B-BBEE ICT Sector Council

# B-BBEE ICT SECTOR MONITORING REPORT

31st OCTOBER 2016

# FOREWORD

In November 2014 the Minister of Telecommunications and Postal Services, Honorable Dr. Siyabonga Cwele called for nominations from the ICT Industry for ICT Professionals who will serve as the B-BBEE ICT Sector Council (the Council). After a lengthy selection process by the Department of Telecommunication and Postal Services (DTPS) and following the Cabinet endorsement of the nominations on the 23rd September 2015, the Minister of the DTPS appointed the Councillors into office for a term of 4 years on the 24th September 2015, mandating them to have their first mandatory meeting on the 1st October 2015.

At the onset, the Council had to draft its constitution and Terms of Reference and also align the B-BBEE ICT Sector Code with the Amended Generic Code of Good Practice by the 30th October 2015 or have the B-BBEE ICT Sector Code (the Code) of 6 June 2012 repealed. As its starting point the Council elected the Chairperson and Deputy Chairperson and thereafter tackled the major task of aligning the Code with the Amended Generic Code of Good Practice. Due to time constraints the Council provided the first draft of the aligned ICT Sector Code to the Department of Trade and Industry (the **dti**) on the 30th October 2015, but did not consult the ICT Sector as part of the required industry consultation process. The **dti** accepted the submission and provided an extension of two weeks to allow the Council to carry out the industry consultation. This gave the Council the opportunity to engage affected stakeholders from ICT Industries and associations, incorporating their input into the Aligned ICT Code. On the 13th November 2015 the second submission was made to the **dti** with the support of the DTPS Minister and this was published for public comment on the 24th February 2016 for a period of 60 days.

The Council also engaged with those stakeholders who requested meetings with the Council seeking further clarity on the Aligned ICT Sector Code and also the objectives of the Council as per the Terms of Reference. The Council also held meetings and workshops with the South African National Accreditation Services (SANAS) approved verification agencies and IRBA to introduce the Council and its mandate, ensuring that the verification agencies understand the Council's objectives and will be able to work in partnership with the Council to ensure credible verification results and also provide data to form part of the Monitoring Report that will be shared with the industry annually. The first Monitoring Report was produced and submitted to the DTPS on the 31st March 2016.

After due process of public comment and final revision, the Amended B-BBEE ICT Sector Code was submitted to the **dti** for publication in the Government Gazette for implementation as the final Sector Code, effective November 2016.

The Council is pleased to present its Interim Monitoring Report for the period ending 31 October 2016 herewith as part of its constitutionally mandated function. To this end, the Council is truly appreciative of the support received from ICT Industries, the South African National Accreditation Services (**SANAS**) approved verification agencies as well as other parties who provided sample

data that informed the initial report in March 2016 and subsequently for this report. This updated report, adding to the samples used in the March 2016 Initial Monitoring Report, will identify areas for further action and provide recommendations for consideration and improvement by the stakeholders in this vital and dynamic sector.

When assessing the current state of affairs within this Sector, it is worth remembering that, prior to 1$^{st}$ October 2015, there was no ICT Sector Council to monitor the progress of B-BBEE implementation, hence there are few firm indicators of the status of transformation. We are also mindful of the changes in the reporting format that will be required by the Amended B-BBEE ICT Codes. This report shows some measure of good performance in certain indicators but some indicators show lesser progress, indicating the need for innovative ideas, new approaches to be taken, to support the efforts of the sector in order to contribute more effectively to South Africa's economic transformation and future growth.

**Mrs. Nokuzola Nelly Ehrens**

**Chairperson: B-BBEE ICT Sector Council**

# MEET THE B-BBEE ICT SECTOR COUNCIL

## Chairperson: Mrs. Nokuzola Nelly Ehrens

Ms Ehrens holds a BSc Degree in Applied Mathematics and Mathematical Statistics and a Post Graduate Degree BPhil in Knowledge and Information Management from Stellenbosch University amongst other qualifications. She represents Women in the ICT Sector Council and is also the Executive Director of the SA Women in ICT Forum. She was until recently employed by Ericsson South Africa (Pty) Ltd as a Strategic Business Development Director and also the Chairperson of the Ericsson Employment Equity and Skills Development Committee. She has previously served as a Non-Executive Director for Catalyst Human Asset Management and Chairperson of the SACF Outreach and Stakeholder Relationship Committee.

## Deputy Chairperson: Mr. Raletlhogonolo Abram Tlhoaele (Andile)

Mr. Tlhoaele is the Deputy Chairperson of the B-BBEE ICT Sector Council and CEO of Inforcomm responsible for business development since 2005. Mr. Tlhoaele is the former member of the Presidential BEE Advisory Council's Subcommittee on Instruments to Promote BEE, Verification and Charters; former chairperson of the Association of BEE Professionals (ABP) and former deputy chairperson of MICT SETA.

Mr. Tlhoaele is an expert on BEE policy development and implementation. He was part of the initial team of ICT industry leaders who drafted the B-BBEE ICT Charter in 2003 which was gazetted as a Sector Code in 2012. Mr. Tlhoaele has completed the BEE Management Development Programme at UNISA; Harvard Business School's Key Executive Programme and Leading Your Small Business through Its Lifecycle programme in Boston, Massachusetts, US. He is a member of the Institute of Directors of Southern Africa (IoDSA) since May 2012.

## Member: Mr. Frank Awuah

Mr Awuah holds BSc Engineering (Electrical/Electronics), Master of Engineering and Master of Business Administration degrees. He is the Chairperson of the Technical Committee of the National Association of Broadcasters. He represents the Broadcasting sub sector. He is currently working at the SABC as a Distribution Specialist: Spectrum.

## Member:  Ms. Sarah-Jane Capazario

Ms Capazario is a registered Skills Development Facilitator and specialises in Skills Development, Enterprise and Supplier Development, Socio-Economic Development and Employment Equity. She has over five (5) years of experience as a B-BBEE consultant in the Information and Communications Technology Sector. She has focused on B-BBEE training and B-BBEE consultation.

# Member: Ms. Pheladi Gwangwa

Ms Gwangwa represents the Broadcasting industry; she holds a BProc LLB degree, as well as LLM in Communications Law. She has a good understanding of the media industry, including the regulatory environment, the political context within which the industry operates and the competitive global business environment.

# Member: Ms. Miyelani Khosa

Ms Khosa represents the Department of Communications, where she is Deputy Director: Broadcasting Policy. Ms Khosa has completed the Management Advancement Programme from Wits Business School in 2011 and has the following degrees: MA International Communication specialising in Telecoms Policy from UNISA in 2009, BA Honours Politics from Rand Afrikaans University/University of Johannesburg in 2003 and BA Journalism from Rand Afrikaans University/ University of Johannesburg in 2002. She is currently studying Master of Business Leadership at UNISA School of Business Leadership.

# Member: Mr. Tshepang Lesiba

Mr Lesiba represents Organised Labour. He holds a Diploma in Telecommunications Policy Regulation and Management (Wits University), National Diploma (N6) in Electrical Engineering Light Current (Tshwane South College) and has completed a Labour Law Advanced Program (UNISA). He currently holds the position of Provincial Deputy Chairperson in the Communication Workers Union and is serving on the Telkom Retirement Fund Board.

