



**INTRODUCTION OF THE DEBATE ON THE DEFENCE BUDGET
VOTE 2023 (VOTE 23) IN THE NATIONAL ASSEMBLY, BY HON
THANDI RUTH MODISE, MINISTER FOR DEFENCE AND
MILITARY VETERANS, 23 MAY 2023, GOOD HOPE CHAMBERS,
PARLIAMENT, CAPE TOWN**

**FINAL
23 May 2023**

1. GREETINGS

Speaker of the National Assembly

Deputy Speaker, House Chairpersons of the National Assembly

Deputy Minister of Defence and Military Veterans,

Cabinet Colleagues and Deputy Ministers

Chairpersons and Members of the Portfolio Committee on Defence and Military Veterans and the Joint Standing Committee on Defence

Honourable Members

Acting Secretary for Defence, the Chief of the National Defence Force and the Acting Director-General of the DMV

Chairpersons, CEOs and Heads of all Defence Entities

Distinguished Guests

2. ENVIRONMENTAL SCAN

Honourable Speaker,

The future is increasingly unpredictable. At the **Global Level**, we see an escalating political, economic and social stress with an emergence of global ideological contestation.

At the **Continental Level**, we still labour under the legacy of Colonialism, with persistent disputed sovereignty and territorial integrity. We have seen the rise of political instability and the resurgence of *coups de'tats*. The global drive for access to Africa's resources has resulted in poor progress with on-continent resource harnessing and beneficiation utilisation.

This results in severe socio-economic disparity, instability, as well as violent ethnic and religious extremism.

At the **Domestic Level**, the slow growth of our economy has further impacted negatively on our infrastructure development, maintenance and service delivery challenges; as well as an increased social dependence on the State. This has been exacerbated by institutionalised fraud, corruption and criminality. We have seen an increase in violence, crime and social unrest and the degradation of society. All these do not enable us to quicken the realisation of true democratisation.

South Africa has an extensive land borderline (about 4 854 km), with 72 ports of entry, nine seaports of entry and a coastline of 2 798 km, as well as 10 (ten) airports. Through the porous land borders, various threats to the state undermine state sovereignty. Maritime border insecurity further allows the illicit harvesting of our country's marine resources.

3. FY 2022/23 FINANCIAL PERFORMANCE

Honourable Speaker,

During FY 2022/23, the DOD's Baseline Appropriation of R49,1 billion was increased with R2,5 billion to R51,6 billion through the Adjusted Estimates of National Expenditure. The unaudited actual expenditure as at 31 March 2023 was R54,6 billion (105,8%).

4. SOME FY 2022/23 NOTEWORTHY ACHIEVEMENTS

Honourable Speaker,

Regional Security

The SANDF continued to participate in various Regional Security initiatives, such as:

- Contributing to the UN Peace Mission in the DRC, including in the robust Force Intervention Brigade.
- Leading the fighting element of the SADC Mission in the Republic of Mozambique (SAMIM).

Support to the People

In support to the people of South Africa:

- The SANDF continues to execute border safeguarding in 5 Provinces in an endeavour to safeguard and maintain the integrity of the country's borderline.
- Maritime coastal patrols were conducted.
- Various SANDF Force Structure Elements remain on continuous standby as a contingency to deter possible acts of violence and criminality; as well as to deter possible threats to critical infrastructure across the country.
- The SANDF is on continuous standby to render humanitarian aid, disaster relief and assistance of all sorts in all Provinces. Examples were the Kwa-Zulu Natal Floods and the adverse weather in Coffee Bay.

5. FY 2023/24 ALLOCATION AND RING-FENCED MONIES

Honourable Speaker,

The Department of Defence received a total Budget Allocation of **R51,1 billion** for FY 2023/24. This is a **nett decrease** of **approximately R500 million** from the previous adjusted budget.

Of this R51,1 billion - **R30,6 billion** has been set as the ceiling for the Compensation of Employees (COE).

- This is **underfunded** by approximately **R2,6 billion** based on the actual feet on the ground.
- The COE expenditure is approximately **64%** of the total budget allocation.

Of the R51,1 billion budget allocation, **R8,6 billion is earmarked** for specific expenses, including:

- R1,5 billion to Armscor.
- R2,8 billion for accommodation charges, leases and municipal services.
- R1,5 billion is earmarked for an air transport lift capability and repair and maintenance of Navy Defence Systems.
- R1 billion for deployments in the DRC.
- R800 million has also been allocated for the continuation of the implementation of the exit mechanism for the SANDF members.
- R850 million for the deployment of the SANDF members in Mozambique.

