No.0438 - 2023: Fifth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

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

Monday, 04 December 2023

**ANNOUNCEMENTS**

none

**TABLINGS**

none

**COMMITTEE REPORTS**

**1. The Acting-Chairperson of the Economic Development Portfolio Committee, Hon. M J Kanyane, tabled the Committee’s Oversight Report on the Annual Report of the Department of Economic Development incl. Entities for the 2022/2023 financial year, as attached:**

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**Adopted Portfolio Committee on Economic Development’s Oversight Report on the Annual Report of the Gauteng Department of Economic Development for the 2022/23 financial year**

| **Committee Details** | | **Department Details** | | |
| --- | --- | --- | --- | --- |
| **Name of Committee** | **Economic Development Portfolio Committee** | **Name of Department** | **Gauteng Department of Economic Development** | |
| **Which Financial Year** | **Annual Report for the 2022/23 FY** | **Dept. Budget Vote Nr.** | **Vote number 3** | |
|  |  | **Hon. MEC** | **MEC** | |
| **Committee Approvals** | | | | |
|  | **Name** | **Signed** | | **Date** |
| **Hon. Chairperson** | Mr Mpapa Kanyane (Acting) |  | |  |
| **Adoption and Tabling** | | | | |
| **Date of Final Adoption by Committee** | | **Scheduled date of House Tabling** | | |
| **21 November 2023** | | **5 December 2023** | | |

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# ABBREVIATIONS

|  |  |
| --- | --- |
| **Abbreviation** | **Full Wording** |
| APP | Annual Performance Plan |
| AIDC | Automotive Industrial Development Centre |
| CIPC | Companies and Intellectual Property Commission |
| DED | Department of Economic Development |
| DDI | Domestic Direct Investment |
| FDI | Foreign Direct Investment |
| FY | Financial Year |
| GDP | Growth Domestic Product |
| GEP | Gauteng Enterprise Propeller |
| GGDA | Gauteng Growth and Development Agency |
| GPL | Gauteng Provincial Legislature |
| GTA | Gauteng Tourism Authority |
| NGP | New Growth Path |
| NDP | National Development Plan |
| HOD | Head of Department |
| MEC | Member of the Executive Council |
| PFMA | Public Finance Management Act |
| PWD | People living with Disabilities |
| SMME | Small Medium and Micro Enterprises |
| SOM | Sector Oversight Model |
| SDG | Sustainable Development Goals |

# EXECUTIVE SUMMARY/

This report aims to highlight key challenges and successes attained by the Department of Economic Development herein referred to as the Department. The work undertaken by the Department is guided by the policies and priorities adopted by the Gauteng Provincial Government which are related to the transformation, modernization and re-industrialization of the Gauteng economy. In light of this, the Department and its entities are set to develop and implement programmes that will ensure decent employment, revitalize township economies, stimulate growth and investments. As part of its mandate of oversight and scrutiny, the Economic Development Portfolio Committee exercises oversight over the Department.

The Committee noted in the year under review a total budget amount of R1 796 830 000 (R 1 796.3bn) was budgeted and an amount of R1 750 612 000 (R 1 750.6bn) was spent by the Department which constitutes 97.43%. This represents a fairly good spending, with the variance between the budget and actual expenditure is within the 3% threshold at 2.57%. The underspending in this regard can be attributed to two programmes namely Administration which spent 93.84% and Economic Planning which spent 92.74% of their allocation.

In the year under review, the Department reported on targets related to the Department and those which are related to entities as well. Considering this, in the year under review the Department attained 18 out 43 targets which translate to 41.86% attainment of targets. In terms of percentage, the Department realized a decline noting that in the previous financial year 67.31% targets were attained. On the attainment of targets related to entities, the performance varied as follows: the Gauteng Tourism Authority (GTA) achieved 23 of 26 planned targets which translated to 88%, the Cradle of Humankind World Heritage Site (COHWHS) attained 11 of the 13 planned targets constituting 85%. With respect to the Gauteng Growth and Development Agency (GGDA), the entity attained 61 of the 75 planned targets translating to 81% achievement. The Gauteng Enterprise Propeller (GEP) attained 17 of its 20 targets constituting 85% and the Gauteng Gambling Board (GGB) achieved 18 of its 23 planned targets reflecting 78% achievement and lastly the Tshwane Automotive Special Economic Zone (TASEZ) realised 7 out of 10 planned targets translating to 70%.

The unattainment of targets by some of the entities remains a concern for the Committee especially in areas related to the support to small businesses, this includes the finalization of infrastructure projects that are aimed at creating employment. The Committee still reiterated that the agency oversight unit within the Department should be well capacitated and play a crucial role in ensuring that the agencies execute their mandate in creating employment opportunities. Furthermore, the misalignment between expenditure and attainment of targets remains a persistent challenge and with no end in sight as the unspent funds amounting to R 46 218 000 (R 46.2m) could have been reprioritized and utilized to support SMME’s and also make an impact in the implementation of the Township Economic Development Act through the utilization of various funding models.

The Committee once more noted that funds that have been outlined by the Department with respect to the fact that they are being leveraged on, however the Committee is of the view that these funds that have been leveraged on should bear fruits and realise tangible outcomes such as the number of jobs created in various sectors and other economic opportunities within townships in the Province. It is in this light that the Department should, on a quarterly basis, report on the number of jobs created both permanent and temporary jobs and also linking them to the funds that have been leveraged on.

The Committee noted that some of the economic infrastructure project have been mired with delays and therefore remain incomplete. These projects relate to the Industrial Development Zone (IDZ) Jewellery Manufacturing Precinct (JMP) at the OR Tambo in which delays let to De Beers disinvesting in the project. In addition, there were delays at the Biopark phase 3 at The Innovation Hub; Chamdor Industrial Park which now has been reported to be operational and Visitor Centre at the Constitutional Hill. The Committee will continuously monitor the abovementioned projects until completion as they are key to employment creation.

Lastly, all matters as raised by the Auditor General should be attended to by the Department including entities in order to remedy the findings observed which affect the GTA and the GEP in the year under review as these entities obtained unqualified audits with findings. The Committee will observe the implementation of mitigation measures with the view to correct the scenario.

# INTRODUCTION

The Economic Development Portfolio Committee exercises oversight and scrutiny over the Gauteng Department of Economic Development and its entities. This includes planning, budgeting, financial management and reporting by the Department. In line with the provisions of the Constitution of the Republic of South Africa (1996), the Public Finance Management Act (1999) creates the basis on which oversight by Legislatures should be exercised. It clearly outlines areas of service delivery that should be reported on, including the responsibilities of officials and the role of the Gauteng Provincial Legislature (GPL) in cases where reports have to be tabled.

In the year under review, the Department was allocated an amount of R 1 796 830 000 (R 1 796.8b) to facilitate and promote economic growth and development in the province, with a targeted commitment to focus on enhancing the inclusivity of the economy, while not neglecting to improve its competitiveness. This will be done, according to the Department, through a radically transformed, modernized and reindustrialized economy in Gauteng, manifesting decent work, economic inclusion and equity.

This report primarily focuses on examining whether the budget allocated for the Department and its entities is aligned to key government strategic priorities. Furthermore, the report intends to assess whether the objectives of the Department correlate with the intended outputs as well as outcomes. The Committee intends to interrogate and assess the overall Departmental performance, summary of findings per programme as well as stakeholders’ submissions on the Annual Performance of the Department.

The Gauteng Provincial Legislature’s oversight methodology stipulates that when analysing the budget, the variables of the Sector Oversight Model (SOM) must be considered. Given that SOM variables are interrelated, which means that priorities, inputs (capital and current), outputs and outcomes should be considered.

# PROCESS FOLLOWED

The Speaker of the Gauteng Provincial Legislature formally referred the Annual Performance Report of the Department in terms of Rule 149 of the Standing Rules to the Economic Development Portfolio Committee for consideration and reporting.

As guided by the Standing Rules of the GPL as well as the Constitution of RSA, the Committee invited stakeholders to partake in its deliberations during the consideration of the Annual Performance Report of the Department for the 2022/23 FY.

The Committee convened and discussed the research analysis in the meeting on the 20th of October 2023. In the preceding meeting, the Department presented to the Committee its Annual Performance Report including agencies for the 2022/23 FY on the 27th of November 2023. The Committee thus adopted its oversight report on the Annual Performance Report 2022/23 FY over the Department in a meeting that convened on the 21st of November 2023. The Committee through the Chairperson tabled the report with recommendations to House for adoption in the House on the 5th of December 2023.