# Member: Ms. Petronella Linders

Ms Linders represents the Government and in particular the Department of Telecommunications and Postal Services where she is currently the Chief Director responsible for Gender Equity, Disability Mainstreaming, Youth Development and Children's Empowerment and Protection. She is the former Commissioner and Deputy Chairperson of the National Youth Commission (NYC) now known as the National Youth Development Agency (NYDA). She was a member of the research team that drafted the Code of Good Practice on the Employment of Persons with Disabilities and Technical Assistance Guidelines as well as the South African input to the UN Convention on the Rights of Persons with Disabilities the Code issued in 2003 and the Convention was adopted by the UN in 2007. She represented the community constituency at NEDLAC for the submission on the "Economic Empowerment Program for Persons with Disabilities" at the Job Summit, and participated in the Development Chamber and the NEDLAC Executive Council from 1997 to 2003.

# Member: Mr. Lucky Masilela

Mr Masilela holds a BSc Applied Physics and Electronics Engineering; he is currently the Chief Executive Officer for ZA Central Registry and a Board Director of .zadna, the ZA Domain Name Authority, and Chairman of the South African Communications Forum (SACF).

## Member: Mr. Mduduzi Mkhonza

Mr Mkhonza is the President of the Black IT Forum and member of Presidential Working Group: Black Professionals. He holds a BSc (Computer Science and Economics) and MBA (Information Management and e-Commerce). He is currently the Chief Executive Officer for Akha-Unique Solutions, Managing Director of NG Networks and Director at 2063 Innovation Network Cooperative.

## Member: Mr. Gavin Pieterse

Mr Pieterse is a subject matter expert in B-BBEE and organisational transformation as evidenced in his previous roles as Deputy President of the Black Management Forum (BMF), Deputy Chair of the BEE Commission, and Chairperson of the South African Wine Industry Trust. He represents the ICT industry employers in his role as Vice President of the Information Technology Association of South Africa (ITA) and currently is an Executive Director of IBM SA.

## Member: Ms Katharina Pillay

Ms Pillay is currently a Councillor at ICASA. She has a comprehensive knowledge of ICT sector matters, with 17 years of experience in the policy and regulatory environment.

## Member: Mr. Richard Poulton

Mr Richard Poulton represents Organised Labour. He is an NEC member of the Communication Workers Union. He has a technical background in the ICT sector and has Diploma in HRM and completed certificates in Project Management, Telecoms Policy Regulatory and Management. He is currently an Operational Specialist in an ICT company and served on the Digital Dzonga Advisory Council and ISETT (now MICT) SETA.

## Member: Ms. Morwesi Ramonyai

Ms Ramonyai represents the Youth Sector, she holds a Bachelor of Commerce degree; she is the Sherpa of G20 Young Entrepreneur South Africa (YESA), a Board Member of Business Development Subcommittee, Chairperson of Gauteng Enterprise Propeller (GEP), and Independent Audit Committee Member of Metrobus and Former National Deputy President for Black IT Forum. She is an entrepreneur and previously founded and managed B-BBEE Advisory business, Borena Consulting.

## Member: Mr. Michael Adrian Schofield

Mr Schofield is a Fellow and Professional Member of IITPSA (the Institute of Information Technology Professionals South Africa), where he is a current Vice President and Director. He was a member of the Working Group who supported the drafting of the B-BBEE ICT Charter in 2003 which was gazetted as a Sector Code in 2012. He has served in leadership roles for many local and international ICT sector associations for nearly 30 years and heads the Applied Research Unit at

the Joburg Centre for Software Engineering.

## Member: Mr. Thulani Tshefuta

Mr Tshefuta represents Organised Labour. He has served on the following Boards: Presidential High Level Economic Council, Presidential Youth Working Group, Deputy Chairperson of the National Skills Authority (NSA), and National Economic Development and Labour Council (NEDLAC).

# 1. EXECUTIVE SUMMARY

The Council has examined over 200 B-BBEE verification reports to create the database used for this Monitoring Report. The information has been separated into "Generic" (i.e. entities measured against the standard ICT Sector Code) and "QSE" (i.e. Qualifying Small Enterprises measured against 4 of the 7 QSE criteria).

The following two charts show the summary of points scored by the entities in the sample:
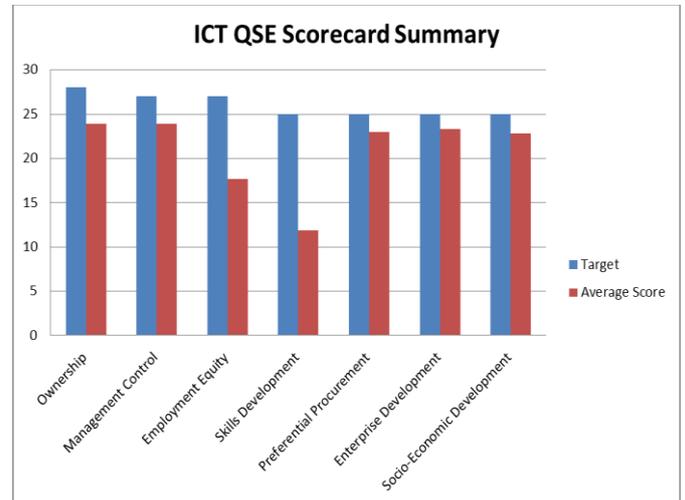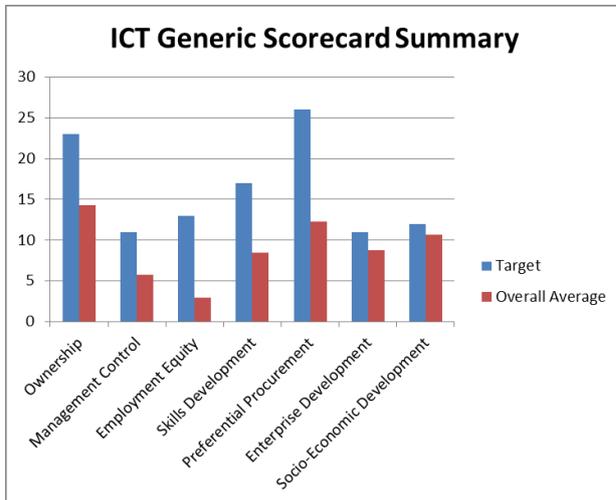


We comment on the performance against each target below. In the generic group, it is apparent that the ICT Sector has to make considerable progress to achieve the majority of the targets. The Council will be discussing the constraints to transformation and the opportunities for new initiatives with all stakeholders. The QSE scorecard appears to show better achievement against most of the targets but we must remember that such entities need select only 4 of the targets and will inevitably choose the ones they are most likely to achieve. It is also to be noted that the vast majority of small enterprises operating in the ICT sector have not yet chosen to be evaluated.

The sample used for the creation of this report was consistent with the requirement of the analysis and submissions that did not clearly show how certain points were achieved were not included. This led to different base numbers being used for average calculations, according to the number of correctly reported entities. It is the wish of the Council to ensure that the Approved Verification Agencies have a set format to capture this data as the baseline report will need more consistency in data captured to provide a well aligned analysis. A format compliant with the Amended Codes will be issued at the beginning of 2017.

