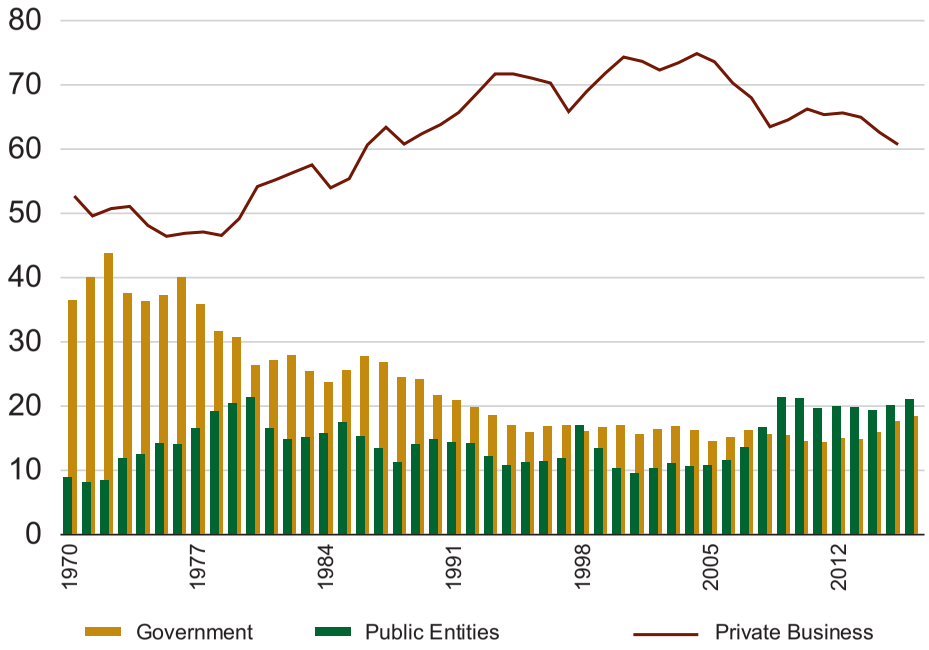
Government through the National Development Plan made a commitment to increase GFCF to 30 percent of GDP by 2030. However, not much progress has been made in this regard. Figure 1 shows that the ratio of GFCF to GDP has remained below the target for four decades. There is therefore a need through Outcome 6 to be aggressive in pushing for more GFCF and our SOCs are important players in this regard. The share of investment by SOCs increased steadily from 2006 while the shares of investment by government and private business increased at lower rates– see Figure 2.

Figure 1: Ratio of Gross Fixed Capital Formation to GDP



Data Source: SARB

Figure 2: Share of Gross Fixed Capital Formation



Data Source: SARB

Public Sector Infrastructure Investment

According to the National Treasury, public spend on infrastructure has increased from R48 billion in 1998/99 to R249.9 billion in 2016/17, totaling over R2.7 trillion. Over the same period the main contributors to public sector expenditure are State-owned companies (R1.2 trillion), provincial departments (R643 billion) and municipalities (R554 billion). Expenditure has been focusing on social and economic infrastructure such as schools, health facilities, roads & transport, energy, water and sanitation.

In line with the medium term strategic framework and the National Development Plan, the 2018 Budget presented public expenditure over the MTEF period to total R834.1 billion. Of the total amount, SOCs were to contribute R368.2billion, while the expenditure by municipalities and provinces was estimated at R183.8 and R165.3 billion respectively.

R billion	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	MTEF
	Outcomes			Estimates				Total
Energy	67.8	65.9	67.0	62.0	74.1	81.1	63.6	218.8
Water and sanitation	29.5	31.5	30.8	35.6	36.9	38.5	42.8	118.2
Transport and logistics	92.4	81.3	70.9	84.9	86.9	93.7	107.6	288.2
Other economic services	13.0	13.2	14.3	6.7	4.6	3.2	3.0	10.8
Health	8.7	10.3	10.4	11.1	10.4	10.8	11.3	32.6
Education	15.4	18.0	17.8	18.7	15.5	15.6	15.8	46.8
Human settlements	17.1	18.3	18.3	20.0	18.2	18.8	20.1	57.1
Other social services	9.3	11.9	10.3	11.1	10.0	10.0	10.6	30.6
Administration services	9.0	10.9	10.1	10.0	9.5	10.5	10.9	31.0
Total	**262.2**	**261.2**	**249.9**	**260.1**	**266.0**	**282.3**	**285.8**	**834.1**
National departments	13.5	14.5	15.8	15.8	15.3	15.5	15.8	46.6
Provincial departments	56.4	60.6	62.6	62.6	53.5	54.9	56.9	165.3
Local government	53.2	54.7	54.4	63.6	59.7	60.4	63.7	183.8
Public entities	19.2	17.8	17.1	15.6	16.2	17.4	18.1	51.7
Public-private partnerships	4.0	4.3	4.8	5.0	5.9	6.1	6.4	18.5
State-owned companies	115.8	109.3	95.2	97.5	115.4	128.0	124.8	368.2
Total	**262.2**	**261.2**	**249.9**	**260.1**	**266.0**	**282.3**	**285.8**	**834.1**

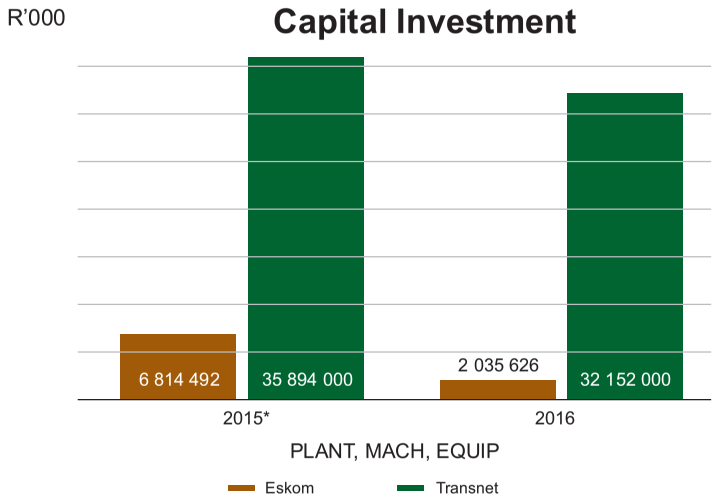
Source: National Treasury

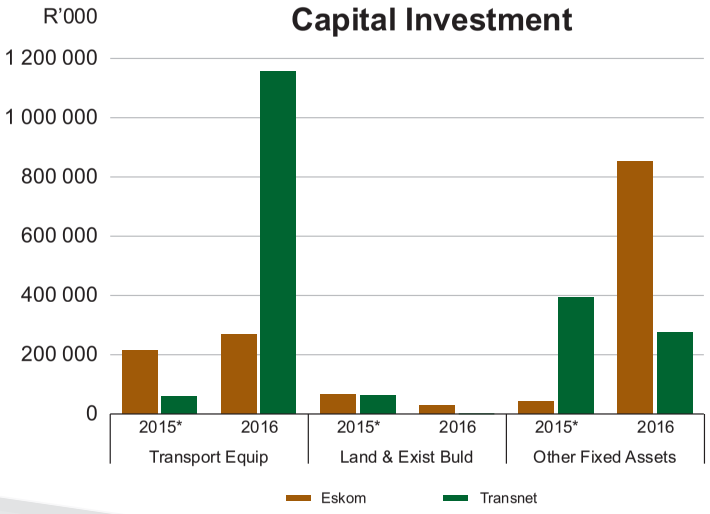
Note: Public entities are financed by capital transfers from the fiscus and SOCs are financed from a combination of own revenue, borrowings and private funding.

Capital Investment By Type

- In value terms, Eskom and Transnet continue to anchor capital investment in plant, machinery & equipment, Transport equipment and other fixed assets.
- Transnet reduced investment in plant, machinery and equipment from R35,8 billion in 2015 to R32,1 billion in 2016. Similarly, Eskom recorded a 70 per cent cut between the two years.
- Transnet's investment in transport equipment increased significantly to over R1billion (from R58 million in 2015).
- Investment by Eskom increase for both transport equipment and other fixed assets.

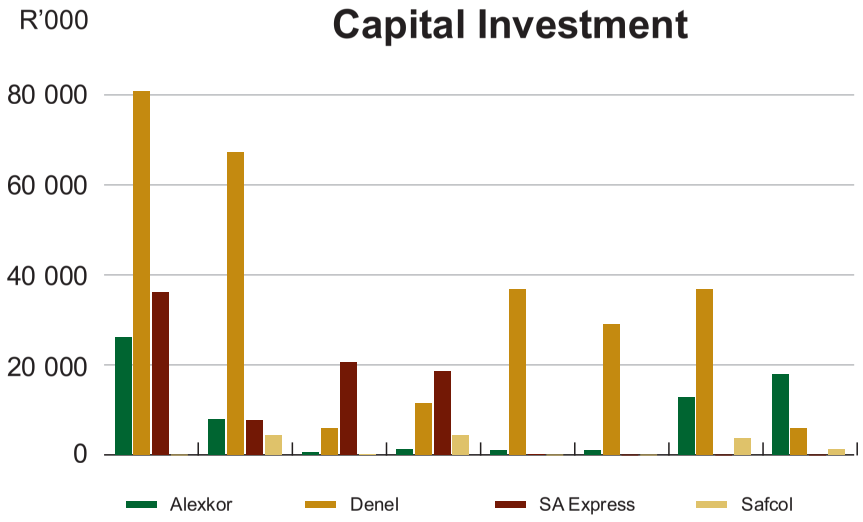
Note: Other Fixed assets - Cultivated assets, Heritage assets and Intangible assets





Source: StatsSA

- Investment in plant, machinery and equipment decreased in 2016 compared to 2015
- Of the four SOCs, Denel is a key investor in different sectors despite at a lower rate in 2016
- SAExpress is leading in the Transport equipment sector both for 2015 and 2016
- While SAFCOL is not a significant player, it has invested just below R5million in Plant, machinery & equipment and in Transport equipment



Source: StatsSA

Way Forward

A compact between Government, Organized Labour, SOCs and Private Sector is required to ensure that the country can achieve the target of GFCF of 30 percent of GDP by 2030. The Department of Public Enterprises by virtue of its custodianship of Eskom and Transnet, which are major players in the infrastructure development programme, will be playing a leading role in the convening of the quartet. The NT Private Sector Participation (PSP) programme, which is an instrument intended to leverage private sector in co-funding major infrastructure programmes, is a critical tool that should be implemented with urgency.

DPE SOC PORTFOLIO (2016/17)

Description	Armaments Manufacturer
State Shareholding	100%
Revenue (R)	5.8 billion
Net Profit / (Loss) (R)	270 million
Total Assets (R)	9.7 billion
Number of employees	4.5 thousand

Description	Forestry Plantation
State Shareholding	100%
Revenue (R)	900 million
Net Profit / (Loss) (R)	170 million
Total Assets (R)	5 billion
Number of employees	1.7 thousand

Description	Logistics Infrastructure
State Shareholding	100%
Revenue (R)	61 billion
Net Profit / (Loss) (R)	5.3 billion
Total Assets (R)	328 billion
Number of employees	49 thousand

Description	Diamond and General Mining
State Shareholding	100%
Revenue (R)	210 billion
Net Profit / (Loss) (R)	-82 million
Total Assets (R)	69 million
Number of employees	87

Description	Airline
State Shareholding	100%
Revenue (R)	2.6 billion
Net Profit / (Loss) (R)	-132 million
Total Assets (R)	1.7 billion
Number of employees	1.1 thousand

Description	Intergrated Electricity Utility
State Shareholding	100%
Revenue (R)	148 billion
Net Profit / (Loss) (R)	3.6 billion
Total Assets (R)	562 billion
Number of employees	42 thousand

Performance delivery environment

The oversight role played by the Department has not been static, particularly in the current environment where the SOCs operate. The need for the accelerated economic growth and creation of sustainable jobs are amongst Government's key priorities where the SOCs have a specific role to play. The SOCs' investment and expansion of infrastructure programmes need to be accelerated to support SOCs' contribution to the key policy priorities.

To address the current SOC challenges and refocusing, the SOCs will require significant improvement in the capacity of the shareholder. The repositioning of the SOCs and improving their current architecture is central to the successful execution of the SOCs' and departmental mandate. The Department will continue to implement initiatives that will ensure the financial sustainability of SOCs and eventually eliminate their dependency on the fiscus. This can be attained amongst others, through the effective roll out of the Build Programme with emphasis to create value-add benefits to the economy and effective implementation of the turnaround plans that pursue financial recovery and stability.

Coordination between the Department, SOCs and other policy departments needs to be improved to ensure that the SOC capabilities are fully leveraged to ensure implementation of key initiatives so that the impact of the SOC undertakings is optimised.

SA Express has experienced significant financial challenges since 2011/12 resulting in its current poor financial performance and position as at 31 December 2017. The SOC has been making significant losses with a projected loss for the 2017/18 financial year of R189 million, which is further eroding equity. The net equity position as at 31 December 2017 is a negative R71 million. One of the key tasks that the Department will undertake is to assist the airline with the sourcing of funding in the form of equity or debt. In terms of the equity requirements the Department would apply for a capital injection for the airline. An assessment will be conducted to determine the quantum of the capital injection and then an application would be submitted to National Treasury for consideration. A capital injection will also allow the airline to restore the negative equity to a positive balance. In terms of the debt requirements, the balance sheet of the airline is over geared and liabilities exceed assets as at 31 December 2017. The airline has been relying on debt to fund its operations, which has not been sustainable. Should further debt be granted this will need to be obtained on the back of a Government guarantee to make lending attractive. Currently the airline has R948 million in outstanding guarantees. The Department will monitor the airline's sustainability and this will be achieved in the assessment of the quarterly reports as well as the Annual reports.

Transnet's equity balance as at 31 December 2017 was R149 billion, with assets exceeding liabilities. However, the entity's continued profitability has strengthened the balance sheet. The rollout of the capital investment programme will also contribute to the strengthening of the balance sheet and the entity has reduced the capital expenditure programme in line with lower economic projections. Transnet's credit profile remains a risk for the borrowing plans of the entity and any downgrade will result in a sub-investment credit profile which will put pressure on Transnet's borrowing plan. The Department will further support Transnet by assisting the entity in assessing alternative funding options. The monitoring of the capital investment programme will also be essential in assessing Transnet's implementation of the Market Demand Strategy.

Transnet has continued to implement the Market Demand Strategy (MDS) which was launched in 2012 aimed at creating capacity ahead of demand. It is envisaged that over the past five years until the period ending on 31 March 2017 Transnet would have invested approximately R148 billion, to maintain and expand freight system capacity in South Africa, ensuring that current capacity remains ahead of demand across the freight system. Due to the slow domestic and global economic growth, the capital investment of Transnet is being re-phased or optimised to align capacity creation with expected demand. Despite the above challenge of economic growth, Transnet has committed to prioritise implementation of the capital investment on flagship projects that support government's objectives contained in the MTSF (2014 – 2091) and Operation Phakisa deliverables.

As part of government's strategy to industrialise the economy, Transnet has launched a strategy which will see the organisation accelerating growth in the context of the 4th Industrial Revolution called Transnet 4.0. The digital 4th Industrial

Revolution will see a fusion of technologies poised to disrupt almost all industries and transform production, management and governance systems affecting all economic sectors, including the freight and logistics sector.

SERVICE DELIVERY IMPROVEMENT PLAN (SDIP)

The Department will finalise the SDIP in the first quarter of the 2018/19 financial year. The service of PFMA 54 (2) application assessed and approved by Minister within 30 days of application will be used for the SDIP.

