No.216 - 2022: Fourth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

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

Monday, 20 June 2022

**ANNOUNCEMENTS**

none

**TABLINGS**

none

**COMMITTEE REPORTS**

**1. The Chairperson of the Finance Portfolio Committee, Hon. J Mpisi, tabled the Committee’s Focused Intervention Study (FIS) Report on “The Impact of The GBN Roll Out on The Township Service Providers- Finding the Linkage Between The GCR-ICT Strategy 2015-2020 and the Gauteng Township Economy Revitalisation Strategy 2014-2019”, as attached.**

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**Focussed Intervention Study (FIS) Report on [****The Impact of The GBN Roll Out on The Township Service Providers- Finding the Linkage Between The GCR-ICT Strategy 2015-2020 and the Gauteng Township Economy Revitalisation Strategy 2014-2019.]**

*In line with the Oversight Model of the South African Legislative Sector “SOM”*

| **Committee Details** | | **Department Details** | | |
| --- | --- | --- | --- | --- |
| **Name of Committee** | **Finance Portfolio** | **Name of Department** | **e-Government** | |
| **Which Financial Year** | **2020/21** | **Dept. Budget Vote Nr.** | **13** | |
| **Which SOM Imperative** | **Budget process** | **Hon. MEC** | **N. Ralehoko** | |
| **Committee Approvals** | | | | |
|  | **Name** | **Signed** | | **Date** |
| **Hon. Chairperson** | **J. Mpisi** |  | | **10 June 2022** |
| **Adoption and Tabling** | | | | |
| **Date of Final Adoption by Committee** | | **Scheduled date of House Tabling** | | |
| **10 June 2022** | | **21 June 2022** | | |

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# ABBREVIATIONS

|  |  |
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| **Abbreviation** | **Full Wording** |
| GCR | Gauteng City Region |
| GTERS | Gauteng Township Economy Revitalization Strategy |
| NDP | National Development Plan |
| NGP | New Growth Path |
| PICC | Presidential Infrastructure Coordination Commission |
| PPPFA | Preferential Procurement Policy Framework Act |
| RFQs | Request for Quotations |
| SIP | Strategic Integrated Project |
| SITA | State Information Technology Agency |
| SOM | Sector Oversight Model |
| TMR | Transformation, Modernisation and Re-industrialisation |

# EXECUTIVE SUMMARY

The involvement of the historically disadvantaged businesses into the business of the government has been viewed as one of the pillars that could contribute significantly to the macroeconomic objectives. Through the implementation of both the Gauteng Township Economy Revitalization Strategy (GTERS) 2014-2019 and the Gauteng ICT Strategy 2014-2020, the Gauteng Department of e-Government outsourced services to the township service providers in a quest to eliminate the barriers for township economic growth as outlined in the GTERS 2014-2019. The Gauteng e-Government Department is mandated to implement the latter strategy and one of its objectives is to build an enabling ICT infrastructure for GCR connected government, which is often achieved through the outsourcing of services to the service providers.

However, through various communication platforms, it appears that the township ICT enterprises are not completely content with the opportunities and the projects given as part of rolling out and maintaining the broadband network in the province. This study, therefore, seeks to assess, investigate, determine and recommend possible mechanisms that would ensure that township ICT businesses significantly participate and meaningfully included in the mainstream ICT economy, which is currently monopolised by the few players.

The background provides a brief policy context from both national and provincial spheres of government. Amongst other guiding documents, the National Development Plan (NDP) vison 2030, South African Broadband Policy, the Presidential Infrastructure Coordination Commission (PICC) Planning document, Gauteng TMR Pillars, Gauteng Township Economy Revitalisation and the Gauteng ICT Strategy were briefly reviewed to give effect to the study background, objectives and the approach. This FIS would adopt both the qualitative and quantitative methods; where the former will include the round-table discussions, interviews and presentations while the latter focus on the review of the previous reports in relation to how the roll out of the Gauteng Broadband Network (GBN) contributed towards the township economy.