## 1.1    Ownership

The detailed scorecards of the measured entities show that many are exceeding some of the targets for percentage of Black ownership quite comfortably. However, failing to score points across the board can quickly reduce the overall performance, with the generic enterprises scoring 14.3 against a target of 20+3. Black Owned QSEs are better able to meet more criteria, achieving 23.91 points against a target of 25+3. The data collected at this stage gives no

indication of ownership by people with disabilities.

## 1.2    Management Control

The generic results for Management Control show a performance that falls short of target by around one-third to one-half. In the QSE group, there is a much better result, being on or above target. In the generic group, the difficulty faced by many enterprises is the shortage of qualified and experienced Black senior executives. In other cases, companies are unwilling to displace existing seasoned managers to create opportunities for Black aspirants. Council will seek to establish the levels of mentoring and coaching undertaken to support inexperienced Black managers.

## 1.3    Employment Equity

All measured entities in the samples show that achieving the targets set for Employment Equity will require more positive action. In the generic group, the significant gap between targets and achievements reinforces the belief that the ICT Sector is "white". Council is mindful of the stagnant South African economy which has severely curtailed the growth prospects of many enterprises, and thus limits their ability to create new jobs.

However, all policy and decision-makers must be deeply concerned about the disparity shown in the EAP targets.

We do note that the adjustment for gender decreases the apparent performance towards Employment Equity goals but this impacts all entities equally and the targets remain as shown. We also note the minimal progress towards the 3% target of Black persons with disabilities.

## 1.4    Skills Development

In spite of the considerable sums expended by the sample of measured entities on skills development and learnerships (earning good scores in BEE verification), there seems to be no corresponding transformation in the employee profile. Council will undertake further investigation and consultation with the MICT SETA. Although the data gathered specifically refers to skills development for employees/staff, Council will also investigate the effect of any initiatives to develop skills among non-employees.

## 1.5    Preferential Procurement

The results from the sample of measured entities suggest they are finding it relatively easy to achieve the targets for preferential procurement. The Council notes that further in-depth research is required to establish the nature of the procurement and the source of the items excluded from measured procurement. We also note that, among the sampled entities, there was no achievement against the target of procurement from BO-BWO entities with minimum 5% equity stake held by black persons with disabilities.

## 1.6    Enterprise Development

The Council is encouraged by the positive results for Enterprise Development in the sample of measured enterprises reviewed. The willingness of compliant entities to allocate a much higher percentage of NPAT than the target suggests that the target may need to be reviewed. The Council will need further data to establish the nature of this "spend" to establish what type of enterprises are the beneficiaries and the sustainability of the initiatives.

## 1.7    Socio-Economic Development

The Council is encouraged by the level of achievement by the sample of measured enterprises. As with Enterprise Development, the willingness of compliant entities to allocate a much higher percentage of NPAT than the target suggests that the target may need to be reviewed. Further research will be carried out to establish the nature and sustainability of the activities carried out.

# 2.  OWNERSHIP

## 2.1    Generic

| Ownership | Targets | Overall Average |
|---|---|---|
| Voting rights of Black people | **30.00%** | 33.99% |
| Voting rights of Black women | **10.00%** | 11.52% |
| Economic Interest of Black people | **30.00%** | 33.83% |
| Economic Interest of Black women | **10.00%** | 11.69% |
| Economic Interest of designated groups | **2.50%** | 6.11% |
| Black participants in employee and broad-based ownership | | 1.21% |
| Black participants in co-operatives | | 0.80% |
| Ownership Fulfillment | **Yes** | |
| Net Value | **30.00%** | 27.02% |
| Bonus: Black new entrant | **10.00%** | 17.03% |
| Bonus: Black participants in ownership schemes, co-op or BBOS | **10** | 6.73% |
| **Total Score Ownership** | **20 + 3** | **14.30** |

## Ownership
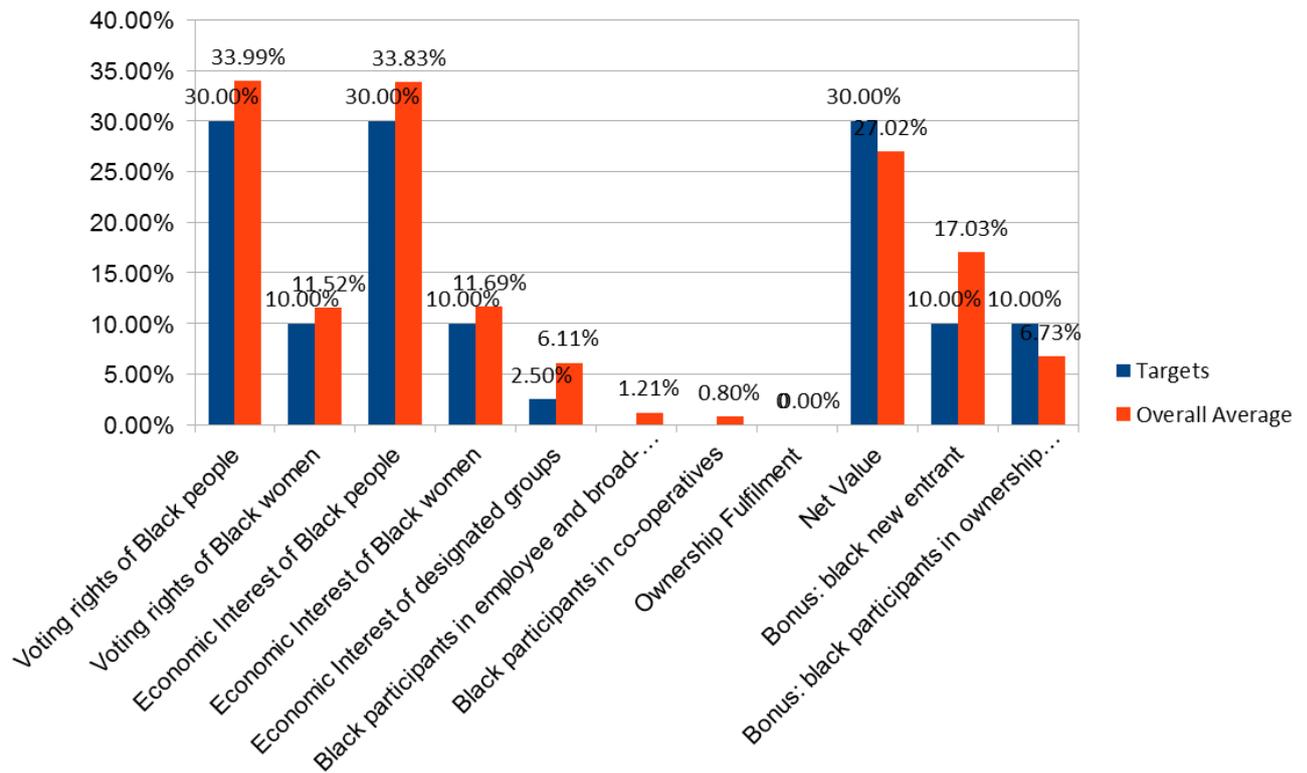


82 companies were sampled with respect to ownership, which have an average of 33.99% voting rights in the hands of Black people, of which 11.52% is held by Black women. Black people hold 33.83% economic interest in these companies, of which 11.69% is held by Black women.

