No.111 - 2022: Fourth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

**========================**

Wednesday, 23 March 2022

# ANNOUNCEMENTS

none

# TABLINGS

none

**COMMITTEE REPORTS**

**1.** The Acting-Chairperson of the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee, Hon. M J Kanyane, tabled the Committee’s Focused Intervention Study (FIS) Report on ‘The State of Economic Infrastructure Projects mired by Delays, with specific reference to the Biopark Phase 3; Jewellery Manufacturing Precinct and Visitor Centre’, as attached:

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**Adopted Committee Oversight Focussed Intervention Study (FIS) Report on****‘The State of Economic Infrastructure Projects mired by Delays, with specific reference to the Biopark Phase 3; Jewellery Manufacturing Precinct and Visitor Centre’.**

| **Committee Details** | **Department Details** |
| --- | --- |
| **Name of Committee** | **Economic Development, Environment, Agriculture and Rural Development**  | **Name of Department** | **Department of Economic Development**  |
| **Which Financial Year** | **2021/22FY**  | **Dept. Budget Vote Nr.** | **03** |
| **Which Quarter** | **4th Quarter**  | **Hon. MEC** | **Tau** |
| **Committee Approvals** |
|  | **Name** | **Signed** | **Date** |
| **Acting Hon. Chairperson** | Mpapa Kanyane  |  |  |
| **Adoption and Tabling** |
| **Date of Final Adoption by Committee**  | **Scheduled date of House Tabling** |
| **17th March 2022** | **24th March 2022** |

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# ABBREVIATIONS

|  |  |
| --- | --- |
| **Abbreviation** | **Full Wording** |
| DED  | Department of Economic Development |
| FY  | Financial Year |
| FIS  | Focus Intervention Study  |
| GEP  | Gauteng Enterprise Propeller  |
| GPL | Gauteng Provincial Legislature |
| GTA | Gauteng Tourism Agency  |
| HOD  | Head of Department |
| JMP  | Jewellery Manufacturing Precinct  |
| MEC | Member of the Executive Council  |
| NDP  | National Development Plan  |
| PFMA  | Public Finance Management Act |
| SDG | Sustainable Development Goal  |
| SOM | Sector Oversight Model |
| SMME | Small Medium Micro Enterprises |
| TER  | Township Economy Revitalisation  |
| TASEZ  | Tshwane Automotive Special Economic Zone  |

# EXECUTIVE SUMMARY

The Committee conducts oversight over the Department of Economic Development herein referred to as the Department and its entities. In conducting oversight, the Committee utilizes a myriad of tools to achieve its objectives in ensuring that service delivery is rendered. In this instance, the Committee undertook a Focus Intervention Study (FIS) to assess the performance of GEP with respect to the completion project within the Jewellery Manufacturing Precinct (JMP) Top Structures Project (Southern Precinct) at the OR Tambo International Airport Industrial Development Zone, Biopark Phase 3 Project Bioscience Park and Constitutional Hill and New Visitor Centre Project.

Committee noted that some projects within the Department under the Gauteng Growth Development Agency (GGDA) remain incomplete since their inception in 2019 till to date and this remains a concern for the Committee. Further concern to the Committee is that the delays cause by the Department’s inability are creating uncertainty towards the major anchors such as De Beers at the Jewellery Manufacturing Precinct, this is despite the efforts made to assure them that the specified timeframes and commitments made will be met.

The payment of service providers who were scheduled to undertake work and have not to this point is also concern for the Committee. The view of the Committee is that these are public funds and should be utilized in a prudent manner so to ensure that services are rendered and ensure that the required jobs are created through infrastructure projects.

# INTRODUCTION

This report aims to outline the purpose of a Focus Intervention Study (FIS) as one of the imperatives of the Sector Oversight Model (SOM). Furthermore, also outlining the strategic direction for the Committee’s oversight role wherein oversight is conducted in a proactive manner. The FIS conducted by the Committee is significant in that it makes provision for the information provided by the Department of Economic Development to be verified. This will allow the Portfolio Committee to verify whether service delivery has taken place. It is imperative that the FIS should be indicative of interventions that need to be made by the Committee to proactively address issues of Departmental effectiveness and efficiency in relation to service delivery.

In noting that the Department focuses amongst others on the re-industrialisation of the economy; new and smart knowledge-based economy and modernization of the township economy. In response to these priorities, small business support and job creation remain at the centre of the Department’s initiatives as supported by the National Development Plan (NDP). The priorities are linked through the Radical Transformation, Modernisation and Re-industrialization (TMR) programme. In implementing the TMR programme, the Department supports projects related to the set priorities.

