



# BRIEFING TO THE PORTFOLIO COMMITTEE ON ENVIRONMENTAL AFFAIRS

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Financial and Fiscal Commission

11 October 2016

# PRESENTATION OUTLINE

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1. ROLE OF THE FINANCIAL AND FISCAL COMMISSION
2. DEPARTMENT'S VISION, MISSION, VALUES, ALIGNMENT THE WITH CONSTITUTION AND NDP
3. DEPARTMENTAL OVERVIEW, ENVIRONMENTAL AFFAIRS AND THE BROADER ECONOMY
4. STATUTORY BODIES SUPPORTING THE WORK OF THE DEA
5. DEA and EPWP
6. National Responses to Environmental Issues and Climate Change



# 1. ROLE AND FUNCTION OF THE FINANCIAL AND FISCAL COMMISSION (THE COMMISSION)

# ROLE AND FUNCTION OF THE FFC

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- The Financial and Fiscal Commission (FFC)
  - Is an independent, permanent, statutory institution established in terms of Section 220 of Constitution
  - Must function in terms of the FFC Act
- Mandate of Commission
  - To make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organ of state determined by national legislation
- The Commission's focus is primarily on the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters
  - Legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective
  - Includes regulations associated with legislation that may amend or extend such legislation



Commission must be consulted in terms of the FFC Act

# FFC BUDGET ANALYSIS METHODOLOGY OVERVIEW

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- The Commission provides a three year backward looking and three year forward looking analysis of departmental budgets
  - compare allocations and performance by: vote/programme/sub-programme/province
- Nominal versus Real growth rates
  - Real figures/growth rates takes inflation into consideration
  - Variances and explanations ( investigate reasons /drivers of change)
  - Spending by economic classification



## 2. DEPARTMENT'S VISION, MISSION, VALUES, ALIGNMENT WITH THE CONSTITUTION AND NDP

# VISION, MISSION AND VALUES

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## VISION

- A prosperous and equitable society living in harmony with our natural resources.

## MISSION

- Providing leadership in environmental management, conservation and protection towards sustainability for the benefit of South Africans and the global community.

## VALUES

- Driven by our Passion as custodians and ambassadors of the environment, we have to be Proactive and foster innovative thinking and solutions to environmental management premised on a People-centric approach that recognises the centrality of Batho-Pele, for it is when we put our people first that we will serve with Integrity, an important ingredient in a high Performance driven organisation such as ours

# ALIGNMENT WITH THE CONSTITUTION AND NDP

- The Department of Environmental Affairs (DEA) focuses on ensuring that the constitutional right to a clean and healthy environment is upheld.
- The 2030 NDP, released in August 2012 provides specific objectives across 13 focus areas underpinned by 119 specific actions. Among these areas are environmental sustainability and resilience;
- The National Development Plan (NDP) envisages, by 2030, South Africa's transition to an environmentally sustainable, climate-change resilient, low-carbon economy and just society will be well under way:
  - The Department of Environmental Affairs (DEA) is envisaged to play a key role towards achieving this vision.
- The NDP outlines key objectives relevant to DEA, as follows:
  - Protect the natural environment in all respects, leaving subsequent generations with at least an endowment of at least equal value.
  - Enhance the resilience of people and the economy to climate change.
  - Extract mineral wealth to generate the resources to raise living standards, skills and infrastructure in a sustainable manner.
  - Reduce greenhouse gas emissions and improve energy efficiency.





### 3. DEPARTMENTAL OVERVIEW, ENVIRONMENTAL AFFAIRS AND THE BROADER ECONOMY

# ENVIRONMENTAL AFFAIRS AND THE BROADER ECONOMY

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- The work of the department exist within the trending global environmental threats such as climate change, degradation of ecosystems services including water quality and quantity, air quality etc
- South Africa is confronted with environmental issues that are multifaceted and effectively addressing them demands integrated approaches.
- The South Africa's poor will be mostly affected by the changes in climate. Such (climate change) worsens existing vulnerabilities and adds to the pressures on the environment and natural resources on which so many poor households directly rely
  - Recent FFC research in Limpopo and Eastern Cape shows that climate change will have devastating effects on main staple crops and women-headed households

# DEPARTMENTAL OVERVIEW

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As per the DEA five Year Strategic Plan for the period 2015/16 to 2019/20, the department has identified strategic outcomes orientated goals, as follows:

- Environmental Economic Contribution Optimised;
- Environmental/ Ecological Integrity Safeguarded and Enhanced;
- Socially Transformed and Transitioned Communities;
- Global Agenda Influenced and Obligations Met; and
- A Capable and Efficient Department.