SWOT ANALYSIS

The SWOT analysis exercise ultimately intends to develop a roadmap composed towards the future state:

INTERNAL RESOURCES ANALYSIS INTERNAL ORIIGIN			
	Strengths – help to achieve the objective	**Enhancement of the Strengths – to achieve the objectives**	
	A healthy combination of professionals with government and private sector experience	The recruitment and selection process needs to be optimised to ensure that the combination is not lost – this may include the use of head-hunting where candidates' response to the advertisement has a likelihood of diluting the balance	Instil a culture of coaching through the development of a formal programme to maintain a professional and hardworking team.
	Productive talent pool which has been inculcated into the value-adding functions of the Department	Ensure a proper balance between the need to produce work and development for the young professionals with a bias towards the latter. This may be through encouraging the attainment of a professional status.	Develop and implement a mentoring and coaching system
	Weaknesses – harmful to the objective	**Improvement of the Weaknesses - to achieve the objectives**	
	No fully formed processes and standards which are disabling the management of tasks in terms of duration and quality	Develop a quality management system including mapping of processes and development of performance standards for all functions performed	Inculcation of a culture of performance through continuous performance discussion
	Inadequate research capacity within the Department to conduct independent assessment and to validate the information submitted by SOC	Develop intelligent capability and forge strategic partnerships with other institutions to enhance DPE research capacity in order to effectively direct and assess SOCs' performance	Identify sector specific content and facilitate information and knowledge sharing across the Department

PESTEL EXTERNAL ORIGIN			
	Opportunities - help to achieve the objective	**Utilisation of the opportunities - to achieve the objectives**	
	The SOC Reform project has national interest and the Department will successfully execute it to maintain credibility	The critical milestone timelines need to be met	The administrative processes need to be clearly articulated to ensure role clarity
	Learning and Development	Forge partnerships with relevant local and international stakeholders to leverage on opportunities for mutual benefit such as sharing of market information, benchmark studies, training and development of DPE officials and gathering of intelligence on SOC environment	
	Threats – harmful to the objectives	**Avoidance of the threats – to achieve the objectives**	
	Economic decline and its impact on SOC performance	Risk adjusted SOC performance planning	Manage expectations in line with emerging or prevailing economic conditions
	Changes in regulatory and policy frameworks	Participate in relevant inter-departmental fora where policies are discussed	

RISK MANAGEMENT

Risks	Risk Description	Interventions
Stakeholder cooperation and support	Stakeholders may not adequately support the following DPE initiatives: • Development of the Shareholder Policy • Development of the Black Industrialist Programme	• Stakeholder Management Plan developed • The DPE to enter into a partnership with Universities to ensure efficient and effective delivery of the programme initiatives
Limited resource and capability	Lack of sufficient resources could affect the following DPE initatives: • Development of the Shareholder Policy • Assessment of Strategic Integrated Projects	• The realignment of the DPE organisational structure to ensure optimum use of available resources and programme delivery

Operational efficiency and effectiveness	DPE may not be able to efficiently and effectively discharge its mandate owing to lack of adequate capabilities (people, processes, infrastructure systems/tools). This is an inherent risk that is likely to affect all predetermined objectives if not managed.	• DPE Offices being relocated to:
		  • Ensure compliance with Occupational Health and Safety Standards
		  • Provide a conducive working environment
		  • Safeguard critical infrastructure
		• Realignment of the organisational structure

Risks	Risk Description	Interventions
Information integrity	Information provided by SOCs may not be reliable and useful in enabling adequate oversight of companies under the Ministry. The risk is likely to affect the following DPE initiatives: • Assessment of delivery of the Build Programme • Optimisation of Eskom's Operating Model • Review of Eskom's generation fleet	• The DPE research capability enhanced through partnership with universities and an establishment of a dedicated research unit • Consequence management procedures being enhanced through alignment of SOC incentives to audit outcomes
SOC Board Governance	SOC boards may not carry out their responsibilities in line with the Shareholder mandate. The risk is likely to affect delivery of the following: • Development of Black industrialist programme • Review of SAFCOL Processing Capacity • Restoration of Industriais Florestais De Manica, Mozambique (IFLOMA) operations to full capacity	• Board rotations • Development of DPE Board Evaluation Tools • Enhancement of Incentive gate keepers to address poor SOC performance • Review and standardize the Memorandum of Incorporation (MOI) to discern the role of Minister and the Board • Shareholder Compact agreed between Minister and the Board

ORGANISATIONAL ENVIRONMENT

Since the beginning of the 2016/2017 financial year the Department embarked on a restructuring and re-alignment process. This process has been finalised and the new budget structure was approved by DPSA and National Treasury in the 2017/18 financial year. The 2018/19 APP will be implemented based on the new budget structure.

The Department requires urgent augmentation of skills in the following areas:

Financial

- Economic modelling.
- Internal audit
- Investment management

Technical

- Transportation
- Energy
- Timber Processing

General

- Forensic investigations
- Business restructuring

People management

- Change management (towards Batho Pele)
- Research and knowledge management

Approved Programme Budget Structure

PROGRAMME 1 - ADMINISTRATION AND CORPORATE MANAGEMENT		
	Ministry	Minister
		Deputy Minister
	Management	Director-General
		Executive Support Office of the Head of the Department.
		Internal Audit
	Corporate Services	Financial and Supply Chain Management
		Human Resources and Office Management
		Communication, Marketing and Information Communication Technology (ICT)
		Strategic Planning, Monitoring and Evaluation
PROGRAMME 2 - SOC GOVERNANCE ASSURANCE AND PERFORMANCE		
DDG	Governance and Legal Assurance	Management
		Legal Assurance
		Governance Assurance
		Corporate Legal Support
		Risk Profiling and Mitigation
	Financial Assessment and Investment Support	Management
		Financial Assessment and Investment Support

PROGRAMME 3 - BUSINESS ENHANCEMENT, TRANSFORMATION AND INDUSTRIALISATION		
	DDGs Offices (Special Programmes)	Management
		Business Enhancement
		Industrialisation and Localisation
		Intergovernmental Relations and International Collaboration
		Special Programmes
		Project Management
		SOC Project Monitoring and Evaluation
	Energy and Resources	Management
		Eskom
		Alexkor
		South African Forestry Company Ltd (SAFCOL)
	Transport and Defence	Management
		Transnet
		South African Express Airways (SA Express)
		Denel
	Economic Impact and Policy Alignment	Management
		Environmental Policy Alignment
		Economic Policy Alignment

Legislative and other mandates

The table below lists the SOCs that report to the Minister:

Name of entity	Legislative mandate	Minister's financial relationship with the SOCs	Nature of operations
Alexkor	Alexkor Limited Act (Act 116 of 1992)	Shareholder representative	A diamond mining company that operates primarily in Alexander Bay and the greater Namaqualand area.
Denel	None	Shareholder representative	A defence company. Although it was established as a private company in terms of the Companies Act of 2008 (Act 71 of 2008), the Government exercises full control over it.
Eskom	Eskom Conversion Act (Act 13 of 2001)	Shareholder representative	Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.
SAFCOL	Management of State Forests Act (Act 128 of 1992)	Shareholder representative	The SAFCOL is the Government's forestry company which conducts timber harvesting, timber processing and related activities, both domestically and regionally.
SA Express	South African Express Act (Act 34 of 2007)	Shareholder representative	SA Express is a domestic and regional air carrier with a mandate to be an African airline.
Transnet	Legal Succession to the South African Transport Services Act (Act 9 of 1989)	Shareholder representative	Transnet is a freight and logistics company responsible for pipelines, ports, and rail transport infrastructure and operations in South Africa.

BILLS AND LEGISLATIONS

Bills, policy and legislation	Cabinet approved project plan.
Government Shareholder Management (GSM) Bill	The Department will submit a draft Bill to Cabinet in 2018/19. The Bill is expected to be tabled in Parliament in the 2019/20 financial year. 2017/2018 progress At the Cabinet meeting held on 1 and 2 November 2016, the Inter-Ministerial Committee (IMC) on SOC Reform presented, among others, the Government Shareholder Management Policy. The underlying principles of the policy, as recommended by the Presidential Review Committee (PRC), were approved for further consultation within Government. In February 2017 the policy document was formally circulated to Cabinet members and comments were received with a view to strengthen the policy principles. The Government Shareholder Management Policy seeks to directly implement the PRC recommendations to improve the SOC legislative, regulatory and institutional arrangements. The policy outlines the rationale for continued State ownership of key sectors of the economy and the need to strengthen oversight of SOCs through improved institutional arrangements within the State. The fundamental principles of (1) separation of Government's functions of policy, regulatory and shareholding; (2) establishment of a common approach to shareholder oversight; (3) promotion of alignment between sectoral policies through a transparent coordinating mechanism and (4) strengthening of cooperation between government and the private sector in accelerating investments in the economy that have been incorporated into the draft Policy. During 2017, the IMC considered further updates on the draft Policy, the Department is currently working with the Department of Planning, Monitoring and Evaluation (DPME) to develop the Socio Economic Impact Assessment System (SEIAS) for the Policy so that the next draft can be submitted to Cabinet. Staggered external consultations remain key risks to the achievement of the original project plan deadline of 31 March 2018 for submission of the draft Bill to Cabinet for consideration.
Bill to repeal the Overvaal Resorts Limited Act (Act 127 of 1993)	The repeal was approved by Cabinet in 2016/17 and was gazetted in 2017/2018. The Bill will be signed into law in 2018/2019. The Bill is currently in Parliament i.e. before the National Assembly Committee. The Department is waiting on the Committee to summon it to present the Bill; however, the Committee out of its own wisdom can still decide to call public hearings before processing the Bill. Once the Bill has been discussed by the Committee, the Committee either through a vote or otherwise will process the Bill. Once approved by the Committee, the Minister will have to table the Bill in Parliament before the National Assembly, after which if adopted, it will go for printing and then forwarded to the President to sign into law.

Overview of budget and MTEF estimates.

Table 1 Vote expenditure estimates by programme and economic classification

Programmes

1. Administration
2. State-owned Companies Governance Assurance and Performance
3. Business Enhancement, Transformation and Industrialisation

Programme	Revised estimate	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2017/18	2014/15 - 2017/18		2018/19	2019/20	2020/21	2017/18 - 2020/21	
	R'000	R'000		R'000			R'000	
Programme 1	152.4	-1.0%	2.5%	152.0	162.2	172.8	4.3%	55.8%
Programme 2	35.9	13.8%	0.5%	39.1	42.3	45.4	8.2%	14.2%
Programme 3	78.4	-17.2%	97.1%	82.9	88.6	94.6	6.4%	30.0%
Total	**266.7**	**-5.8%**	**100.0%**	**273.9**	**293.0**	**312.8**	**5.5%**	**100.0%**
Change to 2017 Budget estimate				(3.2)	(3.5)	(3.7)		
Economic classification								
Current payments	**263.5**	**1.5%**	**4.0%**	**270.8**	**289.7**	**309.3**	**5.5%**	**98.8%**
Compensation of employees	156.9	2.2%	2.4%	171.4	184.5	198.3	8.1%	62.0%
Goods and services	106.6	0.5%	1.5%	99.4	105.2	111.0	1.3%	36.8%
Transfers and subsidies	0.3	-82.7%	0.4%	0.0	0.0	0.0	-66.9%	0.0%
Provinces and municipalities	0.0	–	0.0%	0.0	0.0	0.0	6.3%	0.0%
Households	0.3	8.4%	0.0%	–	–	–	-100.0%	0.0%
Payments for capital assets	2.9	-11.0%	0.1%	3.1	3.3	3.6	7.4%	1.1%
Machinery and equipment	2.8	-12.2%	0.1%	3.0	3.2	3.4	7.5%	1.1%
Software and other intangible assets	0.1	–	0.0%	0.1	0.1	0.1	5.4%	0.0%
Total	**266.7**	**-5.8%**	**100.0%**	**273.9**	**293.0**	**312.8**	**5.5%**	**100.0%**

Expenditure Trends

Expenditure is expected to increase over the medium term from R155.2 million in 2018/19 to R176.5 million in 2020/21. Compensation of employees represents 53% of the programmes' total budget. The spending on compensation of employees is a significant share of the Department's budget over the medium-term and this is as a result of the oversight function which requires specialised, highly skilled personnel. The key oversight activities such as the Shareholder Risk Management Framework, Practice and Guidelines, and development of the SOC Scenarios involve significant travelling as well as consultancy services for highly technical research. The programmes' overall spending on goods and services are expected to increase over the MTEF from R69.8 million to R77.3 million, and payments for capital assets from R3.1 million to R3.6 million. During the 2017/18 financial year the Department has been involved in a process of realigning its organisational structure which has led to the review of the budget programme structure. The aim was to ensure alignment of related functions within the Department in order to be responsive and efficient in fulfilling its oversight role. The Department has also reduced expenditure on various line items due to cost containment measures.

STRATEGIC OUTCOME ORIENTED GOALS OF THE INSTITUTION

The Department contributes to the following government outcomes:

Outcome 6: An efficient, competitive and responsive economic infrastructure network.

Strategic goal	**Strengthening the role of the Shareholder**
Goal statement	SOC performance is measured to ensure that SOC governance structures, procedures and practices are established and are implemented effectively and adequately.
Strategic Objectives	Promote the development of a strong shareholder.
Strategic Objectives statement	This is focused on promoting the Department's capacity to oversee SOCs and lead in the creation of the standards for the oversight functions across Government and different spheres.

Strategic goal	**Ensure SOC financial sustainability.**
Goal statement	All the SOCs being less reliant on government guarantees and well competitive within their sectors in the local and international markets by 2025.
Strategic objectives	**Promote independent financial stability of SOCs**
Strategic objectives statement.	Improve the financial sustainability of SOCs through the design and implementation of programmes that will reduce costs or develop new markets, for example pursuing opportunities on the African continent by 2020.

Strategic goal	**Ensure SOCs maintain commercially viable operations.**
Goal statement	All the SOCs being managed effectively within reasonable operational costs by 2025.
Strategic objectives	**Promote commercial viability of SOCs' operation**
Strategic Objectives Statement.	Ensure that services provided by SOCs meet the user requirements by setting clear services standards and continuously evaluating progress focused on the network services, such as rail, ports and electricity. In the process the SOCs can generate profits for sustainability.

Strategic goal	**Delivery of capital projects**
Goal statement	As forecast in the NDP, South Africa will need to meet 29 000 megawatt (MW) of new power demand between 2012 and 2030. As a result, more than 40 000 MW of capacity needs to be built to increase the electricity generation reserve margin from 1% to 19% by 2019
Strategic objectives	**Accelerate capital project delivery**
Strategic Objectives Statement.	Eskom capital expansion projects commenced in 2005 aimed at adding capacity through new power stations, high-voltage power lines and substation capacity in meeting South Africa's growing demand and strengthening the grid. Eskom planned to strengthen and substantially extend the transmission grid to meet increasing demand and N-1 compliance by expanding high voltage transmission lines by adding **9 756 kilometers (KM),** sub-station capacity by about **42 470 Mega Volt Amp (MVA)** and generating capacity by **17 384 MW** by the year 2022. From inception to date 2016/17, significant construction work has been completed with about **6 747 km** of transmission network, **34 390 MVA** sub-stations and **8 363 MW** of capacity completed.

Strategic goal	**Supporting the acceleration of transformation of the South African economy**
Goal statement	Leverage on SOCs' procurement programmes to promote transformation in their value chains and their suppliers, develop initiatives to support development of small, medium and micro enterprises (SMMEs), cooperatives as well as rural and township businesses, including businesses owned by targeted group and communities. Nine community groups will benefit from this acceleration of transformation.
Strategic objective	**Accelerate transformation of the South African economy**
Objectives statement	The objective indicates the transformation score card as approved and set by the Department with the SOCs in terms of meeting SMME development objectives (30% of black business provided with opportunity to do business with SOCs) by 2025
Strategic objectives	**Accelerate development of skills to support the needs of the economy.**
Objectives statement	Skills development ensures provision of scarce and critical skills by the SOCs in support of the national skills agenda, targeting largely youth, women and people with disabilities.

Strategic goal	**Advancing the re-industrialisation of the South African economy**
Goal statement	Development of the targeted groups (i.e. women, people with disabilities, cooperatives), participation of designated groups and SMMEs in the core value chains of SOCs as guided by broad–based black economic empowerment (BBBEE) legislation, the Preferential Procurement Policy Framework Act (PPPFA, Act 5 of 2000), the Black Industrialists Policy, Employment Equity (EE) and SMME strategies. Implementation and development of Black Industrialists Programme by 2030 as per the MTSF and NDP.
Strategic objectives	**Position SOCs to support the re-industralisation of the South African economy**
Strategic objectives statement	SOCs can play a critical role in leveraging both their investment and operational activities to support the reindustrialization of the economy. The focus is to ensure that SOCs localise their value chains and support the growth of manufacturing and other productive sectors.

Strategic objectives	**Provide strategic leadership, management and support services to the Department.**
Objective statement	The Department to receive an unqualified audit report and a Monitoring Performance Assessment Tool (MPAT) rating of 4 in 2019/2020.