In his 2014 State of the Province Address, Honourable Premier Makhura said, “the significant participation and meaningful inclusion of the township into mainstream economy of Gauteng Province through their own township enterprises that are supported by the government and big businesses will be one key game changer the township must be self-sufficient and vibrant economic centres”. In other words, the township enterprises are the strategic roles players in ensuring the economic growth, poverty eradication, job creation and reduction on inequality by partaking in the mainstream economy through various mechanisms, which include access to funding and access to market.

The GTERS 2014-2019 identified numerous barriers for township enterprise to “significantly participate and meaningfully included” in the mainstream economy. These barriers included, but not limited to, access to capital (grants, loans and financial exclusion), access to market (through preferential procurement plan), skill development, enterprise development support (business skills & co-op development skills) and domination of economic sectors through the value chain by few monopoly players. For the purpose of this study, focus will be on three barriers namely; access to market through preferential procurement, skills development through training of service providers and enterprise development support through business skills and co-op development skills.

Both the South African NDP Vision 2030 and the New Growth Path (NGP), identify the knowledge economy as one of the major job creation drivers. A knowledge economy basically refers to an economy that is underpinned by universally available and accessible high-speed broadband providing access to the creation and consumption of a wide range of converged services required for effective economic and social participation. Furthermore, the Presidential Infrastructure Coordinating Commission (PICC), in December 2012, launched Strategic Integrated Project (SIP) 15: Expanding Access to Communications Technology. SIP 15 aims “to ensure universal service and access to reliable, affordable and secure broadband services by all South Africans, prioritising rural and under-serviced areas and stimulating economic growth”.

The South Africa Broadband Policy (2013) further gives effect to the Constitution of South Africa by creating the conditions in a modern electronic world “to improve the quality of life of all citizens and free the potential of each person” and, in doing so, enables equality in the rights, privileges and benefits of citizenship, including the guarantees of freedom of expression and association in the Bill of Rights. This also aligns with the declaration by the Human Rights Council of the United Nations General Assembly that, access to the internet is a basic human right which enables individuals to “exercise their right to freedom of opinion and expression.

To respond to the above national policy priorities, the Gauteng Provincial Government adopted a ten (10) pillar programme of Radical Transformation, Modernisation and Re-industrialisation (TMR) with the aim of making the province an integrated city-region characterised by social cohesion and economic inclusion.

The e-Government Department developed the Gauteng City Region ICT Strategy 2015-2020 to give effect to both National and Provincial ICT policy priorities. One of the key pillars of the said strategy is to build an enabling ICT infrastructure for GCR connected government, which is often achieved through the outsourcing of services to the service providers.

As part of bridging the township and mainstream economies in the roll out of the broadband network in Gauteng City Region, the Gauteng Department of e-Government set two targets that ensures that these policy priorities are realised. The Department planned to pay 100% suppliers’ invoices within 15 days and ensure 40% procurement spend of Request for Quotations (RFQs) below R500 000 on township economy. These include enterprises owned by youth, women and people living with disabilities. It is against this background that the FIS aims to assess, determine and investigate the progress, challenges and areas that need improvement in a quest to ensure that the barriers, as outlined in the GTERS 2014-2019 are eradicated.

# INTRODUCTION

The Portfolio Committee on Finance oversees the Department of e-Government; herein referred to as Department; and conducts its activities as prescribed by the Sector Oversight Model (SOM), which is premised on the prescripts of the PFMA and the methodology that seeks to assess the following:

• the efficacy of public service programmes

• the appropriateness of financial resource allocations and management

• the relationship between these key elements and whether the priorities, inputs and outputs of the Departmental programmes achieve a desirable balance with the outcomes they produce.

