PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

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Overview of the 2016/2017 3rd Quarter Performance Report of the Department of Telecommunications and Postal Services

1. Background

The following brief, seeks to provide Members of the Portfolio Committee on Telecommunications and Postal Services (the Committee) with information pertaining to the 3rd Quarterly Performance Report of the Department of Telecommunications and Postal Services (the Department) as well as expenditure information relating to the South African Post Office.

1.1 Mandate of the Department

The Department of Telecommunications and Postal Services is mandated to develop ICT policies and to ensure the development of robust, reliable, secure and affordable ICT infrastructure. This contributes to the development of an inclusive information society in which information and ICT tools are key drivers of accelerated and sustained shared economic growth and societal development.

The Electronic Communications Act (2005) empowers the Minister of Telecommunications and Postal Services to draft policies to fulfil South Africa's obligations under bilateral, multilateral, and international treaties and conventions; set guidelines for the determination of certain licence fees by the Independent Communications Authority of South Africa; and promote universal service and electronic communications services in underserviced areas. The Act also allows the minister to promote the participation of small businesses in the ICT sector, and oversee and strengthen the capacity of state-owned enterprises. The department also contributes to building an ICT skills base in the country to ensure equitable prosperity and global competitiveness.[1]

In addition to the Electronic Communications Act (2005), the department's mandate is derived from the following legislation[2]:
- the Electronic Communications and Transactions Act (2002)
- the Sentech Act (1996)
- the Postal Services Act (1998)
- the South Africa Post Office SOC Ltd Act (2011)
- the South African Postbank Limited Act (2010)
- the State Information Technology Agency Act (1998)
- the Broadband Infraco Act (2007).

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[1] National Treasury Estimates of National Expenditure 2017
[2] Ibid

1.2 Mandate of the State Information Technology Agency

The State Information Technology Agency (SITA) is governed by the State Information Technology Agency Act (1998), as amended and is listed as a schedule 3 A public entity. The agency is responsible for the provision of IT services to government. The Act separates the agency's services into mandatory services, which are services that it must provide; and non-mandatory services, which are services that it may provide. Mandatory services include the provision and maintenance of transversal information systems and data processing or associated services for the transversal systems. The Act mandates the agency to consolidate and coordinate government's IT resources to achieve cost savings through economies of scale, increased delivery capabilities and enhanced interoperability of systems.[3]

2. Expenditure Framework of the Department 2016/2017

2.1 Budget Speech of the Minister of Telecommunication and Postal Services

In the 2016 budget speech of the Minister of Telecommunications and Postal Services Dr Siyabonga Cwele, the following issues were highlighted[4]:

- Investing in modern Information and Communication Technologies (ICTs) is one of the crosscutting measures to ignite growth, create jobs and cushion the poor.
- The access to fast, reliable and affordable internet is a critical enabler of socio-economic development. It remains the most powerful equalising tool available to humankind within and between nations.
- South Africa is making strides in the rollout of broadband as a result of government and private sector investments. In 2015 our telecommunications operators invested R23.5 billion and were planning to increase it to R26 billion this year.

The Minister further noted that:

- We are making progress towards our 2019 mobile broadband target of connecting 80% of the population. The mobile broadband 4G/ LTE coverage now stands between 35 and 53%.
- The Universal Service and Access Agency contributed in the upgrade of all base stations at Mutale municipality in Vhembe District and Chief Albert Luthuli Municipality at Gert Sibande District in order to improve Internet connectivity in these municipalities.
- In addition, USAASA connected three special schools for students with disabilities namely Phumlani in Albert Luthuli, Fhulufholo in Mutale and Tsolo in Eastern Cape.
- This year USAASA will focus on upgrading base stations in Mhlontlo and King Sabata Dalindyebo Municipalities in the OR Tambo District.
- State owned companies are the largest investors in the fixed line broadband coverage with Telkom having more than 147 000 km of fibre. In September 2015 Telkom

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[3] Estimates of National Expenditure 2017
[4] Cwele, (2016).