Of the 82 companies evaluated, 27.02% of their net value is in Black hands, falling short of the target of 30%. Black participation in broad-based ownership schemes and co-operatives is however less successful as it is at a low 1.21%, against a target of 10%. Further research is needed to establish the reasons for this level of performance. The samples submitted for the sector appear to have made progress with respect to the participation of Black new entrants as it scored 17.03%, against a target of 10%. The average points scored by 98 entities were 14.30, against a target of 20+3 points.

Although the scores reported by measured entities suggest ownership targets are being exceeded, we emphasise that not all scorecards are completed in full. 15% of scorecards in this sample did not include ownership data, only the points achieved. The overall average score of 14.30 against the target of 20+3 is a more reliable indicator of ownership achievement among this group of measured entities.

## 2.2     QSE

| QSE Ownership | Targets | Average Participating QSE |
|---|---|---|
| Voting rights of Black people | **30.00%** | 63.82% |
| Economic Interest of Black people | **30.00%** | 63.79% |

| Ownership fulfillment | Yes/No | |
|---|---|---|
| Net Value | **30.00%** | 55.18% |
| Bonus: Black female ownership | **10.00%** | 18.66% |
| Bonus: Black participants in employee o/ship schemes, co-ops or b-b o/ship schemes | **10.00%** | 4.08% |
| **Total Score: Ownership** | **25+3** | **23.91** |
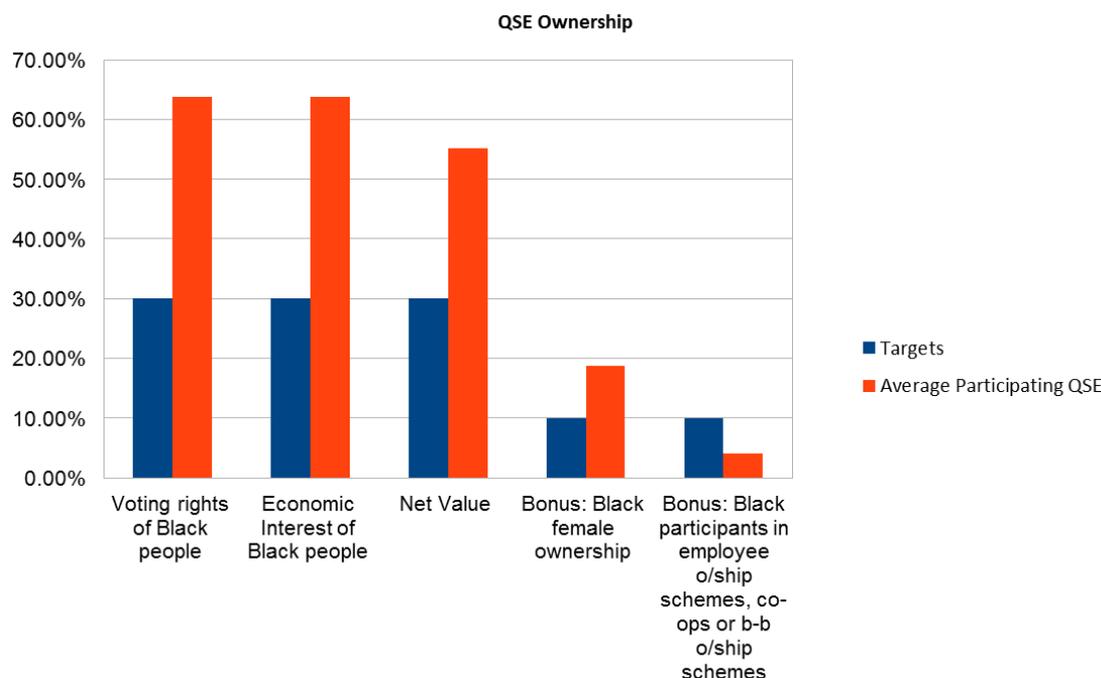
**QSE Ownership**



56 (of 111 sampled) ICT QSEs were sampled with respect to ownership, with almost 64% of voting rights and economic interest in the hands of Black people. Of this sample, ownership in the hands of Black women is 18.66%. Participation of employee ownership schemes, co-operatives and broad-based ownership schemes requires some attention as it is 4.08%, against a target of 10%. This follows the pattern of the Generic scorecards (see 2.1 above) and may be for the same reasons. It is extremely encouraging to note that participating QSEs achieved a score of 23.91, when measured against a target of 25 points. We do emphasise that predominantly compliant entities submit themselves for measurement and a suitable sample of non-measured entities would need to be analysed for benchmarking.

# 3. MANAGEMENT CONTROL

## 3.1    Generic

| Management Control | Target | Overall Average |
|---|---|---|
| Black representation at board (Adjusted for gender) | **50.00%** | 35.75% |
| Black representation of the executive directors (Adjusted for gender) | **50.00%** | 27.68% |
| Black representation at senior top management (Adjusted for gender) | **40.00%** | 26.25% |
| Bonus: Black independent non-executive directors | **40.00%** | 12.83% |
| **Total Points Management Control** | **10+1** | **5.80** |