# COMPLIANCE AND QUALITY

In line with the GPL Standing Rules, the Department including entities timeously submitted all Annual Performance Reports for the 2022/23 FY. The Department and agencies reported on their financial and non-financial performance in line with the requirements of the Public Finance Management Act (PFMA) 1999.

# OVERSIGHT ON STRATEGIC PRIORITIES

## a. Priorities

## This section provides an overview of the Departmental mandates with alignment to the National and Provincial priorities through the National Development Plan (NDP) 2030 as well as working towards the realisation of African Agenda 2063 aspiration 1 on a prosperous Africa based on inclusive economic growth and sustainable development. The aspiration is attained through fostering transformation, growth and Industrialisation of the economy. In addition, there is a need to work towards Sustainable Development Goals (SDGs) such as goal 8 on decent work and economic growth and SDG 9 on Industry, Innovation and Infrastructure.

## The Department focuses on amongst others on the radical and re-industrialisation of the economy; new, smart knowledge-based economy; and revitalisation and modernisation of the township economy as some of the key pillars of the province’s TMR programme. In response to the priorities, employment creation remains in the centre as supported by the NDP, in the struggle against the triple challenges of poverty and equality, especially unemployment. The NDP is a long-term plan for the country that seeks to create 11 million jobs and reduce poverty and inequality from 0.69% to 0.60% in 2030.

## The Department supports the vision of a radically transformed, modernized and reindustrialized economy in Gauteng, manifesting decent work, economic inclusion and equity. This is achieved through the Department’s mission which is to ensure radical transformation, modernization and reindustrialization of the Gauteng economy; provide an enabling policy and legislative environment for equitable economic growth and development; develop and implement programmes and projects that will revitalize Gauteng’s township economies; build a new smart, green, knowledge-based economy and industries; ensure decent employment and inclusion in key economic sectors; facilitate radical economic transformation, modernization and reindustrialization; include the marginalized sectors of women, youth and persons with disabilities in mainstream economic activities; and establish appropriate partnerships for delivery and ensure the Department effectively delivers on its mandate.

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

## These outcomes are aimed at assisting the Department to achieve all goals and objectives set through the New Growth Path (NGP) and the outcomes of the National Development Plan (NDP)

The Committee is of the view that the Department is at the forefront of ensuring that decent and sustainable employment is created by the Department and all its entities. Facilitation of foreign and direct investments through the Gauteng Investment Centre will assist in achieving amongst others radical economic transformation and the modernisation of the economy. The Committee adopted recommendation that were geared towards assisting the Department support priorities adopted by Government.

## Measurement of service delivery impact / Achievement

In the year under review the Committee noted with concern that job creation remained a challenge wherein the Committee was vocal in stating that the Department should create more permanent work opportunities. The Committee urges the Department to continuously strive to fill all vacant funded positions to reduce the vacancy rate in particular those positions that are strategic in nature. The misalignment between inputs and outputs with the Departmental programmes more particularly in entities remains a concern to the Committee. In addition to this under expenditure remained a concern for the Committee.

In the main, the bulk of the Department’s budget comprises of transfers made to the different agencies. This section outlines the general performance of agencies. Generally, it focusses on both the non-financial and financial performance of agencies. This led to the analysis of more comprehensive information on the performance of respective agencies for the annual report process. In essence, the availability of individual APPs as well as the quarterly reports of the various agencies allowed for a more thorough assessment.

# OVERSIGHT ON TECHNICAL PERFORMANCE

In the year under review, the Department reported on targets related to the Department and those which are related to entities as well. Considering this, in the year under review the Department attained 18 out 43 targets which translate to 41.86%. In terms of percentage, the Department realized a decline noting that in the previous financial year attained targets were at 67.31%. On the attainment of targets related to entities, the performance varied as follows: the Gauteng Tourism Authority (GTA) achieved 23 of 26 planned targets which translated to 88%, the Cradle of Humankind World Heritage Site (COHWHS) attained 11 of the 13 planned targets constituting 85%. With respect to the Gauteng Growth and Development Agency (GGDA), the entity attained 61 of the 75 planned targets translating to 81% achievement. The Gauteng Enterprise Propeller (GEP) attained 17 of its 20 targets constituting 85% and the Gauteng Gambling Board (GGB) achieved 18 of its 23 planned targets reflecting 78% achievement and lastly the Tshwane Automotive Special Economic Zone (TASEZ) realised 7 out of 10 planned targets translating to 70%.

The unattainment of targets by some of the entities remains a concern for the Committee especially in areas related to the support of small businesses, this includes as the finalization of infrastructure projects that are aimed at creating employment. The Committee still reiterates that the agency oversight unit within the Department should be well capacitated and play a crucial role in ensuring that the agencies execute their mandate in creating employment opportunities.

Programme Information

**PROGRAMME 1. Administration**

The purpose of the programme is to provide strategic leadership, support and transversal business solutions to enable the MEC, HOD and the DED Group to effectively and efficiently deliver on its mandate. Its sub-programmes comprise of Office of the HOD, Office of the MEC, Financial Management, and Corporate support services.

The Committee noted that the programme was allocated an amount of R 254 051 000 (R254m) in the year under review and spent an amount of R 238 399 000 (R238.3m) which constituted to 93.84%. In this regard the programme performed poorly financially as the underspending in this regarding is over the 3% threshold as it on 6.16% amounting to R 15 652 000 (R 15.6m) with only 2 out of the 4 planned targets attained.

In highlighting some of the key targets attained relate to the 100% payment of supplier invoices paid within 15 days and 41% procurement spending on women owned business spent wherein the target was set at 40%. In further outlining the number of women businesses supported, the Department indicated that it spent R11 686 721 (R11.6m) and 135 businesses benefited from the stipulated amount and this included 66 township businesses.

The Committee noted that on the R200 000 000 (R200m) rand value of resources leveraged through partnerships, the Department attained R29 700 000 (R 29.7m). Despite this, the Committee observed with concern that during the in-year monitoring process of the financial year in review, the Department reported that it managed to leverage R 68 800 000 (R68.8m) from Pernod Ricard South Africa limited. In response to this, the Department indicated that the R 29 700 000 (R29.7m) were funds set aside by Pernod Ricard for the development of furniture makers that were part of the programme for the next 3 years, this included running the Phakamisa Ispirit campaign that included a game show on e-tv and all advertising procured by Pernod Ricard to run the campaign that was for the furniture makers. In giving a breakdown of the benefits of the project, 7 SMMEs were provided with technical skills development training and business development programmes, furthermore SMMEs were also provided with the operational space which includes the shared machinery and equipment. Market access for the SMME’s has been facilitated to the value of R 1 010 000 (R1m) as part of the Phakamisa Ispirit campaign; and the Department has supported the Furniture programme by funding technical skills development and incubation, where 33 Young people have been trained and 34 SMMEs have been incubated in the year under review with 15 jobs created.

Similarly, to the previous financial year the Committee remains concerned about the inability by the Department to finalize the organizational structure as it has not been finalized. In responding to this, the Department indicated that a thorough consultation process in the Department has taken place, and the proposed organisational structure has been costed and submitted to the Head of Department (HoD) for Gauteng Treasury for consideration. Once the HoD: Gauteng Treasury issues a budget certificate in line with the 2015 Directive on changes to the organisational structure, the MEC will formally consult with the Minister for Public Service and Administration (MPSA) through the Office of the Premier (OOP). Upon obtaining concurrence from the MPSA, the Department will implement the new organisational structure. The implementation of this structure has been an on-going challenge for the Department for lengthy period and thus contributing to the to the high vacancy rate which is not only limited to the SMS posts but the overall rate within the Department.

**PROGRAMME 2. Integrated Economic Development Services**

The purpose of this programme is to ensure radical transformation that addresses the triple policy imperatives of decent work, inclusive economy and equality. The programme’s objective is to develop a new, smart, knowledge-based economy and industries that are responsive to the triple policy imperatives of job creation, an inclusive economy and equality, and that fosters competitiveness.

Under this programme, two agencies are housed namely: the Gauteng Growth and Development Agency (GGDA) and the Gauteng Enterprise Propeller (GEP). Furthermore, the Automotive Industrial Development Centre (AIDC), and The Innovation Hub (TIH) are implementing agents for the GGDA. All these agencies and subsidiary companies have reported independently on the financial and non-financial information for the year under review.