PART B: PROGRAMME AND SUB-PROGRAMME PLANS

PROGRAMME 1 – ADMINISTRATION AND CORPORATE MANAGEMENT

PART B: PROGRAMME AND SUB-PROGRAMME PLANS

1. PROGRAMME 1 – ADMINISTRATION AND CORPORATE MANAGEMENT

Purpose of the programme:

Provide strategic leadership management and support services to the Department.

Programme overview:

The programme includes the Ministry, the Office of the Director-General and Support Services. The programme is currently made up of the following sub-programmes: Ministry; Management; Corporate Services; the Office of the Chief Financial Officer; Human Resources; Communications; Strategic Planning, Monitoring and Evaluation; Intergovernmental and International Relations; Internal Audit and Office Accommodation.

Corporate Services is responsible for:

Security and Facilities Management: provides a safe and secure environment and internal administration and facilities services to internal customers.

Information Management and Technology: provides information technology services and applications as strategic tools for business enablement, coupled with comprehensive records management, knowledge management, library and information services.

Office of the Chief Financial Officer: provides financial management services to ensure compliance with various legislation, including the Public Finance Management Act, 1999 (Act No 1 of 1999), the Public Audit Act, (Act 25 of 2004 and Treasury Regulations; and efficient and effective supply chain management services.

Human Resources: assists line management to implement operational excellence and developing the human capital potential in the Department.

Communications: repositions the DPE as a strong shareholder Department; makes the DPE brand relevant and meaningful to ordinary South Africans; impactful media relations and media communication, and improves employee engagement.

Strategic Planning, Monitoring and Evaluation: coordinates, manages and oversees outcomes-based performance reporting of the Department; implements performance monitoring and evaluation processes for individual programmes and business units as a mechanism for measuring the delivery of strategic objectives, and reports to various stakeholders.

Internal Audit: provides independent and objective assurance and consulting internal audit services to add value and improve the Department's operations, and assists the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

PROGRAMME OVERVIEW ON SERVICE DELIVERY

Security and Facilities Management: Since 2013 the Department has been working on a process of securing a new office building. The process has taken longer than anticipated. Since then the staff component has drastically increased and the building cannot accommodate the current number of staff. It is therefore worth noting that in 2017 a new building was identified and the renovations have already been done. It is anticipated that the relocation process will take place in early 2018.

Information Management and Technology: In 2017/18 ICT improved manual key business processes that were identified to be automated to improve operational efficiency processes and ensure that they are reliable, the system will be rolled out in 2018/19.

Human Resources: Since the 2016/17 financial year, the Department embarked on an organisational structure realignment process. The MPSA (Minister of Public Service and Administration) concurred with the Executive Authority (EA) and approved the realigned structure in December 2017. The realigned structure will be effective from 1 April 2018/19. Following the approval of the re-aligned structure a new Human Resource Plan will be developed during 2018/19. Furthermore, due to placement of employees in the realigned structure management will assess those employees who experience significant changes in their job profiles during placements and Human Resources will identify training needs after three months of implementation of the realigned structure. Through Human Resources, 56 employees have been allocated bursaries of which 32 are female.

Communications: The sub-programme will create awareness and publicise the Departments and the SOCs key strategic programmes. Strategic external and internal events will be hosted such as the budget vote, career expo's, public participation programmes, women's day, Mandela day, business engagements, youth days and SOCs events.

Strategic objective annual targets for Administration and Corporate Management for 2018/19

Strategic objectives	Strategic Plan (5 year target)	Audited/actual performance		Estimated performance	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Provide strategic leadership, management and support services to the department	HR Plan for developed and submitted to DPSA by 30 June of each year.	None	None	None	Develop a three year Human Resource Plan and submit to DPSA by 30 June 2018.	Review Human Resource Plan and submit to DPSA by 30 June 2019.	Review Human Resource Plan and submit to DPSA by 30 June 2020.
	57 Training interventions provided in line with Workplace Skills Plan (WSP)	None	None	None	22 Training interventions provided (WSP)	20 Training interventions provided (WSP)	15 Training interventions provided (WSP)

Programme performance indicators and annual targets for Administration and Corporate Management for 2018/19

Performance indicator	Audited/actual performance		Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Provide strategic leadership, management and support services to the department						
1.1 Human Resource Plan developed and approved.	None	None	None	Develop a three year Human Resource Plan and submit to DPSA by 30 June 2018.	Review Human Resource Plan and submit to DPSA by 30 June 2019.	Review Human Resource Plan and submit to DPSA by 30 June 2020.

Performance indicator	Audited/actual performance		Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
1.2 Number of training interventions provided in line with Workplace Skills Plan (WSP)	None	None	None	22 Training interventions provided (WSP).	20 Training interventions provided (WSP).	15 Training interventions provided (WSP).

Quarterly targets for Administration and Corporate Management for 2018/19

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2018/19	1st	2nd	3rd	4th
Provide strategic leadership, management and support services to the department.						
1.1 Human Resource Plan developed and approved.	Quarterly	Develop a three year Human Resource Plan and submit to DPSA by 30 June 2018.	One Human Resource Plan.	None	None	None
1.2 Number of training interventions provided.	Quarterly	22 Training interventions	5 training interventions	5 training interventions	5 training interventions	7 training interventions

Budget and MTEF

Table 2: Administration expenditure trends and estimates by sub-programme and economic classification.

Subprogramme	2014/15	2015/16	2016/17		2017/18		2018/19	2019/20	2020/21
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Baseline	Revised Baseline	Revised Baseline	Revised Baseline
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Ministry	28 416	28 611	29 591	31 221	26 605	26 605	28 766	30 708	32 775
Management	16 536	12 834	10 523	9 903	30 127	30 127	22 712	24 108	25 609
Communications	26 719	30 425	38 629	38 318	29 008	29 008	37 790	40 228	42 830
Chief Financial Officer	12 578	13 866	15 404	15 228	15 398	15 398	17 649	18 767	20 058

Subprogramme	2014/15	2015/16	2016/17		2017/18		2018/19	2019/20	2020/21
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Baseline	Revised Baseline	Revised Baseline	Revised Baseline
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Human Resources	39 225	34 181	37 458	36 283	19 153	19 153	25 683	27 810	29 892
Internal Audit	3 565	5 314	6 062	6 062	4 701	4 701	4 624	4 932	5 278
Corporate Services	9 531	10 689	4 134	3 905	17 972	17 972	3 799	4 077	4 382
Office Accommodation	8 101	9 988	10 658	10 657	9 419	9 419	10 956	11 569	12 006
Total	**144 671**	**145 908**	**152 459**	**151 577**	**152 383**	**152 383**	**151 979**	**162 199**	**172 830**
Economic classification									
Current payments	**140 068**	**137 833**	**148 281**	**147 405**	**149 189**	**149 189**	**148 876**	**158 874**	**169 267**
Compensation of employees	74 482	76 169	72 661	77 893	80 173	80 173	82 288	88 756	95 505
Salaries and wages	68 707	70 013	65 234	71 723	74 057	74 057	75 830	82 411	87 684
Social contributions	5 775	6 156	7 427	6 170	6 116	6 116	6 458	6 345	7 821
Goods and services	65 586	61 664	75 620	69 512	69 016	69 016	66 588	70 118	73 762
Administrative fees	715	2 326	1 490	1 488	1 598	1 598	1 209	1 262	1 332
Advertising	2 472	2 326	1 825	1 824	978	978	2 169	2 263	2 361
Minor assets	73	224	92	87	61	61	157	165	174
Audit costs: External	2 822	3 559	3 330	3 328	3 100	3 100	3 404	3 554	3 749
Bursaries: Employees	264	724	407	407	832	832	850	898	1 669
Catering: Departmental activities	344	675	383	363	862	862	864	912	951
Communication (G&S)	4 037	3 724	6 682	6 660	2 309	2 309	3 908	4 352	3 836
Computer services	4 864	3 731	4 763	3 843	3 980	3 980	5 129	5 360	5 688
Consultants: Business and advisory services	16 063	7 393	6 933	6 932	23 191	23 191	12 443	13 094	13 819

Subprogramme	2014/15	2015/16	2016/17		2017/18		2018/19	2019/20	2020/21
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Baseline	Revised Baseline	Revised Baseline	Revised Baseline
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Legal services (G&S)	673	119	1 288	1 288	1 413	1 413	318	349	684
Contractors	2 252	1 786	2 259	2 250	1 499	1 499	2 620	2 768	2 931
Agency and support/outsourced services	881	1 659	9 402	8 398	1 170	1 170	460	485	508
Entertainment	4	-	1	-	9	9	-	-	-1
Fleet services (including government motor transport)	973	771	965	965	997	997	1 027	1 072	1 130
Inventory: Clothing material and accessories	-	1	1	1	-	-	-	-	-
Inventory: Materials and supplies	46	5	18	18	-	-	-	-	-
Inventory: Medical supplies	-	3	-	-	-	-	-	-	-
Consumable supplies	725	356	1 877	1 866	585	585	411	437	459
Consumables: Stationery, printing and office supplies	1 480	1 566	1 267	1 265	1 420	1 420	1 445	1 511	1 593
Operating leases	1 196	1 223	10 037	10 032	8 248	8 248	10 678	11 266	12 253
Rental and hiring	212	970	4 579	577	1 146	1 146	550	581	613
Property payments	8 441	10 321	1 974	1 972	3 332	3 332	3 860	4 085	3 746
Transport provided: Departmental activity	-	208	418	416	556	556	246	260	274
Travel and subsistence	10 894	12 611	11 375	11 288	8 085	8 085	10 170	10 511	11 090
Training and development	2 608	1 466	1 275	1 274	1 050	1 050	1 100	1 162	924
Operating payments	1 854	2 746	1 637	1 632	2 312	2 312	2 270	2 398	2 530
Venues and facilities	1 693	1 171	1 342	1 338	283	283	1 300	1 373	1 449
Transfers and subsidies	**322**	**1 714**	**312**	**307**	**330**	**330**	**11**	**11**	**12**

Subprogramme	2014/15	2015/16	2016/17		2017/18		2018/19	2019/20	2020/21
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Baseline	Revised Baseline	Revised Baseline	Revised Baseline
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Provinces and municipalities	-	-	11	9	10	10	11	11	12
Municipalities	-	-	11	9	10	10	11	11	12
Municipal bank accounts	-	-	11	9	10	10	11	11	12
Households	322	1 714	301	298	320	320	-	-	-
Social benefits	226	1 267	281	278	220	220	-	-	-
Other transfers to households	96	447	20	20	100	100	-	-	-
Payments for capital assets	**4 274**	**6 341**	**3 866**	**3 865**	**2 864**	**2 864**	**3 092**	**3 314**	**3 551**
Machinery and equipment	4 192	5 731	3 764	3 763	2 758	2 758	2 980	3 196	3 427
Transport equipment	1 396	1 319	1 273	1 273	-	-	-	-	-
Other machinery and equipment	2 796	4 412	2 491	2 490	2 758	2 758	2 980	3 196	3 427
Software and other intangible assets	82	610	102	102	106	106	112	118	124
Payments for financial assets	**7**	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**144 671**	**145 888**	**152 459**	**151 577**	**152 383**	**152 383**	**151 979**	**162 199**	**172 830**

Expenditure trends

The spending focus over the medium term will be on supporting the Department to play its oversight role of SOCs by providing administrative support to the Minister, including corporate and human resource services to the Department. The programme will also focus on improving the Department's efficiency and productivity by reconfiguring its business, which will enable it to carry out its mandate, and put in place a three year rolling evaluation plan to assess the impact of programmes that have been implemented by the Department and its SOCs. Thus, over the medium-term, the bulk of the programme's allocation will be spent on compensation of employees, who provide strategic and administrative support to the Department. Spending on this item is projected to grow following the reconfiguration. The number of personnel will not increase significantly, but the expenditure will increase by 5.5% over the medium-term. Expenditure on goods and services will decrease over the medium term as a result of Cabinet budget reductions, directly linked to reductions in the number of consultants and travel and subsistence expenses. Significant items are consultants and professional services, with the use of consultants providing the specialist expertise required particularly in the transport, manufacturing and energy sectors.

PROGRAMME 2 – SOC GOVERNANCE AND PERFORMANCE

2. PROGRAMME 2 – SOC GOVERNANCE ASSURANCE AND PERFORMANCE

Programme purpose

Provide and enforce SOCs' governance, legal assurance, financial and non-financial performance monitoring, evaluation and reporting systems, in support of the shareholder to ensure alignment with government priorities.

Objectives

Ensure effective shareholder oversight of SOCs by:

- Providing governance and legal systems
- Developing and maintaining shareholder risk profiles and mitigating strategies for government's SOCs.
- Monitoring, evaluating and reporting on the financial and non-financial performance of SOCs and proposing intervention measures when required.

SUB-PROGRAMMES

- **Management** comprises the office of the Deputy Director-General, which provides strategic leadership and management for the programmes' personnel.
- **Legal** provides external legal services and support, including transaction and contract management support, to sector teams and the commercial activities of the SOCS within their portfolio.
- **Governance** develops, monitors and advises on legislative, corporate governance and shareholder management systems for the Department and its portfolio of SOCs. The sub-programme develops and implements risk and compliance management guidelines and systems for shareholder risk.
- **Financial Assessment and Investment Support** analyses SOCs' capital planning, operational performance, funding of capital programmes and proposed restructuring proposals; and advises on appropriate action.

Governance and Legal Assurance

- Develop standardised government indicators for the SOCs
- Perform governance assurance reviews and reports thereon.
- Develop and facilitate the implementation of governance enhancement initiatives.
- Provide technical assistance to the Minister on Board functions.
- Provide governance early warning services.
- Provide legal assurance services.

Risk Profiling and Mitigation

- Develop and facilitate the SOCs' Group Risk Management Framework.
- Maintain the SOCs' Group Risk Register. (transversal risk register, with cross-cutting risks)
- Coordinate and facilitate the development of the Group's risk mitigation strategies.
- Provide early warning services to the Shareholder.
- Provide technical inputs supporting compact alignment processes.
- Coordinate special investigations initiated by the Shareholder.

PROGRAMME OVERVIEW ON SERVICE DELIVERY

The principles of the new Shareholder Policy were approved by Cabinet in the last financial year. The policy is meant to improve the performance of SOCs as well as to strengthen and sharpen Government's role as shareholder, regulator and policy maker in the governance of SOCs. The programme facilitated all policy processes that were approved by Cabinet such as the new SOC Remuneration and Incentives Standards for Non-Executive Directors, Executive Directors and Prescribed Officers (Rem Standards). Organises and facilitates the Minister and SOCs' Annual General Meetings (AGMs) and ensures that the Department fully participates.

The newly appointed Board members will be vetted. The Department will review existing board evaluation systems including the tools thereof. The risk function will continuously maintain SOCs' Groups Risk Register as one of the key priorities until the framework is developed and finalised. A majority of the boards in 2018/19 will be reaching the end of their term and new boards will be appointed.

2.1 Sub-programme: Governance, Legal Assurance, Risk Profiling and Mitigation

Strategic objective annual targets for Governance, Legal Assurance and Risk Profiling and Mitigation for 2018/19

Strategic objectives	Strategic Plan (5 year target)	Audited/actual performance		Estimated performance	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote the development of a strong shareholder	Government Shareholder Management Bill adopted into law by 2019/2020.	SOC stabilization programme.	Draft concept paper on shareholder Policy.	Develop draft Bill on Shareholder Management Policy.	Shareholder Management Policy developed and submitted to Cabinet.	Develop a white paper for public consultation.	Develop a green paper and submit to Cabinet.
	Shareholder Anti-Fraud and Corruption Hotline established and maintained	None	None	None	Shareholder Anti-Fraud and Corruption Hotline established.	Shareholder Anti-Fraud and Corruption Hotline maintained.	Shareholder Anti-Fraud and Corruption Hotline maintained.
	Reduction in abuse of positions of authority and undue benefits.	None	None	None	Report on lifestyle audits of key officials in SOCs.	Recommendations from the report on lifestyle audits of key SOC officials implemented	Recommendations from the report on lifestyle audits of key SOC officials implemented
	Review previously undertaken forensic audits, and ensure recommendations are implemented on an annual basis; where allegations are confirmed DPE will ensure justice takes its course.	None	None	None	Recommendations from review of the Forensic Reports from SOCs implemented.	Implementation of the recommendations from SOC Forensic Reports.	Implementation of the recommendations from SOC Forensic Reports.
	Implement good governance principles to ensure sound and financially stable SOCs.	None	None	None	Report on review of Governance and Risk practices produced.	Monitor the implementation of recommended Governance and Risk practices	Monitor the implementation of recommended Governance and Risk practices
	Review the composition of the Boards to ensure they comprise competent members that drive a strategy that is aligned to government objectives.	None	None	None	5 Boards reviewed and new boards appointed.	6 Board evaluations conducted.	6 Board evaluations conducted.