Honourable Speaker,

During my recent performance appraisal, we focussed on how to arrest the declining capabilities of the SANDF. The Department must prepare for this by **identifying** and **prioritising** a number of **costed interventions**, especially in the areas of border- safeguarding and the safe-guarding of our national territory.

Policies must also be **re-aligned** to deal with the **rejuvenation** of the **SANDF**.

6. MINISTERIAL DIRECTIVE

Honourable Speaker,

Following my Defence Budget Vote Speech last year; on 27 August 2022 I promulgated a Ministerial Directive to the Department of Defence and Armscor that provides concrete strategic direction to the Defence Function for multiple Medium-Term Strategic Frameworks. My four strategic end-states to be pursued are as follows:

7. DOD END STATE 1: FUTURE STRATEGIC DIRECTION

Amongst other matters, I was directed by the President to evaluate the implementation of the Defence Review 2015. A revised Level of Defence Ambition and a revised Defence Strategic Trajectory must be developed. This evaluation must be submitted to the JCPS Cabinet Committee before 31 March 2024.

Following my Ministerial Directive, work commenced on the development of the **Revised Level of Defence Ambition**, namely:

- **Firstly**, the development of a **Future RSA Defence and Security Policy Concept**, cognisant of the emerging security environment and the constraints facing the Defence Function.
- **Secondly**, the development of a **Future Military Capstone Concept** that will provide the **strategizing concepts** on how to pursue our national defence and security policy.

- **Thirdly**, the development of the **Chief of the SANDF's Long-Term Capability Development Strategic Plan** which will direct the development path of the SANDF for the next twenty years. The Chief of the SANDF has coined this the "**Journey to Greatness**".

Work has continued strongly in these areas, focussed on the five military priorities that I outlined in my 2022 Budget Speech, namely:

- **Priority 1: Promoting Nation Building** through the pursuance of a **common national identity** coupled to values and ethics that reinforce such an identity.
- **Priority 2: Safeguarding the Nation and building internal stability** by strengthening the **institutions of the State** and **growing the economy**.
- **Priority 3: Securing Regional Development** by creating conditions conducive to **regional security and stability** as well as increased investment that drives regional growth and development through consumer economies.
- **Priority 4: Enhancing Cyber Resilience** through a focused strategy that enhances the resilience of **critical digital infrastructure**.
- **Priority 5: Enhancing the Hard Power Capability** of the SANDF through a small but **core major combat capability** that is relevant and ready to meet **future conflict challenges**.

I intend to bring in all stakeholders to participate in a number of work sessions, which will lead to engagements with the two Parliamentary Committees in the next four months, where we will discuss the draft Defence and National Security Policy Concept as well as the Future Military Capstone Concept.

I trust that this process will lead us to a new Long-Term Capability Development Strategy.

Journey To Greatness

Honourable Speaker,

A scientific evaluation of the SANDF has painted a bleak picture of our diminishing capabilities, largely because of persistent budget cuts. The ravages of underfunding and unserviceable capabilities against escalating tasks has had a devastating effect.

Within the confines of the Ministerial Directive, and under the guidance of the Chief of the SANDF, a multi-medium term strategic planning process has been embarked upon that seeks to rescue the SANDF. In this Plan, the SANDF calls for:

- A Comprehensive Border Safeguarding Optimisation Plan.
- The Establishment of a Rapid Reaction Capability.
- The establishment of a maintenance, repair and overhaul capability to maintain its legacy systems.
- Revisiting the personal equipment and overall needs of the soldier.

8. DOD END STATE 2: RESTRUCTURING THE DEPARTMENT OF DEFENCE

Honourable Speaker,

We need to be cognisant of the uniqueness of the SANDF. Universal military practices must inform the structuring of the SANDF, including structuring into combat formations with a complementary command and staff system at the military strategic, operational and tactical levels.

I have directed that work begin to reconfigure, reposition and reorganise the Department to ensure coherent command and control and appropriate governance and accountability.

This work must commence in 2023, focussing on the Department's Enterprise Architecture, High-Level Business Processes and the development of a new DOD Macro-Structure and a Macro-Functional Structure in accordance with the processes set by Government.