The department has seven (7) programmes as follows:

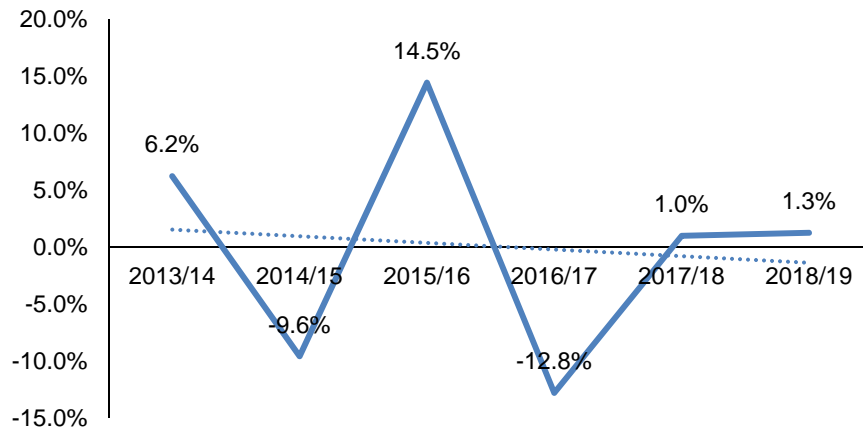
- (1) Administration, (2) Legal, Authorisations, Compliance and Enforcement, (3) Oceans and Coasts (4) Climate Change and Air Quality Management (5) Biodiversity and Conservation (6) Environmental Programmes (7) Chemicals and Waste Management.

# BUDGET AND PROGRAMMES OF DEA

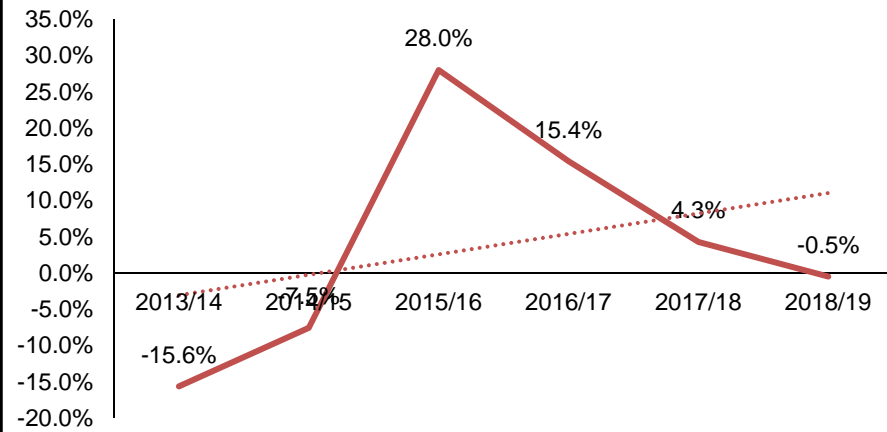
R'Millions	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2012/14	2013/15	2014/16	2015/16	2016/17	2017/18	2018/19
Administration	675.6	765	731.3	870.2	808.2	866.5	926.7
Legal, Authorisations and Compliance	114.5	102.9	100.6	133.9	164.6	182.3	191.6
Oceans and Coasts	524.6	326.1	349.3	399.5	475	489.1	491.9
Climate Change and Air Quality	207.5	229.8	229.3	240.1	289.6	295	300.8
Biodiversity and Conservation	568.4	565.7	643.1	730.6	718.2	696.6	737.6
Environmental Programmes	2 793.6	3 137.7	3 549.60	3 489.6	3 865.1	4 016.9	3 987.6
Chemicals and Waste Management	58.5	73.1	71.9	79.3	109.3	114.3	120.7