Programme performance indicators and annual targets for Governance, Legal Assurance and Risk Profiling and Mitigation for 2018/19

Performance indicator	Audited/Actual performance		Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote the development of a strong shareholder						
2.1 SOC reform policy developed.	SOC stabilisation programme.	Draft concept paper on shareholder policy	Develop draft Bill on Shareholder Management.	Shareholder Management Policy developed and submitted to Cabinet.	Develop a white paper for public consultation.	Develop a green paper and submit to Cabinet.
2.2 Shareholder Anti-Fraud and Corruption Hotline established and maintained	None	None	None	Shareholder Anti-Fraud and Corruption Hotline established.	Shareholder Anti-Fraud and Corruption Hotline maintained.	Shareholder Anti-Fraud and Corruption Hotline maintained.
2.3 Report on lifestyle audits of key SOC officials produced.	None	None	None	Report on lifestyle audits of key SOC officials produced.	Recommendations from the report on lifestyle audits of key SOC officials implemented.	Recommendations from the report on lifestyle audits of key SOC officials implemented.
2.4 Forensic Reports from SOCs reviewed and recommendations implemented.	None	None	None	Recommendations from the review of Forensic Reports from SOCs implemented.	Implementation of recommendations from SOC Forensic Reports.	Implementation of recommendations from SOC Forensic Reports.
2.5 Report on the review of Governance and Risk produced.	None	None	None	Report on the review of Governance and Risk practices produced.	Monitor the implementation of the recommended Governance and Risk practices	Monitor the implementation of the recommended Governance and Risk practices
2.6 Review Boards and appoint new Boards.	None	None	1 board appointed (Eskom)	Review 5 existing Boards and appoint 5 new Boards.	6 Board evaluations conducted.	6 Board evaluations conducted.

Quarterly targets for Governance, Legal Assurance and Risk Profiling and Mitigation for 2018/19.

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2018/19	1st	2nd	3rd	4th
Promote the development of a strong shareholder						
2.1 SOC reform policy developed.	Quarterly	Shareholder Management Policy developed and submitted to Cabinet.	Consultation with Government stakeholders.	Consultation with external stakeholders.	Draft Policy developed.	Policy submitted to Cabinet
2.2 Report on lifestyle audits of key SOC officials produced.	Quarterly	Report on lifestyle audits of key SOC officials produced.	None	None	Conduct lifestyle audits of priority SOC officials.	Conduct lifestyle audits of priority SOC officials.
2.3 Shareholder Anti-Fraud and Corruption Hotline established and maintained.	Quarterly	Shareholder Anti-Fraud and Corruption Hotline established and maintained.	Launch Shareholder Anti-Fraud and Corruption Hotline.	Report on Anti-Fraud and Corruption Hotline.	Report on Anti-Fraud and Corruption Hotline.	Report on Anti-Fraud and Corruption Hotline.
2.4 Forensic Reports from SOCs reviewed and recommendations implemented.	Quarterly	Recommendations from review of Forensic Reports from SOCs implemented.	Develop TOR and conclude MoU for Anti-Fraud and Corruption Task Team. Review Forensic Reports from SOCs.	Implement recommendations from the review of Forensic Reports from SOCs.	Implement recommendations from the review of Forensic Reports from SOCs.	Implement recommendations from the review of Forensic Reports from SOCs.
2.5 Report on review of Governance and Risk produced.	Quarterly	Report on review of Governance and Risk practices produced.	Conduct Governance and Risk Gap Analysis	Compile a report on outcomes of the Governance and Risk Gap Analysis outlining recommendations for implementation by SOCs	Monitor SOCs implementation of the recommended Governance and Risk practices	Monitor SOCs implementation of the recommended Governance and Risk practices

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2018/19	1st	2nd	3rd	4th
2.6 Review Boards and appoint new Boards.		Review 5 existing Boards and appoint 5 new Boards.	Appointment of 5 New Boards	AGM held with Boards to appoint new Boards into office. Confirmation of new Boards and Committees at 2018 AGMs Induction of new Boards (and executives where necessary)	Monitor boards' performance	Monitor boards' performance

2.2 Sub-programme: Financial Assessment and Investment Support

- Develop standardised financial assurance assessment instruments and indicators for the SOCs portfolio.
- Perform financial assurance reviews and report thereon.
- Quality assurance application for funding instruments and coordinate authorisation thereof.
- Develop and facilitate the implementation of financial sustainability enhancement initiatives for SOCs in the Group.
- Provide technical support on compact alignment processes.

PROGRAMME OVERVIEW ON SERVICE DELIVERY

In 2018/19 the programme will provide financial assessment, financial instruments development as well as secure adequate and diversified funding for SOCs. The programme will further proactively monitor the adequacy of the implementation of the response plans to findings by both internal and external auditors so as to improve the financial control environment within SOCs. This will further include the standardisation, review and alignment of key accounting and financial policies of SOCs to improve oversight and transparency across the portfolio.

Strategic objective annual targets for Financial Assessment and Investment Support for 2018/19

Strategic objectives	Strategic Plan (5 year target)	Audited/actual performance		Estimated performance	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote independent financial sustainability of SOCs.	24 quarterly reviews conducted annually for all 6 (Eskom, Alexkor Transnet, Denel, SA Express and SAFCOL) SOCs. 24 quarterly reports produced annually, 6 on quarterly basis.	None	None	New indicators	24 SOCs quarterly financial reviews reports produced.	24 SOCs quarterly financial reviews reports produced.	24 SOCs quarterly financial reviews reports produced.
	4 Quarterly monitoring reports are produced annually.	-	Establishment of executive forum for SIPs.	Integrated assessment report of the allocated strategic priority projects.	Monitoring and implementation of SOCs allocated projects from the Top 40 strategic and priority projects.	Monitoring the implementation of SOCs allocated projects from the Top 40 strategic and priority projects.	Monitoring and implementation of SOCs allocated projects from the Top 40 strategic and priority projects.
	6 Corporate plans reviewed annually to ensure alignment and implementation of government strategies thereof. (Eskom, Alexkor Transnet, Denel, SA Express and SAFCOL).	None	None	None	6 SOCs corporate plans reviewed.	6 SOCs corporate plans reviewed.	6 SOCs corporate plans reviewed.
	Key accounting & financial policy framework developed.	None	None	None	Draft SOC accounting and financial policy framework.	Final SOC accounting and financial policy framework.	None
	SOC investment policy and monitoring framework developed.	None	None	None	Draft of DPE Investment policy and monitoring Framework.	Draft DPE Investment policy and monitoring Framework.	Final DPE Investment and monitoring Policy Framework.
	Optimal Capital Structure for the 6 SOCs developed and implemented.	None	None	None	Final Optimal Capital Structure proposal for 3 SOCs.	Final Optimal Capital Structure proposal for 3 SOCs.	Implementation of the SOC Optimal Capital Structures.

Strategic objectives	Strategic Plan (5 year target)	Audited/actual performance		Estimated performance	Medium-term targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote independent financial sustainability of SOCs.	Standardized assessment tools for the Loans and Guarantees as well as financial reporting developed.	None	None	None	Finalise standardised operating procedures for borrowings, guarantees assessment and financial reporting.	Implement Investment Monitoring tools.	None

Programme performance indicators and annual targets for Financial Assessment and Investment Support for 2018/19

Performance indicator	Audited/Actual performance		Estimated performance	Medium-term targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote independent financial sustainability of SOCs.						
3.1 Number of SOCs quarterly financial reviews reports produced.	None	None	New Indicator	24 SOCs quarterly financial reviews reports produced.	24 SOCs quarterly financial reviews reports produced.	24 SOCs quarterly financial reviews reports produced.
3.2 Number of corporate plans reviewed.	None	None	New Indicator	6 SOCs corporate plans reviewed.	6 SOCs corporate plans reviewed.	6 SOCs corporate plans reviewed.
3.3 SOC accounting and financial policy framework develop.	None	None	New Indicator	Draft SOC accounting and financial policy framework.	Final SOC accounting and financial policy framework	None
3.4 Investment policy and monitoring framework developed.	None	None	New Indicator	Draft of DPE Investment policy and monitoring Framework	Draft DPE Investment policy and monitoring Framework	Final DPE Investment and monitoring Policy Framework
3.5 Optimal Capital Structure developed.	None	None	New Indicator	Final Optimal Capital Structure proposal for 3 SOCs	Final Optimal Capital Structure proposal for 3 SOCs	Implementation of the SOC Optimal Capital Structures
3.6 Standardised loans, guarantees and financial reporting processes developed and implemented	None	None	New Indicator	Develop standardised operating procedures for borrowings, guarantees assessment and financial reporting	Implement Investment Monitoring tools.	None

Quarterly targets for Financial Assurance for 2018/19

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2018/19	1st	2nd	3rd	4th
Promote independent financial sustainability of SOCs.						
3.1 Number of SOCs quarterly financial reviews reports produced.	Quarterly	24 SOCs financial reviews reports produced.	6	6	6	6
3.2 Number of corporate plans reviewed.	Annually	6 SCOs corporate plans reviewed.	None	None	Review 6 second drafts	Review 6 SOCs final drafts.
3.3 SOC accounting and financial policy framework developed.	Annually	Draft SOC accounting and financial policy framework developed.	Consultation with 3 SOCs on accounting and financial policy framework.	Consultation with 3 SOCs on accounting and financial policy framework	None	Draft SOC accounting and financial policy framework
3.4 Investment policy and monitoring framework developed.	Annually	Draft of DPE Investment policy and monitoring Framework developed.	Consultation with NT on investment policy and monitoring framework	Consultation with 3 SOCs on investment policy and monitoring framework	Consultation with 3 SOCs on investment policy and monitoring framework	Draft of DPE Investment policy and monitoring Framework
3.5 SOCs Optimal Structure developed.	Annually	Optimal Capital Structure proposal for 3 SOCs developed.	None	Benchmark report for 1 SOC	Benchmark report for 2 SOCs	Optimal capital structure report for 3 SOCs
3.6 Standardised loans, guarantees and financial reporting processes developed and implemented	Annually	Develop standardised operating procedures for borrowings, guarantees assessment and financial reporting.	None	SOP for guarantee assessment	SOP for borrowings	SOP for financial reporting

4.2.4 Reconciling performance targets with the budget and MTEF

Expenditure estimates

Table 3: SOCs Governance Assurance and Performance

	2014/15	2015/16	2016/17		2017/18		2018/19	2019/20	2020/21
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Baseline	Revised Baseline	Revised Baseline	Revised Baseline
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Management	2 879	2 756	3 162	3 161	3 043	3 043	2 913	3 120	3 338
Legal	8 703	7 163	13 107	12 873	12 385	12 385	11 431	12 206	13 030
Governance	3 577	3 955	9 642	7 640	8 815	8 815	10 699	11 450	12 244
Financial Assessment and Investment Support	10 857	5 487	12 982	9 982	11 624	11 624	14 041	15 498	16 777
Total	**26 016**	**19 361**	**38 893**	**33 656**	**35 867**	**35 867**	**39 084**	**42 274**	**45 389**
Economic classification									
Current payments	**25 982**	**19 357**	**38 803**	**33 566**	**35 867**	**35 867**	**39 084**	**42 274**	**45 389**
Compensation of employees	20 757	16 547	29 692	17 695	24 794	24 794	30 132	32 349	34 733
Salaries and wages	18 562	14 755	27 216	15 219	22 324	22 324	27 521	29 539	31 712
Social contributions	2 195	1 792	2 476	2 476	2470	2470	2611	2810	3021
Goods and services	5 225	2 810	9 111	15 871	11 073	11 073	8 952	9 925	10 656
Administrative fees	52	0	0	0	0	0	0	0	0
Advertising	214	0	0	0	0	0	0	0	0
Catering: Departmental activities	8	5	41	41	14	14	16	16	19
Communication (G&S)	176	142	253	253	293	293	290	312	322
Consultants: Business and advisory services	1 307	612	2 051	4 812	6958	6958	3875	4559	5 002
Legal services (G&S)	1 435	710	2 162	5 162	2 242	2 242	2 810	2 967	3 131
Contractors	0	0	2 413	3 413	0	0	0	0	0

	2014/15	2015/16	2016/17		2017/18		2018/19	2019/20	2020/21
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Baseline	Revised Baseline	Revised Baseline	Revised Baseline
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Agency and support/outsourced services	61	0	0	0	0	0	0	0	0
Entertainment	0	0	1	0	18	18	0	-1	-3
Travel and subsistence	1 826	1 307	2 013	2 013	1 483	1 483	1 901	2 008	2 117
Training and development	0	0	0	0	0	0	0	0	0
Operating payments	6	0	0	0	0	0	0	0	0
Venues and facilities	140	34	177	177	65	65	60	64	68
Transfers and subsidies	**34**	**4**	**90**	**90**	**0**	**0**	**0**	**0**	**0**
Households	34	4	90	90	0	0	0	0	0
Social benefits	34	4	90	90	0	0	0	0	0
Payments for capital assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Payments for financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**26 016**	**19 361**	**38 893**	**33 656**	**35 867**	**35 867**	**39 084**	**42 274**	**45 389**

Performance and expenditure trends

The spending focus over the medium-term will be on increasing the programme's capacity to provide legal services, transaction and contract management support, facilitating the creation of a legislative framework for the Department's mandate to ensure compliance with applicable legislation and to enhance corporate governance procedures by SOCs. The expenditure for programme 2 is expected to increase from R39.0 million in 2018/19 to R45.3 million in 2020/21. The Legal and Governance sub-programmes will receive the bulk of the programme's allocation in the medium-term. In line with the laws governing SOCs, the Minister has to exercise care in carrying out these responsibilities. Spending on compensation of employees has increased marginally in the medium-term. The decrease in expenditure on goods and services results from delays in receipt of invoices on outstanding litigations, however, expenditure is likely to increase as outstanding litigations are finalised. In the medium-term, Cabinet has approved reductions on compensation of employees and goods and services.

3. PROGRAMME 3 – BUSINESS ENHANCEMENT AND INDUSTRIALISATION

Programme purpose:

Provide sector oversight to enhance the business of SOCs by advancing industrialisation, transformation, intergovernmental relations and international collaboration services. Support the Shareholder to strategically position and enhance the operations of SOCs.

Objectives

- Contribute to the enhancement of the performance of SOCs on an ongoing basis by:
  - Conducting reviews, research and modelling of pipeline and new business enhancement opportunities within the SOCs
  - Assessing operations of SOCs and developing mitigation instruments in conjunction with policy departments, regulatory bodies and industry
  - Conducting research, modelling job creation and transforming instruments for SOCs to inter alia inform compact alignment imperatives.

Sub-programmes

- **Business Enhancement Services** develops and coordinates the implementation of SOCs strategies to leverage localisation programmes; Provides intergovernmental coordination and support to programmes and SOCs in relation to economic development programmes, as agreed with provincial and local governments It maintains a register of commitments made by SOCs and lobbies for the implementation of special programmes focusing on skills development, transformation and the youth.
- **Energy Resources** exercises shareholder oversight over Eskom, Alexkor and SAFCOL.
- **Research and Economic Modelling** conducts cost benefit analysis reviews on business enhancement and transformation initiatives and develops economic sustainability models for proposed work packages and projects.
- **Transport and Defence** exercises shareholder oversight over Transnet, SA Express and Denel.

Business Enhancement

- Initiate and coordinate specialist research projects to model the short, medium and long-term business enhancement prospects.
- Develop and coordinate the implementation of SOCs Group pipeline business enhancement strategies and instruments.
- Develop business enhancement models for the clusters and coordinate the adoption processes.
- Initiate and coordinate specialist research projects to define business enhancement inhibitors for the SOC Groups.
- Liaise with policy and regulatory institutions to mitigate the impact of the identified business inhibitors.
- Provide technical inputs to influence alignment of the regulatory regime impacting on the operations of the SOC Groups.
- Provide technical advisory services to support SOCs compact alignment processes and facilitate the development/adoption thereof.