- announced their plans to connect 500 000 homes to fibre by December 2016, growing to one million homes by 2018.
- Broadband Infraco (BBI), despite its funding challenges, spent R203 million to add 1000 km of fibre to its network and established 24 Points of Presence (POP). This year BBI will invest R75 million in infrastructure including for additional 17 POPs.
- In 2015 SENTECH spent over R150 million towards infrastructure upgrades related to service diversification in a bid to increase coverage of vernacular language services for both the public and community broadcasters. This year SENTECH will spend over R500 million to sustain its current services, and expand its services and coverage.
- Phase 1 of government broadband roll out in 8 districts is almost ready for implementation after long planning, consultations and agreeing on coordinating structures with the 8 municipalities and relevant provinces. In this financial year, R316 million has been allocated to connect 2700 government facilities to scalable broadband infrastructure. The department is working with SITA to finalise the process of appointing the service provider in line with the Public Finance Management Act.
- We have also finalised the planning and costing for phase 2 to the rest of municipalities. Unfortunately there is no allocation in the budget because of the economic downturn. We are looking at alternative funding options including from our private sector and development finance institutions

In terms of the Wi-Fi Rollout, the Minister emphasised that:

- The July 2015 Cabinet Lekgotla received an inspiring report on the municipal free Wi-Fi program which was led in the main by Tshwane Metro with over 715 funded operational sites followed by Ekurhuleni, City of Johannesburg and Cape Town. Cabinet directed our department to expedite this programme. We set aside R40 million to assist those metro municipalities that would demonstrate capacity and plans to spend before the end of March 2016.
- Nelson Mandela Bay has completed all 17 sites to provide free connectivity to the people of Zwide, Kwanobuhle, Korsten, KwaMagxaki, Motherwell and KwaZakhele.
- Tshwane also completed connecting 61 sites for the benefit of people of Mabopane, Saulsville and Winterveld.
- Ekurhuleni has completed their 43 sites in Alberton, Benoni, Daveton, Springs, Katlehong, Voslorus, Thembisa, Tsakane and Nigel.
- Cape Town is on track to complete its 28 sites in Athlone, Goodwood, Khayelitsha, Gugulethu, Harare and Crossroad.
- Johannesburg is working hard to complete 47 sites in Alexandra, Diepsloot, Tsepisong, Ivory Park, Doornkop, Orlando East, Dlamini, Lawley and Protea East.
- After initial delays Mangaung will also complete connecting 35 sites in Bloemfontein, Thaba Nchu and Bosthabelo.
- Dr KK Kaunda District Municipality has been the star performer outside metros and has through its own resources, rolled out free Wi-Fi across all its local municipalities. Free Wi-Fi is daily bridging the digital divide. All our municipalities are encouraged to set aside funds for this empowering programme for affordable internet for all.

In terms of the **Cyber-Security Hub**, the Minister emphasised:

- On 30th October 2015 we launched our National Cyber-Security Hub to assist business, NGO's and citizens to protect themselves from attacks while using Internet by issuing alerts, general awareness and resolution of reported incidents. By the end April 2016 the Hub received more than ten thousand incidents of which 75% were classified as low risk and only 10% as high risk. The frequently asked questions on the website relate to banking phishing scams, cybercrime fraud, verification of hoax messages, property scams, identity theft, cyber bullying and other intrusions and denial of availability.
- The development of the Hub has followed a phased approach. It was launched with a set of basic systems and tools for receiving and analysing cyber-security incidents. The website is currently being upgraded to interactive functionality that will be available at the end of June 2016.
- This upgrade will be immediately followed by a further phase of development which will include social media platforms for reporting incidents. All of these developments form part of the roadmap to full international certification of the Hub, which is envisaged to be completed by next year.