In the year under review, the Department reports to have spent R 223 876 000 (R 233.8m) which would represent a total expenditure of 100% of its allocation, whilst the programme attained 4 of its 8 constituting to 50% attainment of targets. The Committee noted that in terms of service delivery, the performance of the programme cannot be assessed as the targets are not part of the annual report of the Department, however, will be assessed when considering agencies. In addition to this, detailed expenditure on the allocated amount which is mainly transferred to entities will be unpacked when reflecting on entities. However, during the Committee’s interrogation of the Annual Report under review, the Committee noted that GEP as an entity spent an amount of R 304 154 000 (R 304.1m) representing a 134.96% expenditure. **The Committee is concerned with the financials provided noting that in the 2021/22 FY, the entity failed to submit its Annual Report on time due the Auditors being unable to verify information provided by the entity as there seems to be a misalignment with regards to information provided. Furthermore, the Committee continues to question the role of the Agency Oversight within the Department in ensuring that entities perform satisfactorily.**

On the implementation of the Township Economic Development Act (TEDA), the Department outlined some of the projects that have been implemented such as the Infill residential and commercial development wherein 45 township residents have been funded and to date construction has started in Tembisa and Mamelodi following successful rezoning applications with 200 jobs created in the process. The Township Retail Programme has created 8450 jobs in the first year of implementation and to date within the 2023/24 FY between the 1st and 2nd Quarter 1200 jobs created have been created. Within the same programme 45 township manufacturers were onboarded, 3 distribution centres completed in Katlehong, Mamelodi and Kagiso, 8 645 stores refurbished in the townships across the Province, 5 SMME’s at Hostels supported with equipment valued at R500 000 in partnership with CCBSA. In continuing to outline some of the strides made through the implementation of the Act, on the Last Mile Project 530 youths trained and graduated from the programme in the last financial year, 130 secured contracts and assets for the market, 60 jobs created in the current financial year, 262 merchants participating in the programme in partnership with UberEats with 72 beneficiaries obtained licences in Alexander(32) and Soweto (40), 30 youths currently undergoing training in Reiger Park, 120k orders driven through the merchants and over R 24 000 000 (R24m) in Revenue, 5 Courier applications still in pipeline pending due to missing documents and 64 couriers activated as job opportunities.

On the Township Broadband Project, 13 townships covered with Broadband across the Province, including 6 hostels. **However, the view of the Committee is that despite the strides made, the Department should make efforts to implement such projects in many of the deprived and depressed areas of the Province**. On the Cellphone Repair Project, 120 young people are undergoing training was due for completion end of October 2023 with the following breakdown in terms of area and numbers Kagiso – 20, Rabie Ridge – 20, Alexandra – 20, Westbury – 20, Orange Farm -20, Sebokeng -20.

The Department reported that on the Taxi Economy Project, three (3) taxi economic nodes (fuel depots – Phase 1) developed as a catalyst for the development of the newly conceptualised Taxi Economic Nodes consisting of Fuel (Phase 1) and Retail (Phase 2) facilities. This would be in Mabopane, Soshanguve and Stinkwater/Eersterus Funding Model for Retail developed, and three (3) new sites Alexandra, Westbury and Emfuleni identified for implementation of Phase 1. Whilst municipal approvals are in process and Sebokeng, Soshanguve and Kokosi negotiations and agreements with Taxi Industry are underway with each hub costing R 68 000 000 (R68m) on average and the Trust Fund has committed 10% to leverage private sector investment.

With respect to the various funds established to support the Township Economic Development Act, the Department reported that through GEP, established the Township Economic Partnership Fund (TEPF) in collaboration with Industrial Development Corporation (IDC)which has different products based on the Township Economy Act. The fund is currently fully subscribed following the launch of the Kasi Umnotho Fund in partnership with Family Tree. The Department including GEP has approached Provincial Treasury to recapitalise the fund to cover more industries within townships and to date more than 1000 jobs have been stimulated. **The Committee should be appraised on the details related to the functioning of the Kasi Umnotho Fund and the role of Family Tree, noting that several concerns were previously raised by the Committee in particular on Family Tree.**

Furthermore, the various funds under the TEPF are at various stages of implementation with the following outputs achieved to date, with the total value of approvals made to SMME’s is at R 323 000 000 (R323m). Whilst there have been 1598 beneficiaries and 5467 job created. However, two funds namely; Kasi Umnotho and Indlu township property funds experienced delays in implementation due to prolonged processes of finalizing approvals by their banking sector partners. These have since been finalized and implementation will take place in the 3rd Quarter of the 2023/24 FY, in this regard the Committee will continuously monitor progress in this regard.

The Committee continues to implore on the Department that the funds that have been outlined are being leveraged on and as such these funds should bear fruit and realise tangible outcomes such as the number of jobs created in various sectors and other economic opportunities within townships in the Province. **It is in this light that the Department should, on a quarterly basis, continue to report on the number of jobs created both permanent and temporary jobs and linking them to the funds that have been leveraged on.**

The Committee noted that in terms of the status of the implementation of the GEP turnaround strategy, the entity managed to implement 57% of the recommendations of the strategy. In the current year to date, the entity continues to implement the remaining 6 (43%) of the key recommendations. The recommendations are in line with the process to reconfigure GEP. These recommendations include the review of the Gauteng Entrepreneurship Model (GEM), the review of operations management guidelines, methodology and processes informed by the Department of Public Service and Administration (DPSA) operations management framework, the review and development of the GEP commercial strategy as well as the profiling of position post restructuring and change management implementation.

**PROGRAMME 3. Trade and Sector Development**

The purpose of this programme is to ensure Re-Industrialization that addresses the triple policy imperatives of decent work, inclusive economy and equality. The programme’s objective is to support, stimulate the competitiveness of, and transform the 11 identified economic growth sectors (finance, automotive industry, manufacturing, information and communications technology (ICT), tourism, pharmaceuticals, creative industries, construction, real estate, mineral beneficiation and agro-processing).

In the year under review the Committee noted that the Department under this programme budgeted an amount of R 798 613 000 (R 798.6m) and the programme thus spent 100% of its budget. Individual spending by entities within this programme will be highlighted when considering agency oversight. The programme attained 3 out of the planned 8 targets.

Under this programme and in particular within the Gauteng Growth Development Agency (GGDA) which is housed under this programme, many infrastructure projects have experienced delays. Key highlights relate to the Constitutional Hill Visitor Centre which terminated the contractor’s contract due to poor and slow performance as the contractor faced financial difficulties. In remedying the situation, the Department indicated that several intervention measures have been implemented by the principal agent and GGDA on efforts to salvage the project. This included the certification of two progress certificates a month assist the contractor with cash flow. Further to that, as per the JBCC, the contractor was requested to provide an advance payment guarantee for approval, this was to further assist the contractor with cashflow. The contractor failed to provide such and as thus the interventions measures were not effective in improving the pace at which work was delivered and thus, not resulting nontangible physical progress.

The Department indicated that the contractor was issued with the intent to terminate notice as per the JBCC contract, it was issued to the contractor on the 18th of July 2023 with the final date to remedy the default by the 1st of August 2023. The contractor failed to remedy the defaults within the period of the Notice of Intention to Terminate thus the contract with the contractor was then terminated on the 15th of August 2023. **In light of this, the Committee questions the due diligence study undertaken by the Department including the bidding and supply chain management processes undertaken prior appointing the contractor. The full effectiveness of the Department to conduct thorough validation of the bidding contractors is placed in question, as capable and reputable contractors were to be appointed in order to complete the project timeously. In addition to this, the Department should also highlight to the Committee what other punitive measures were taken on the contractor for failure to deliver apart from terminating the contract.**

In formulating a way forward, the Department informed the Committee that the GGDA will initiate a procurement process to appoint a new Professional Service Provider (PSP) that will undertake stage 3- 6 of the projects. This entails reviewing of existing designs and preparing of tender documents required for the appointment of the new contractor. Thus, the panel of PSP’s was approved by the Board on the 9th of October 2023. **Despite providing a way forward, the Committee remains concerned that there would be additional cost implications on the appointment of the new contractor and this includes other measures that will be taken to ensure that the appointed PSP will be able to deliver on time and in line with the allocated budget**.

In addition to this, the Committee was informed that there were disruptions at the Industrial Development Zone Jewellery Manufacturing Project (JMP) construction due to sub-contracting disputes and this affected the completion date and in turn has been revised to February 2024. The Biopark Phase 3 at The Innovation Hub (TIH) also could not meet its completion date and stood at 73% completion by September 2023. The Committee is of the view that, such infrastructure projects should be expediated and completed as they impact on job creation initiatives and the Committee will continuously monitor the abovementioned projects until completion.

Detailed work on the GGDA will be highlighted under the section relating to entities of the Department.