Furthermore, the vacant senior posts in the Defence Secretariat must be filled by the end of FY 2023/24. This is important for the enhancement of civil control. The posts of Secretary for Defence and Chief Financial Officer are in process of being filled.

9. DOD END STATE 3: AGSA FINDINGS & REGULARITY

Irregular Expenditure & Material Irregularity

Honourable Speaker,

In FY 2021/22 the Department received a qualified audit opinion on four balances from the Auditor General

Excluding matters related to the under-funding of Compensation of Employees; in FY 2022/23 the Department incurred unaudited irregularities of:

- R1 million in Fruitless and Wasteful Expenditure.
- R475 million in Irregular Expenditure.

The Department has received nine material irregularities from the Auditor General as at the end of FY 2022/23.

Due to the under-funding of the Compensation of Employees (CoE) allocation the Department will most likely incur unauthorised expenditure of approximately R3 billion in FY 2022/23.

I am in constant engagement with the Acting Secretary for Defence, the Chief of the SANDF and the Department to find lasting solutions, including concrete actions which I will now outline to you.

Procurement Review

Honourable Speaker,

The **single most prevalent problem** is the Defence Procurement System. We simply cannot continue with non-compliance in the **procurement of goods and services**. We have agreed that any form of corrupt activity must be rooted out and pursued vigorously.

The Accounting Officer has been instructed to conduct a complete and **rigorous review** of the **whole procurement system**, to identify the root causes, and to put in place a robust and high integrity procurement system. In the main this has not happened, as we are awaiting the **new Procurement Bill** by the National Treasury, which will have a significant impact on the way forward.

Nonetheless, there has been some progress in that the Acting Secretary for Defence has entered into a **Memorandum of Agreement** with the **National School of Government** to enhance procurement training.

Unless we modernise the DOD's common information systems, and in this instance the digitisation of the defence procurement system, effective governance and accountability cannot be achieved. As a National Security Organ, it is incumbent upon the Department to ensure digital sovereignty over the information it manages.

Consequence Management

Honourable Speaker,

We have agreed within the Department of Defence that **consequence management is a command function**; by inference, all Commanders are to ensure consequence management without fear of favour in all areas under their command. It is the **Commanders responsibility to initiate the disciplinary process or register a criminal proceeding** with the South African Police Service or the Military Police. Thereafter the Disciplinary System and/or Criminal Justice System must take its course.

I have made it abundantly clear to the Department that **wrong-doers will not be protected**, that the **investigations will be thorough** and that the **necessary consequences will be expedited**. Where Commanders are tardy, it is incumbent on firstly the Chief of the SANDF and then the Accounting Officer to take all reasonable steps to ensure that the **matters proceed speedily**.

With regard to **material irregularity**, as well as other high-level reports by the Auditor General, the Public Protector, the Special Investigative Unit, or the Hawks: the Accounting Officer must take **immediate steps to expedite the required consequence management**. The reputation of the Department of Defence hinges on this matter.

DOD Assets

Honourable Speaker,

The Department received a **Qualified Audit Opinion** on the **Completeness of DOD Movable Tangible Assets**.

To date, a considerable amount of the DOD's current R126 billion assets have been physically verified for existence. This verification takes place within the Services and Divisions and is consolidated by the Chief of Logistics.

This situation is less than satisfactory. The root causes are three-fold:

- **Firstly**, the DOD is running legacy Common IT Systems that are unable to integrate and blend financial and logistics information.
- **Secondly**, the corporate structure for asset management within the Logistics Division is woefully inadequate.
- **Thirdly**, some unit commanders are not performing all of their command responsibilities with regard to resource management.

Furthermore, a special audit needs to be done on all firearms, weapons and other statutory items in the DOD.

PERSONNEL MATTERS

I have instructed the Chief of the SANDF to rejuvenate the Force by:

- Urgently reviewing the practices and criteria used by the South African National Defence Force to recruit, select, appoint, promote and place its members.
- Prioritising the appointment and promotion of competent, dynamic and enthusiastic soldiers to leadership and critical posts.
- Placing greater emphasis on the training of future military leaders in financial and procurement management practices.
- Accelerating the recruitment of appropriate highly skilled people into specialised environments in the SANDF.

I also instructed the Secretary for Defence to review and shorten the process whereby Public Service Employees are recruited and employed.

These are to be prioritised in 2023.