The Minister then reflected on the **South African Post Office** and noted as follows:

- The South African Post Office (SAPO) remains a strategic entity for extending government, e-commerce and financial services to South Africans far and wide through its approximately two and a half thousand (2 448) outlets.
- SAPO is correcting the maladministration of the past ten years by implementing the recommendations of the Special Investigating Unit (SIU) and the Public Protector, alongside its home grown Strategic Turnaround Plan.
- SAPO's financial stability continues to be our top priority. This year, SAPO received a R650 million capital injection. This may look like a drop in an ocean as the company urgently requires about R3.7 billion to stabilise it operations and start implementing revenue generating initiatives. Our department will continue to offer the necessary support that will enable SAPO to raise additional funding from the markets. I am confident that the CEO will soon finalise a domestic syndicated loan facility towards the required funding.
- Despite current challenges, SAPO managed to assign over 261 000 addresses to households in the rural and informal settlements.
- The ANC government remains committed to ensuring the Postbank becomes a developmental bank that will provide simple, easy-to-understand financial products and services for the unbanked and underserviced. Last year alone, the Postbank opened over 219 000 new savings accounts for the unbanked.
- In February 2016, SAPO complied with all the section 12 requirements for a permission to establish a full banking company. We are awaiting the response from the South African Reserve Bank which will lead to compliance with section 13 requirements for establishing of the bank such as: the appointment of the Postbank Board, the incorporation of the Postbank Company, and the registration of the Bank Controlling Company

In terms of the finalisation of the **integrated ICT policy white paper**, the Minister noted that:

- Last year we committed to table a new Integrated ICT White Paper before the end of March 2016. The policy is in its final stages of consultation and approval as we plan to finalise it in the next few months. This policy is informed by the developments, innovation and convergence of technologies in the ICT sector. It is our tool to implement what is envisaged by our National Development Plan. It is based on the equality provisions of our Constitution and introduces a range of interventions to ensure everyone in South Africa, irrespective where they live or their socio-economic status can access the benefits of participating in the digital society.
- The new policy proposes radical supply side interventions to accelerate inclusive growth of the industry. It will reduce barriers to entry by moving away from monopolistic infrastructure based competition, to open access broadband networks. A new spectrum policy will support open access networks as it aims to open the use of high demand broadband spectrum for use by all licensees while adequately compensating those who invest in infrastructure.
- The ultimate target is to benefit the consumer by increasing consumer choice, reduce costs, increase innovation, and encourage all consumers to fully experience the Internet.
- The White Paper proposes a rapid deployment policy that will provide a simplified, streamlined and nationally coordinated framework to accelerate the deployment of electronic communications networks. This will drastically reduce the costs to operators and ultimately the consumers.

On **South Africa's International ICT Agenda**, the Minister noted as follows:

- In 2015, South Africa participated in the World Radio Congress (WRC-15) where South Africa led negotiations on critical agenda items such spectrum for mobile broadband (IMT), the protection of spectrum for Digital Terrestrial Television, unmanned aircraft, and Global Flight Tracking. We are proud to announce that we obtained an additional 487 MHz of spectrum for mobile broadband which will assist us to expedite the deployment of these services, especially to the rural areas. This year we will prioritise the finalization of our National Radio Frequency Band Plan as required by our legislation.
- South Africa led discussions at the World Summit on Information Society (WSIS) UN High Level Meeting, on behalf of G77 and China, to advanced equitable safe use, governance and availability of internet to all global citizens.
- As a member of the African Union Bureau for Ministers responsible for ICTs South Africa will continue to explore options for the affordable digitisation of Africa.
- South Africa will also work with our BRICS partners in increasing skills, innovation and collaboration among our companies. This year we will train 40 students and experts in ICT skills in China as part of this collaboration.