**PROGRAMME 4. Business Regulation and Governance**

The purpose of this programme is to ensure that the Department’s agencies, Consumers Affairs, and the Gauteng Liquor and Gambling Boards are implementing interventions that contribute to the achievement of the Department’s strategic goals. The programme’s objective is to protect and promote the rights of consumers and facilitate ethical business practices in relation to customer service, regulate the liquor and gambling industries and maximize benefits from these industries that can accrue to broader socio-economic development in the province, and support and promote alignment of the work of GDED’s agencies to that of the Department and ensure accountability of the agencies to the GDED.

The Committee noted that the programme budgeted an amount of R 146 797 000 (R146.7m) however the expenditure on the programme amounted to R 143 344 000 (R143.3m) which constituted 97.65%. The spending is within the 3% threshold. The Committee noted that the programme attained 7 of its 14 which amounted to 50% attainment of set targets. The Committee is concerned with the misalignment between targets attained and the allocation spent within this programme, therefore the Committee implores to the Department that there should always be alignment between inputs and outputs.

The sub-programme, Consumer Affairs attained 3 of its 6 set targets and these included the 50-youth recruited as consumer champions, 250 SMME’s empowered to comply with consumer laws, and 100% cases prosecuted on the consumer laws. The Department outlined the role of the 50-youth consumer champions wherein their daily activities are to assist with consumer education initiatives, coordinating and conducting outreach and exhibitions activities, creating awareness on consumer rights and responsibilities in communities. This is done in partnership with the Gauteng City Region Academy (GCRA). They report at 9H00 and end their working day at 14H00 from Monday to Friday. The Consumer Champions are all on short-term employment contracts, entered with the GCRA, which in turn pays their monthly stipends wherein graduates receive a stipend of R7000 per month and those with Grade 12 only receive R4000 per month. The Committee is of the opinion that, these consumer champions should be appointed on the permanent basis and this would also bolster the initiative by Government related to Nas’Spani.

In giving an update on the promulgation of the Gauteng Consumer Protection Bill, the Bill was submitted to EXCO for approval and has since been approved to be published for comments by members of the public including interested persons, organisations and stakeholders who have been invited to submit written comments and representations on the Bill. The reason for the bill to be published is based on the directive from the State Law Advisor as there have been changes to the Bill since it was first published for comments. A notice for publication of the Bill for public participation has been drafted and submitted to the State Law Advisor’s office for certification. Once received, it will be routed to the MEC’s office for signature. Currently, the office has requested a quote from the government printers.

The Department, through the Gauteng Liquor Board (GLB) indicated that in the year under review 2 111 new licences were issued and in addition to this the following measures were put in place to ensure the proper issuing of licences:

* Pre-inspections are conducted as envisaged in terms of section 109 (1) of the Gauteng Liquor Act, No2 of 2003, to ensure that the premises meet the requirements of the type of licenses applied for;
* All liquor license applications lodged with the Board must comply with the provisions of sections 23 (1) (a-j) and 23 (4) of the Gauteng Liquor Act No.2 of 2003;
* All liquor license applications must be presented before the local committees of the Board for the consideration of objections, if any and recommendation to the Board; and
* All liquor license applications must be presented before the Board for adjudication and resolution, either to approve or decline the application.

Despite all this, the Committee is still of the view that the GLB should also promote the responsible drinking within society and this also talks to the role that should be played by the Gauteng Gambling Board on the responsible gambling.

**The Committee should be given an update on the implementation of the Lanseria Smart City Phase 1** **project noting that the City of Johannesburg and the City of Mogale Municipalities have passed resolutions whilst the City of Tshwane has still not passed a Council resolution on the matter, thus remaining a concern for the Committee, wherein the view of the Committee is that inter-governmental relations should be strengthened in an effort bolster service delivery and conclude such projects aimed at creating employment. Despite this, the Committee noted the great strides in this regard and impresses on the Department to continue doing diligent work in this regard, also impressing on the MEC to engage politically with the City of Tshwane in passing a resolution by that Council in implementing the Lanseria Smart City.**

**PROGRAMME 5. Economic Planning**

The purpose of this programme is to provide thought leadership to transform and re-industrialize the economy of the Gauteng City Region through policy and strategy development. The programme’s objective is to develop economic sector specific policies and economic plans for the province, strategies and frameworks and any economic legislation and regulations required. All proposed policies and plans will be informed by sound economic research and will focus on the new strategic direction and approach such as support for the 11 identified economic sectors and revitalizing township economies.

The Department reported that the programme was allocated an amount of R 373 493 000 (R373.4m) and spent an amount of R 346 381 000 (R346.3m) which constitutes 92.74% of its allocated budget. This is above the 5% threshold as outlined in the Treasury Regulations as the programme underspent by 7.26% amounting to R 27 112 000 (R 27.1m), whilst the programme also attained 2 out of the 9 planned targets.

The unattained targets relate to the Departments inability to create 180 000 jobs through the township economy programme as the Department managed to only create 1 690 and reasons cited for this relate to a lack of funding and dependency on partners. This is despite previous commitments that funds are raised through the SME funds, alluding to R 300 000 000 (R300m) injection through intermediaries such as the SMME Crisis Partnership Fund, Kasi Mnotho/Family Tree Fund and Nedbank and Township Growth Fund/Emerge-Bluefields. However, the latter funds through Nedbank partnership did not come to fruition, and the reported progress was related to the SMME Crisis Partnership Fund (SASME Fund Partnership). The Committee is of the view that the Department cannot fail in attaining job creation targets as this does not bolster well for the vision of the Province in reducing unemployment.

In response to this the Department indicated that, the biggest challenge relates to direct funding of projects by the Department which does not translate into much in terms of jobs impact. The Department outlined that only R 16 000 000 (R16m) has been allocated to deliver on township projects and the required budget based on scientific analysis is at least R 180 000 000 (R180m) internally to enable the Department to leverage funding and make an impact. The current allocated budget could only yield 520 jobs in line with market employment multiplier effect especially noting the declining economy that is currently shedding jobs. Furthermore, the Provincial Government has also just announced cost containment measures leading to the reduction in budgets which has had a negative impact of project implementation. Inadvertly, this means that projects will have to be downsized in line with the cost containment instructions. **The Committee observed the rational not to attain the required number of jobs however, does not support the given rational, the Committee is of the view that the Department should make greater strides in ensuring that the programmes within the Department tasked with creating employment should be realistic in their planning and also take account of the budget allocation accorded to them. In addition to this, the Department should also be able to explore other partnerships outside of the already existing ones with the private sector in order to get more buy-in and increase employment opportunities.**

**Agency Oversight**

In the year under review, the Committee noted that the Gauteng Tourism Authority (GTA) achieved 23 of 26 planned targets translating to 88,46%. The Cradle of Humankind World Heritage Site (COHWHS) & Dinokeng attained 11 of 13 targets constituting to 84,61%. The Gauteng Growth and Development Agency attained 61 of its 75 planned targets resulting into 81,33% achievement. The Gauteng Enterprise Propeller attained 17 of its 20 targets which resulted into 85% achievement. Pertaining to the Gauteng Gambling Board, it achieved 18 of its 23 targets constituting 78,26%. Then the Tshwane Special Economic Zone (TASEZ) realised 7 of its 10 targets with 76.04% achievement.

Departmental Entities outlined as follows:

**Gauteng Growth and Development Agency (GGDA)**

In the year under review, the GGDA changed its reporting structure, wherein it reported on 5 sub-programmes instead of 6. The sub-programmes reported are as follows: GGDA Holdings, Automotive Industry Development Centre (AIDC), The Innovation Hub (TIH), Gauteng Industrial Development Zone (GIDZ) and the Constitutional Hill (ConHill) as the Greater Newtown Development Company has been removed from the subprogrammes that have been reported on.

In the year under review, the entity attained 61 out of 75 planned targets translating in 81% attainment of targets. The facilitation of trade and investment as one of the core functions of the GGDA Holdings falls within this programme. In the year under review, a total of 21 investments projects consisting of 12 Foreign Direct Investments (FDI) and 9 Domestic Direct Investments (DDIs) were initiated. Notably, the focus is more on the planned rand value of FDIs and DDIs facilitated instead of the total number of investment projects. The planned rand value of FDIs facilitated amounted to R25 400 000 000 (R25.4b) billion against the targeted R12 000 000 000 (R12b).

The Committee continues to urge the Department to uphold its commitments and finalise all infrastructure projects such as the Constitutional Hill Visitors Centre and Bio-Science Park phase 3 project by the end of the 2023/24 FY**. On a quarterly basis, the GGDA should report on the progress made in this regard until finalization of these projects.** The entity should continue or strive to create or facilitate a large number of employment opportunities going forward noting that in the year under review, the entity managed to facilitate 15 400 jobs.