Considering this, the Committee undertook a Focus Intervention Study themed **‘The State of Economic Infrastructure Projects mired by Delays, with specific reference to the Biopark Phase 3; Jewellery Manufacturing Precinct and Visitor Centre’**

The aim of the proposed FIS is to examine the progress made in the development of the economic infrastructure projects to foster economic recovery and reconstruction plans. This will be attained through the following objectives, which are to:

* examine the progress made in the construction of the infrastructure projects since their launch considering the delays experienced;
* assess the challenges encountered by the projects which contributed to delays and in turn, explore amicable solutions;
* and determine the extent of the socio-economic benefits (such as jobs and skills) derived from the development of the projects.

**Background on the Focus Intervention Study visits**

Infrastructure projects remain a priority to foster growth and development in the economy. To put an emphasis, central to the Gauteng’s economic recovery and reconstruction plans during and post Covid-19 are projects including but not limited to Special Economic Zones (SEZs), Industrial Development Zones (IDZs) and Industrial Parks and Hubs. These economic infrastructure projects were however negatively impacted by Covid-19 which halted construction and delayed turnaround times. The delays in some of these projects have been on-going and cannot be regarded as new challenges. While Covid-19 stopped construction, infrastructure projects experienced delays prior to it and the reasons were mainly related to procurement processes. Considering that infrastructure projects are crucial for economic recovery, therefore there is a need for the Committee to assess their state. This will be done utilizing three selected cases in the Gauteng province. The projects mostly affected include the construction of the Biopark phase 3 at The Innovation Hub; Jewellery Manufacturing Precinct (JMP) 1 at OR Tambo Industrial Development Zone (IDZ); and Visitor Centre at the Constitutional Hill. These projects are all implemented by subsidiaries of the Gauteng Growth and Development Agency (GGDA), which is an agency of the Department.

Committee Researchers undertook fieldwork on the above-mentioned sites between October and December 2021, as the FIS emanates from the annual report process, which is the basis of the proposed FIS. The researchers determined that the findings are still relevant considering that the developments and some of the issues discovered during the visits are still cited in the quarterly reporting process.

# PROCESS FOLLOWED

In considering the FIS, the Committee undertook the following process:

* The Researchers identified topics emanating from the Annual Report process and presented to the Committee, and in turn, a consensus was reached on the topic to pursue. The topic selected by the Committee is on **“The State of Economic Infrastructure Projects mired by Delays, with specific reference to the Biopark Phase 3; Jewellery Manufacturing Precinct and Visitor Centre”.**
* The Researchers conducted fieldwork on the three selected projects during the annual report process to determine the progress made or their state.
* The Department through the GGDA made presentations related to the three selected economic infrastructure projects i.e. progress made and challenges, and further responded to the questions as raised by the Committee.
* Post presentations by the Department, the Committee produced a report from the findings.

# COMPLIANCE AND QUALITY

The Department ensured that it responded to the Committee’s request wherein presentations were submitted responding to questions posed by the Committee on the adopted topic. Responsible officials attended the meeting with the Committee to further clarify any additional questions or issues that the Committee posed.

# OVERSIGHT ON STRATEGIC PRIORITIES

## Priorities

According to the 2021/22 Medium Term Expenditure Framework (MTEF) Budget Statement, the mission of the Department is to ensure radical transformation, modernisation and re-industrialization of the Gauteng economy; provide an enabling policy and legislative environment policy and legislative environment for equitable economic growth and development; development of programmes that will revitalise township economies; build a new , smart, green, knowledge based economy and industries; ensure decent employment and inclusion in economic sectors; facilitate radical transformation, modernisation and re-industrialization and establish appropriate partnerships for delivery.

In addition to this, the Gauteng Provincial Government has adopted the 10-pillar programme of Transformation, Modernization and Re-industrialization in order to ensure radical socio-economic transformation in the Province. The 10 pillars are as follows:

Radical economic transformation; Decisive spatial transformation; Accelerated social transformation; Transformation of the state and governance; Modernisation of the public service; Modernisation of the economy; Modernisation of human settlements and urban development; Modernisation of public transport infrastructure; Re-industrialisation of Gauteng province and taking the lead in Africa’s new industrial revolution.

In order to ensure that the 10-pillar programme is achieved, the Department will ensure that the following outcomes are achieved.

* Outcome 4: Decent employment and inclusive economic growth;
* Outcome 5: An efficient, competitive and responsive economic infrastructure network; and
* Outcome 6 Skilled and capable workforce to support an inclusive growth path.