# BUDGET AND PROGRAMMES OF DEA: REAL GROWTH RATE

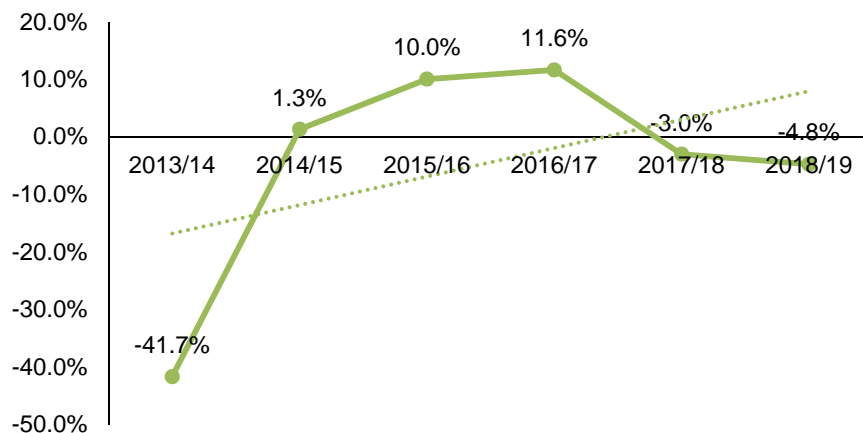
### Administration



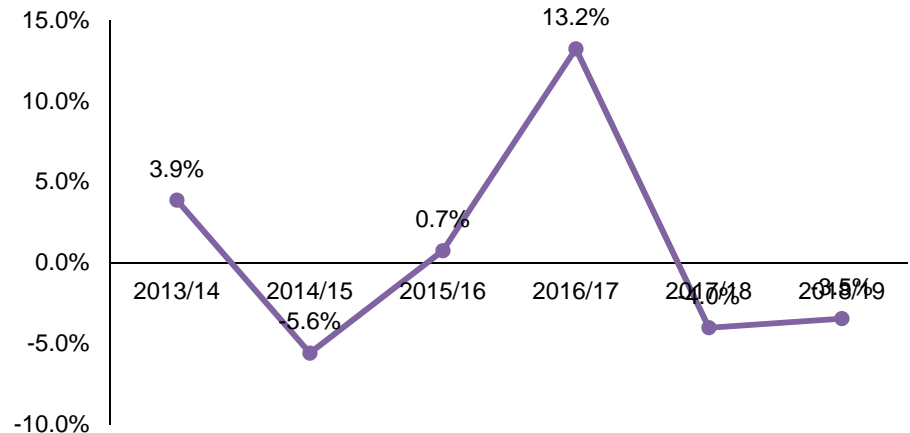
### Legal, Authorisations and Compliance