**Cradle of Humankind World Heritage Site (COHWHS) and Dinokeng Projects**

The COHWHS is a geospatial tourism development project in one of the most economically depressed areas of Gauteng. It is the World Heritage site in Gauteng and globally respected for its discovery of fossils of ancient human ancestors. Primarily, it was declared a World Heritage property by the United Nations Educational, Scientific and Cultural Organisation (UNESCO). Meanwhile, Dinokeng is a development project located in the deprived area of the north-eastern part of Gauteng. The initiative aims to establish a premier tourist destination close to the urban agglomeration of Gauteng. Accordingly, both projects seek to contribute to economic growth and job creation through investment in the development of strategic infrastructure and to encourage private sector tourism activity.

The Department reported that the COHWHS attained 11 of the 13 planned targets unlike in the previous financial M300 hectares of vegetation and the 8 community empowerment projects implemented through the private and public sector partnerships.

In response to the conversion of MAL to a non-profit company, the conversion was delayed by the non-submission of the audited financial statements by MAL. To date, Cradle of Humankind through the Department’s Legal Advisory Services engaged with the Office of the State Advisor for the appointment of corporate lawyers to assist with the process. The Department outlined the progress on the process of the conversion as follows:

* Wits University has indicated their intention to discontinue with the current temporary arrangement; Wits University will withdraw from MAL with effect from 17th January 2024.
* During a bilateral meeting held on the 16th of October 2023 between Wits University and the Department represented by the Vice Chancellor and HOD respectively, both parties agreed to establish a High-Level Team that will deal with the winding down of the MAL and develop a new agreement;
* In terms of the legal advice received by the Entity, the process of establishing a NPC and winding down MAL as a private entity can happen simultaneously; and
* The entity is hopeful that the registration of a NPC will be finalised by December 2023 to enable the entity to take over the operations of Maropeng.

**Automotive Industry Development Centre (AIDC)**

The AIDC aims to improve the competitiveness of South Africa’s SMME’s in the automotive component manufacturing industry, and to enable them to participate at a globally competitive level. From the previous financial years, the operation of the AIDC has been merged with the Automotive Supplier Park (ASP). The sub-programmes include Industry Development, Operations, M&E and Risk, Business Development, Finance and Human Resources.

The Committee noted that most planned targets for the year under review were new. This is on the backdrop of non-performance during the 2021/22 FY on such. This includes amongst others the sub-standard performance at the Winterveldt Enterprise Hub due to limited working capacity and electricity constraints; the failure of the enhanced skills development and training programmes to translate into effective job placement for the unemployed individuals due to non-concluded MOUs. Further unrealised targets relate to delays in some planned projects with negative consequences for job creation. As much as some of the new projects point to innovative measures and monitoring of crucial areas such as increased localisation and improved market access within the historically disadvantaged SMMEs. It cannot be ignored that this opens gaps in tracking programme continuity as well as determining the success of introduced interventions in dealing with some of the previous constraints. **The Committee should be appraised on the turn-around strategy employed on the Winterveldt Enterprise Hub to get it to be fully operational and attain its intended objectives.**

**The Committee noted with concern that the failure by the City of Tshwane to allocate vehicles for repairs at the Winterveldt Enterprise Hub negatively affecting volumes and revenue generated by the township based SMME’s. Instead of the targeted R 40 000 000 (R40m), only R8 500 000 (R8.5m) was realised thus highlighting a massive shortfall of over R 31 000 000 (R31m). In response to this, the Department indicated that the AIDC in September in 2022 requested that the target be removed because the City of Tshwane was not honoring the payment on the vehicles repaired by the SMME’s thus disadvantaging their businesses. The Memorandum of Agreement between the City of Tshwane and AIDC came to an end in February 2023.**

**The Committee is of the view that other alternatives should be sourced by the Department in order to ensure that the development of SMME’s within the township is enhanced.**

**The Innovation Hub (TIH)**

In the year under review the TIH reported that the Maxum Business Incubator played a significant role towards enterprise development. It assisted start-up SMMEs at their early stages of development to maximise their opportunities. The incubation process assumes different stages including a 12-month pre-commercialisation phase; a 3-year commercialisation phase and graduating out of the core programme upon demonstrating profitability and sustainability for at least 6 months.

The Committee noted that in terms of job creation, the TIH planned a target of 240 jobs to be attained however this was surpassed as 268 jobs were created. The jobs created were in the following areas, Green economy (105 jobs); Digital economy (47 jobs); Bioeconomy (23 jobs); eKasiLabs (78 jobs); and TIHMC Skills Programme (15 jobs).

The Committee noted that Maxum Business Incubator plays a significant role towards enterprise development. It assists start-up SMMEs which are at their early stages of development to maximise their opportunities. The incubation process assumes different stages including a 12-month pre-commercialisation phase; a 3-year commercialisation phase and graduating out of the core programme upon demonstrating profitability and sustainability for at least 6 months. For the 2022/23 FY, the number of companies graduating from the incubation programme decreased significantly from 16 to 9. The cited limitations of company’s inability to reach revenue milestones are acknowledged.

Pertaining to the developed initiative of eKasi labs, the number of companies incubated has been falling at a noticeable rate in the past 3 financial years. Additionally, for the current period under review, the number of incubated companies decreased from 101 to 93. Although the planned 80 companies were reportedly surpassed due to successful pitching sessions, the current decline in numbers when compared with the previous financial year can undermine the need for inclusive innovation in support to township economy.

**Gauteng Industrial Development Zone (GIDZ)**

The Gauteng IDZ (GIDZ) Development Company was designed to develop and operate the IDZ at OR Tambo International Airport (ORTIA). It aims to provide strategic investments from and within export manufacturing industries, through the IDZ development programme. Its sub-programmes include Skills Development, Infrastructure Development, Investor Attraction and Mineral Beneficiation.

The Committee noted that in the year under review, the long-incurred challenges on the construction of the ORTIA SEZ Southern Precinct top structures were finally addressed thus resulting in the construction being completed. However, the bulk infrastructure development for precinct 2 failed to be initiated. However, there is improvement since the previous constraints related to the approval of the bulk infrastructure designs were finally sorted.

On the construction of the Southern Precinct within the Jewellery Manufacturing Precinct, 2 agencies namely the South African Diamond and Precious Metals Regulator and the State Diamond Trader are currently housed in the constructed Super-Block. Noting that none of the two cluster components are operational, the Department provided a progress report inclusive of the employed corrective measures in resolving the limitations as follows: The two cluster components will be operational during the 3rd quarter of 2023/24 FY. This is because the two cluster components had to be operational, the buildings had to be completed first and beneficial occupation granted to the new tenants. To date, practical completion and occupation certificates for all new buildings were attained and, on this basis, various tenants are at differing levels of the tenant installation process, after being granted beneficial occupation.

**Gauteng Enterprise Propeller (GEP)**

In the year under review the Committee noted that the GEP’s attained 17 out of the 20 planned targets amounting to 85% attainment of targets. Under the Administration programme, the Department achieved its target on the procurement spend of township enterprises owned by women, youth and Persons with Disabilities (PwD), including service providers wherein the majority are owned by women.

The Committee noted that there were audit action plans that were meant to be implemented by the entity, however these were not implemented. In outlining the inability to action these, GEP indicated that action plans that could not be implemented relate to Irregular Expenditure and ICT. Overall GEP continues to monitor the action plans on a regular basis with the oversight of the Audit Committee. **The Committee is of the view that GEP should implement all the action plans related to the previous audit findings that talk to irregular expenditure and ICT.**

The Committee was informed that the Investment Management programme, in the 2021/22 FY debt collection of R13 400 000 (R13.4m) was significantly surpassed as a total of R 31 000 000 (R31m) was collected for the 2022/23 FY. The reasons for this include amongst others the effective utilisation of external debt collectors. The target on the rand value of loans approved from the Investment Management Programme was surpassed at over R 89 000 000 (R89m) against the targeted R 30 000 000 (R30m). Meanwhile, the total disbursement was over R 89 000 000 (R89m), the R 4 000 000 (R4m) gap indicates that there is still room for improvement in tightening the internal controls to ensure that a 100% of the committed loans are successfully disbursed. This realisation is meant to ensure optimal deployment of loans and grant funding improves particularly on the support, development, and sustainability of SMME’s. Pertaining to the percentage of blending funding committed to youth owned enterprises, a total of R4 700 000 (R 4.7m) was successfully disbursed against the approved R 4 800 000 (R 4.8m).