Skills Development

Given the colossal skills crisis and high unemployment rate in South Africa, skills development remains a critical vehicle for economic growth and human social progress. Thus, SOCs should play a pivotal role and serve as platforms and catalysts for advancing the skills development revolution towards sustaining human capital.

Skills development:

- Ensures provision of scarce and critical skills by the SOCs in support of the national skills agenda, targeting largely youth, women and people with disabilities.
- Ensure SOCs training facilities are optimised to provide adequate supply of skills for the economy, whilst also monitoring the establishment of SOCs with Technical Vocational Education and Training (TVET) colleges and technical schools to create a pipeline for technical skills occupation. This will be implemented in-line with the approved SOCs TVET College support guidelines and will be monitored and validated on a quarterly basis.
- Facilitates partnership development through the signing of memoranda of understanding (MoUs) with the universities to assist the Department with research and capacity building.
- Monitors SOCs' work integrated learning interventions to provide graduate support for workplace exposure and experiential learning. Post-qualification absorption opportunities have become a new challenge given that the economy cannot absorb all trainees and that there is a misalignment of skills demand and supply.

Transformation

- Job creation- the programme will leverage skills development as a vehicle for the creation of short-term job opportunities aligned to the duration of learning.
- Ensure SOCs' recruitment is adherent to EE requirements.
- CSI and ESD-coordinate SOCs quarterly forums on CSI and ESD to advance community development and transformation. Conduct SOCs' Quarterly performance assessment on CSI and ESD.
- Oversee the implementation of SOCs' economic and social transformation agendas in support of national policies and economic growth, with specific focus on ESD and black industrialists' development. To regularly interphase with SOCs on their black industrial development programmes to maximize benefit of SMMEs in the core value chains of SOCs.

PROGRAMME OVERVIEW ON SERVICE DELIVERY

International and Intergovernmental Relations

- Update the Africa Strategy into the DPE Africa Market Entry Strategy
- Host a DPE stakeholder seminar on the Africa Market Entry Strategy
- Develop Terms of Reference (TOR) for the International Engagement Framework
- Develop a draft Brazil, Russia, India, China, South Africa (BRICS) Engagement Framework
- Host the third BRICS SOC forum on governance and reform
- Undertake BRICS consultative road shows

Transformation:

Transformation, in all its facets, has deep-rooted political, social and economic foundations in the South African context. To address these deep-seated socio-economic challenges, the DPE has through its Transformation Framework and Guidelines delineated key pillars of transformation, which will guide and measure the SOCs target setting and reporting on socio-economic imperatives.

The Transformation Framework and Guidelines is thus premised on four key pillars critical to transformation, which are:

a) Skills development;

b) Employment creation;

c) Procurement; and

d) CSI Contributions.

Employment/Job creation

SOCs contribute to both direct and indirect employment creation interventions through full time and part time employment to support their own operational requirements, as well as indirect employment creation opportunities through their supplier network, with contribution in the infrastructure investment projects such as the Competitive Supplier Development Programme (CSDP) at both Eskom and Transnet. In this regard:

- The programme will leverage skill development as a vehicle for the creation of short-term job opportunities aligned to the duration of learning.
- The programme will ensure SOCs' recruitment policies and practices are adherent to employment equity requirements, which aim to ensure the promotion of equal opportunity and fair treatment in employment and the elimination of unfair discrimination to build a workforce that is demographically representative of all of South Africa's people.

Corporate Social Investment (CSI)

The South African BBBEE Codes, not only aims to correct racial imbalances, but also strives to promote social investment and the empowerment of communities. It is thus important that as required by both the BBBEE Codes and the Companies Act (2008), SOCs commit the 1% of the Net Profit after Tax (NPAT) and other additional financial resources for development of the communities in which their businesses operate through social compacts. In this regard, the programme will:

- Ensure SOCs CSI spend is strategically leveraged to ensure the delivery of impactful interventions to various communities.
- Coordinate SOCs' quarterly forums on CSI to advance community development and transformation.
- Conduct SOCs' Quarterly performance assessment on CSI.

Procurement – Localisation/Enterprise and Supplier Development

The foundations of the BBBEE Act (Act 53 of 2003, as amended) emanate from the equality clause of the Constitution, which provides that everyone is equal before the law and has the right to equal protection and benefit of the law. The creation of the BBBEE Act (2003, as amended) thus also forms the thrust on procurement. Therefore, the BBBEE scorecard aims to bring about a significant increase in the number of black people that manage, own and control the country's economy. In this regard, the programme will seek to:

- Ensure transformation through procurement to benefit designated groups including youth and women.
- Ensure localization/local content and industrialisation contribution.
- Oversee the implementation of SOCs' economic and social transformation agendas in support of national policies and economic growth, with specific focus on ESD and black industrialists' development, to regularly interface with SOCs on their black industrial development programmes to maximise benefits of SMMEs in the core value chains of SOCs.
- Provide environmental practice alignment, compliance and sustainability services.

Environmental Alignment

- Environmental Alignment coordinates the Joint Working Committee engagements on a quarterly basis to discuss environmental issues that affect SOCs, unlocking bottlenecks to ensure that SOCs fully comply with relevant legislation.
- The Air Quality and Compliance Forum takes place on a quarterly basis to address challenges and accounting purposes related to Eskom.
- Develop Environmental Implementation Plan, (as required by Chapter 3 of National Environmental Management Act, (NEMA Act 107 of 1998 as amended) on SOCs strategic projects.

SUB-PROGRAMME 3-BUSINESS ENHANCEMENT AND INDUSTRIALISATION

3.1 Sub-programme: Business Enhancement and Industrialisation

Strategic objectives/annual targets for Business Enhancement and Industrialisation for 2018/19

Strategic objectives	Strategic Plan (5 year target)		Audited/actual performance		Estimated performance	Medium-term targets		
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Accelerate development of skills to support the needs of the economy.	Quarterly reports monitoring of skill development programmes (training of artisans and engineers, etc.) produced.	None	None	None	New Indicator	Monitor the learners enrolled on SOCs' scarce and critical skills development programmes.	Monitor the learners enrolled on SOCs' scarce and critical skills development programmes.	Monitor the learners enrolled into SOCs' scarce and critical skills development programmes.
Accelerate transformation of the South African economy	Annual reports on the implementation of CSI high impact projects produced on an annual basis.	None	None	None	New Indicator	Annual Report on strategic and high impact projects implemented produced.	Annual Report on strategic and high impact projects implemented produced.	Annual Report on strategic and high impact projects implemented produced.
Position SOCs to support re-industrialisation of the South African economy	Quarterly reports on SOCs' allocated projects from the Top 40 strategic and priority projects implemented produced.	None	Establishment of executive forum for SIPs.	Integrated assessment report of the allocated strategic priority projects.	Monitoring the implementation of SOCs' allocated projects from the Top 40 strategic and priority projects.	Monitoring the implementation of SOCs' allocated projects from the Top 40 strategic and priority projects.	Monitoring the implementation of SOCs' allocated projects from the Top 40 strategic and priority projects.	Monitoring the implementation of SOCs' allocated projects from the Top 40 strategic and priority projects.
	Localisation Strategic Framework developed. Quarterly reports on monitoring implementation of the strategy produced.	None	Black Industrialists Policy approved by Cabinet	DPE Industrialists Programme approved	Six business cases approved for development of black industrialists.	Development of DPE Localisation Strategic Framework.	Monitor the implementation of DPE Localisation Strategic Framework.	Monitor the implementation of DPE Localisation Strategic Framework.

Strategic objectives	Strategic Plan (5 year target)		Audited/actual performance		Estimated performance	Medium-term targets		
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Position SOCs to support re-industrialisation of the South African economy	ESD strategy developed and finalised. Quarterly reports on monitoring the implementation of the ESD strategy produced.	None	None	None	Approved ESD programme for SMME participation in SOCs' core value chains.	Development of consolidation plan of ESD Strategy	Monitor the implementation of the DPE ESD Strategy	Monitor the implementation of the DPE ESD Strategy

Programme performance indicators and annual targets for Business Enhancement and Industrialization for the year 2018/19.

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Accelerate development of skills to support the needs of the economy.							
4.1 Report on monitoring of SOCs contribution to skills development produced	None	None	None	New Indicator	Report on monitoring of learners enrolled on SOCs scarce and critical skills development programmes produced.	Report on monitoring of learners enrolled on SOCs scarce and critical skills development programmes produced.	Report on monitoring of learners enrolled on SOCs scarce and critical skills development programmes produced.
Accelerate transformation of the South African economy							
4.2 Report on CSI strategic and high impact projects implemented by DPE and SCOs produced.	None	None	9 High impact CSI projects launched in rural areas.	Stakeholder engagement on the criteria for the selection of seven high impact CSI projects.	Report on strategic and high impact projects implemented produced.	Report on strategic and high impact projects implemented produced.	Report on strategic and high impact projects implemented produced.

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Position SOCs to support reindustrialization of the South African economy							
4.3 Report on monitoring and implementation of-SOCs' allocated projects from the Top 40 strategic and priority projects produced	None	Establishment of an executive forum for SIPs.	Integrated assessment report of the allocated strategic priority projects.	Monitoring and implementation of SOCs' allocated projects from the Top 40 strategic and priority projects.	Report on monitoring the implementation of SOCs' allocated projects from the Top 40 strategic and priority projects produced.	Report on monitoring the implementation of SOCs' allocated projects from the Top 40 strategic and priority projects produced.	Report on monitoring the implementation of SOCs' allocated projects from the Top 40 strategic and priority projects produced.
4.4 Localisation Strategic Framework developed	None	None	None	New Indicator	DPE Localisation Strategic Framework developed.	Report on monitoring of the implementation of DPE localisation Strategic Framework produced.	Report on monitoring of the implementation of DPE localisation Strategic Framework produced.
4.5 ESD programme/plan developed	None	None	None	Approved ESD programme for SMMEs participation in SOCs core value chains.	Approved DPE ESD plan.	Implement the DPE ESD plan.	Monitor Implementation of the DPE ESD plan.

Quarterly targets for Business Enhancement and Industrialisation for 2018/19

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2018/19	1st	2nd	3rd	4th
Accelerate development of skills to support the needs of the economy.						
4.1 Report on monitoring of the SOCs contribution to skills development produced	Annually/quarterly	Report on monitoring of learners enrolled on SOCs scarce and critical skills development programmes produced.	Assessment of Q4 2017/18 SOCs' quarterly report.	Assessment of Q1 2018/19 SOCs' quarterly report.	Assessment of Q2 2018/19 SOCs' quarterly report.	Assessment of Q3 2018/19 SOCs' quarterly report.

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2018/19	1st	2nd	3rd	4th
Accelerate transformation of the South African economy						
4.2 Report on CSI strategic and high impact projects implemented by DPE and SCOs	Annually	Annual report on CSI strategic and high impact projects implemented produced.	None	None	None	1 annual report produced.
Position SOCs to support re-industrialisation of the South African economy						
4.3 Report on monitoring and implementation of SOCs' allocated projects from the Top 40 strategic and priority projects produced.	Quarterly	4 Integrated assessment reports of the allocated strategic priority projects produced.	1 Integrated assessment report.	1 Integrated assessment report.	1 Integrated assessment report.	1 Integrated assessment reports.
Position SOCs to support re-industrialisation of the South African economy						
4.4 Localisation Strategic Framework developed	Annually	DPE Localisation Strategic Framework developed.	None	Draft DPE Localisation Strategic Framework developed.	None	DPE Localisation Strategic Framework developed.
4.5 ESD Strategy developed	Annually	1 DPE ESD Strategy developed.	None	Draft DPE ESD strategy developed.	None	DPE ESD Strategy developed.

SUB-PROGRAMME: ENERGY AND RESOURCES

3.2 Sub-programme: Energy and Resource

This sub-programme involves:

Management - the office of the Deputy Director-General, which provides strategic leadership and management of programme personnel.

Eskom – shareholder management and oversight of Eskom's financial performance.

Alexkor – shareholder management and oversight of Alexkor, including review of its strategy to enhance financial sustainability, and overseeing implementation of the Richtersveld Deed of Settlement.

SAFCOL - shareholder management and oversight, including forestry management, timber harvesting, timber processing and related activities, both domestically and internationally, as well as oversight of the entity's restructuring.

Responsible for the following SOCs:

1. Eskom SOC Limited

Support the security of supply by:

- Examining Eskom's maintenance plans, operational practices, electricity generation and distribution efficiency, and its reserve margin on an ongoing basis
- Ensuring that Eskom supplies electricity by monitoring, evaluating and engaging Eskom on system security and the new Build Programme to alleviate constraints on an ongoing basis
- Facilitate engagement between Eskom and other spheres of government to address municipal debt on an ongoing basis
- Monitoring the rollout of the capital investment programme to ensure that it is delivered on time, is of appropriate quality and within budget on an ongoing basis.

2. Alexkor SOC Limited

- Ensure increased diamond production and promote the financial stability of the joint venture by monitoring the implementation of Alexkor's strategy to promote financial sustainability and monitoring the pooling and sharing joint venture turnaround strategy, on a quarterly basis.
- Ensure collaboration and alignment of the two SOCs to provide a clear indication to market by developing a collaborative model with the African Exploration Mining and Finance Corporation over the medium-term.
- Contribute to developing sustainable economic activities linked to the agricultural sector by continuously supporting and coordinating the joint efforts of the Department of Public Enterprises with the Department of Mineral Resources and the Department of Rural Development and Land Reform to stabilise the Richtersveld region and make use of revenues.

3. SAFCOL

- Oversee the implementation of the land restitution strategy for claims over the Komatiland Forests Land Claims Settlement Model, to ensure meaningful benefits to the successful land claimants over the medium-term.
- Oversee the implementation of SAFCOL's corporate strategy over the medium-term.
- Engage with the Departments of Rural Development and Land Reform, Agriculture, Forestry and Fisheries, and Trade and Industry to ensure the warehousing of the shares held by SAFCOL, shares in the four privatised forestry companies.
- Reduce reliance on the sawlog market by supporting the development of the new business strategy over the medium-term.

PROGRAMME OVERVIEW ON SERVICE DELIVERY

Contribute to enhancing the performance of SOCs by:

- Approving and evaluating corporate plans to determine whether the performance of SOCs aligns with agreed key performance indicators, and provide ongoing advice and guidance to their Boards;
- Monitoring the implementation of corporate plans and shareholder compact targets quarterly,
- Assessing shareholder and enterprise risks and advising Boards on concerns quarterly.
- Providing shareholder management and oversight of Eskom, including the generation, transmission and distribution of electricity, with particular emphasis on ensuring the security of supply.
- Ensuring the legal regulatory compliance to Eskom by ongoing engagement on policies and regulations with relevant stakeholders including the Department of Energy (DoE), the Department of Environmental Affairs (DEA), the Department of Water and Sanitation (DWS) and the National Energy Regulator of South Africa (NERSA) etc.
- Reducing Eskom's dependence on funding from the fiscus by quarterly monitoring cost escalations for its capital investment programmes and operations to roll-out the delivery of capital expansions cost effectively.
- Supporting Eskom to address municipal debt challenges to ensure financial sustainability.
- Reviewing reports on Eskom's operating model
- Provide shareholder oversight of SAFCOL, including collaboration with policy Departments and private sector to ensure sustainable management of the state's forestry resource.

Strategic objectives and annual targets for Energy and Resources for 2018/19

Strategic objectives	Strategic Plan (5 year target)	Audited/actual performance			Estimated performance	Medium-term targets		
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote commercial viability of SOCs' operations.	Annual review of Eskom generation fleet and life of plants (3 reviews conducted by 2020/21)	None	Improved operations to minimise load shedding.	Position paper on Eskom's operational sustainability	Monitor Eskom's operational performance	Review Eskom's generation fleet and life of plants.	Review Eskom's generation fleet and life of plants.	Review Eskom's generation fleet and life of plants.
	3 Shareholder Compact signed annually.	None	None	None	New Indicator	3 Shareholder Compacts (2019/20) signed per year (Eskom, Alexkor and SAFCOL).	3 Shareholder Compacts (2020/21) (signed per year (Eskom, Alexkor and SAFCOL).	3 Shareholder Compacts (2021/22) signed per year (Eskom, Alexkor and SAFCOL).