### Oceans and Coasts

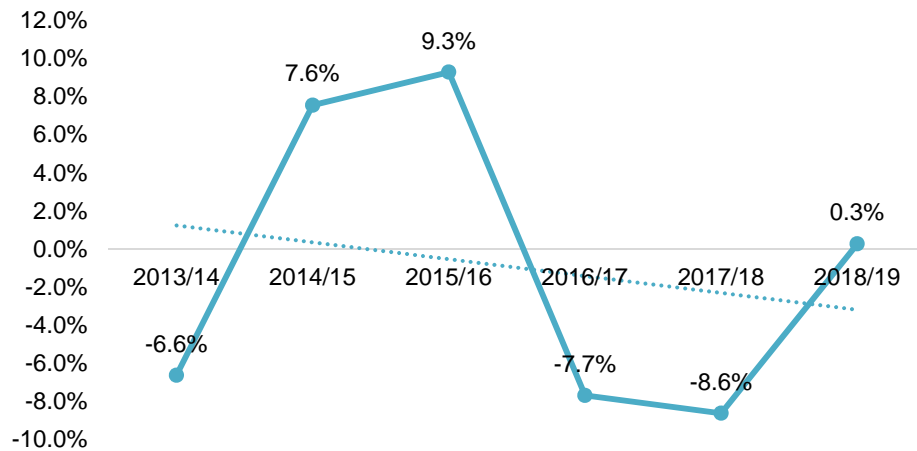


### Climate Change and Air Quality

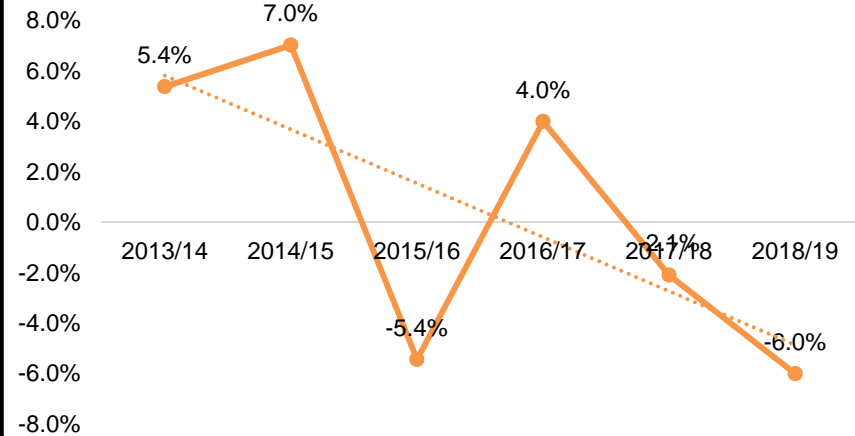


# BUDGET AND PROGRAMMES OF DEA: REAL GROWTH RATE

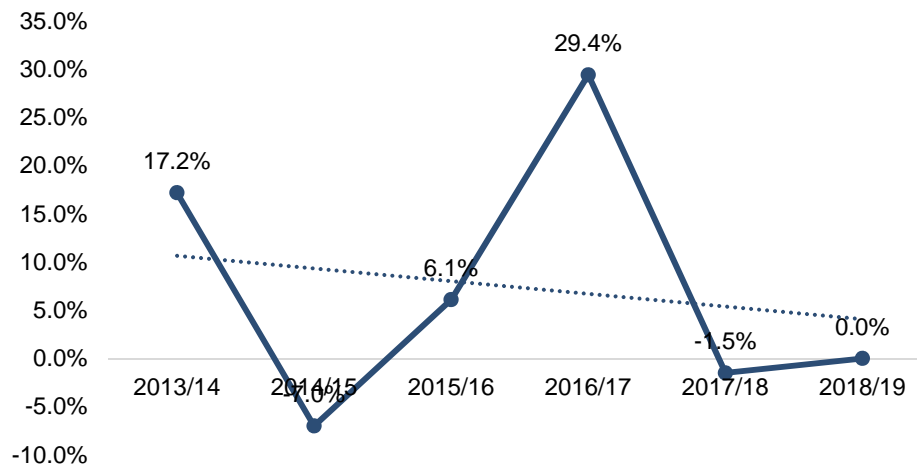
### Biodiversity and Conservation



### Environmental Programmes



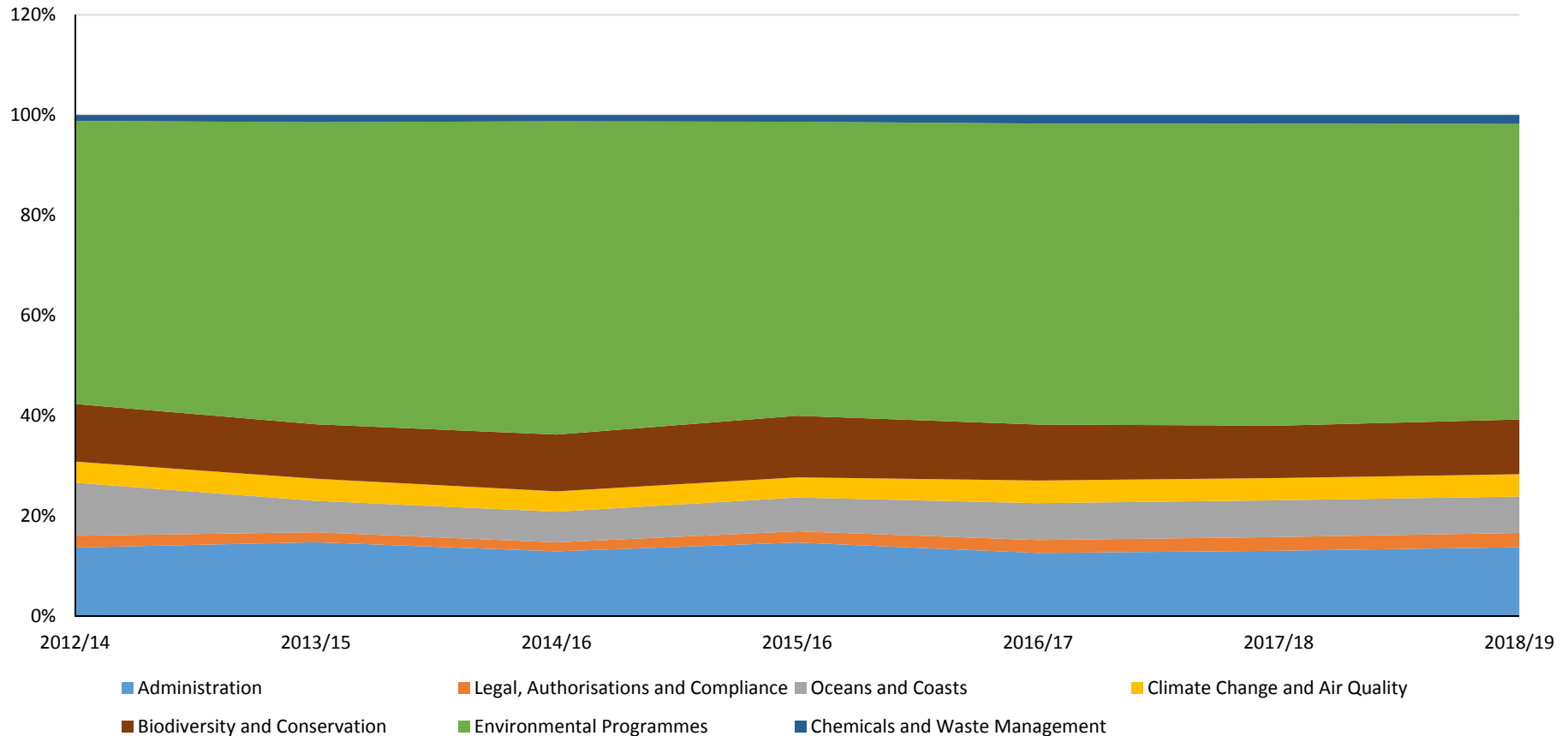
### Chemicals and Waste Management



Over the financial year 2015/16, the budget for Chemicals and waste management (29.4%) grew faster than the other programmes followed by the Legal, Authorisations and Compliance (28%).