To conclude, the Minister spoke on some departmental matters which were as follows:

- I have made progress in resolving the leadership challenges in the Department which impacted negatively on the timely delivery of the Department's outcomes. To this end,

2.2   2016 National Treasury Estimates of National Expenditure

According to the 2016 Estimates of National Expenditure, the key key focus for the department over the medium term will be the ongoing rollout of South Africa Connect, the department's broadband policy. The emphasis is on ensuring connectivity in under-serviced areas, prioritising schools, health facilities and other government institutions. Increased funding of R500 million is allocated over the medium term for this purpose, which accounts for the average annual growth of 94.2 per cent in the budget for consultants in the ICT Infrastructure Support programme. The department projects that 4 442 schools and 3 158 government institutions will be connected over the medium term.[5]

As South Africa migrates to digital broadcasting, the Department of Telecommunications and Postal Services will continue to support the Department of Communications in the rollout of broadcasting digital migration. The South African Post Office has been tasked with the distribution of set top boxes and antennae to identified qualifying households, and receives an increase of R480 million in the ICT Infrastructure Support programme over the medium term for this purpose. Sentech will also be preparing to migrate digital signals, and receives an increase of R113 million in the ICT Infrastructure Support programme.[6]

The national integrated ICT policy review process has made significant progress, and the department expects to table the White Paper on the National Integrated ICT Policy and the draft National Integrated ICT Bill in Parliament in 2016/17. This work is budgeted for in the ICT Policy Development subprogramme in the Policy Research and Capacity Development programme. It also expects to develop 15 ICT position papers for international engagements over the medium term, funded in the International Affairs and Trade programme.[7]

The merger of the National Electronic Media Institute of South Africa, the eSkills Institute, and the Institute of Satellite Software Applications to form the Ikamva National eSkills Institute was initiated to address the overlap, duplication and gaps in e-skills development within and between government departments, the education sector, business and civil society. The

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[5] Estimates of National Expenditure 2016
[6] Ibid
[7] Ibid

Ikamva National e-Skills Institute is aimed at developing the local e-skills required by South Africa's ICT sector, and it will also develop ICT user skills by training people how to use electronic devices, how to use the internet, and how to access public services online. While the merger proceeds, the department is finalising the institute's founding legislation. The process of establishing the institute is supported by increased funding of R126.4 million over the medium term transferred to the National Electronic Media Institute of South Africa in the ICT Enterprise Development and Oversight programme.[8]

To ensure the growth and sustainability of the postal sector, the department will support the implementation of a strategic turnaround plan by the South African Post Office. An additional R650 million is allocated in 2016/17 for the recapitalisation of the entity, which accounts for the large increase in the budget of the ICT Enterprise Development and Oversight programme in that year.[9]

2.2.1 Department Expenditure Framework per Programme

According to the 2016 Estimates of National Expenditure, the Expenditure Framework per programme is as follows:[10]

Programme 1: Administration

Programme purpose: Provide strategic leadership, management and support services to the department.

Programme 2: International Affairs and Trade

Programme purpose: Ensure alignment between South Africa's international activities and agreements in the field of ICT and South Africa's foreign policy.

Objectives

Facilitate broadband connectivity that provides secure and affordable access by all citizens to education, health and other government services and stimulates economic development by:
- Developing an international engagement strategy for broadband to facilitate access to technical assistance, funding and investment opportunities by March 2017.
- Enhancing sub-regional cooperation on ICT policies, regulations and coordination focusing on broadband through international forums by March 2017.
- Facilitating the adoption of digital object architecture technology and best practice solutions for the business model, in collaboration with international partners, to improve internet technologies by March 2019.

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[8] Estimates of National Expenditure 2016
[9] Estimates of National Expenditure 2016
[10] Ibid

- Developing 5 position papers to advance South African ICT policies and programmes, focusing on forefront technology in telecommunications and postal services, and advancing the information society and emerging technologies by March 2017.
- Ensuring that citizens have access to government services through ICT by:
  - Facilitating and developing e-government programmes through strategic partnerships with selected countries by March 2019.
  - Establishing relationships with donor coordinators to enhance coherence in policy approach by March 2019.