The methodology applies various toolkits in the assessment of performance, such as Focused Intervention Study (FIS). This is a study that allows the Portfolio Committee to conduct in-depth analysis of a portfolio related subject. In this regard, the Portfolio Committee undertook an FIS on, **The Impact of The GBN Roll out on The Township Service Providers- Finding the Linkage Between The GCR-ICT Strategy 2015-2020 And The Gauteng Township Economy Revitalisation Strategy 2014-2019.**

The reasons the Committee chose this FIS:

The Gauteng e-Government Department has been reporting and surpassing the target on procurement spend of Request for Quotations and payment of suppliers’ invoices within 15 days as part of contribution towards the Gauteng Township Economy Revitalization Strategy 2014-2019. However, the reported performance does not tally with perception of the township ICT enterprises on their role and contribution towards the GTERS 2014-2019 objectives through the roll out and maintenance of the broadband network within the Gauteng City Region. The study, therefore, would ultimately assist both the township ICT enterprises, Gauteng e-Government Department and the mainstream ICT companies to find the common ground in ensuring that the barriers identified in the GTERS 2014-2019 are eradicated, thereby uplifting the township ICT enterprises into the mainstream economy.

# PROCESS FOLLOWED

On the 22nd August 2019,the Portfolio Committee considered topics for the FIS presented by the Committee Researcher and agreed on the topic, **The Impact of The GBN Roll out on The Township Service Providers- Finding The Linkage Between The GCR-ICT Strategy 2015-2020 And The Gauteng Township Economy Revitalisation Strategy 2014-2019.**

The Portfolio Committee engaged various Stakeholders, Gauteng Department of e-Government, Altron and the State Information Technology Agency on ICT related matters. Subsequent to the engagements the Portfolio Committee deliberated and adopted the oversight FIS Report on Friday, 01 June 2022. The report was submitted to the Proceedings Unit for tabling and consideration by the House.

# COMPLIANCE AND QUALITY

As per the Sector Oversight Model and the Standing Rules of the GPL, the Portfolio Committee embarked on the Focused Intervention Study following the processing of the Department’s Budget Report of the 2019/20FY. The Gauteng Department of e-Government, Altron and State Information Technology Agency complied with the Portfolio Committee’s requests and submitted information as per Committee prescripts.

# OVERSIGHT ON STRATEGIC PRIORITIES

The Gauteng Department of e-Government has been mandated to roll out the broadband network in the province through the Gauteng City Region ICT Strategy 2015-2020. One of the objectives of this strategy is to build an enabling ICT infrastructure for GCR connected government, which is often achieved through the outsourcing of services to the service providers. Furthermore, the Gauteng Provincial Government, led by the Department of Economic Development, adopted the GTERS 2014-2019 to bridge the gap between the township economy and the mainstream economy that is monopolised by the few role players. In contributing towards township economy as per the GTERS 2014-2019, the Gauteng e-Government Department set annual targets namely; (1) on the procurement spend of Request for Quotations below R500 000 on township economy and (2) payment of suppliers’ invoice within 15 days of receipt.

However, much as the Department is overperforming on these targets, there is an outcry and dissatisfaction by the township ICT enterprises as far as how the process of incorporating them into the mainstream ICT economy is concern, which include the skills development, enterprise development support and access to market through Supply Chain Management Policy and Preferential Procurement Plan implementation.

The purpose of the study therefore, is to assess the Department’s contribution to the GTERS 2014-2019, with specific focus on access to market by township ICT enterprises through procurement processes, investigate the role played by the mainstream ICT companies in developing township enterprises and skills transfer through subcontracting of the township ICT enterprise in the roll out and maintenance of the broadband network across the Gauteng City Region.

# PUBLIC INVOLVEMENT IN OVERSIGHT

During the process the Committee interacted with Stakeholders (SMME) on several occasions. The findings were shared with Department of e-Government as well as SITA and Altron.

On 06 November 2020 the Finance Portfolio Committee held a Public Hearing with Township SMMEs.