Notably, the budget for Environmental programmes appears to have decreased in 2015/16 by 5.4% and is expected to decline in the next two 2017/18 and 2018/19.

# BUDGET COMPOSITION ACROSS PROGRAMMES



- Environmental Programmes take the largest share of DEA's budget, whereas Chemicals & Waste Management account for the smallest portion of the budget. 15

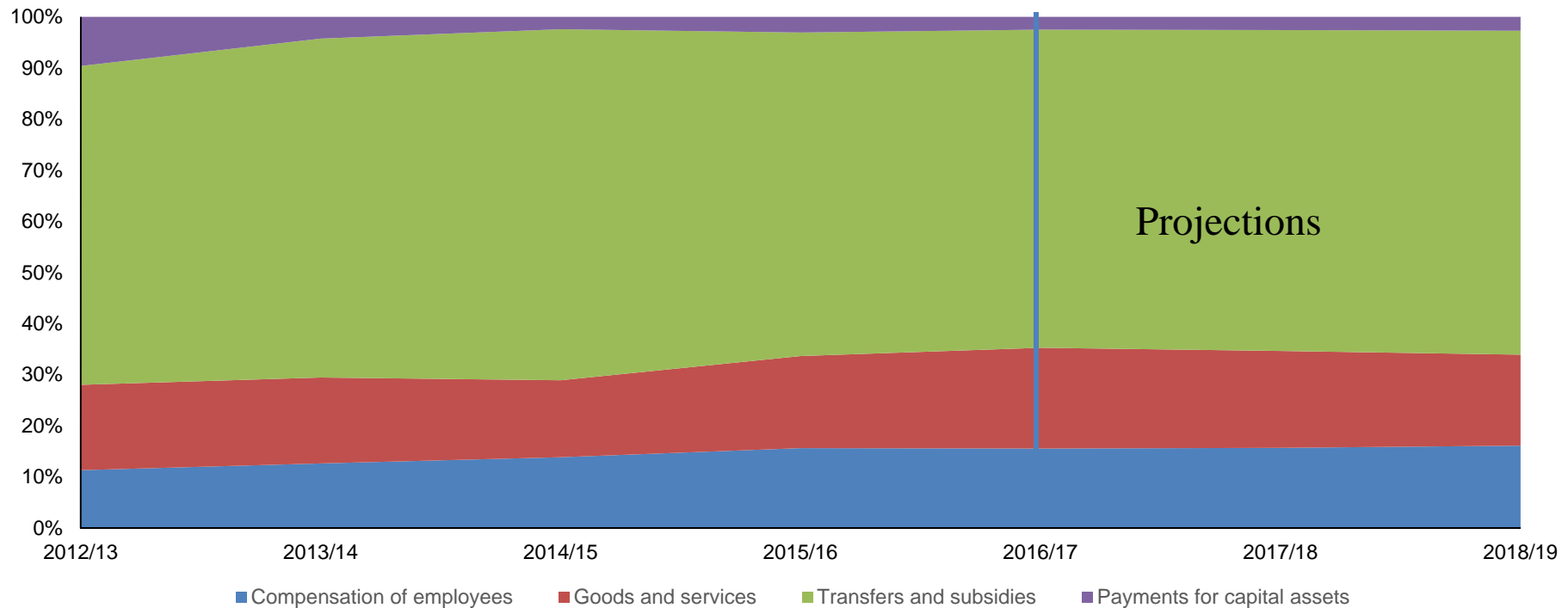
# Budget: ECONOMIC CLASSIFICATION

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Compensation of employees	560.8	659.2	787.8	930.7	1 001.6	1 046.6	1 090.8
Goods and services	824.9	873.0	854.5	1 069.8	1 266.9	1 261.4	1 202.6
Transfers and subsidies	3 081.0	3 446.3	3 895.3	3 759.8	3 999.5	4 179.6	4 279.5
Payments for capital assets	475.5	221.6	137.1	183.0	162.1	173.0	183.9

- Transfers and subsidies are significant due to the four entities that fall under the department.