Strategic objectives	Strategic Plan (5 year target)	Audited/actual performance			Estimated performance	Medium-term targets		
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote commercial viability of SOCs operations.	Review SAFCOL processing capacity to ensure sustainable business operation.	None	None	None	Recommendation SAFCOL sawlog allocation model developed.	The feasibility study into the processing capacity in Mpumalanga and Limpopo.	None	None
	Signed agreement to restore INDUSTRIAIS FLORESTAIS DE MANICA, MOZAMBIQUE (IFLOMA) operation to full capacity.	None	None	None	New Indicator	Signed SAFCOL Strategic Plan for INDUSTRIAIS FLORESTAIS DE MANICA, MOZAMBIQUE (IFLOMA)	Progress report on the implementation of the strategic plan.	Progress report on the implementation of the strategic plan.
	Consolidate and optimize state participation in mining through optimizing the current mining assets.	None	None	None	Assessment of Alexkor Investment (Diversification) Plan.	Commission a study on State Owned Mining Assets to propose an optimum structure. (SOC Reform)	Progress report on the implementations of the recommendations of the study of State Owned Mining Assets.	Progress report on the implementations of the recommendations of the study of State Owned Mining Assets.

Strategic objectives	Strategic Plan (5 year target)	Audited/actual performance			Estimated performance	Medium-term targets		
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Accelerate capital project delivery	Annual Electricity generation reserve margin available at 19% and maintained at 19% to avoid load shedding.	None	None	None	New Indicator	Percentage increase in the electricity generation reserve margin from 1% to 19% by 2019.	Percentage increase in the electricity generation reserve margin from 1% to 19% by 2019.	None
	Quarterly assessment reports on delivery of Eskom build programme (Medupi, Kusile) until the completion of the programme produced.	Quarterly assessment of ESKOM's Capex Programme.	Review and monitor the delivery of the Build Programme	Monitor the delivery of the capital project (Medupi, Kusile)	Monitor Eskom's operational performance.	4 assessment quarterly reports on delivery of Eskom Build Programme (Medupi, Kusile)	4 assessment quarterly reports on delivery of Eskom Build Programme (Medupi, Kusile)	4 assessment quarterly reports on delivery of Eskom Build Programme (Medupi, Kusile)
Promote independent financial sustainability of SOCs	Eskom's' Operating and financial cost efficiently optimized by 2021.	None	None	None	Report on Eskom's operating model.	Draft review report on Eskom's operating model.	Review report on Eskom's operating model.	None

Programme performance indicators and annual targets for Energy and Resource for 2018/19

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote commercial viability of SOCs operation							
5.1 Number of reports on the monitoring of Eskom's operational performance and efficiency produced	None	None	Position paper on Eskom's operational sustainability	Monitor Eskom's operational performance	Review Eskom's generation fleet and life of plants.	Review Eskom's generation fleet and life of plants.	Review Eskom's generation fleet and life of plants.

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
5.2 Number of shareholder compacts signed per year (Eskom, Alexkor and SAFCOL)	None	None	None	New indicator	3 Shareholder Compacts (2019/20) signed per year (Eskom, Alexkor and SAFCOL).	3 Shareholder Compacts (2020/21) (signed per year (Eskom, Alexkor and SAFCOL).	3 Shareholder Compacts (2021/22) signed per year (Eskom, Alexkor and SAFCOL).
5.3 Alexkor's future-state and the optimisation of State Owned Mining Assets	None	None	None	Assessment of Alexkor's Investment (Diversification Plan)	Commission a study on State Owned Mining Assets to propose an optimum structure	Progress report on the implementation of the recommendations of the study on State Owned Mining Assets	Progress report on the implementation of the recommendations of the study on State Owned Mining Assets
5.4 Feasibility study on SAFCOL processing capacity conducted	None	None	None	New Indicator	Conduct the feasibility study into the Forestry processing capacity in Mpumalanga and Limpopo.	None	None
5.5 SAFCOL strategic plan for Industriais Florestais De Manica, Mozambique (IFLOMA) signed	None	None	None	New Indicator	Signed SAFCOL Strategic Plan for Industriais Florestais De Manica, Mozambique (IFLOMA)	Progress report on the implementation of the strategic plan.	Progress report on the implementation of the strategic plan.
Accelerate capital project delivery.							
5.6 Percentage increase in the electricity generation reserve margin from 1% to 19% by 2019	None	None	None	New Indicator	Percentage increase in the electricity generation reserve margin from 1% to 19% by 2019	Percentage increase in the electricity generation reserve margin from 1% to 19% by 2019	None

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
5.7 Number of progress reports on the delivery of Eskom's Build Programme produced	None	Delivery of Medupi, Kusile, Ingula and Sere Wind Farm	Review and monitor the delivery Eskom's Build Programme	Monitor the delivery of Eskom's Build Programme (Medupi, Kusile)	4 reports on monitoring of Eskom's Build Programme (Medupi, Kusile)	4 reports on monitoring of Eskom's Build Programme (Medupi, Kusile)	4 reports on monitoring of Eskom's Build Programme (Medupi, Kusile)
Promote independent financial sustainability of SOCs							
5.8 Review report on Eskom operating model produced	None	None	None	Review report on Eskom operating model.	Review report on Eskom operating model.	Review report on Eskom operating model.	None

Quarterly targets for financial year for Energy and Resource for 2018/19

Performance indicator	Reporting period 2018/19	Annual targets	Quarterly targets			
		1st	2nd	3rd	4th	
Promote commercial viability of SOCs operation						
5.1 Number of reports on monitoring of Eskom's operational performance and efficiency produced	Bi-annually	Review report of Eskom's generation fleet and life of plants	None	1 Review report of Eskom's generation fleet and life of plants	None	1 Review report of Eskom's generation fleet and life of plants
5.2 Number of Shareholder Compacts signed per year (Eskom, Alexkor and SAFCOL)	Quarterly	3 Shareholder Compacts (2019/20) signed per year (Eskom, Alexkor and SAFCOL)	None	None	3 Shareholder Compacts (2019/20) signed per year (Eskom, Alexkor and SAFCOL)	None
5.3 Feasibility study on SAFCOL processing capacity conducted	Quarterly	Conduct the feasibility study into the processing capacity in Mpumalanga and Limpopo.	Review SAFCOL's processing strategy.	Commission a study (Conduct feasibility study on processing capabilities and needs)	Stakeholder consultation on processing capabilities.	Feasibility study into the processing capacity completed.

Performance indicator	Reporting period 2018/19	Annual targets	Quarterly targets			
		1st	2nd	3rd	4th	
5.4 Alexkor's future-state and the optimisation of State Owned Mining Assets	Bi-annually	Study on the future state of Alexkor and the Optimisation of State Owned Mining Assets.	None	Draft study on State Owned Mining Assets to propose an optimum structure.	None	Completed study on the State owned Mining Assets.
5.5 SAFCOL strategic plan for Industriais Florestais De Manica, Mozambique (IFLOMA) signed	Quarterly	Signed SAFCOL Strategic Plan for Industriais Florestais De Manica, Mozambique (IFLOMA)	Asses and give recommendations on IFLOMA business plans	Engage with the Mozambique Forestry stakeholder to develop a project plan on implementing the IFLOMA business plan.	Review SAFCOL Africa Strategy and Commission a study on Forestry opportunities in Africa.	Stakeholder engagements on Forestry in the Continent. SAFCOL Strategic Plan for (Industriais Florestais De Manica, Mozambique) IFLOMA signed.
Accelerate capital project delivery.						
5.6 Percentage increase in the electricity generation reserve margin from 1% to 19% by 2019	Quarterly	Percentage increase in the electricity generation reserve margin from 1% to 19% by 2019.	19% of the electricity generation reserve margin sustained	19% of the electricity generation reserve margin sustained	19% of the electricity generation reserve margin sustained	19% of the electricity generation reserve margin sustained
5.7 Number of progress report on the delivery of Eskom's Build Programme produced	Quarterly	4 Assessment reports on delivery of Eskom's Build Programme (Medupi, Kusile)	1 Assessment report on delivery of Eskom's Build Programme (Medupi, Kusile)	1 Assessment report on delivery of Eskom's Build Programme (Medupi, Kusile)	1 Assessment report on delivery of Eskom's Build Programme (Medupi, Kusile)	1 Assessment report on delivery of Eskom's Build Programme (Medupi, Kusile)
Promote independent financial sustainability of SOCs.						
5.8 Review report on Eskom's future operating model produced	Annually	Review report on Eskom's future operating model.	None	None	None	Report on Eskom's future operating model

SUB-PROGRAMME: TRANSPORT AND DEFENCE

3.3 Sub-programme: Transport and Defence

This sub-programme involves:

Management - the office of the Deputy Director-General, provides strategic leadership and management of programme personnel.

Transnet – align the corporate strategies of Transnet with the Government's strategic intent, monitor financial and operational performance.

SA Express – align SA Express corporate strategies of with the Government's strategic intent, monitor financial and operational performance.

Denel – shareholder management and oversight of Denel's financial performance and strategy implementation.

The programme is responsible for the following SOCs:

Transnet SOC Limited

- Provide oversight on Transnet's implementation of the Market Demand Strategy to optimise the economic impact of infrastructure investment on the economy by monitoring the roll-out of Transnet's Capital Expenditure Programme, quarterly and annually, to assess any significant deviations from corporate plans and potential cost overruns and time delays on major capital projects.

South African Express Airways SOC Limited

- Develop a strategic proposal for the optimal group structure of the State owned airlines to assist in rationalising the structure of these airlines as well as to unify their operations.
- Facilitate the review of commercial arrangements as and when required to support the financial position of the company to ensure its long-term financial and commercial sustainability.

Denel SOC Limited

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

PROGRAMME OVERVIEW ON SERVICE DELIVERY

The programme will ensure that there is an alignment between the corporate strategies of Transnet and SA Express with the Government's strategic intent, and monitor and benchmark financial and operational performance by the following ongoing actions:

- Ensuring alignment of the corporate strategies of Transnet and SA Express with the Government's strategic intent and ensuring that these companies remain competitive, financially sustainable and deliver an optimal service to the economy;
- Supporting Transnet and SA Express in delivering on their objectives by identifying appropriate (annually) key performance measures for their Shareholder Compacts and corporate plans; (lead Shareholder Compact)
- Creating an enabling environment for transport enterprises and ensuring an appropriate balance between the enterprises' interests, stability and developmental objectives by engaging with industry and government stakeholders (National Treasury), policy departments and regulators.

- Ensuring effective use of existing logistics infrastructure, planning for the creation of new infrastructure and providing optimal services.

Strategic objectives and annual targets for Transport and Defence for 2018/19

Strategic objectives	Strategic Plan (5 year target)	Audited/actual performance			Estimated performance	Medium-term targets		
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote commercial viability of SOCs' operations	Increase in tonnage moved on rail from 207 to 330 mtpa from 2014 to 2019.	None	None	None	None	Increase in tonnage moved on rail to 235 mtpa by 2019.	Increase in tonnage moved on rail to 245 mtpa by 2019	None
Promote commercial viability of SOCs' operations	Improve operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019 annually.	None	None	None	None	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.	None
	3 Shareholder Compacts signed per year (Transnet, Denel and SA Express).	None	None	None	None	3 Shareholder Compacts (2019/20) signed per year (Transnet, Denel and SA Express).	3 Shareholder Compacts (2020/21) signed per year (Transnet, Denel and SA Express).	3 Shareholder Compacts (2021/22) signed per year (Transnet, Denel and SA Express).
	Denel operating and financial cost efficiently optimized.	None	None	None	New Indicator	Report on the implementation of Denel's restructuring plan.	Review report on Denel operating model.	Review report on Denel operating model.
	Report on aviation optimal group corporate structure for the realignment of State owned airline assets	None	None	Strategic proposal for optimal group structure of State owned airlines	Review of developed optimal group corporate structure for realignment of State-owned airline assets	1 report on aviation implementation of optimal group corporate structure.	1 report on aviation implementation of optimal group corporate structure.	1 report on aviation implementation of optimal group corporate structure.

Programme performance indicators and annual targets for Transport and Defence for 2018/19

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Promote commercial viability of SOCs' operations							
6.1 Percentage Increase in tonnage moved on rail to 330mtpa by 2019	None	None	None	New Indicator	Increase in tonnage moved on rail to 235 mtpa by 2019.	Increase in tonnage moved on rail to 245 mtpa by 2019.	None
6.2 Average on improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	None	None	None	New Indicator	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.
6.3 Number of Shareholder Compacts signed per year (Transnet, SA Express and Denel)	None	None	None	New Indicator	3 Shareholder Compacts (2019/20) signed per year (Transnet, SA Express and Denel).	3 Shareholder Compacts (2020/21) signed per year (Transnet, SA Express and Denel).	3 Shareholder Compacts (2021/22) signed per year (Transnet, SA Express and Denel).
6.4 Monitor Denel's sustainability	None	None	None	New Indicator	Review report on Denel operating model.	Review report on Denel operating model.	Review report on Denel operating model.
6.5 Implementation of aviation optimal group corporate structure.	None	None	Strategic proposal for the optimal group structure of State owned airlines.	Review of developed optimal group corporate structure for State owned airline.	1 report on aviation implementation of optimal group corporate structure.	1 report on aviation implementation of optimal group corporate structure.	1 report on aviation implementation of optimal group corporate structure.

Quarterly targets for Transport and Defence for 2018/19

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2018/19	1st	2nd	3rd	4th
Promote commercial viability of SOCs' operations						
6.1 Percentage Increase in tonnage moved on rail to 330mtpa by 2019	Annually	Increase in tonnage moved on rail to 235 mtpa by 2019.	None	None	Increase in tonnage moved on rail to 235 mtpa by 2019	None
6.2 Average on improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Quarterly	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.	Improving operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019.
6.3 Number of Shareholder Compacts signed per year (Transnet, SA Express and Denel)	Annually	3 Shareholder Compacts (2019/20) signed per year (Transnet, SA Express and Denel)	None	None	3 Shareholder compacts (2019/20 signed per year (Transnet, SA Express and Denel)	None
6.4 Monitor Denel's sustainability	Annually	Report on implementation of Denel's restructuring plan.	Monitor implementation of Denel's restructuring plan	Monitor implementation of Denel's restructuring plan	Monitor implementation of Denel's restructuring plan	Report on Denel future operating model finalized.
6.5 Implementation of aviation optimal group corporate structure.	Annually	Report on aviation implementation of optimal group corporate structure	None	None	None	Report on aviation implementation of optimal group corporate structure finalized.

SUB-PROGRAMME: RESEARCH AND ECONOMIC MODELLING

3.4 Sub-programme: Research and Economic Modelling

This sub-programme involves:

- **Management -** the Office of the Deputy Director General, provides strategic leadership and management of the programme
- **Economic modeling -** Appropriate macroeconomic modelling and research to enhance links between industrial policy, macroeconomic policy and the role of the SOCs in economic development. To conduct socio-economic impact assessment as a result of SOCs' economic activities.
- **Research modeling**-Conduct topical research to inform the development of policies and strategies

Objectives

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

PROGRAMME OVERVIEW ON SERVICE DELIVERY

- The sub-programme will carry out annual socio-economic impact assessments of DPE SOCs' economic activities with the objectives of promoting inclusive economic growth.
- Conduct annual macroeconomic and industry specific research to enable evidence based policy formulation to advance radical socio-economic transformation.
- Provide global, regional, country and industry economic insights on a regular basis.

Strategic objectives/annual targets for Economic and Research Modelling for 2018/19

Strategic objectives	Strategic Plan (5 year target)	Audited/actual performance			Estimated performance	Medium-term targets		
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Accelerate transformation of the South African economy	Conduct economic impact assessment on a selected SOC per annum.	None	Economic modelling and high impact assessment report.	Economic impact assessment on selected SAFCOL CAPEX Programmes completed.	None	Socio-economic impact assessment of Transnet's selected capital projects.	Socio-economic impact assessment of Eskom's selected capital projects	Socio-economic impact assessment of SAFCOL's selected capital projects
	Conduct Macroeconomic and industry specific research per annum.	None	None	None	New Indicator	Macroeconomic and industry specific research.	Macroeconomic and industry specific research.	Macroeconomic and industry specific research.
	Conduct research on the implications of SOCs' compliance to NEMA (1998, as amended). Engage stakeholders on the implementation of the findings as from 2019/2020, on an annual basis.	None	None	None	New Indicator	Research on implications of SOCs environmental compliance.	Engage stakeholders on the implementation of research findings.	None

Programme performance indicators and annual targets for Research and Economic Modelling for the year 2018/19.