## Management Control
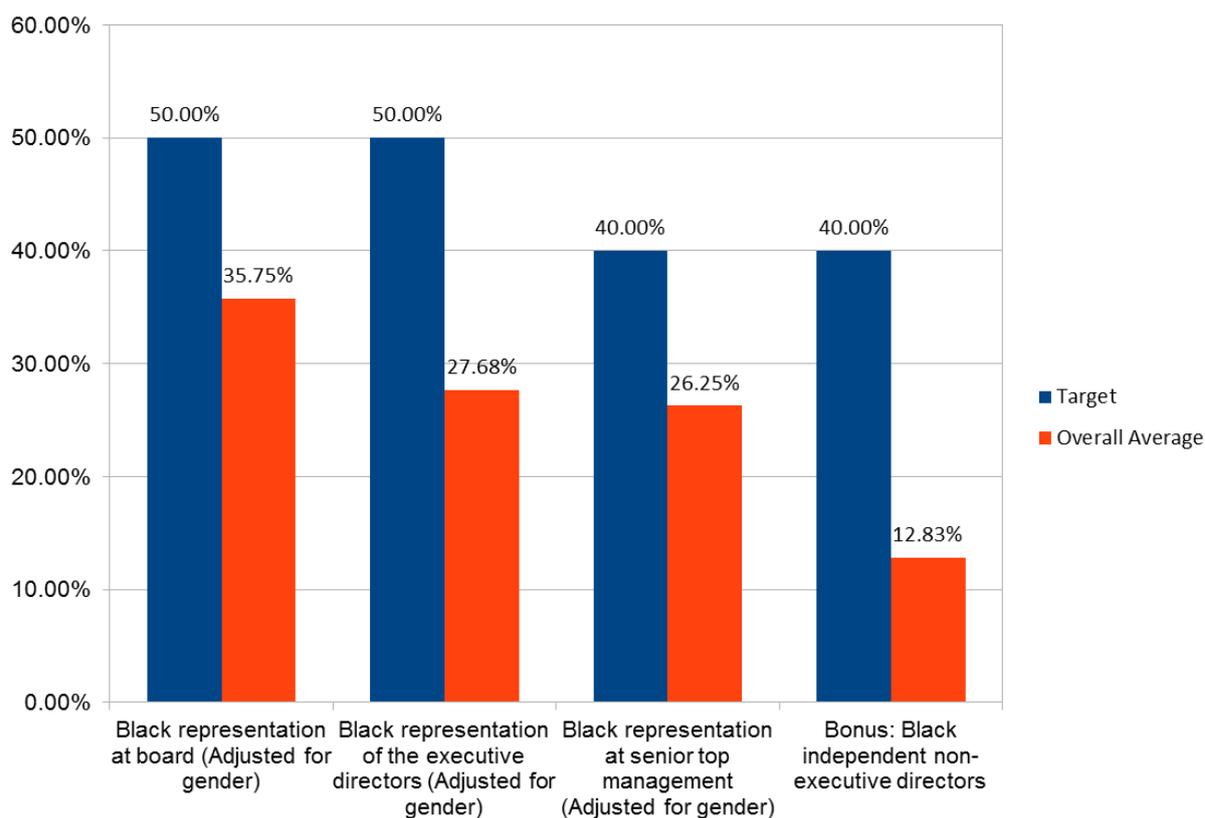


Although the adjustment for gender will reduce the scores achieved, the management control of the ICT entities sampled shows significant room for improvement. Black representation at Board level is lagging nearly 15% below the 50% target, as is Black representation at Executive Director Level, which sits at 27.68%. Black representation at senior management is almost 14% below the target of 40%. Black independent non-executive director representation is also not satisfactory as it sits at 12.83%. With the average points scored being 5.80 against a target of 10+1 points, this sub-element requires attention and robust discussion within the sector.

## 3.2 QSE

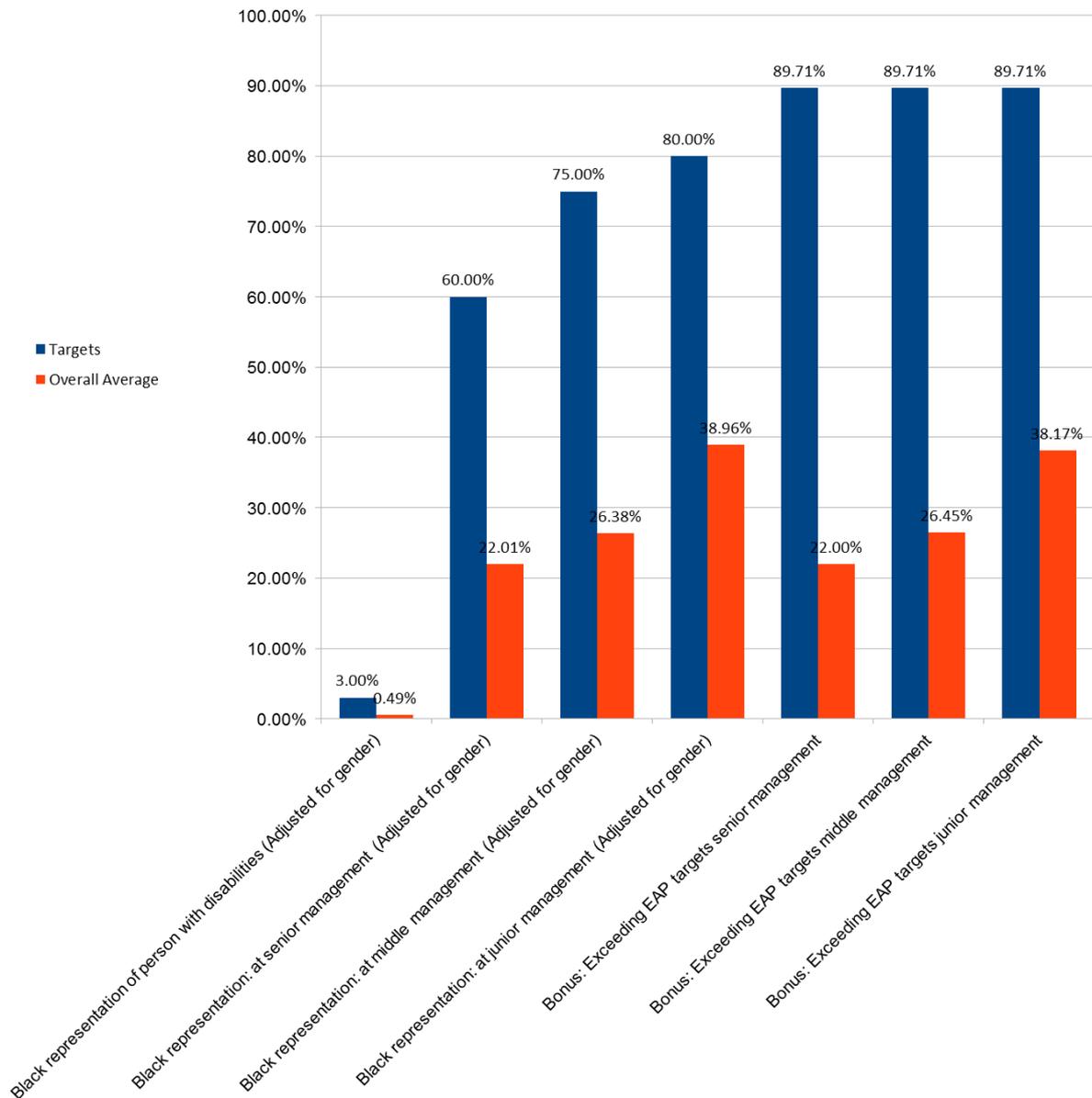| Management Control | Targets | Average Participating QSE | Overall QSE Average |
|---|---|---|---|
| Black top management representation | **50.10%** | 72.30% | 30.99% |
| Bonus: Black female top management representation | **25.00%** | 24.52% | 10.51% |
| **Total Score: Management Control** | **25+2** | **23.57** | |