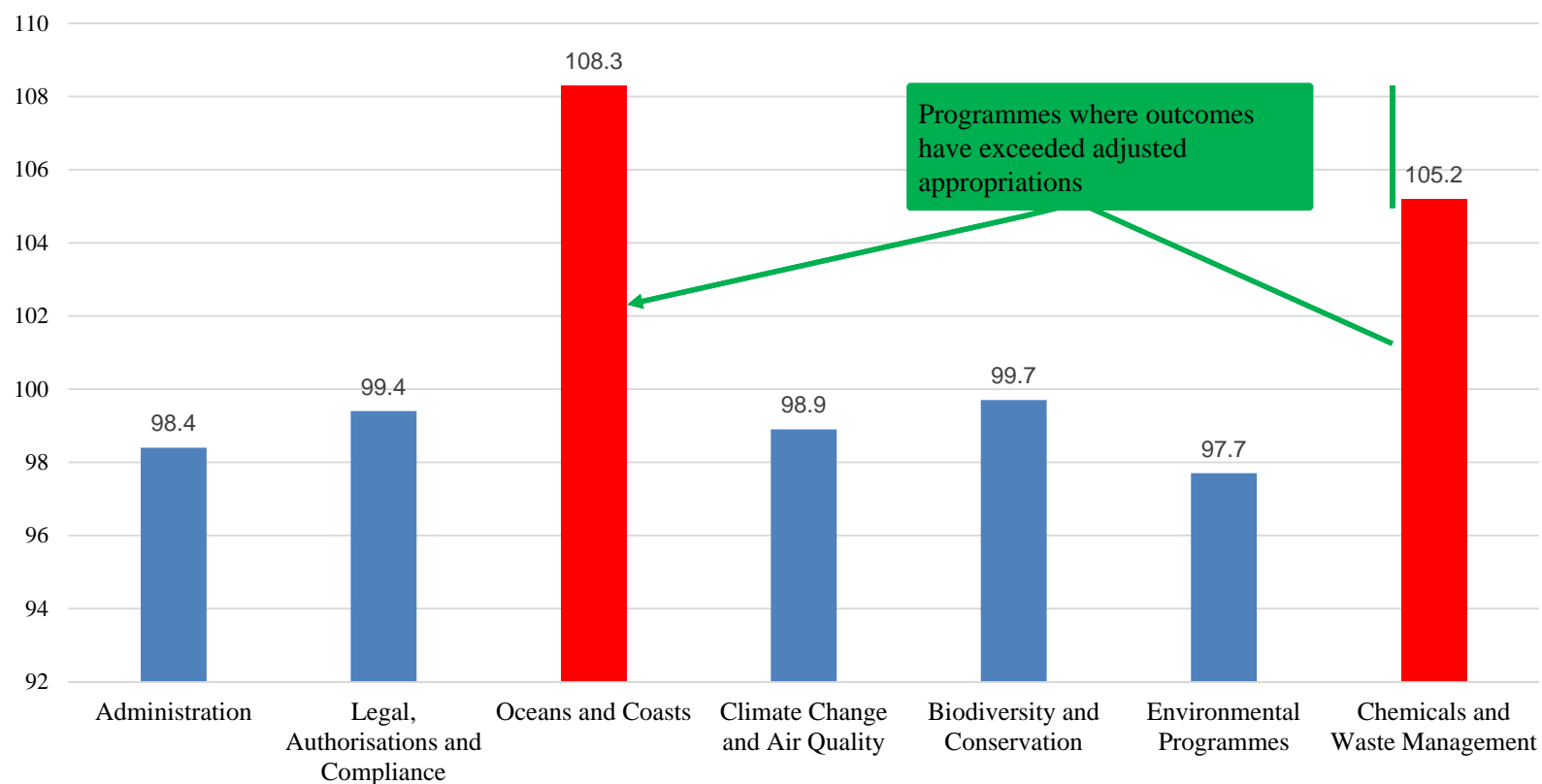


# BUDGET COMPOSITION ACROSS ECONOMIC CLASSIFICATIONS



The DEA transfers more than half of its budget to its entities, foreign governments and international organisations, public corporations and private enterprises and non-profit institutions.

# EXPENDITURE OUTCOMES/ADJUSTED APPROPRIATION AVERAGE FOR 2013/14-2015/16 (%)



# STATUTORY BODIES SUPPORTING THE WORK OF THE DEA

Department of Environmental Affairs  
(transfer payments to all its statutory bodies)

South African National Biodiversity Institute (SANBI)

The mandate of SANBI is to play a leading role in South Africa's national commitment to biodiversity management.

South African Weather Service (SAWS)

The mandate of SAWS is to provide useful and innovative weather, climate and related products and services for all South African and the African Continent.