The Gauteng Department of Economic Development’s contribution to the Sustainable Development Goals is as follows:

* SDG 8 on promoting inclusive and sustainable economic growth, employment and decent work for all and
* SDG 9 on Industry, Innovation and Infrastructure

In addition to this, the Committee noted that the National Development Plan (NDP) advocates for the creation of 11 million jobs through SMME development by 2030 and resonates with the Transformation Modernisation and Re-Industrialisation (TMR) Framework. The Department through TASEZ will focus on creating decent work, economic growth and sustainable communities through SMME and cooperative development in the automotive industry.

The Medium-Term Strategy Framework (MTSF) relates to an efficient, competitive and responsive economic infrastructure network. Through the Gauteng Growth and Development Agency (GGDA), efforts will continue to drive economic growth by promoting exports, making the economy more labour absorbing through business enablement, regulatory reform; capital projects; land; trade and investment promotion; and taking the lead in Africa’s industrial revolution through South Africa’s participation in the BRICS group of countries (Brazil, Russia, India, China and South Africa)

The Department will continue with efforts to regulate the gambling and liquor industry through compliance, enforcement and the creation of awareness programmes. Review, development of policies and strategies will continue to ensure alignment of the Gauteng City-Region Economic Development Plan (GCR EDP), TMR and the NDP. Through sector development, the Department will facilitate large-scale skills development in industrial production centres to promote the development of small-scale industries.

Upon doing its oversight and scrutiny over the Department, the Committee will hold the Department including the entities accountable on the basis that their plans align with that of the TMR and the NDP.

# OVERSIGHT ON PUBLIC INVOLVEMENT

On this report the Committee did not engage with the public as the report was drawn from the engagements with the Department.

# OVERSIGHT ON RESOLUTION MANAGEMENT

House resolutions emanating from the previous Committee’s Focused Intervention Study report themed

 **‘Reindustrialization, Transformation and Modernization of the Gauteng Economy: The Tshwane Automotive Special Economic Zone as an Instrument for growth and Development’** have not been responded to by the Department. The Committee will follow up on the reasons and delays on the submission by the Department.

# FINDINGS, RECOMMENDATIONS, AND IMPLICATIONS ON LAW MAKING

**Jewellery Manufacturing Precinct (JMP) Top Structures Project (Southern Precinct) at the OR Tambo International Airport IDZ**

The Committee noted that the JMP Top structures project has experienced delays over the past two financial years. The construction of the Top structures is significant as it completes the Structures for the ORTIA Precinct 1 Special Economic Zone (SEZ). The Contractor was appointed on the 22nd October 2020. The project entails several buildings such as B3, B5, 6A,6B, B7, B8, B9, B10 and B11, however not all Building Plans have been approved by the Municipality to date because they are considering each Building at a time. The site development plan was approved months before the site handover and the site was handed over on the 2nd February 2021, with the contract value of R351.7 million. The project duration is 18 months, and the anticipated practical completion is the 2nd August 2022 and at this stage, it is on schedule and within cost. As of end September 2021, physical overall progress was at 11.5% and the total certified paid amount was R27 million which constitute 7.7%. Despite the progress made there are challenges encountered, which delayed the construction such as the termination of the Professional Resource Team (PRT).

Key challenges noted by the Committee are highlighted below

* Within the construction site number of Covid-19 cases were reported and this led to the loss of life of some of the employees.
* Construction was also affected by the July 2021 unrest/riots as trucks could not deliver construction materials on site for a period of two weeks during the month of July 2021.
* There are also live Sewer Lines that were recently identified which the Municipality does not have records of in their master plans and they have affected piling on Building 5 and 7. The Contractor is currently diverting the sewer lines so that they do not get affected or damaged by construction works.
* Construction work for Buildings 3 and 10 could not take place due to GIDZ operations on the Metcon Building and JMP Super Block Building as they are using the Construction site as access (Building 10) and Building 3 as parking and such is affecting overall percentage progress on construction works. To that effect, GIDZ has been advised to consider an alternative access so that the current arrangements do not negatively affect construction programme.

On reporting on some of challenges the Committee noted that the Department reported that the diversion of the live sewer line which was encountered during trenching is nearing completion and the IDC PMU has also been assigned by Department Trade, Industry and Competition to support the Gauteng Industrial Development Zone (GIDZ) with project oversight.

A replacement implementing agent in the form of Development Bank of South Africa (DBSA) was appointed on 18 Feb 2022, upon Gauteng Provincial Treasury approval. The GIDZ informed the building contractor (Trencon) on the appointment of DBSA as an implementing agent. In addition to this, the Committee was informed that the DBSA, in consultation with Industrial Development Corporation Project Management Unit, is currently finalising the appointment of the new PRT to supervise various aspects of the construction works such that construction can resume in earnestness.