In providing details on the youth fund, the entity indicated that a budget of R10 000 000 (R10m) for this fund emanating from the Youth Accelerator Programme was redeployed and allocated to the Investment Management Unit to be used to fund youth owned business. GEP, thus acknowledges the importance of investing in the country’s youth as a precondition for accelerated inclusive growth, sustainable development and job creation. The fund is a combination of both a loan and grant. To this end the organization undertook to set-up a Youth Fund as a key intervention aimed at the following:

* Prioritized support of youth owned enterprises as a response to the challenge of youth unemployment in the country; and
* The Fund aims to address the significant funding gap in the market for youth-owned enterprises as existing instruments available do not adequately address their needs. The fund will provide support intended to stimulate the establishment and growth of youth-owned businesses, promote digital skills, grow the economy and foster job creation.

Furthermore, a total of 8 deals were approved under the Youth Fund programme since the beginning of the 2023/2024 financial year with the approval amount totalling R 6 966 772 (R6.9m). There is a pipeline of 64 new applications for the youth fund that are in various stages of investment evaluation and assessment and the qualifying applications will serve in the approval committees during this quarter.

The Committee noted that the entity was unsuccessful on the percentage of loans committed from the SMME partnership programme, with a total of R 600 000 000 (R600m) funds committed against the budgeted the R700 000 000 (R700m). In response to this the entity indicated that TEPF commitment of R 50 000 000 (R 50m) and the R 50 000 000 (R 50m) from the Family Tree partner (ABSA BANK) make up the R100 000 000 (R100m) that was not committed because Family tree and ABSA had not concluded funding agreements. ABSA and Family Tree were given a deadline by the TEPF steering committee and that resulted in ABSA fastracking its approval processes. This has since been resolved, TEPF and Family tree signed the funding agreement wherein TEPF provides R 50 000 000 (R50m) and ABSA provides a matching R50 000 000 (R50m) and this will be operational by 1 November 2023.

In keeping track of the R 250 000 000 (R250m) allocated to GEP as part of the Covid-19 relief response and the cultivated partnership with the Industrial Development Corporation (IDC) meant to assist in the establishment of a joint SMME Fund. In light of this and in reaffirming the stance of the Committee on the need to conduct oversight on these allocations, the entity has not given account on how these funds will be accounted for, the information required by the Committee is on the background that this entity has struggled in the recent years with governance issues and reconciliation of their financial statements and the lack of provision of POE in some instances in the year under review.

**Gauteng Gambling Board (GGB)**

The Committee noted that the GGB spent 95.50% of its allocation which translated to R218 584 000 (R218m) against R228 884 000 (R228.8m) that was budgeted. The underspending reflected here is on Administration, Responsible gambling, and socioeconomic development, mainly apparent on Administration. The latter is due to the high vacancy rate at 26% and delays experienced in filling executive and senior positions.

The Committee note that in the year under review the GGB distributed gambling taxes and levies amounting to R1 208 575 000 (R 1.2m) in tax revenue against an estimated R1 149 187 000 (R 1.1m), which represents 105.17% This is commendable as it shows an increase of over 22% from the preceding financial year. The improved performance suggests that the gambling industry maybe recovering post Covid-19 pandemic.

In terms of the APP targets performance, the GGB attained 18 of its 23 constitutes 78.26% attainment of set targets, in comparison to the previous financial year this shows a decline when compared with 91.30% attainment of targets. The non-attained targets include, 4 business units not implemented due to quality control by service provider and 30 Bookmarker licenses not issued due to the absence of a Board, coupled with the none-payment of suppliers within 15 days due to delays for approval. The GGB has stressed during the quarterly responses that it has since strengthened internal controls. Notably, 43 Bookmarker licenses were issued late after the new Board was appointed. This coupled with the 80% Bingo licenses with both 55% management and ownership control issued to the historically disadvantaged show commitment to transforming the industry. In addition, there is a confusion related to % reduction in problem gambling, it has attained 6.5% against 7%, yet reported to have attained this target, which is an anomaly. Conversely, it has attained inter alia clean audit, 100% licenses applications processed; 26 gambling awareness initiatives; and 100% non-compliance incidences investigated, 50 youth skilled through Tshepo 1 million as well as R10 000 000 (R10m) distributed against R 24 000 000 (R24m) million) to CSI and SDF, and R 5 900 000 (R5,9m) for CSI (disaster in Khutsong sinkhole). The distributed funds were for the building of the combi courts across the 5 regions of the Gauteng Province. The Khutsong National disaster was funded with R5 400 000 (R 5.4m) and the R500 000 was then sponsoring back to school campaign for school shoes and related accessories of going to school for the school children.

The Committee noted that the GGB exceeded the target related to the reduction in illegal gambling sites with 478 gambling site closed against the planned 400 owing to collaborating with law enforcement and attained a target of 1 in establishing a dedicated SAPS Unit. Despite the collaboration, the Provincial Commissioner of the South African Police Services (SAPS) refused to provide a dedicated SAPS Unit, however GGB was invited to the Provincial joint operational and intelligence structure (PROVJOINTS) where a presentation was made on the threat of illegal gambling. PROVJOINTS resolved to establish a priority Committee to address illegal gambling. The priority Committee held its first meeting on 13 September 2023 and the next meeting is scheduled for 06 December 2023. PROVJOINTS further resolved that the threat of illegal gambling machines must be addressed by the SAPS Flash Unit on a short-term basis, which lead to the overachievement in raids conducted in the year under review. The Committee is encouraged by this initiative noting that the GGB had experienced challenges in this regard.

The entity reported that the filling of the vacant Chief Executive Officer (CEO) position, is in progress and was tabled at EXCO in October 2023. GGB has since been requested to submit updated verification documents in the same month of October 2023 so as to take the process forward. The Committee is of the view that this process should be expediated as the position has been vacant for a lengthy period of time.

**Gauteng Tourism Agency (GTA)**

As part of its response to the Committee, the GTA gave a full account of the tourism recovery plan before the Committee. Parts of the recovery plan talk to in brief the working relationship between the entity and Tourism SA, the development of Gauteng Air access programme, setting aside funding to assist Gauteng based SMME tourism accommodations and conducted Tourism Skills Audit to assess the skills gaps and interventions.

The Committee noted that the GTA reported on 26 targets, and in the main, out of the 26 targets, 7 were reported in the strategic support program, whilst 10 relate to the destination marketing program and 9 to the destination management program. Of the planned targets, 23 were attained (88%) and 3 were not achieved. With regards to program 2, the Destination Marketing Rand value generated through supported events’ target of R1 000 000 000 (R1bn) was overachieved at R 2 300 000 000 (R2.3bn). The GTA’s planned target for program 1, strategic support was to attain a clean audit, which was not achieved at all, as the report failed to correlate with what was said to be attained. **The Committee is concerned that the GTA was unable to attain a clean audit, the Committee impresses that going forward the GTA should ensure that it attains clean audit.**

The GTA reported that in this financial year three (3) critical posts have been filled and the GTA has 23 vacant posts. The agency is currently engaging with the Provincial Treasury in the quest to fill all remaining vacant posts. With the organisational redesign project on the verge of completion, it is hoped that should the proposed structure be approved and fully funded, then all vacant posts will be filled.

The Committee was informed that the GTA through the Garankuwa Hotel School managed to reach out to 112 SMME’s and train a total of 180 youth on accredited courses. The majority of the 112 SMMEs trained through the Garankuwa Hotel School were from Garankuwa and the greater Tshwane region and were trained primarily on food hygiene and Customer Service and the training courses for the 180 youth are as follows:

* 103 youth were trained in Hospitality Reception and Room Attendant. Both trainings were for a duration of 30 days (one-month) and are accredited skills programmes; and
* 77 youth were trained in Customer Service, Food Hygiene and Basic Baking skills. The duration of the training ranged from 3 days to two weeks.

The Committee was informed by GTA that under programmes, Destination Marketing and Destination Marketing Management allocations are ring fenced as per the GTA allocation and classified as conditional grants. Previously, the GTA had challenges in spending the funds for these allocations. In the year under review, the organization increased its efforts to promote the hosting of the Gauteng’s brand as this is a major economic driver in fulfilling the GTA’s mandate in the province. The overspending was mainly funded from conditional grant balances that had been accumulated from previous years as result of the impact of COVID -19. As part of the budget monitoring and control process; before any procurement process is done, programme managers have to obtain confirmation from finance of the availability of funds,

The Committee noted with concern that the vacancy rate within the GTA has increased from 28% in the previous financial year to 34% and also citing the budgetary constraints as well in this regard. In response, the GTA indicated that there is not enough budget to fill the current vacant positions due to continuous budget cuts. In light of the available limited compensation budget, GTA Board of Directors approved the filling of critical positions which include Finance and HR Managers. The recruitment process has been completed and the two managers will start on the 01 December 2022. In addition, GTA is also completing the process to fill Supply Chain Management

In addition to this the Committee implores on the GTA to link the safety strategy to its destination marketing strategy in order to persuade travellers that Gauteng is the destination of choice. The GTA as well should be at the forefront of bidding and hosting events that contribute significantly for the economy of the Province working in conjunction with the Department of Sports, Arts, Culture and Recreation.