Subprogrammes
- *International Affairs* coordinates the functions and responsibilities of the department to meet South Africa's international ICT obligations.
- *ICT Trade/Partnership* develops and advances the country's interests in international trade forums through participation in World Trade Organisation ICT related initiatives and other international trade agreements such as the South Africa-European Union (EU) trade agreement and bilateral agreements with counterpart countries.

Programme 3: Policy, Research and Capacity Development

Programme purpose: Develop ICT policies and legislation that support the development of an ICT sector that creates favourable conditions for the accelerated and shared growth of the economy. Develop strategies that increase the uptake and use of ICT by the majority of the South African population in order to bridge the digital divide.

Objectives
- Create a stable policy and regulatory environment that contributes to socioeconomic development through the development of integrated ICT legislation by March 2017.
- Promote the transformation of the ICT sector through ICT small, medium and micro enterprise (SMME) development and the implementation of the ICT Broad Based Black Economic Empowerment (BEE) Sector Code through operationalising the ICT BEE Charter Council by March 2017.
- Develop and implement the strategy on philatelic products through implementing and monitoring the philatelic strategy, and the annual and commemorative stamp programme, by March 2019.
- Reform the postal sector through the amendment of the South African Post Office SOC Ltd Act (2011) and the Postal Services Act (1998) by:
  – Developing and tabling the Postal Services Amendment Bill in Cabinet by March 2017.
  – Developing and tabling the South African Post Office SOC Ltd Amendment Bill in Cabinet by March 2017.
- Ensure an inclusive information society by implementing the information society and development programme through:
  - Implementing the digital opportunities programme focusing on women, youth, people with disabilities and children by March 2018.
  - Implementing the digital awareness plan for communities by March 2018.

- Coordinating the development of an e-skills cloud platform to facilitate the hosting of e-skills content and initiatives by March 2018.
  - Developing the national e-strategy by March 2017.
- Ensure that citizens have access to services through ICTs by monitoring and evaluating the implementation of e-services by March 2019.

Subprogrammes

- ICT Policy Development drafts legislation, regulations, policy and guidelines that govern the telecommunications, postal and IT sectors, to ensure broad based economic development within the ICT sector.
- Economic and Market Analysis conducts economic analyses of the telecommunications, postal and IT sectors to determine trends and make growth projections. This subprogramme also undertakes market research to explore areas that require policy intervention, and is responsible for the reduction of the cost to communicate.
- Research is responsible for understanding the ICT landscape and delivering a national ICT strategy.
- Information Society Development supports the effective and efficient functioning of the information society; and the development and management of institutional mechanisms such as the interministerial committee on information society and development, the information society and development intergovernmental relation, forum, the forum of South African directors general for information society and development, and the intergovernmental relations forum technical committee. This subprogramme also involves building partnerships between business, civil society and the three spheres of government.
- Capacity Development provides direction for the advancement of e-skills graduates and society in general to function effectively in the emerging information society.

Programme 4: ICT Enterprise Development and Oversight

Programme purpose: Oversee and manage government's shareholding interest in the ICT public entities and state owned companies. Facilitate growth and development of small, medium and micro enterprises in the ICT sector

Objectives
- Promote the transformation of the ICT sector through ICT SMME development and the implementation of the ICT BEE Sector Code by:
  - Facilitating and monitoring the implementation of the ICT SMME support programme by March 2017.
  - Facilitating the corporatisation of Postbank by March 2017.
  - Conduct proactive and stringent oversight to improve the performance and sustainability of state owned entities by:
  - Monitoring the performance and compliance of state owned entities by March 2017.
  - Facilitating the alignment of state owned entities' business cases with rationalised mandates by March 2017.

Subprogrammes
- *Public Entity Oversight* provides oversight over state owned enterprises by managing government's shareholder interests in public enterprises. This includes facilitating enterprises' corporate plans and ensuring that planning cycles are aligned with and comply with guidelines.
- *Small, Medium and Micro Enterprise Development* facilitates the growth and development of ICT SMMEs.
- This subprogramme hosts an e-commerce platform and will produce content that covers the agriculture, tourism, and arts and craft sectors.
- *ICT Support* administers and manages the transfers to the .za domain and hosts the 112 emergency call centre programme.