Below is the summary of some of the submissions received from stakeholders:

Tried working with vumatel – being told they are not accredited accordingly;

Market opportunities was shrinking since Vumatel saturated the township market;

Not being afforded ample time to prepare tender documentation; and

SMME’s required to have certain equipment, staff and resources however only being awarded one (1) site. SMMEs running at a loss.

# OVERSIGHT ON COMMITTEE FOCUS AREA AND FINDINGS

The role and responsibility of the Department of e-Government is to design, build and operate the GCR ICT infrastructure. Client departments therefore are responsible for the installation and connectivity from the provided network access points or installed servers. During engagements, the Department elaborated that some GPG departments have not fully connected to the network due to unspecified reasons while others were due to unfinalized service level agreements with SITA and outdated infrastructure.

During public hearings with SMME’s the Committee found that the working relationship between the Department, Altron and SITA and SMME’s was very poor. No skills transfers took place and bigger companies saturated the township market and all opportunities shrunk.

# COMMITTEE CONCERNS AND RECOMMENDATIONS

**The Portfolio Committee is concerned about the following:**

9.1The Committee is concerned about the process and criteria used to appoint township ICT enterprises by Altron, which required services providers to have a certain ICT equipment as prerequisite while the amount of work does not provide equal returns to recover the cost of buying the ICT equipment.

9.2. It was found that there was no significant skills transfer and enterprise development between the main contractor and township ICT enterprises as envisaged by Gauteng Township Economic Revitalisation Strategy.

9.3 The Committee found that the SLA between SITA and Gauteng Department of e-Government was not crafted in a way that would compel the main GBN contractor to sub-contract township ICT enterprises and report on the progress made as per the policy priorities.

9.4 Altron presented that 209 schools have been connected; however, the Committee is concerned about the low levels of connectivity.

**The Portfolio Committee recommends the following and requests responses by the 29th July 2022:**

9.1 The Department should ensure that the new Tender Specification take into consideration the Gauteng Province policy priorities as outlined in the GTERS and GCR- ICTS then what skills was transferred. and what training was provided.

9.2 The Department should work on a plan and provide such on how they plan on strengthening the working relationship between themselves, SITA and Altron.

9.3. That the Department, together with SITA and Altron provide progress report on the utilization of the Township ICT enterprises twice in an annual reporting period (every six months).

# ACKNOWLEDGEMENTS

The Portfolio Committee extends gratitude to the Honourable MEC N. Nkomo-Ralehoko and officials of the Gauteng Department of e-Government for their cooperation during the consideration of the report.

Appreciation for diligence, dedication and commitment shown during deliberations on the Focused Intervention Report process goes to all Members of the Finance Portfolio Committee, Mr P. Malema, Dr R. Phaladi- Digamela, Dr. B. Masuku, Mr W. Matsheke, Ms A. Randall, Mr. P. Atkinson, Mr I Mukwevho and Mr. K. Mazwi.

The Committee’s gratitude is extended to the following support staff: Group Committee Coordinator Mr T. Bodibe, Committee Coordinators Ms Minah Molote, Ms C de Beer,(Acting), Mr J. Ntsane, Researchers Ms. L. Chiloane, Mr. M. Tshehla, Media Officer, Mr A. Dikola; Information Officer Mr W. Nsibande, Committee Administrators Mr. Z Mabuza, Service Officer Ms R. Msimanga and Hansard Recorder Ms. R. Singh.

# ADOPTION

After due consideration, the Finance Portfolio Committee adopted the FIS Report titled The Impact of The GBN Roll Out on The Township Service Providers- Finding The Linkage Between The GCR-ICT Strategy 2015-2020 And The Gauteng Township Economy Revitalisation Strategy 2014-2019

In terms of Rule 117(2)(c) read together with Rule 165 the Portfolio Committee presents to the House and recommends the adoption of the Committee’s Oversight FIS Report titled The Impact of The GBN Roll Out on The Township Service Providers- Finding The Linkage Between The GCR-ICT Strategy 2015-2020 And The Gauteng Township Economy Revitalisation Strategy 2014-2019