South African National Parks (SANParks)

The mandate of SANParks is to oversee the conservation of South Africa's biodiversity, landscapes and associated heritage assets through a system of national parks.

iSimangaliso Wetland Park

The iSimangaliso Wetland Park was listed as South Africa's first World Heritage Site in December 1999 in recognition of its exceptional natural beauty and unique global values.

# DEA AND ENTITIES AUDIT OUTCOMES (2015/16)

- Department of Environmental Affairs: X
- South African National Parks: UNQUALIFIED WITH NO FINDINGS This was the same audit outcome the entity received in the previous financial year.
- South African Weather Service: UNQUALIFIED WITH NO FINDINGS. This was the same audit outcome the entity received in the previous financial year.
- South African National Biodiversity Institute: UNQUALIFIED WITH NO FINDINGS. The performance of the entity declined from the previous financial year when it received a clean audit opinion. This is due to the non-compliance with the prescribed financial reporting framework as required by section 55(1) (a) of the PFMA.
- iSimangaliso Wetland Park Authority: UNQUALIFIED WITH NO FINDINGS. This was the same audit outcome the entity received in the previous financial year

# TRANSFERS AND OTHER REVENUES FOR ENTITIES, 2015/16

Entities	2014/15 (R'000)					2015/16 (R'000)				
	Transfers	Other income	Total income	Spent	%	Transfers	Other income	Total income	Spent	%
South African National Biodiversity Institute (SANBI)	289951	329992	619943	593644	96%	304412	214903	519315	485222	93%
South African Weather Service (SAWS)	182489	127850	310339	307972	99%	160434	149899	310333	329308	106%
South African National Parks (SANParks)	1341169	1444623	2798436	2507495	90%	1265772	1621006	2903714	2621512	90%
ISimangaliso Wetland Park	105644	207345	126379	116065	92%	160849	25847	186696	124299	67%

- The SAWS had a total revenue of R310.3 million for the financial year 2015/16 with transfers accounting for 52% of the total amount. The entity's own raised revenue increased from R127.9 million in 2014/15 to R149.9 million in 2015/16. The SAWS over spent by 6% over the financial year 2015/16. The key driver its spending is the compensation of employees, which accounted for % of the total spending.
- SANBI had a total revenue of R619.4 million for the financial year 2015/16 with transfers accounting for 47% of the total amount. The entity's own revenue declined from R329.9 million in 2014/15 to R214.9 million in 2015/16. The entity spent 93% of it budget for the financial year 2015/16.
- Isimangaliso Wetland Park has been underspending over the part two years, e.g. the entity underspent by 8% in 2014/15, and this increased to 33% in 2015/16

# DEA AND EPWP

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- DEA is about “protecting the environment, reducing carbon emissions, reducing atmospheric pollutants and adapting to the impacts of climate change”. The EPWP plays a key role in ensuring these goal are achieved.
- In 2016/17 MTEF, DEA will make a transfers of R8.5 billion to EPWP to create 116 745 full time equivalent jobs and 218 435 work opportunities in a range of environmental protection services over the period.
- In its 2017/18 Annual Submission the Commission noted that:
  - most of the jobs created in EPWP were located in metropolitan municipalities (52%). Small towns and rural municipalities only account for 16% each of total job opportunities created---Rural areas do not benefit as much as urban areas
  - Even though 61% of beneficiaries from EPWP gained new skills, only 17% were able to transition into sustainable jobs

# DEA AND EPWP

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- Among others, the Commission recommended that:
  - Given that funding for PEPs is insufficient to cover all unemployed, focus should be based on giving unemployed individuals without access to a grant priority. At present, a significant share of participants are either on a social grant or employed elsewhere. Government should also carefully balance the need to improve the conditions of employment and expanding PEPs
  - Department of Public Works and National Treasury should ensure that grant frameworks for EPWP in the Division of Revenue Act include an explicit condition that appropriate training of recipients, especially in skills that promote self-employment opportunities, should be made mandatory
  - Funding of job creation initiatives should be viewed in an integrated way, with programmes that absorb unemployed poor individuals given funding priority, especially if these programmes are targeting high unemployment nodes in B3 and B4 municipalities