Programme 5: ICT Infrastructure Support

Programme purpose: Promote investment in robust, reliable, secure and affordable ICT infrastructure that supports the provision of a multiplicity of applications and services.

Objectives
- Increase access to broadband through the digital development and digital future pillars in line with South Africa Connect (the national broadband policy and strategy) by:
  - Implementing phase 1 of the digital development programme, which is focused on providing connectivity, to 2 800 of 5 803 sites or identified government institutions by March 2017
  - Implementing phase 2 of the digital development programme, which is focused on providing connectivity, to 1 797 of 35 211 sites by March 2019
  - Establishing the wholesale open access network through developing the implementation plan for wholesale open access network(s) by March 2018.

- Improve security by establishing cyber security institutional capacity by:
  - Establishing a fully-fledged cyber security hub by March 2019.
  - Facilitating and monitoring the implementation of the cyber-security awareness plan by March 2019.
- Create an effective national spectrum framework to ensure that citizens realise socioeconomic benefits from the use of the radio spectrum by finalising the South African positions and proposals for the World Radiocommunication Conference 2019 in line with the participation plan and framework by March 2019.

Subprogrammes
- *Broadband* is responsible for developing and facilitating the implementation of the broadband policy, strategy and implementation plan for the establishment of a cybersecurity hub, and ensuring that goals for broadband are achieved.

- *Digital Terrestrial Television* is responsible for supporting the conversion from analogue to digital television transmission technology, with the ultimate goal of releasing valuable frequency spectrum from next generation mobile broadband and other applications.

2.3   2016/2017 Expenditure Framework for the South African Post Office

According to the 2016 Estimates of National Expenditure, the focus of the South African Post Office over the medium term will be on implementing its revised business operating model, corporate plan, and strategic turnaround plan. This will stabilise business operations and engagements with stakeholders to improve and strengthen the organisation's position as the national provider of postal and related services. It will aim to adapt to the rapidly changing environment, increase productivity, and improve business operations and financial performance while delivering on government's social mandate of providing postal services to areas that were traditionally neglected.[11]

Over the medium term, the organisation will focus on continuing to provide for access to postal and related services, and increasing the number of addresses to allow wider access to postal and financial services in under-serviced areas. The organisation expects to roll out 1.5 million community addresses over the medium term to allow both new communities and existing communities without street or postal addresses to receive mail. It also plans to maintain 2 050 points of presence (which include post offices, mobile units and retail postal agencies) by 2018/19 to meet government's social mandate. The organisation will also continue with the restructuring and corporatisation of Postbank to meet South African Reserve Bank requirements so that it can operate as a bank. Expenditure in the Postbank programme is expected to grow at an average annual rate of 9.5 per cent over the medium term from R328.8 million in 2015/16 to R431.5 million in 2018/19.[12]

To allow the organisation to attract funding and improve revenue, R650 million is allocated in 2016/17 for the recapitalisation of the Post Office. In addition, the organisation has been tasked with managing the distribution of set top boxes and antennae for the broadcasting digital migration project, and receives an additional R480 million from the Department of Telecommunications and Postal Services over the medium term for this.[13]

The Universal Service and Access Agency of South Africa is also expected to contribute an additional R146 million. As the organisation continues to reduce costs through improved efficiencies such as streamlining its operations, transport and property portfolios, and managing the cost of its retail branches by closing some branches based on a needs analysis, expenditure is projected to decrease at an average annual rate of 0.8 per cent from R6.9 billion to R6.7 billion over the medium term. This decrease is particularly evident in the logistics programme (in which expenditure is expected to decline at an average annual rate of 9.3 per cent from R695.6 million in 2015/16 to R518.2 million in 2018/19) and the mail, retail and e-