## QSE Management Control
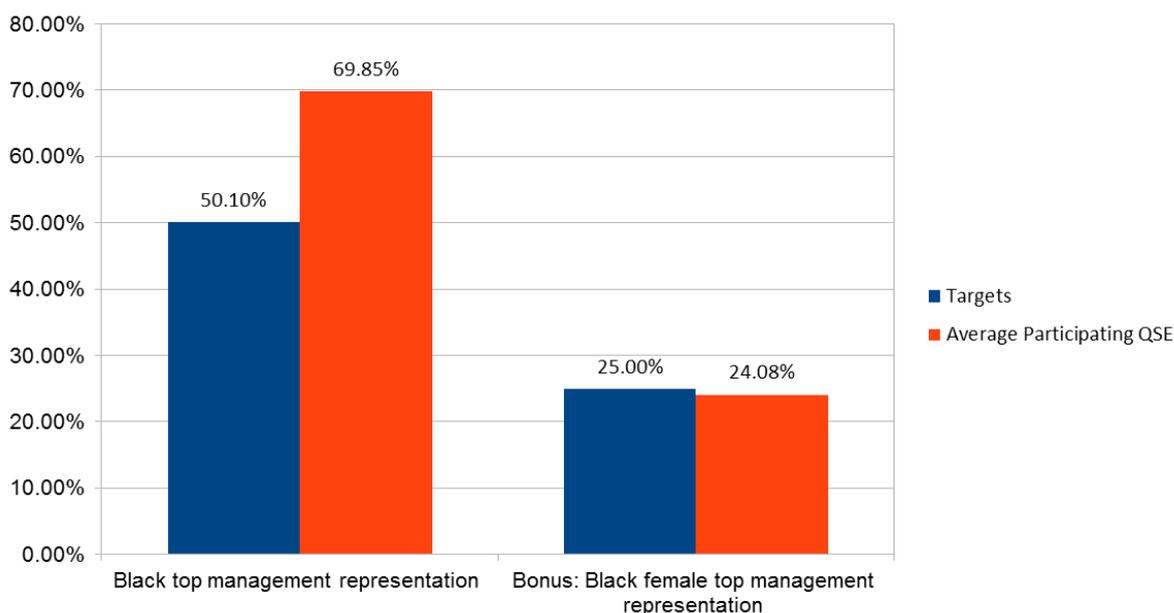


For this sub-element, 39 of the 111 companies elected to be evaluated in terms hereof, with a further 6 submitting only the points scored. The target for Black Top management was over achieved by more than 19%. Decision-making by Black Women Top management is not far off at, 24.08% against a target of 25%. These satisfactory results arise from the high proportion of black-owned entities among the 45 that sought verification of their BEE status.

# 4. EMPLOYMENT EQUITY

## 4.1    Generic

| Employment Equity | Targets | Overall Average |
|---|---|---|
| Black representation of person with disabilities (Adjusted for gender) | **3.00%** | 0.49% |
| Black representation: at senior management (Adjusted for gender) | **60.00%** | 22.01% |
| Black representation: at middle management (Adjusted for gender) | **75.00%** | 26.38% |
| Black representation: at junior management (Adjusted for gender) | **80.00%** | 38.96% |
| Bonus: Exceeding EAP targets senior management | **89.71%** | 22.00% |
| Bonus: Exceeding EAP targets middle management | **89.71%** | 26.45% |
| Bonus: Exceeding EAP targets junior management | **89.71%** | 38.17% |
| **Total** | **10+3** | **2.98** |

A bar chart comparing Targets (blue) and Overall Average (orange) across seven categories:

| Category | Targets | Overall Average |
|---|---|---|
| Black representation of person with disabilities (Adjusted for gender) | 3.00% | 0.49% |
| Black representation: at senior management (Adjusted for gender) | 60.00% | 22.01% |
| Black representation: at middle management (Adjusted for gender) | 75.00% | 26.38% |
| Black representation: at junior management (Adjusted for gender) | 80.00% | 38.96% |
| Bonus: Exceeding EAP targets senior management | 89.71% | 22.00% |
| Bonus: Exceeding EAP targets middle management | 89.71% | 26.45% |
| Bonus: Exceeding EAP targets junior management | 89.71% | 38.17% |

Of the 67 companies sampled, 56 submitted the total permanent workforce, total permanent Black employees and total permanent Black female employees. The average number of permanent employees per company is 311; with an average permanent Black workforce of 178, of which 71 are Black female employees.

The representation of Black people with disabilities is very low, at 0.49% on average, against a target of 3%. Representation of Black people at senior, middle and junior management is also below par as it stands at 22.01%, 26.38%, and 38.96% respectively.

The reporting on the bonus points for EAP targets for the respective management levels for this sub-element shows a similar pattern of performance, with the continued dominance of White people economically active in the ICT Sector. Employment equity is one of the most difficult targets to achieve in a stagnant economy, as workforce expansion and staff turnover are severely constrained by the lack of job opportunities.

The data collected from measured entities does not assist with one of the challenges in

regard to retaining people with disabilities in the workforce being that of provision of reasonable accommodation as one of the affirmative action measures under employment equity.

## 4.2    QSE

| Employment Equity | Targets | Average Participating QSE |
|---|---|---|
| Black representation: All employees who are management (Adjusted for gender) | **60.00%** | 47.34% |
| Black representation: All employees (Adjusted for gender) | **70.00%** | 54.09% |
| Bonus: Exceeding EAP targets for all employees who are management | **89.93%** | 45.09% |
| Bonus: Exceeding EAP targets for all employees | **89.93%** | 46.85% |
| **Total Score: Employment Equity** | **25** | **17.56** |
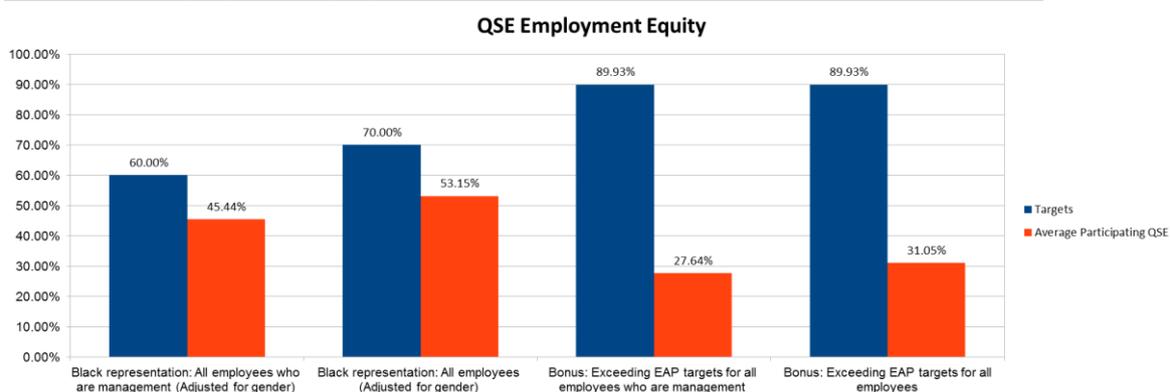


A total of 75 entities participated in this sub-element, of which 69 submitted figures of the total permanent workforce, total permanent Black employees and total permanent Black female employees. The average permanent workforce of the 69 entities was 65 employees per company, of which 45 were reported as permanent Black employees, which includes 12 permanent Black female employees.

These 75 entities achieved below target representation of Black employees who are in management at 47.34%, against a target of 60%. For Black representation of all employees, they achieved an average of 54.09%, which is also below the target.