The new PRT constitutes of companies which assisted with the delivery of TASEZ within the shortest period of time, and the GIDZ, IDC PMU and DBSA are confident that this team will be able to ensure the delivery of the JMP project within tight timelines. **The Committee will observe this project closely in the in-year monitoring process, however the Committee is also of the view that the project should draw to its conclusion noting that its been mired challenges in the past two financial years**. This bolstered by the fact that the Department has made commitments to complete all the buildings by the end of March 2023.

**The Committee also impresses that no more delays should be experienced as commitments have been made to the anchor tenant of the JMP which are De Beers.** This is because De Beers expressed concerns on the speed of construction delivery and this resulted in a meeting with the De Beers Chairman and Deputy Chairman, led by the Premier, Deputy Minister: DTIC and the MEC.

**Progress at the** **Biopark Phase 3 Project**

The Committee was informed that the construction of the project experienced perpetual delays and it was halted. The project was awarded on the 12th December 2018 at the cost of R235 500 000 (R235.5m) to the Joint Venture (JV) partners. The original project duration was 18 months from the 18th February 2019 which was the site handover date. However, one of the JV Partners was put under Business Rescue/Administration in May 2019 and ultimately got liquidated in August 2019. **The Department should highlight to the Committee on whether funds were paid to the liquidated partner if so, what measures have been put in paced to retrieve the funds.** The GGDA instructed the remaining JV partner to cease construction works on the 19th November 2020 following several external legal opinions sourced. **The Committee is concerned that the** **Department does not undertake all necessary due diligence in ensuring that the service providers that are appointed have a proven track record and are financially sound to deliver on their mandate.**

 At the time of construction stoppages, the overall physical construction progress was at 48%. The contract for the professional consultants was also terminated on the 25th November 2020. Construction on the project has been on hold since 12th November 2020 due to the unfolding legal processes following work suspension by the contractor on the 12th of November 2020. The legal matter with the GGDA and the contractor has been partially resolved and the law firm advising GGDA has advised that construction can commence. The GGDA is currently procuring the services of the new professional service provider to replace the previously terminated Professional Resource Team (PRT) and construction is expected to commence any time following successful appointment of the PRT. **The Committee should be informed on the costs associated with the appointment of a new PRT, furthermore sound project management should be implemented on this project to ensure it completion.** Terms of Reference (TOR) for appointing the new PRT have already been approved by the Bid Adjudication Committee (BAC) and undergoing Probity Audit prior advertising. The GGDA has requested the Provincial Treasury to advertise for at least 14 days as opposed to the normal 21 days. These measures need to be monitored.

**Constitutional Hill and New Visitor Centre Project**

The Department reported that the Visitors Centre project experienced delays since the 2014-19 term of governance, and construction has not commenced. The tender for the construction was awarded in 2019 to the tune R167 000 000 (R167m), however the site has not yet been handed over for the commencement of construction works. This is due to pending approval of top structure drawings (building plans) including that of the “as built” plans for the existing super basement which was built in 2002.

The City of Johannesburg (CoJ) cannot approve the top structure (building plans) due to the entire Con-Hill precinct not being consolidated/rezoned and proclaimed as per the town planning scheme and that has led to the site handover for the project not being conducted from 2019 to date. The two sets of building plans have long been submitted to the City of Joburg Building Control in July 2020 but could not be approved due to the entire Con-Hill Precinct not having met all the requirements of the town planning scheme and that has led to the site handover of the Visitors Centre not being conducted until to date. The GGDA has urged the Johannesburg Development Agency (JDA) to appoint a town planning firm who are currently undertaking township establishment process that shall ultimately culminate into proclamation of the entire ConHill precinct as per the dictates of the town planning scheme. In an attempt to resolve the above whilst town planning process is underway, the GGDA has further through the project architect submitted a Section 7(6) application for consideration and approval to commence with construction works to avoid further possible additional costs that might arise from the contractor due to cost escalations since their appointment. **The Committee once more is concerned that the cost related to the project as the no work has been undertaken since the appointment of a service provider in 2019. In addition, the Department should outline other implications of awarding a tender without the necessary work being undertaken till to date.**

To date, all Departments of the CoJ Building Control have signed the Section 7(6) Application and the only pending signature is from the Fire Department which is awaiting for an updated fire management system of the existing super basement by a duly qualified and registered fire engineer specialist to comply with the latest building regulation standards. It is only after appointing the fire engineer that such exercise can be concluded and building plans will be approved. This will enable the site handover to the contractor to commence with construction works. The appointment of the fire engineer was therefore expected to be concluded by end October 2021. Furthermore, it noted that there is no problem with the building plans for the actual Visitors Centre, but delays are with remedial works that need to be done on the existing super basement which was constructed by the JDA.