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[11] Ibid
[12] Estimates of National Expenditure 2016
[13] Ibid

business programme (in which expenditure is expected to decline at an average annual rate of 3.3 per cent from R4.4 billion in 2015/16 to R3.9 billion in 2018/19). The logistics programme is still expected to account for 8.1 per cent of the organisation's total expenditure over the medium term to cover the costs of vehicles, fuel, staff, and other operational expenses.[14]

As the turnaround plan is implemented, compensation of employees is expected to decrease at an average annual rate of 3.2 per cent, from R4.2 billion in 2015/16 to R3.8 billion in 2018/19, with the number of personnel expected to decline from 21 297 to 18 590 over this period. The reduction in the number of personnel will not affect the organisation's performance due to improved efficiencies.[15]

The organisation generates its revenue from the provision of postal and courier services, and from interest income and financial transaction fees. Revenue is expected to grow over the medium term at an average annual rate of 3 per cent as the organisation focuses on increasing revenue opportunities in the government sector and the unreserved market, as per the turnaround plan. Further initiatives to restore profitability by increasing revenue sources and reducing costs include scaling up non-banking services to drive retail sales; increasing parcel revenue from small, medium and micro enterprises; and growing the e-business offering. The implementation of the corporate and turnaround plans are expected to result in a projected surplus of R554.4 million in 2017/18 and R692.4 million in 2018/19. The projected surplus will be used to fund capital projects and working capital, pay creditors, and repay loans.[16]

3. **Third Quarter Performance of the Department of Telecommunications and Postal Services**

According to the 2016/2017 3rd Quarter performance report for the Standing Committee on Appropriations, the Department of Telecommunications and Postal Services had a total available budget of **R2.4 billion for the 2016/17 financial year**. Transfers and subsidies accounts for R1.1 billion of the available budget and is mainly to departmental agencies and accounts as well as to public corporations and private enterprises. Payment for Financial Assets accounted for R650 million of the available budget and is allocated for the recapitalisation of the South African Post Office.[17]

For the period April to December 2016, the department spent R1.79 billion or 74.2 per cent of the available budget. This is lower than the projected expenditure of R1.86 billion up to the end of this period and is due to lower than projected expenditure in compensation of employees, goods and services and transfers and subsidies.[18]

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[14] Ibid
[15] Estimates of National Expenditure 2016
[16] Estimates of National Expenditure 2016
[17] Standing Committee on Appropriations 3rd Quarter Expenditure Report 2016/17 Financial Year
[18] Ibid

The expenditure amount includes transfers of R650 million and R240 million to the SA Post Office for the recapitalisation of the company and to cover distribution costs for the broadcasting digital migration respectively. There was also a transfer of funding of operational costs for National Electronic Media Institute of South Africa (NEMISA) (R37.2 million), Universal Service and Access Agency of South Africa (USAASA) (R51.8 million) and Universal Service and Access Fund (USAF) (R42.5 million). All transfer of membership fees to international organisations was also made.[19]

Programme 1: Administration - spent R12.3 million *higher* than the projections to the end of December 2016 due to higher than projected spending on audit costs due to forensic audits conducted by Special Investigation Unit and on legal costs. Faster than projected spending is also as a result of payments on office accommodation, and travel and subsistence.[20]

Programme 2: International Affairs and Trade - spent R2.7 million *higher* than the projections in the 3rd quarter due to the fluctuations in the exchange rate, resulting in higher than anticipated payments on membership fees to international organisations.[21]

Programme 3: Policy, Research and Capacity Development - spent R13.8 million *lower* than the projections to end December 2016. The variance is mainly due to two DDG's vacant posts and the change in contracting legal advice, from appointing consultants to contracting the State Law Advisor to render services required for some of the projects. The procurement plan was also revised accordingly.[22]

Programme 4: ICT Enterprise Development and Oversight - spent R20.4 million *lower* than the projections to end December 2016. The variance is mainly due to delays in transfer of funds to NEMISA for the Ikamva National e-skills Institute (iNeSI). This is due to late submission of the necessary documents and the department also had to consult with the Department of Higher Education and Training on e-skills projects, which contributed to the delay.[23]