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Accelerate transformation of the South African economy							
7.1 Impact Assessment reports of SOCs' selected capital projects	None	None	None	New Indicator	Socio-economic impact assessment of Transnet's selected capital projects.	Socio-economic impact assessment of Eskom's selected capital projects.	Socio-economic impact assessment of SAFCOL's selected capital projects.

Performance indicator	Audited/actual performance			Estimated performance	Medium-term targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
7.2 Macroeconomic and industry specific research conducted	None	None	None	New Indicator	Macroeconomic and industry specific research.	Macroeconomic and industry specific research.	Macroeconomic and industry specific research.
7.3 SOCs' environmental research conducted	None	None	None	New Indicator	Research on implications of SOCs' Environmental compliance.	Engage stakeholders on the implementation of research findings.	None

Quarterly targets for Research and Economic Modelling for 2018/19

Performance indicator	Reporting period	Annual targets	Quarterly targets			
		2018/19	1st	2nd	3rd	4th
Accelerate transformation of the South African economy						
7.1 Socio-economic Impact Assessment reports of SOCs' selected capital projects	Annually	Socio-economic Impact Assessment report of Transnet's selected capital projects.	None	Review report of Transnet's capital projects	Transnet's project site visit reports	Socio-economic impact assessment report of selected Transnet's capital projects
7.2 Macroeconomic and industry specific research conducted.	Bi-annually	2 macroeconomic and industry specific research conducted.	2 research proposals developed.	None	2 draft research reports.	2 macroeconomic industry specific research reports finalized and approved
7.3 SOC environmental research conducted	Annually	SOC environmental research conducted	None	None	Draft research report.	Environmental research report finalised and approved.

Budget and MTEF

Table 4: Business Enhancement, Transformation and Industrialisation

	2014/15	2015/16	2016/17		2017/18		2018/19	2019/20	2020/21
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Baseline	Revised Baseline	Revised Baseline	Revised Baseline
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Energy Resources	16 762	23 019 195	27 574	22 548	27 678	27 678	13 658	14 732	15 866
Research and Economic Modelling	2 873	3 560	5 693	5 693	5 997	5 997	13 481	14 458	15 477
Transport and Defence	87 824	55 371	27 269	24 269	25 844	25 844	20 006	21 513	23 107
Business Enhancement Services	17 906	16 280	16 088	16 036	18 927	18 927	35 706	37 854	40 166
Total	**125 365**	**23 094 406**	**76 624**	**68 546**	**78 446**	**78 446**	**82 851**	**88 557**	**94 616**
Economic Classification									
Current payments	**61 873**	**60 648**	**76 587**	**68 509**	**78 446**	**78 446**	**82 851**	**88 557**	**94 616**
Compensation of employees	45 971	47 261	59 797	52 733	51 939	51 939	59 024	63 409	68 074
Salaries and wages	42 657	42 967	55 014	48 028	47 114	47 114	55 543	59 722	63 110
Social contributions	3 314	4 294	4 783	4 705	4 825	4 825	3 481	3 687	4 964
Goods and services	15 902	13 387	16 790	15 776	26 507	26 507	23 827	25 148	26 542
Administrative fees	154	8	0	0	0	0	0	0	0
Catering: Departmental activities	351	18	52	52	63	63	32	33	37
Communication (G&S)	354	299	503	503	542	542	573	607	638
Computer services	1 556	227	0	0	0	0	0	0	0
Consultants: Business and advisory services	7 710	6 795	11 011	10 340	16 060	16 060	15 652	16 596	17 296
Contractors	376	253	62	62	5 655	5 655	1 535	1 596	2 148
Agency and support/outsourced services	42	0	0	0	0	0	0	0	0
Entertainment	0	0	1	0	28	28	30	32	32

	2014/15	2015/16	2016/17		2017/18		2018/19	2019/20	2020/21
	Audited outcome	Audited outcome	Adjusted Appropriation	Audited outcome	Adjusted Appropriation	Revised Baseline	Revised Baseline	Revised Baseline	Revised Baseline
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Fleet services (including government motor transport)	2	0	0	0	0	0	0	0	0
Inventory: Medicine	1	2	0	0	0	0	0	0	0
Consumables: Stationery, printing and office supplies	44	0	0	0	0	0	0	0	0
Rental and hiring	93	0	418	418	0	0	0	0	0
Transport provided: Departmental activity	68	0	0	0	0	0	0	0	0
Travel and subsistence	4 702	5 315	4 270	3 928	3 849	3 849	5 993	6 271	6 381
Training and development	0	0	0	0	0	0	0	0	0
Operating payments	0	121	63	63	41	41	0	0	0
Venues and facilities	449	349	410	410	269	269	12	13	10
Interest and rent on land	0	0	0	0	0	0	0	0	0
Transfers and subsidies	**63 492**	**33 758**	**37**	**37**	**0**	**0**	**0**	**0**	**0**
Public corporations and private enterprises	63 141	33 106	0	0	0	0	0	0	0
Public corporations	63 141	33 106	0	0	0	0	0	0	0
Other transfers to public corporations	63 141	33 106	0	0	0	0	0	0	0
Households	351	652	37	37	0	0	0	0	0
Social benefits	351	652	37	37	0	0	0	0	0
Payments for capital assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Payments for financial assets	**0**	**23 000 000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**125 365**	**23 094 406**	**76 624**	**68 546**	**78 446**	**78 446**	**82 851**	**88 557**	**94 616**

Performance and expenditure trends

The spending focus over the medium-term will be on boosting the Department's capacity to oversee strategic infrastructure projects. This includes training staff and developing new project management tools to improve oversight of the current Build Programme. Given the need for effective oversight for SOCs, employee compensation increased over the medium term. The increase in the number of personnel from 68 in 2013/14 to 77 in 2017/18 is attributed to additional approved and funded posts to strengthen the Department's strategic oversight of infrastructure projects. The Department uses consultants for specialised services in transport, manufacturing, energy and broadband sectors, which, notwithstanding increased internal capacity remains a necessity. Expenditure on consultants is expected to increase over the medium-term in line with the strengthening of the oversight function. The Department will continuously improve its oversight capacity of government's medium-term priorities for the SOCs to facilitate a conducive environment to reposition SOCs to advance their mandate and contribute to South Africa's economic development.

PART C: LINKS TO OTHER PLANS

PART C: LINKS TO OTHER PLANS

Links to long-term infrastructure and other capital plans (MTSF and SOCs plans)

The table will be updated during 2019/2021 corporate plans consultations with SOCs in the new MTSF cycle as most projects are towards completion.

Name of entity	Legislative mandate	Nature of operations	Outputs	Budget	Timeframe
Alexkor	Alexkor Limited Act (Act 116 of 1992	A diamond mining company that operates primarily in Alexander Bay and the greater Namaqualand area.	None	None	None
Denel	None	A defence company. Although it was established as a private company in terms of the Companies Act of 2008, the Government exercises full control over it.	None	None	None
Eskom	Eskom Conversion Act (Act 13 of 2001)	Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.	Eskom's capital projects, the construction of two new power stations (Medupi and Kusile), have eight units still remaining, which are three at Medupi and five at Kusile. They are expected to be completed in 2022/23. The Capacity Expansion Programme is expected to increase Eskom's generation capacity to 17 384 megavolts by 2023. Medupi Únit 5 and Kusile Unit 1 attained commercial operation in 2017/2018.	None	2022/23
SAFCOL	Management of State Forests Act (Act 128 of 1992)	SAFCOL is the Government's forestry company. It conducts timber harvesting, timber processing and related activities, both domestically and regionally.	None	None	None
SA Express	South African Express Act (Act 34 of 2007)	South African Express is a domestic and regional air carrier with a mandate to be an African airline.	None	None	None
Transnet	Legal Succession to the South African Transport Services Act (Act 9 of 1989)	Transnet is a freight and logistics company responsible for pipelines, ports, and rail transport infrastructure and operations in South Africa.	None	None	None

Conditional Grants

Not applicable

Public Entities

Not applicable

Annexure 1

1. Revision to strategic objectives as captured in the Strategic Plan and new Annual Performance Plan.

Programme name	Strategic Objective in the 2014/2015 – 2018/2019 Strategic Plan	2018/19 Annual Performance Plan
Programme 1: Administration and Corporate Management.	Promote alignment and efficiency across the institutional model.	Provide strategic leadership, management and support services to the Department.
Programme 2: SOC Governance assurance and performance	Ensure SOCs' financial sustainability	Promote the independent financial sustainability of SOCs.
Programme 2: SOC Governance assurance and performance	Develop a strong shareholder	Develop a strong shareholder
Programme 3: Business Enhancement, Transformation and Industrialisation.	Ensure SOCs maintain commercially viable operations	Promote commercial viability of SOCs' operations.
Programme 3: Business Enhancement, Transformation and Industrialisation.	Advance the re-industrialization of the South African economy	Position SOCs to support the re-industrialization of the South Africa economy.
Programme 3: Business Enhancement, Transformation and Industrialisation.	Increase contribution of the SOCs to support the transformation of the South African economy	Accelerate the transformation of the South African economy.
Programme 3: Business Enhancement, Transformation and Industrialisation.	Oversee the implementation of infrastructure programmes within SOCs	Accelerate capital project delivery.
Programme 3: Business Enhancement, Transformation and Industrialisation.	Accelerate development of skills to support the needs of the economy	Accelerate development of skills to support the needs of the economy.
None	Explore initiatives to support development of SMMEs, cooperatives as well as rural and township businesses, including businesses owned by targeted groups	Will be removed during the Strategic Planning review.

Annexure 2

TECHNICAL INDICATOR DISCRIPTION (TIDs)

Programme 1: Administration and Corporate Management

1.1 Indicator Title	Human Resource Plan
Short definition	To measure compliance towards DPSA requirement including MPAT.
Purpose/importance	The plan entails department human resource matters on how it plans to improve on personnel and organizational development. The plan should be submitted to DPSA within stipulated timeframe of the 30 June of each year.
Source/collection of data	Developed, Reviewed and approved Human Resources Plan by the DG/Minister, Proof of submission to DPSA.
Method of calculation	Number of HR Plans submitted to DPSA within stipulated timeframe.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Annually
New Indicator	Yes
Desired performance	Improved MPAT score to 4
Indicator responsibility	Chief Director: Corporate Management.

1.2 Indicator Title	Training interventions
Short definition	To ensure that all the employees are trained and properly skilled in their respective performance areas, also as per the approved Personal Development Plans (PDPs).
Purpose/importance	Measures number of training intervention provided by the department under skill development and further training that includes bursaries allocated. Accredited and non-accredited training are recognized. The skill development programme can also be in the form of seminars or workshops.

1.2 Indicator Title	Training interventions
Source/collection of data	Proof of attendance (signed register) Letters of bursary allocation. Certificates Proof of attendance Memo's approved by CD:CM/DDG:CM
Method of calculation	Number of training interventions provided/Number of employees trained.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Annually
New Indicator	Yes
Desired performance	Skilled employees
Indicator responsibility	Chief Director: Corporate Management.

PROGRAMME 2: SOC GOVERNANCE ASSURANCES AND PERFORMANCE.

Sub-programme: Governance, Legal Assurance and Risk Profiling and Mitigation.

2.1 Indicator Title	Develop Shareholder policy (SOC Reform)
Short definition	The government has tasked the Department with developing a Policy/Bill that will guide the State's Investment in the economy.
Purpose/importance	SOCs reforms have been identified as essential intervention and form part of the repositioning government SOCs to contribute more in the development of the country.
Source/collection of data	Proof of engagements, proof of submission to Cabinet/Parliament, Draft Policy, Draft Bill, Approved Bill if approved.
Method of calculation	GSM Policy or Bill approved.
Data limitations	Some process relies on the external stakeholder to be implemented. eg State Attorney, DPME (Deputy President office) and Cabinet)
Type of indicator	Output

Calculation type	None
Reporting cycle	Annually
New Indicator	New
Desired performance	Approved Shareholder Management Bill.
Indicator responsibility	DDG: Governance, Legal and Risk Assurance.

2.2 Indicator Title	**Shareholder Anti-Fraud and Corruption Hotline established and maintained**
Short definition	To measure establishment and maintenance of Anti-Fraud and Corruption Hotline.
Purpose/importance	Establish a functional and responsive anti-fraud and corruption hotline to curb any corruption activities in the SOCs, and act within stipulated timeframe.
Source/collection of data	Anti-Fraud and Corruption Hotline, Reports produced including information processed within a stipulated timeframe.
Method of calculation	Anti-Fraud and Corruption Hotline established and maintained
Data limitations	None
Type of indicator	Output
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good SOC's governance
Indicator responsibility	DDG: SOC Governance

2.3 Indicator Title	**Lifestyle audits of key officials in the SOC**
Short definition	To measure lifestyle audits undertaken in the SOCs.
Purpose/importance	Reduction in abuse of positions of authority and undue benefits in the SOCs. (root out corruption)
Source/collection of data	Lifestyle audits reports
Method of calculation	Number of lifestyle audits reports conducted.

2.3 Indicator Title	Lifestyle audits of key officials in the SOC
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good SOC's governance
Indicator responsibility	DDG: SOC Governance

2.4 Indicator Title	SOCs forensic audits
Short definition	To measure forensic audits undertaken.
Purpose/importance	Review previously undertaken forensic audits, and ensures recommendations are implemented on annual basis, where allegations are confirmed DPE will ensure justice takes its course.
Source/collection of data	Forensic audit reports reviewed, Report on recommendations implemented, proof of submission to relevant authorities including the Minister.
Method of calculation	Number of forensic audits reports review with recommendations implemented.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good SOC's governance
Indicator responsibility	DDG: SOC Governance

2.5 Indicator Title	Governance and Risk practises
Short definition	To achieve good governance, principles sound, financially stable SOCs
NonPurpose/importance	To monitor the limplementation of recommendations from SOC Forensic Reportsed gGovernance and Risk practices.
Source/collection of data	Governance and risk practices report approved.
Method of calculation	Number of governance and risk practices report produced and approved.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good SOC's governance
Indicator responsibility	DDG: SOC Governance

2.6 Indicator Title	Appointment of new Board members
Short definition	To measure the appointment of new Board members and the evaluation of performance of the existing Boards.
Purpose/importance	To review the composition of the 6 Boards to ensure they are comprised with competent members that drives the strategy that is aligned to government objectives, and their performance are reviewed on an annual basis.
Source/collection of data	Approved list of Boards by the Minister or Cabinet. Performance evaluation report approved by the Minister.
Method of calculation	Number of Boards members appointed and performance evaluation reports produced.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good SOC's governance

2.6 Indicator Title	Appointment of new Board members
Indicator responsibility	DDG

Sub-programme: Financial Assurance

3.1 Indicator Title	SOCs Financial reviews reports
Short definition	Promote independenEnsure that financial sustainability of SOCs. of SOC's
Purpose/importance	To monitor the financial performance against agreed targets in the Corporate Plans and Shareholder Compacts.
Source/collection of data	Approved financial reviews report by the DDG/DG, SOCs financial reports submitted to DPE by SOCs,
Method of calculation	Number of SOC financial reviews report produced.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Good financial performance
Indicator responsibility	DDG

3.2 Indicator Title	SOCs corporate plans review
Short definition	Ensure alignment between DPE, NDP, MTSF and SOCs Corporate Plans.
Purpose/importance	To ensure that the department reviews 6 SOCs corporate plans and ensure alignment including with the shareholder compact KPI's.
Source/collection of data	DPE approved SOC corporate plans. Evidence of consultation and engagements. Memo on the review of the corporate plans approved by the DDG/DG/ Minister. Corporate plans submitted to DPE.
Method of calculation	3Number of SOC's Ccorporate plans reviewed annually. C
Data limitations	None
Type of indicator	Output

3.2 Indicator Title	SOCs corporate plans review
Calculation type	None
Reporting cycle	Annually
New Indicator	New
Desired performance	Sector Aligned policies, strategic plans, infrastructure plans, MTSF and NDP.
Indicator responsibility	Chief Specialist: Financial Assessment and Investment Support.