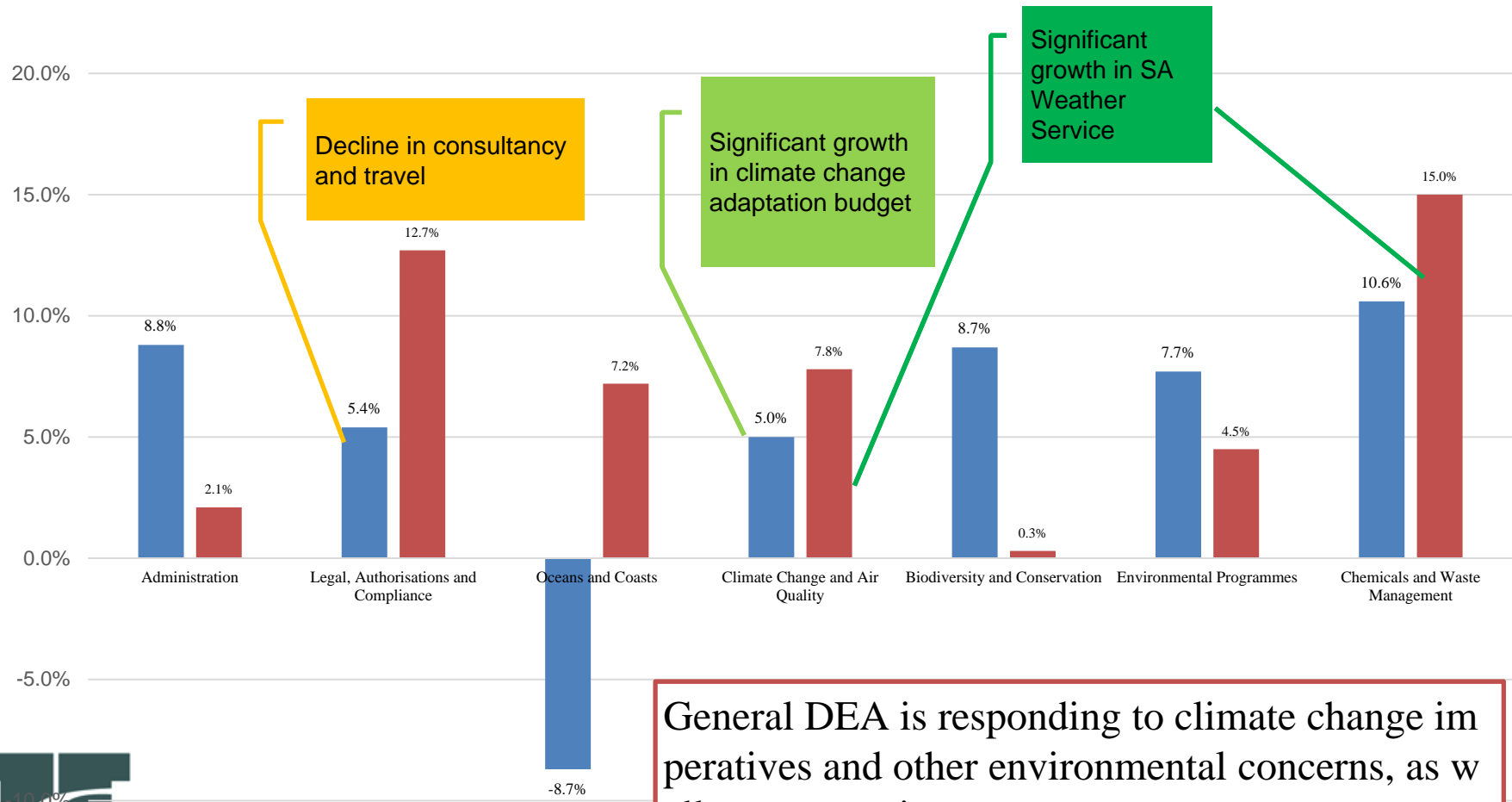
# NATIONAL REPOSSES TO ENVIRONMENTAL ISSUES AND CLIMATE CHANGE

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- DEA and other government departments have initiated various good environmental protection measures. Some are new and for some it may be necessary to establish their environmental **impact**
- In addition to the Green Fund, we have
  - *Carbon Tax*
  - *General Fuel Levy*
  - The *Plastic Bag Levy*, imposed in 2010 in terms of the Customs and Excise Act of 1964, aimed at promoting the recycling of plastic waste.
  - The *Electricity Levy* on electricity generated from non-renewable resources was introduced in 2009 at a rate of 2 cents per KWh, increasing to 3.5 cents in 2012. The proceeds are used to fund energy efficient alternatives to carbon based fuels such as the solar water heating programme.
  - The *Incandescent Bulb Levy*, also imposed in terms of the Customs and Excise Act of 1964, aimed at promoting the use of electricity-saving light bulbs.
  - *New Motor Vehicle emissions tax*



# NATIONAL REPOSSES TO ENVIRONMENTAL ISSUES AND CLIMATE CHANGE



General DEA is responding to climate change imperatives and other environmental concerns, as well as cost cutting measures



■ Average Growth Rate of Budget 2012/13-2015/16

■ Average Growth Rate of Budget 2015/16-2018/19

# FFC'S WEBSITE: WWW.FFC.CO.ZA



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