Legacy Common Defence IT Systems

Honourable Speaker,

The legacy Common IT Systems in the DOD are fragile and a material risk to the Department. These legacy systems are not integrated, they are not compliant to the standards of the PFMA, and that they do not support good governance and accountability.

I instructed the Department to make a strategic assessment of this matter and to come to the Council on Defence on a Defence Digital Strategy for the way forward, including considering bespoke Defence Enterprise Systems in the interim.

10. DOD END STATE 4: ARMSCOR & DEFENCE INDUSTRY

Honourable Speaker,

The public and private components of the Defence Industry must be rigorously analysed and a clear Defence Industry Strategy be developed to support the South African National Defence Force.

Armcor's yearly report indicates that its consideration of a future value-proposition for its Shareholder is empowered by **four** positive developments.

- **Firstly**, the realistic approach of the **Future RSA Defence and Security Policy Concept** which provides clear future guidance.

- **Secondly**, the SANDF's steady progress with its **Military Capstone Concept**, which will create a stable long-term baseline for deducing military requirements and thereby shaping industry.
- **Thirdly**, the long-awaited implementation of the **Joint Capability Development Approach** in the SANDF has arrived.
- **Fourthly**, the SANDF, through the Long-Term Plan – the 'Journey to Greatness' – has posited certain of its capabilities in the short, medium and long term which Armscor must prioritise, including:
 - The establishment of a **rapid deployment capability** to react to situations of insecurity and disaster relief,
 - The availability of **work-horses** across all Services and Divisions.
 - Medium **transport aircraft and helicopters** to project capabilities from one deployment area to the next.
 - **Air combat capabilities** to defend and protect.
 - The **surface and sub-surface platforms** to defend and protect our vast sea space and marine resources in the Eastern and Western Maritime Theatres.
 - A **viable landward capability** to **safeguard and defend** the landward borderline and safeguard the national territory.
 - A **capable military health support capability** to support both active and retired soldiers, and also military veterans.

Therefore, Armscor will focus extensively on **extending the life-span of existing equipment** that are key in highly probable operations, including by **enhancing it with relatively mature commercial technologies** in the so-called spin-in approach. Armscor has responsibility to build the Maintenance, Repair and Overhaul Capability to support the SANDF.

Armscor has developed three possible approaches towards a future Denel. Considering the development of many local defence industry members that are financially stable without SANDF orders and that can deliver similar services than Denel, the premise of these options is that the future Denel should have a more discrete footprint than historic Denel.

I have directed that the approach to the conceptualisation of future Denel, must not only be based on SANDF demand, but must also be sensitive to factors such as the gravitas of the RSA and the incubation of export opportunities.

The Armscor model for future Denel includes the leveraging of **Defence Intellectual Property and prototypes**, potentially by making it available to appropriate industry members who would be in a position to export it successfully.

Another step towards a different experience at Armscor, is to **establish a single point of entry** for all new requirements from the SANDF or other security actors – the so-called **“Fast Response Office”**.

Armscor’s **research and analysis domain** must be commended for its rapid and pragmatic reaction to the **evolution of defence policy and military planning**.

11. MILITARY OMBUD

Honourable Speaker,

The Military Ombud continues to be an important instrument for civil-military relations and civil oversight, as well as promoting labour-peace within the SANDF.

12. MILITARY VETERANS

Honourable Speaker,

We continue to be faced with the challenges still facing military veterans and their dependents. During this FY 2023/2024, we will be steaming ahead with the roll out of the long-awaited military veterans' pension as legislated. Suffice to say, we have been quite concerned about the developments in the DMV and measures are apace to correct the situation and build the necessary capacity so as to ensure service delivery to our community of military veterans.

Deputy Minister Makwetla will elaborate further on this and related matters of military veterans when he delivers his speech for budget Vote 26 respectively.

13. CONCLUDING STATEMENTS

I place a challenge to the leadership of the Republic, including this House. Every appreciation process of the DOD points to the inevitable need for more boots on the ground to execute the many tasks given to the Department. To the contrary, Government directs the downward manage of the human resource baseline. It is our duty to reconcile these mutually exclusive positions. Sustained funding of the SANDF remains an unavoidable requirement.

In conclusion Honourable Speaker, as the Executive Authority responsible for both Vote 23 and Vote 26, I submit these for your approval.

I thank you.

ENDS

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