Parliament of South Africa
Standing Committee on Appropriations
Committee secretariat: Darrin Arends

Per email: daarends@parliament.gov.za

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SUPPORT FOR POINTS MADE UNDER THE OUTA SUBMISSION ON THE 2020 SUPPLEMENTARY BUDGET, AMENDMENTS TO VOTE 34

Dear Committee Chairperson and members,

We write to you as the Energy Governance South Africa (EGSA) network. EGSA[1] is a network of over 110 concerned individuals and organisations dedicated to promoting good governance in the energy sector. Project 90 by 2030[2] is an environmental non-profit organisation that co-ordinates the EGSA network.

This letter is to broadly support the following submission by OUTA:
"2020 Supplementary Budget. OUTA submission on amendments to Vote 34 Department of Mineral Resources & Energy".

Furthermore, we would like to draw particular attention to some key points taken from the OUTA submission as provided below (with bold added for emphasis).

Section 2.2 Budget allocation in response to Special adjustment budget:

"The DMRE has reduced its budget from R9 337.028 million to R7 763.001 million, an amount of which R4.681 million has been moved from goods and services in the Administration programme towards the Mine Health and Safety Inspectorate, for Covid-19-related activities. A further R2.331 million has been vired from goods and services to other, but no explanation is available.[3]

[1] https://www.egsa.org.za/
[2] https://90by2030.org.za/
[3] 24 June 2020. National Treasury. *Supplementary Budget Review 2020*. See Table B.34.1 Revised programme allocations. Available at: http://www.treasury.gov.za/documents/national%20budget/2020S/review/FullSBR.pdf

Below, Table B.34.2 in the same document provides an explanation of the budget adjustments.[4]

The full DMRE reduction is R1 574.027 million.

Table B.34.2 Explanations of budget adjustments

R thousand	Downward revisions	Reallocations	2020/21 Total net change
Goods and services: Reduction in non-essential goods and services such as catering and travel	-48 721	7 012	-41 709
Integrated National Electrification Programme: Eskom: Reduction in bulk infrastructure and household connections in Eskom-licensed areas	-1 000 000	–	-1 000 000
Integrated National Electrification Programme: Municipalities: Reduction in bulk infrastructure and household connections in municipal-licensed areas	-500 000	–	-500 000
International partnership for energy efficiency: This is a voluntary contribution	-1 419	–	-1 419
Energy efficiency and demand-side management grant: Reduction in the number of planned energy savings projects	-21 799	–	-21 799
National Nuclear Regulator: Reduction in the international travel budget of the regulator	-5 000	–	-5 000
South African National Energy Development Institute: Reduction in non-essential goods and services such as travel and catering, and consulting fees for planned business development projects that will be delayed. Filling of vacancies suspended until later in the financial year	-4 100	–	-4 100
Total	**-1 581 039**	**7 012**	**-1 574 027**

Of the DMRE reductions, the lions' share comes from Treasury and DMRE cutting a total of R1.5 billion from the Integrated National Electrification Programme (INEP) grants. R1 billion less will be going to Eskom to electrify households (INEP Eskom) and half a billion less will be going to municipalities to electrify households (INEP municipalities).

Due to these reductions, the money that Eskom will spend on electrifying households goes down from R3 billion to R2 billion (a 33% reduction) and the money that municipalities will have to spend on electrifying households goes down from R1.859 billion to R1.359 billion (a 27% reduction). Such households are part of the poorest and most vulnerable in South African society, and it can be surmised are those who have been hardest hit by COVID19, both from compromised health and lack of ability to participate in informal livelihoods economy."

"**The reduction in the INEP grants is unlikely to be replaced**. The DMRE told the Portfolio Committee: "National Treasury has emphasized that a guarantee cannot be provided that the reduced amounts will be reinstated in the next budget process as the allocation of resources is guided by the prevailing priorities of government."

[4] Table B34.2 Explanations of budget adjustments.

The rationale for such reductions is not clear. It is difficult to understand how the reduction in spending on electrification and energy efficiency fall within the criteria of Treasury's instruction to cut "spending activities that are not critical to the core service delivery requirements of the department".

Not only is such expenditure core to the purpose of the DMRE – the Department of Energy's annual report for 2018/19 refers to this as its "flagship programme"[5] – but it is also one action that the DMRE can take that would help poor and vulnerable South Africans cope with Covid-19."

Then, regarding nuclear, the report points out the following:

"**Nuclear Energy Regulation and Management has had a reduction in its budget of R10.8 million**. That is comprised of a R5.8 million reduction in spending on goods and services and the National Nuclear Regulator (NNR) receiving a reduction of R5 million in its budget, this is associated with international travel.

The transfers to the Nuclear Energy Corporation (NECSA) remain untouched. NECSA is a nuclear industry SOE, its financial record is appalling, and the pursuit of nuclear power which is not within the IRP2019 is definitely something that fits within the Treasury guideline for cuts – "where implementation dates could be moved out to the next financial year or projects and spending activities that are not critical to the core service delivery requirements of the department". In addition, additional support to the nuclear industry should certainly be something that "can be temporarily suspended without negatively impacting the longevity of such programmes". [6]"

Under Conclusions and recommendations:

The DMRE has cut its budget by 17% (a reduction of R1.574 billion).

"For DMRE to reduce nothing from the mineral resources division, and to take only from the energy division is inexplicable as we believe that a **17% reduction applied across the mineral resources programmes, /../ would be fair**. Given the effects of Covid-19, additional monies allocated to mine health and safety make sense but a reduction across the mineral resources-related entities would provide additional savings."

EGSA agree with OUTA that:

"…the manner in which DMRE has proposed to reduce its budget deepens inequity, further impoverishing the poor. Should Parliament feel that further savings could be made in other programmes, OUTA would recommend that additional electrification be implemented."

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[5] Department of Energy. *Annual Report 2018/19*. Available online at: https://www.gov.za/sites/default/files/gcis_document/201911/doe-annual-report-2018-19.pdf

[6] 2020. National Treasury. *2020 Special Adjustment Budget Guidelines*. Available online at: http://www.treasury.gov.za/publications/guidelines/2020%20Special%20Adjustment%20Budget%20Guidelines%20May%202020.pdf

EGSA supports the finding that **“this adjustment not to be in the public interest and calls on the Government and Parliament to reject this amendment budget for vote 34, and to direct funding as per the following priorities:”**

- Support the virement of monies from administration to mine health and safety during this Covid-19 period, explicitly linked to this health crisis.

- Support the continuation of the electrification programmes.

- Recommend that a substantial amount of the R1.5 billion reduction (presumably required by Treasury) should be removed from the nuclear programme, both within the DMRE’s programme 6 and from NECSA’s allocation.

- Recommend that the balance be drawn from the rest of the DMRE programmes.

Finally, EGSA echoes the conclusions of OUTA that

“To continue to reward NECSA for its financial mismanagement and irregular expenditure is to send a signal to those corrupt and malleable officials that they can continue with business as usual.

Electrification is pro-poor service delivery of particular relevance during the COVID19 pandemic, where vulnerable communities are feeling the brunt of the disease.”

The way in which the budget changes affect those least able to bear it needs to be rectified.

Yours sincerely,

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On behalf of EGSA

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