Programme 5: ICT Infrastructure Support - spent R49.7 million *lower* than the projections to end December 2016. The variance is attributable to lack of spending on consultants: agency support and outsourcing due to the delay in the appointment of the broadband service provider. The department is currently exploring alternative mechanisms to roll out broadband in line with SA Connect.[24]

4. Concluding Remarks: What to expect from the Department in 2017/2018

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[19] Standing Committee on Appropriations 3rd Quarter Expenditure Report 2016/17 Financial Year
[20] Ibid
[21] Ibid
[22] Standing Committee on Appropriations 3rd Quarter Expenditure Report 2016/17 Financial Year
[23] Ibid
[24] Ibid

In terms of the Medium Term Expenditure Framework, the 2017 Estimates of National Expenditure states that the department oversees state-owned companies within its portfolio to ensure that they grow sustainably, fulfil their mandates and are aligned with broader government objectives. An estimated 41 per cent of the department's total budget will be transferred to these entities over the medium term to cater for operational expenditure and specific projects such as digital migration. Spending in the Public Entity Oversight subprogramme in the ICT Enterprise Development and Oversight programme is expected to amount to R757 million over the medium term. A once-off sum of R650 million in 2016/17 for the recapitalisation of the South African Post Office resulted in spending in this programme increasing to R886.6 million in that year.[25]

The department will focus on completing a review of its organisational structure over the medium term, in line with its revised mandate, strategic goals and objectives. This review will take into account Cabinet-approved reductions in the budget for compensation of employees over the period.[26]

Connecting South Africa

The department's broadband policy places emphasis on ensuring connectivity in underserviced areas, prioritising schools, health facilities and other government institutions. A key focus of the department over the medium term will be on project managing and coordinating the implementation of the first phase of South Africa Connect broadband policy by rolling out broadband services to an estimated 6 135 government institutions and 4 983 schools. An amount of R1.9 billion is allocated for this in the ICT Infrastructure Support programme over the medium term on account of the increased budget for consultants and agency support.[27]

Coordinating digital migration South Africa was given until June 2015 to meet the International Telecommunications Union's deadline to switch off analogue transmitters as part of the broadcasting digital migration project. However, the project has been delayed following a court ruling that declared part of the digital migration policy unlawful and invalid, and effectively placed the manufacture of digital terrestrial television set-top boxes on hold. As a result of the delay, Sentech will continue to maintain both the analogue and digital platforms until the issue is resolved. An amount of R193 million has been reprioritised in 2017/18 from the allocation for subsidies for set-top boxes to Sentech to cover dual illumination costs. The South African Post Office is set to receive R240 million in 2017/18 for the distribution of approximately 1.8 million set-top boxes, including registering households qualifying for the subsidy. An amount of R176.4 million is allocated to Sentech for expenditure related to the migration of digital signals over the medium term. Spending on these activities is expected to amount to R1.3 billion over the medium term in the Digital Terrestrial Television subprogramme in the Infrastructure Support programme.[28]

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[25] Estimates of national Expenditure 2017
[26] Ibid
[27] Ibid
[28] Estimates of National Expenditure 2017

Implementing ICT policy

Following Cabinet's approval of the 2016 White Paper National Integrated ICT Policy, the department will focus on the ongoing legislative processes to implement the recommendations of the white paper. The department will also facilitate and coordinate the implementation of the national e-strategy to realise the e-services programme. Finalising a national e-strategy will plan for the digital transformation of South Africa to achieve the ideals of the NDP by prioritising sectoral electronic services such as e-health, e-agriculture and e-education. To give effect to these activities, spending in the Policy, Research and Capacity Development programme is expected to amount to R287.2 million over the medium term.[29]

The Committee through oversight, will continue to monitor the activities of both the Department and its entities,

5. References

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[29] Ibid