**Tshwane Automotive Special Economic Zone (TASEZ)**

The Tshwane Automotive Special Economic Zone (TASEZ) is aimed at accelerating industrialization and ensuring that the automotive industry’s competitive and comparative advantages are optimised. It is further expected to deliver critical infrastructure, drive transformation, attract the much-needed investment and enhance job creation. It was formally registered in May 2020 as a private company. A Tripartite Agreement between the Department of Trade Industry and Competition (DTIC), TASEZ and Coega was signed for the development and technical implementation of the TASEZ.

In the year under review the Committee noted that TASEZ achieved 7 out of the 10 planned targets. This shows an improvement when compared with the 5 out of 9 targets attained in the 2021/22 FY. On Administration, there are improvements on the payment period of the implementing agencies.

Pertaining to investment attraction, the targeted R1 000 000 000 (R1bn) was surpassed as a total of R1 210 000 000 (R1.2b) was realised by local and foreign investors. The Department should detail the composition of these investments as well as the rationale and differences thereof. Meanwhile, the targeted jobs creation during construction has been far surpassed at 332. Overall, the total jobs created within the zone totalled 2 425 against the planned 1 688.

Furthermore, the Committee was informed that the under – collection of revenue from the City of Tshwane resulted from the delays in the approval of designs for roads and stormwater which delayed issuing of purchase orders by the City and consequently billing and collection of invoices. Thorough discussions were held with the City and the matter was resolved by the City approving the designs in June 2023. Invoices to bill the whole budget were issued in June 2023. TASEZ has received payments after year end and only R56 000 000 (R56m) is outstanding from the City. Since currently billing and collecting monies for water and electricity from tenants on the behalf of the City, these monies have not been paid over to the City as the City has resolved to enter into an offsetting arrangement with TASEZ. There are discrepancies between TASEZ’s records and the City’s records regarding the monies that TASEZ owes the City for water and electricity. The zone operations team and the City are currently resolving the discrepancies and the offsetting will be finalised as soon as the two teams agree. The matter should be resolved before end of this quarter.

# OVERSIGHT ON BUDGET EXPENDITURE

Table 1: Final appropriation R’000

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
| **Final Appropriation** |  | 1 638 292 | 1 944 592 | 1 782 911 | 1 796 830 |
| **Actual Spending** |  | 1 558 980 | 1 887 344 | 1 733 913 | 1 750 612 |
| **Under spending/var** |  | 79 312 | 57 248 | 48 997 | 46 218 |
| **Variance %** |  | 4.84% | 2.94% | 2.75% | 2.57% |

Source: DED Annual Reports and Researchers Calculations

Table 1 shows the final appropriation for the Department from the 2019/20 to 2022/23 financial years. In the 2022/23 financial year, a total amount of R1 750 612 000 (R 1 750.6bn) has been spent out of the appropriated R1 796 830 000 (R 1 796.8bn), and this translates to 97.43% expenditure with an 2.57% variance. While similar to the preceding financial year the variance is within the 3%, it represents a huge sum of R46 218 000 (R 46.2m) The underspent amount could have contributed significantly to the creation of jobs and support of SMME’s noting that some of the programme including entities struggled with financially supporting job creation initiatives.

Table 2: Departmental Expenditure per programme R’000 2021/22 To 2022/23 FYs

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **2021/22** | **2022/23** | **Actual spending** | **Variance** | **Variance %** | **Spending %** | **% target** |
| **Administration** | **230 736** | **254 051** | **238 399** | **15 651** | **6.16%** | **93.84%** | **50.00%** |
| **IEDS** | **309 403** | **223 876** | **223 876** | **1** | **0,00%** | **100,00%** | **50.00%** |
| **Trade and Sector Development** | **822 946** | **798 613** | **798 613** | **1** | **0,00%** | **100,00%** | **37.50%** |
| **Business Regulation & Governance** | **92 815** | **146 797** | **143 344** | **3 453** | **2.35%** | **97.65%** | **50.00%** |
| **Economic Planning** | **327 010** | **373 493** | **346 381** | **27 112** | **7.26%** | **92.74%** | **22.22%** |
| **Total** | **1 782 911** | **1 796 830** | **1 750 612** | **46 218** | **2.57%** | **97.43%** | **41.86%** |

Source: Annual report 2022/23 and GPG Estimates of provincial Expenditure 2022/23, & Researcher’s Calculations

Table 2 shows the actual spending of the Department against the budget per programme. The Committee noted that a total budget amounting to R1 796 830 000 (R 1 796.3bn) and an amount of R1 750 612 000 (R 1 750.6bn) was spent by the Department which constitutes 97.43%. This represents a fairly good spending, with the variance between the budget and actual expenditure is within the 3% threshold at 2.57%. The underspending in this regard can be attributed to two programmes namely Administration which spent 93.84% and Economic Planning which spent 92.74% of their allocation.

# OVERSIGHT ON PUBLIC INVOLVEMENT

As required by the Standing Rules of the GPL, organizations/stakeholders were invited to the Portfolio Committee meetings wherein the Committee was considering and reporting on the Annual Performance Report of the Department of Economic Development for the 2020/21 FY. Through the Committee invite letters, stakeholders were encouraged to make written submissions on issues related to the Department of Economic Development and its entities. Many of the stakeholders, highlighted for the visibility of the GEP and the work undertaken by this entity in support of SMME’s within the Province. Furthermore, the linkage between the Township Economic Development Act (TEDA) and its utilization to emancipate previously disadvantaged people in particular the youth of the Province, wherein more job opportunities are created through the act.

# OVERSIGHT ON RESOLUTION MANAGEMENT

Information on the Department’s implementation of House Resolutions for the period under review

| **RESOLUTIONS MANAGEMENT** |
| --- |
| **RESOLUTIONS PASSED DURING ALL 4 QUARTERS LEADING UP TO THIS ANNUAL REPORT** |
| **Total number of Resolutions passed during the Previous Quarters** |
| 8 |
| **Nature of Resolutions** |
| Service Delivery and Good Governance Resolutions |
| **RESOLUTIONS / ACTIONS NOW DUE (OR PAST DUE)** |
| **Number of Resolution Responses / Action now due** |
| All resolutions emanating from the 2021/22 FY Annual Report were all responded to adequately. This was determined by the assessment conducted by the Committee Researchers. |
| **RESOLUTIONS CLOSED** |
| **From those now due, how many Resolutions are now satisfactorily closed** |
| All resolutions for all the Quarters within the 2021/22 FY, in particular resolutions related to the Annual Report 2021/22 FY were deemed to be satisfactorily responded to by the Department however some remain opened. |
| **REASONS** |
| **Reasons for Resolutions not yet closed** |
| None |
| **Measures taken by the Committee to ensure speedy Closure of Resolutions due but still open** |
|  |

# OVERSIGHT ON PERFORMANCE VERIFICATION

Performance verification and fieldwork research are conducted to ascertain and verify what has been reported by the Department. This is done through constant communication and engagement with the Department. Amongst others, there is continuous fieldwork conducted to some of the SMMEs and Cooperatives supported. The TER projects such as township industrial hubs and parks, eKasi labs and incubation centres are regularly monitored. The researchers conducted fieldwork at the ORITIA JMP precinct construction; phase 3 Bio-park construction at The Innovation Hub; delayed construction of a Visitor Centre at the Constitutional Hill.

Oversight verification was done at the 10 eKasi labs. The Winterveldt Industrial hub was visited, which still faces challenges in terms of getting government fleet to be repaired at that hub. The Mabopane and Garakuwa eKasi labs still show signs of inactivity. This has become prevalent to most eKasi labs. In the 2023/24, the Chamdor industrial park was visited, and it is operational, however, faced with challenges such as accreditation, and leaking doors and roof. The Garankuwa Hotel school is faced with varied challenges. The visits also include two retail Distribution Centres in Thokoza and Mamemlodi, benefiting local spaza shops. Further visits were done to infrastructure projects, and progress is noted, yet there are still delays, mainly at the Visitor centre at the Constitutional Hill.