3.3 Indicator Title	SOC Accounting and financial policy
Short definition	Ensure the development of accounting and financial policy framework
Purpose/importance	To measure the development of financial policy framework for the financial analysis function department..
Source/collection of data	Approved policy framework by DG/Minister or Draft policy framework.
Method of calculation	Policy framework approved.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Improves financial performance and analysis with efficient turn around times.
Indicator responsibility	DDG: Financial Assurance.

3.4 Indicator Title	Investment policy and monitoring framework.
Short definition	Ensure the development of investment policy and monitoring framework
Purpose/importance	To measure the development of investment policy and monitoring framework guide investment funding function in the department.
Source/collection of data	Policy framework approved by DG/Minister or Draft framework.

3.4 Indicator Title	Investment policy and monitoring framework.
Method of calculation	Approved policy and monitoring framework.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Improved investment funding processes.
Indicator responsibility	DDG: Financial Assurance.

3.5 Indicator Title	Optimal Capital Structure
Short definition	Adequate capitalisation of SOCs and ensure optimum capital structure
Purpose/importance	To restore SOC financial sustainability and reduce dependence on the fiscus and lenders.
Source/collection of data	Review study conducted approved by DDG/DG, SOCs business plans, investments, assumptions etc. proof of engagements.
Method of calculation	SOCs Optimal Capital Structure finalised.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Improved financial performance analysis systems.
Indicator responsibility	DDG: Financial Assurance.

3.6 Indicator Title	Standardised loans, guarantees and financial reporting.
Short definition	Ensure financial analysis systems are standardize and efficient.
Purpose/importance	To measure the development of standardised operating procedure for borrowing, guarantees assessment and financial report. Develop and implement investment monitoring tools.
Source/collection of data	Manual or Electronic financial analysis system, Report on the progress of the system approved by DG. Report on the implementation of investment monitoring tools approved by DDG.
Method of calculation	Standardised loans, guarantees and financial reporting system.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Improved financial analysis systems.
Indicator responsibility	DDG: Financial Assurance.

Programme 3: Business Enhancement and Industrialisation

4.1 Indicator Title	SOCs skill development programme
Short definition	Provision of scarce and critical skills (transformation)
Purpose/importance	To measure number of leaners trained per specific area of training and per SOC. To indicate the skill provided, demographics, gender and race etc of the beneficiaries.
Source/collection of data	Quarterly/Annual report/Briefing memo on number of learners enrolled into scarce and critical skills approved by the DDG/DG. Trainee's database. Approved validation report by the Director.
Method of calculation	Number of monitoring reports produced or Number of learners provided with training opportunities through SOC skill development porgramme
Data limitations	None
Type of indicator	Outcome
Calculation type	None

4.1 Indicator Title	SOCs skill development programme
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Reduced unemployment rate.
Indicator responsibility	DDG: Business Enhancement.

4.2 Indicator Title	CSI Strategic and high impact projects
Short definition	Ensure all supported/funded CSI projects are of high socio-economic impact to the beneficiaries.
Purpose/importance	MonitoringTo measure the limplementation of the framework.CSI projects and the value for money thereof.
Source/collection of data	List of projects identified and implemented, Implementation plan, approved CSI report (quarterly or annual) by the DDG/DG.
Method of calculation	Report on number of CSI projects implemented.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Annually
New Indicator	Yes
Desired performance	Sustainable CSI projects with socio economic high impact.
Indicator responsibility	DDG: Business Enhancement.

4.3 Indicator Title	Monitoring of Top 40 Strategic and Priority Projects
Short definition	SOCs allocated projects from the Top 40 strategic and priority projects.
Purpose/importance	To monitor the implementation of the SOCs infrastructure projects from the Top 40: 01, 02, 09, 10 and Top 40 priority and strategic projects to ensure alignment with government outcomes including Ministers performance agreement.
Source/collection of data	Quarterly assessment reports approved by the DDG/DG/Minister.
Method of calculation	Number of assessment reports produced.

4.3 Indicator Title	Monitoring of Top 40 Strategic and Priority Projects
Data limitations	None
Type of indicator	Output
NonCalculation type	NonCumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Achievement of government outcomes.
Indicator responsibility	DDG

4.4 Indicator Title	Localisation strategic framework.
Short definition	Ensure alignment in the implementation of localisation policies, strategies and government frameworks.
Purpose/importance	Monitoring and ImplementationTo measure the development of the framework and the implementation thereof.
Source/collection of data	Approved framework by DDG/DG/Minister or Draft framework available.
Method of calculation	Localisation Sstrategic Fframework developed and approved.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Annually
New Indicator	Yes
Desired performance	Support of localization by SOCs.
Indicator responsibility	DDG: Business Enhancement

4.5 Indicator Title	Enterprise and Ssupplier Ddevelopment (ESD) Sstrategy.
Short definition	Ensure SMMEs participation in SOCs core value chains.
Purpose/importance	Explore initiative to support development of small, medium and micro enterprises SMMEs , cooperatives and as well as rural and township businesses, including businesses owned by targeted groups to benefit from SOCs procurement.

4.5 Indicator Title	Enterprise and Ssupplier Ddevelopment (ESD) Sstrategy.
Source/collection of data	Approved Strategy by the DDG/DG/Minister. Draft strategy.
Method of calculation	ESD Strategy developed and approved.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Annually
New iIndicator	None
Desired performance	30% of the business opportunities for the SMMES by 2025.
Indicator responsibility	DDG: Business Enhancement.

Sub-programme: Energy and Resources

5.1 Indicator Title	Monitor Eskom operational performance
Short definition	Monitor Eskom implementation of the turnaround strategy to ensure improved operational performance.
Purpose/importance	Ensure sustainable plant availability to improve reliability of supply.
Source/collection of data	SOC's Quarterly reports and monthly engagements with the SOC. ESKOM Operational Performance and Efficiency quarterly report approved by the DDG/DG/Minister. Evidence of engagements.
Method of calculation	Number of ESKOM operational performance reports.
Data limitations	None
Type of indicator	Outcome
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Improved energy availability factor (EAF), plant capability load factor (PCLF) and Unplanned capability load factor (UCLF)
Indicator responsibility	Chief Specialists: Energy and Resources.

5.2 Indicator title	Signed Shareholder Compact (ESKOM, SAFCOL and Alexkor)
Short definition	Ensure alignment between DPE, NDP, MTSF and SOCs Shareholder Compact.
Purpose/importance	Shareholder Compact is a document that ensures both Ministers and Boards/Exec of SOCs on behalf of government enters into an agreement with SOC to ensure that government priority are integrated and will be implemented.
Source/collection of data	3 Signed Shareholder Compact, Evidence of consultations. Approved Shareholder Compact by DDG/DG/Minister.
Method of calculation	Number of Shareholder Compact signed.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	All the KPIs in the Compacts implemented as signed.
Indicator responsibility	Chief Specialist: Energy and Resources.

5.3 Indicator Title	Optimisation of the State Owned Mining Assets.
Short definition	Alexkor future state and optimization of State Owned Mining Assets
Purpose/importance	To commission a study as an advisory tool on the optimization of State Owned Mining Assets.
Source/collection of data	Commission report approved by DDG/DG/Minister.
Method of calculation	Number of studies completed and approved.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No

5.3 Indicator Title	Optimisation of the State Owned Mining Assets.
Desired performance	Alexkor continue to operate and create jobs.
Indicator responsibility	Chief Specialist: Energy and Resource.

5.4 Indicator Title	Internal processing capacity at SAFCOL South African operations.
Short definition	Internal processing capacity at SAFCOL South African operations (as per the shareholder compact).
Purpose/importance	To measure internal processing capacity through feasibility studies to guide government on Mpumalanga and Limpopo forestry processing capacity.
Source/collection of data	SOC's Quarterly reports. Approved Memo by DDG/DG/Minister.
Method of calculation	Simple count
Data limitations	None.
Type of indicator	Output.
Calculation type	None
Reporting cycle	Quarterly
New Indicator	New
Desired performance	Internal processing capacity at SAFCOL South African operations increased.
Indicator responsibility	Chief Specialist: Energy and Resources.

5.5 Indicator Title	IFLOMA agreement restored.
Short definition	Signed agreement to restore IFLOMA operation to full capacity.
Purpose/importance	Develop a provincial engagement framework. As from 2019/2020 the programme will engage provinces on CSI projectsTo ensure that SAFCOL restore IFLOMA to full capacity and monitor the implementation of the framework on annual basis. SOC strategic plan.
Source/collection of data	Signed SAFCOL Strategic Plan. Signed IFLOMA Agreement. Approved progress report by the DG/Minister. Proof of engagements.
Method of calculation	Signed IFLOMA agreement or Number of progress reports approved.
Data limitations	None
Type of indicator	Output

5.5 Indicator Title	IFLOMA agreement restored.
Calculation type	Cumulative
Reporting cycle	Yearly
New Indicator	Yes.
Desired performance	IFLOMA restored and SAFCOL remain commercially viable.
Indicator responsibility	Chief Specialist: Energy and Resource.

5.6 Indicator Title	Electricity reserve margin.
Short definition	The amount of electricity generation capacity planned to be available as compared to the electricity system's expected maximum demand during peak period.
Purpose/importance	South Africa had a challenge of reliable electricity supply (load shedding). Government through Eskom is expected to increase energy generation reserve margin from 1% to 19% by 2019.
Source/collection of data	Monthly and quarterly reports. Approved Quarterly reports by DDG/DG.
Method of calculation	% increase in the electricity reserve margin from 1% to 19% by 2019.
Data limitations	None.
Type of indicator	Outcome.
Calculation type	Non-cumulative.
Reporting cycle	Quarterly.
New Indicator	Yes.
Desired performance	Sufficient and reliable energy supply provided.
Indicator responsibility	DDG: Energy and Resources.

5.7 Indicator Title	Delivery of Eskom Capital Programme
Short definition	Periodic reviews on progress being made on accelerated delivery of the build programme (Medupi, Kusile),.
Purpose/importance	Monitor and assess progress on the delivery of Eskom Capital Programme.

5.7 Indicator Title	Delivery of Eskom Capital Programme
Source/collection of data	Quarterly assessment reports. Approved quarterly reports by DDG/DG.
Method of calculation	Capital programme/projects implemented and monitored.
Data limitations	None
Type of indicator	Output.
Calculation type	Cumulative.
Reporting cycle	Quarterly.
New Indicator	No.
Desired performance	Delivery of Eskom Build Programme.
Indicator responsibility	DDG: Energy and Resources.

5.8 Indicator Title	Eskom operating cost model
Short definition	Monitor operating costs model of the SOC.
Purpose/importance	To ensure ESKOM operating and financial cost are efficiently optimized and to respond to changing environment (e.g: entry of new markets, new product offerings, and segregation of conflicting functions)
Source/collection of data	Approved report on Eskom operating cost model by DDG/DG.
Method of calculation	Number of study/reports on operating model produced.
Data limitations	None.
Type of indicator	Output.
Calculation type	Cumulative.
Reporting cycle	Quarterly.
New Indicator	Yes.
Desired performance	Improved Eskom financial metrics and company financial sustainability.
Indicator responsibility	Chief Specialist: Energy and Resources.

Sub-programme: Transport and Defense

6.1 Indicator Title	Tonnage moved on rail (Transnet)
Short definition	To measure % increase in tonnage moved by Transnet on rail to 330 million tons per annum by 2019.
Purpose/importance	Monitoring Transnet's performance in increasing tonnages moved on rail.
Source/collection of data	Quarterly monitoring report approved by DDG/DG, Transnet quarterly reports.
Method of calculation	% increase in tonnage moved by Transnet on rail.
Data limitations	None
Type of indicator	Outcome
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	Yes
Desired performance	Sustainable operations and increased tonnage moved on rail than roads.
Indicator responsibility	DDG: Transport and Defense.

6.2 Indicator Title	Operational performance of cranes in sea ports and inlands terminals.
Short definition	Measure the average on improving operational performance of sea ports and inlands terminals from 28 to 35 average GCM/H (Write in full) by 2019.
Purpose/importance	Monitor the performance of Transnet towards achieving the target of 28 to 35 average movements of cranes per hour.
Source/collection of data	Quarterly reports approved by DDG/DG, Transnet quarterly reports.
Method of calculation	Average moves per gross crane hour.
Data limitations	None
Type of indicator	Outcome
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New Indicator	Yes

6.2 Indicator Title	Operational performance of cranes in sea ports and inlands terminals.
Desired performance	Viable inland intermodal and sea ports facilities
Indicator responsibility	DDG: Transport and Defense

6.3 Indicator title	Signed Shareholder Compact (Transnet, SAX and Denel)
Short definition	Ensure alignment between DPE, NDP, MTSF and SOCs Shareholder Compact.
Purpose/importance	Shareholder Compact is a document that ensures both Ministers and Boards/Exec of SOCs on behalf of government enters into an agreement with SOC to ensure that government priority are integrated and will be implemented.
Source/collection of data	3 Signed Shareholder Compact by the DG/Minister, Proof of consultations.
Method of calculation	Number of Shareholder Compact signed.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New Indicator	No
Desired performance	All the KPIs in the Compacts implemented as signed.
Indicator responsibility	DDG: Transport and Defense.

6.4 Indicator Title	Denel operating cost model
Short definition	Monitor operating costs of the SOC.
Purpose/importance	To ensure Denel operating and financial cost are efficiently optimized.
Source/collection of data	Approved monitoring report on Denel operating cost model by the DDG/DG/Minister.
Method of calculation	Approved reports.
Data limitations	None
Type of indicator	Output

6.4 Indicator Title	Denel operating cost model
Calculation type	None
Reporting cycle	Annually
New Indicator	New
Desired performance	Financially and commercially viable SOC.
Indicator responsibility	Chief Specialists: Transport and Defense

6.5 Indicator Title	Aviation optimal structure
Short definition	Measure the implementation of the optimal group corporate structure.
Purpose/importance	To measure the implementation of the review of optimal group corporate structure for State Owned airlines.
Source/collection of data	Report on Mmonitoring of the implementation of the optimal structure approved by the DDG/DG/Minister.
Method of calculation	Number of report produced. Optimal group corporate structure (aviation)
Data limitations	None
Type of indicator	Output
Calculation type	None
Reporting cycle	Annually
New Indicator	New
Desired performance	Financially and commercially viable SOC.
Indicator responsibility	Chief Specialists: Transport and Defense

Sub-programme: Research and Economic Modelling

7.1 Indicator Title	Socio-Economic Impact Assessment
Short definition	Conduct Impact Assessment of SOCs selected capital projects.
Purpose/importance	To measure the impact of the selected capital projects to the communities living where the implementation is taking place.
Source/collection of data	Impact Assessment report approved by the DDG.
Method of calculation	Number of Socio Economic Impact Assessment conducted
Data limitations	None
Type of indicator	Output
Calculation type	None
Reporting cycle	Quarterly
New Indicator	No
Desired performance	Socio Economic Impact.
Indicator responsibility	Chief Specialist: Research and Economic Modelling

7.2 Indicator Title	Macroeconomic and industry specific research
Short definition	Conduct research studies that are sector specific and are of use to the department and the SOC's.
Purpose/importance	Conduct research studies on macroeconomic and industry specific to enable evidence based policy formulation.
Source/collection of data	Research report (Memo) approved by DDG/DG
Method of calculation	Number of macro-economic and industry specific research conducted.
Data limitations	None
Type of indicator	Output
Calculation type	None
Reporting cycle	Quarterly
New Indicator	No

7.2 Indicator Title	Macroeconomic and industry specific research
Desired performance	Department and SOCs using research based policy formulation.
Indicator responsibility	Chief Specialist: Research and Economic Modelling

7.3 Indicator Title	SOCs environmental compliance
Short definition	Ensure that our SOCs fully comply with National Environmental Management Act, 1993 (NEMA) in all of their strategic projects.
Purpose/importance	To engage all stakeholders affected in case of non-compliance and produce projects monitoring reports. Further conduct research and use finding to advice SOCs.
Source/collection of data	Evidence of engagements, Approved projects monitoring reports by DDG. Draft report, Approved research report by the DDG/DG.
Method of calculation	Number of Rresearch on implications of SOC Environmental cCompliance. with NEMA conducted. Number of monitoring reports produced.
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New INDICATORndicator	Yes
Desired performance	SOCs fully compliant to NEMA and new Environmental Laws.
Indicator responsibility	Chief Specialist: Economic and Research Modelling.

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