The reporting on the bonus points for EAP targets for management and for all employees was follows the pattern of the previous measurements, indicating the high proportion of white employees in the small enterprises in the ICT sector.
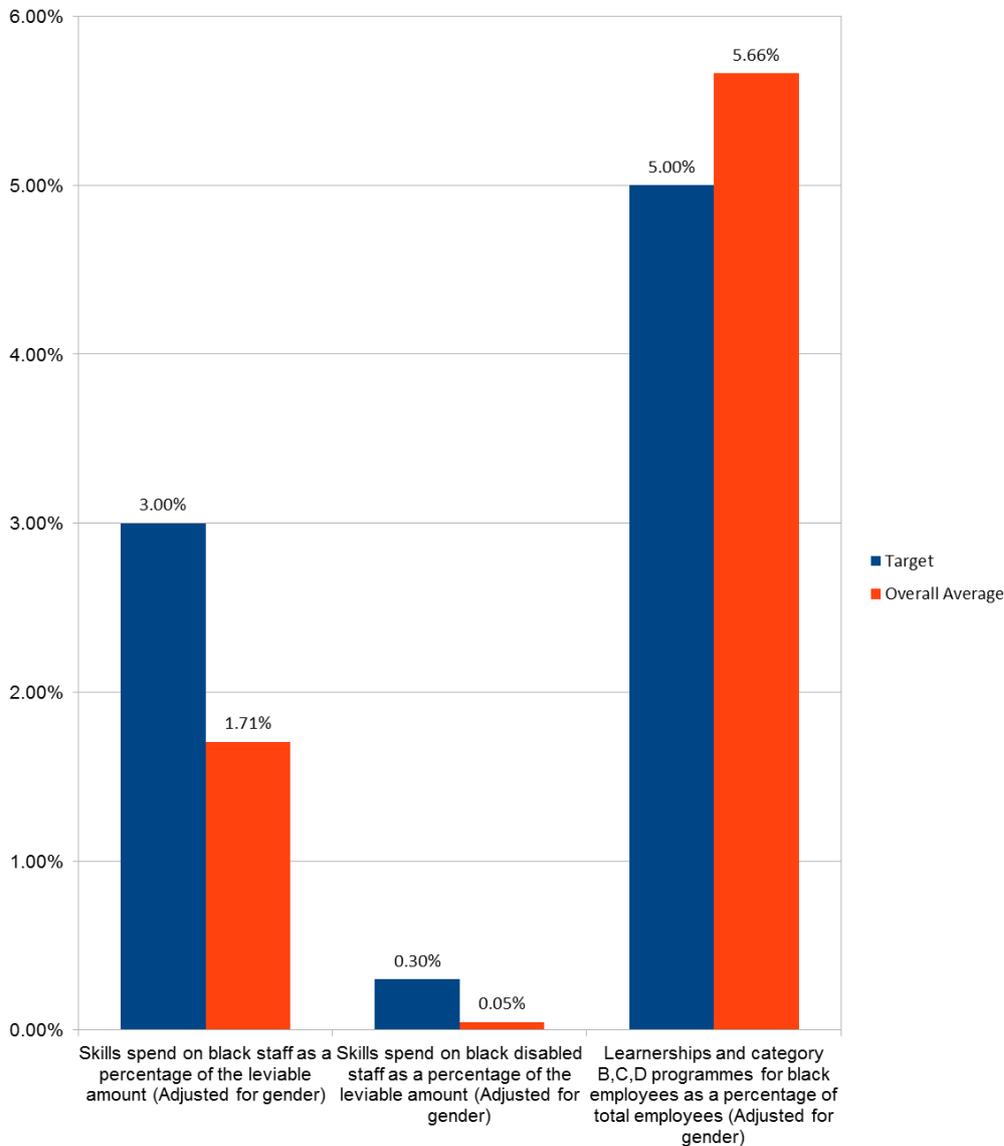
# 5. SKILLS DEVELOPMENT

## 5.1    Generic

| Skills Development | Target | Overall Average |
|---|---|---|
| Skills spend on Black staff as a percentage of the leviable amount (Adjust for | **3.00%** | 1.71% |

| | | |
|---|---|---|
| gender) | | |
| Skills spend on Black disabled staff as a percentage of the leviable amount (Adjust for gender) | **0.30%** | 0.05% |
| Learnerships and category B,C,D programs for Black employees as a percentage of total employees (Adjusted for gender) | **5.00%** | 5.66% |
| **Total Score: Skills Development** | **17** | **8.50** |

**Skills Development**



Of the 98 companies sampled, 63 submitted information on skills development spend for Black employees. Cumulatively, this amounts to over R131 million, resulting in an average of R2 084 665 per company. R716 685 (about one-third) of that was spent on skills development for Black female employees.

The 82 (of 98) companies who supplied the required details came short of achieving the 3% target, getting an average of 1.71% skills development spend on Black staff (adjusted for gender) as a percentage of the leviable amount. Skills development spend on Black people with disabilities is well below the 0.30% target at 0.05% in this group of measured entities. However, it appears that ICT companies find it easier to support learnership programmes, as they over achieved at 8.5% against the set target of 5%.

## 5.2    QSE

| Skills Development | Target | Average Participating QSE |
|---|---|---|
| Adjusted Skills Development spend on learning programs for Black employees as a percentage of the leviable amount | **2.00%** | 4.65% |
| **Total score: Skills Development** | **25** | **11.90** |

Only 30 (of 111) companies chose to be evaluated against this sub-element and 2 of those did not submit the percentage detail. Their average score was a healthy 4.65% against a target of 2% of the adjusted skills development spend on learning programmes for Black employees as a percentage of the leviable amount. However, we recognise that this is a very small sample on which to base any firm conclusions.

# 6. PREFERENTIAL PROCUREMENT

## 6.1    Generic

| Preferential Procurement – Rand Values | Average Spend |
|---|---|
| Average total expenditure | R 634 521 851.56 |
| Average Procurement exclusions | R 298 576 034.33 |
| Average total measured procurement spend | R 323 238 864.10 |

| Preferential Procurement | Target | Average compliance |
|---|---|---|
| Total B-BBEE procurement as a percentage of total measured procurement spend | **70.00%** | 84.24% |
| Total B-BBEE procurement from QSE's & EME's as a percentage of total measured procurement spend: | **15.00%** | 17.34% |
| Total unadjusted B-BBEE procurement from Black owned suppliers as a percentage of total measured procurement spend | **12.00%** | 14.58% |
| Total unadjusted B-BBEE procurement from Black women owned suppliers as a percentage of total measured procurement spend | **8.00%** | 5.98% |
| Bonus: Implement favourable payment terms for Black owner, Black empowered & Black engendered SMMEs of less than or equal to 15 days | | |
| Bonus: Procurement from BO-BWO entities with minimum 5% equity stake held by Black persons with disabilities | **20.00%** | 0.00% |
| Bonus: One bonus point for a minimum of 5% B-BBEE procurement spend as a percentage of TMPS achieved via expenditure BO & BWO entities | **20.00%** | 21.86% |
| **Total Score: Preferential Procurement** | **20+6** | **12.31** |