**Audit findings by the Auditor General**

**Audit findings on the Department:**

According to the Auditor-General (AG)’s opinion, “the financial statements present fairly, in all material aspects, the financial position of the Department and the Gauteng Liquor Board (GLB) as at 31 March 2023, and their financial performance and cash flows for the year then ended in accordance with the Modified Cash Standards (MCS) prescribed by the National Treasury and the requirements of the PFMA 1 of 1999 and the Division of Revenue Act 9 of 2021 (Dora)”.

Similar to the previous financial year, the Department obtained a clean audit (unqualified with no findings), which was an improvement. In addition, the GLB did not encounter challenges as in the previous financial year and in turn, it has an improved outcome from unqualified audit with findings to a clean audit in the 2022/23 financial year. This should be welcomed, especially noting that for a protracted period the GLB faced various challenges in terms of inadequate filing system and in turn, failure to account for the number of licenses, lack of financial viability. While acknowledging the improvements, the urgency relating to business automation and efforts to curb illegality within the liquor industry and guard against alcohol abuse should persist through strengthening capacity and continuously be monitored.

With regards to entities, the agencies’ audit opinion remained unchanged obtaining an unqualified opinion with no findings (clean audit) and such include the GGDA and its subsidiaries such as the Constitutional Hill, GIDZ, TIH and Supplier Park Development Zone. In addition, the COHWHS and Dinokeng also received an unqualified opinion with no findings whilst TASEZ continues to attain a positive audit outcome. Meanwhile, the GGB regressed as it obtained an unqualified opinion with findings instead of a clean audit when compared with the previous financial years. The GTA, obtained an unqualified opinion with some of the cited limitations consisting of the failure by the AGSA to recognize the sector’s reporting approach. In terms of the GEP, it received an unqualified opinion with some material findings on the prevention of irregular expenditure for the year under review. Fundamentally, effective and appropriate steps failed to be undertaken to prevent irregular expenditure mainly caused by non-compliance with procurement processes. **On the matters related to the entities that did not attain clean audits, the Committee is of the view that appropriate steps should be undertaken to prevent irregular expenditure. It should also provide a detailed progress report on various projects inclusive of the disciplinary referrals on the pitching booster initiative in Sebokeng, investigated sponsorships not in line with the sponsorship’s framework and the pursuance of the recovery of funds for the tender of the Project Vuthela geared at creating 75 000 youth opportunities amongst others.**

# FINDINGS, RECOMMENDATIONS, AND IMPLICATIONS ON LAW MAKING

1. Committee Findings / Concerns

The Committee is concerned about:

**Programme 2**

1. The financials presented by GEP on the entity’s expenditure in the year under review, this is further concerning as in the 2021/22 FY, the entity failed to submit its Annual Report on time due the Auditors being unable to verify information provided by the entity as there seemed to be a misalignment with regards to information provided.
2. The lack of information regarding the functioning of the Kasi Umnotho Fund and the role of Family Tree, noting that several concerns were previously raised by the Committee in particular on Family Tree.

**Programme 3**

1. The termination of the contractor’s contract by GGDA on the Constitutional Hill Visitor Centre which was terminated due to poor and slow performance as the contractor faced financial difficulties.

**Programme 4**

1. The lack of coordination between municipalities in the implementation of the Lanseria Smart City as envisaged through inter-governmental relations.

**AIDC**

1. The unsustainable operations at the Winterveldt Hub and the lapse of the contract between the City of Tshwane and the AIDC.

**Audit Outcomes**

1. The GTA, obtaining an unqualified opinion with some of the cited limitations consisting of the failure by the AGSA to recognize the sector’s reporting approach and GEP receiving an unqualified opinion with some material findings on the prevention of irregular expenditure for the year under review.

**General concerns**

1. The inability by the Department and entities to create and report on the number of jobs created.

**All responses to resolutions should be submitted by the 29th February 2024 unless stated otherwise and therefore the Portfolio Committee recommends that:**

**Programme 2**

1. GEP should ensure that all financial statements that are submitted should be appropriate, and the Auditor General should be able to verify information submitted by the entity. In addition to this, Agency Oversight Programme within the Department should ensure that entities perform satisfactorily, and that all information required is submitted by the entity. A report on this should be submitted by the 29th February 2024.
2. The Department should appraise the Committee comprehensively on the details related to the functioning of the Kasi Umnotho Fund and the role and operations of Family Tree, noting that several concerns were previously raised by the Committee in particular on Family Tree. A report on this should be submitted by the 29th February 2024.

**Programme 3**

1. The GGDA and the Department should undertake a due diligence study including a thorough validation process regarding the bidding and supply chain management processes undertaken prior appointing the contractor who will be taking the Constitutional Hill Visitors Centre project forward. This will allow for capable and reputable contractors to be appointed in order to complete the project timeously and within reasonable costs. A report on this should be submitted to the Committee.

4.1 In addition to this, the Department should also highlight to the Committee what other punitive measures were taken on the contractor for failure to deliver apart from terminating the contract with the contractor. A report on this should be submitted by the 29th February 2024.

**Programme 4**

1. An update should be given on the implementation of the Lanseria Smart City Phase 1 project noting that the City of Johannesburg and the City of Mogale Municipalities have passed resolutions whilst the City of Tshwane has still not passed a Council resolution on the matter. The MEC for Economic Development working together with the MEC for Co-operative Governance and Traditional Affairs, e-Government, Research and Development to engage politically with the City of Tshwane in passing a resolution by that Council in implementing the Lanseria Smart City. A report on this should be shared with the Committee. A report on this should be submitted by the 29th February 2024.

**AIDC**

1. The AIDC should explore other alternatives that will ensure that the Winterveldt Enterprise Hub is fully operational and that SMME’s house within the hub are benefiting fully. It should be noted that the Memorandum of Agreement between the City of Tshwane and AIDC came to an end in February 2023 and thus meaning the City will not be repairing vehicles within the Hub. In this regard, other partners should be solicited noting that the hub cannot remain idle as funds have been spent to revitalize the hub to be fully operational. A report on this should be submitted to the Committee by the 29th February 2024.

**Audit findings**

1. GEP should take appropriate steps to prevent irregular expenditure and should also provide a detailed progress report on various projects inclusive of the disciplinary referrals on the pitching booster initiative in Sebokeng, investigated sponsorships not in line with the sponsorship’s framework and the pursuance of the recovery of funds for the tender of the Project Vuthela geared at creating 75 000 youth opportunities amongst others. In addition, GEP should also outline consequence management measures that have been put in place as a form of deterrence to avert irregular expenditure going forward. A report on this should be submitted by the 29th February 2024.

6.1 The Committee continues to hold the view that all findings raised by the AG should be addressed by the Department and entities to ensure that clean audits are obtained going forward. More so, on a quarterly basis, the Committee will engage with the AG to curb any findings which may potentially occur in future and assess progress made by the Department and entities in applying the recommendations made by the AG.

**General Recommendations**

1. The Department should on a quarterly basis continue to report on the number of jobs created both permanent and temporary jobs and linking them to the funds that have been leveraged on and through the utilization Township Economic Development Act as a vehicle for job creation.

# ACKNOWLEDGEMENTS

Appreciation is expressed to all Members of the Committee for their commitment to the oversight process as well as MEC Motara and officials from the Department. I commend them for their diligence and commitment shown during deliberations on the Annual Report of the Gauteng Department of Economic Development for the 2021/22 FY. Gratitude goes to Hon. Mcungeli, Hon. Letsie-Mogale, Hon. Nkosi-Malobane, Hon. Atkison, Hon. Badenhorst, Hon. Du Plessis, Hon. Alberts and Hon Adams. Further appreciate goes to the alternate Members of the Committee namely: Hon. Bosch, Hon. Mukwevho and Hon. Hoffman. 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 T Mulibana; Senior Committee Coordinator Mr. T. Skosana; Committee Administrator, Ms. V. Mokubetsi; Hansard Recorder Mr. S. Minyuku; Public Participation Officer, Mr. B. Dhlomo; Acting Public Participation Officer Ms R Mathebula; Communications Officer, Mr. T; Ndou Service Officers and Ms. Z Mabaso for their devoted assistance.

# ADOPTION

After due consideration the Economic Development Portfolio Committee unanimously adopted the Gauteng Department of Economic Development Annual Performance Report for the 2022/2023 FY.

In terms of Rule 117(2)(c) read together with Rule 164 the Committee presents to this House and recommends the adoption of the Committee’s Oversight Report on the Gauteng Department of Economic Development Annual Performance Report for the 2022/2023 FY.