The Committee was informed by the Department that as part of the remedial actions undertaken the site handover expected is expect to be on the 9th March 2022 following Inner City Community engagements on the project for the Community buy-in and thereafter construction duration for this project is said to be 15 months from the date of site handover. **The Committee will monitor this project from the time the site is handed over and during the 15th month period wherein implementation is scheduled to take place.**

**Committee Concerns**

The Committee is concern about the:

1. The inability by the Department to conclude the construction of the JMP at the OR Tambo International Airport.
2. The Department’s inability to take the necessary due diligence on service providers that are appointed to do work on behalf of the Department.
3. The costs related to the Constitutional Hill and New Visitor Centre Project as the no work has been undertaken since the appointment of a service provider in 2019.

**Committee Recommendations**

All responses to recommendations highlighted below should be submitted by the **31 May 2021** unless stated otherwise and in light of this, the Committee recommends that the Department should:

1. Ensure that the construction of the JMP project is completed within the time frame that has been committed by the Department and that being the end of March 2023. Quarterly reports on the progress made in this regard should be submitted to the Committee. The report should detail the measures taken to assure the anchor tenant De Beers that the Department will conclude the construction within the stipulated timeframe.
2. At all times undertake all necessary due diligence studies prior appointing service providers to ensure that service providers that are appointed have a proven track record and are financially sound to deliver on their mandate and avert them from being liquated before completing the necessary work. By the 31st May 2022, the Department should provide the Committee with a detailed report on the process of appointing service providers and measures taken to ensure that they are financially sound and capable of delivering on their expectations.

2.1 In addition to this, the Department should highlight to the Committee on whether funds were paid to the liquidated partners who were implementing the Biopark Phase 3 Project prior their liquation. A report on this should be submitted to the Committee on the measures put in place to retrieve the funds and this includes other punitive measures in place. This report should be submitted by 31 May 2022.

1. Highlight the implications of awarding a tender without the necessary work being undertaken from 2019 till to date on the Constitutional Hill and New Visitor Centre Project. A report on this should be submitted to the Committee by 31 May 2022. The details to be contained in the report should outline the remedial actions taken, the cost associated with the awarding of this tender from 2019 to date. Included would be whether consequence management has been applied for non-delivery within this project noting this is tantamount to wasteful expenditure as the tender was awarded for R167 000 000 (R167m).

# ACKNOWLEDGEMENTS

Appreciation is expressed to all Members of the Committee for their commitment to the oversight process as well as MEC Tau and officials from the Department. I commend them for their diligence and commitment shown during deliberations on the FIS Report themed **‘Provision of Economic Relief amid the Covid-19 pandemic: Unravelling the intricacies of the R250 million Gauteng SME Partnership Fund’**.Gratitude goes to Hon. Makhubela, Hon. Hassan, Hon. Mncube, Hon. Gana, Hon. Cilliers, Hon. Tshitangano, Hon. Alberts and Hon Adams. Further appreciate goes to the alternate Members of the Committee namely: Hon. Engelbrecht and Hon. Badenhorst. It is an honour to lead such a hard-working team.

On behalf of the Committee, the Committee's appreciation and gratitude also goes to the following persons: Group Committee Coordinator, Mr. T. Bodibe; Researchers Mr. A. Malapane, Ms M. Makhubele and Mr B Mabuza; Senior Committee Coordinator Mr. T. Skosana and Committee Coordinator Ms. L. Mampe; Committee Administrators, Ms. V. Mokubetsi and Ms N. Mngadi; Hansard Recorder Mr. S. Baloyi; Public Participation Officer, Mr. B. Dhlomo; Service Officers, Ms. B. Nhlapho, Communications Officer Mr. T. Ndou, Information Officer Ms. A. Netshivhuyu for their devoted assistance.

# ADOPTION

After due consideration the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee unanimously adopted the FIS Report themed **‘The State of Economic Infrastructure Projects mired by Delays, with specific reference to the Biopark Phase 3; Jewellery Manufacturing Precinct and Visitor Centre’.**

In terms of Rule 117(2)(c) read together with Rule 165 the Committee presents to this House and recommends the adoption of the Committee’s Oversight FIS Report themed ‘**The State of Economic Infrastructure Projects mired by Delays, with specific reference to the Biopark Phase 3; Jewellery Manufacturing Precinct and Visitor Centre’.**