**Preferential Procurement**
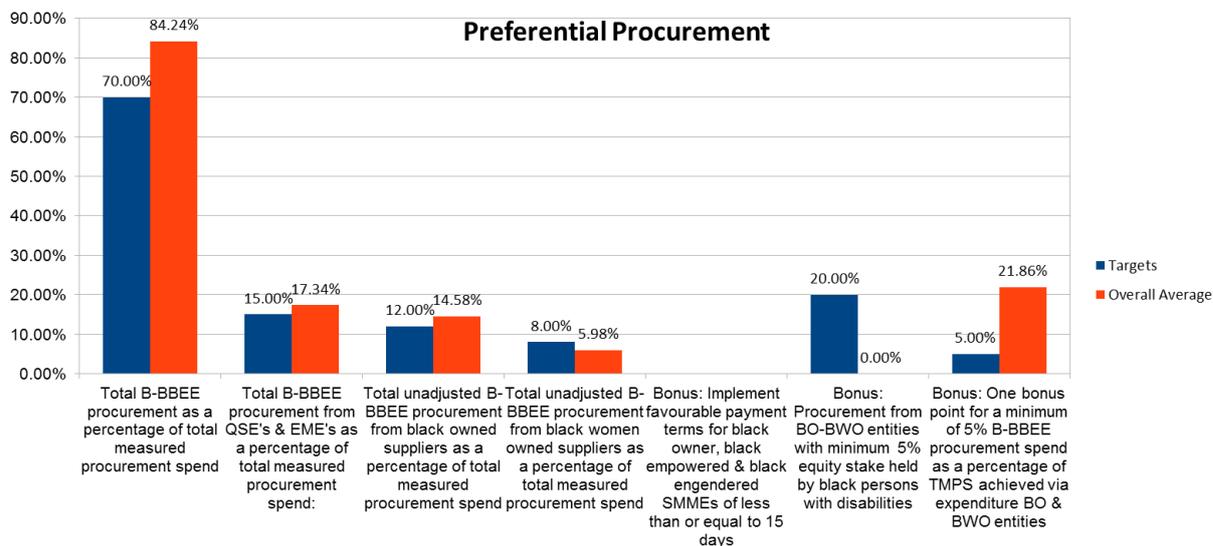
58 companies submitted the rand value of their total expenditure and 62 their total measured procurement spend. The average total measured procurement spend is just over R323 million, out of an average total expenditure of almost R635 million – these figures show the significant purchasing power of just a small number of measured entities.

Altogether, the average total B-BBEE procurement as a percentage of total measured procurement spends for the 82 companies sampled is 84.24%, which exceeded the target of 70%. The total B-BBEE procurement from QSE's & EME's as a percentage of total measured procurement spends was on average 17.34%, which exceeded the 15% target. For the total unadjusted B-BBEE procurement from Black owned suppliers as a percentage of total measured procurement spend, companies achieved 14.58% against the target of 12%; however the score for the total unadjusted B-BBEE procurement from Black women owned suppliers as a percentage of total measured procurement spend, was 5.98%, which is below the target. Procurement from BO-BWO entities with minimum 5% equity stake held by Black persons with disabilities, is non-existent at 0%, against a target of 20%. 31 of the companies sampled had implemented favourable payment terms for Black owned, Black empowered & Black engendered SMMEs of less than or equal to 15 days.

## 6.2 QSE

| Preferential Procurement | Target | Average Participating QSE |
|---|---|---|
| Total expenditure | | R 17 175 528.08 |
| Total measured procurement spend: | | R 8 364 029.06 |
| Total Verified B-BBEE Procurement | | R 5 032 613.65 |
| Total B-BBEE procurement as percentage of total measured procurement spend | 50.00% | 59.26% |
| **Total Score: Preferential Procurement** | **25** | **22.97** |

Out of the 111 entities that were sampled, 92 elected to be evaluated under this sub-element. 50 of these provided information on total expenditure and total measured

procurement spend. 81 provided information on the percentage of B-BBEE procurement and 11 submitted only the points scored. The average total expenditure of the 50 companies was just over R17 million, with the average total measured procurement spend at R8.4 million. Had all the 92 sampled companies given us the rand value of their total expenditure and the total measured procurement spend, the Council would have had a better sense of the average rand value of procurement spend in the local economy, by QSEs. However, the companies sampled exceeded the 50% target, having scored 59.26%. This resulted in an average score of 22.97, out of a total score of 25 points.

# 7. ENTERPRISE DEVELOPMENT

## 7.1 Generic

| Enterprise Development | Target | Overall Average |
|---|---|---|
| Enterprise Development as a percentage of the NPAT | **5.00%** | 11.76% |
| **Total points** | **11** | **8.77** |

Companies had a target of 5% NPAT for Enterprise Development. On average, they exceeded this target by more than 100%, achieving 11.76%, which is encouraging to note. The average is worked out on both the annual and cumulative percentages. However the average total score is below the target set because even if the percentage of NPAT is above the target, the scoring reflects that many companies scored below the full 11 points.

## 7.2 QSE

| Enterprise Development | Target | Average Participating QSE |
|---|---|---|
| Enterprise Development as a percentage of the NPAT | **2.00%** | 11.86% |
| **Total Score: Enterprise Development** | **25** | **23.28** |

QSEs had a lower target of 2% NPAT for Enterprise Development. On average, they overshot the target, achieving 11.86%, which is also encouraging to note. The QSE average is also worked out on both the annual and cumulative percentages. The average total score achieved is 23.28 points, out of a total of 25 points. This indicates that most entities electing to be measured on Enterprise Development did so because they were confident of achieving the target.

# 8. SOCIO-ECONOMIC DEVELOPMENT

## 8.1 Generic

| Socio-Economic Development | Target | Average Compliance |
|---|---|---|
| Socio-Economic Development as a percentage of the NPAT | **1.50%** | 5.32% |
| **Total Score: Socio-Economic Development** | **12** | **10.65** |

It is encouraging to note that companies have exceeded the Socio-Economic Development target of 1.5% of NPAT by more than 200%, at 5.32%. However the average total score is below the target because even if the percentage of NPAT achieved is above the target for many companies (which cannot be recognised with more than 12 points), some companies did not achieve the target.

## 8.2 QSE

| Socio-Economic Development | Target | Average Participating QSE |
|---|---|---|
| Socio-Economic Development as a percentage of the NPAT | **1.00%** | 4.26% |
| **Total Score: Socio-Economic Development** | **25** | **22.84** |

The target for Socio-Economic Development is 1% of NPAT. QSEs who elected to be measured on SED exceeded this target, achieving 4.26% on average. The average points scored is 22.84, out of a potential score of 25 points. This indicates that most entities electing to be measured on Socio-Economic Development did so because they were confident of achieving the target.

# 9. CONCLUSION

Whilst the Council is encouraged by the apparent progress in transforming the ICT Sector, it wishes to emphasize that this report is intended to provide indicators for future monitoring and interventions, rather than providing a definitive baseline. Verification agencies will be guided in terms of the framework which should be used for reporting, to ensure effective data consolidation and comparison.

The Council would appreciate it if the ICT industries would freely share their B-BBEE ICT verification reports in order to support and inform decision making with regards to the review and implementation of B-BBEE ICT Sector Code and the country's transformation agenda. To safeguard the ICT Industries' anonymity, the Council is open to receiving reports that have had the name, VAT number and/or other identifying information redacted, when such reports are submitted to the Council. What is important to the Council is the assurance from both the verification agencies and the ICT entities and ICT industries that such information is correct and verifiable.

The Amended B-BBEE ICT Sector Code is clear in specifying that measured entities must share their BEE status with the Council for the express purpose of effective monitoring of transformation progress and the identification of appropriate interventions to support the achievement of empowerment goals. The Council recognises that it must also research the status of entities in the ICT Sector that have not been measured, to establish the reasons therefor and to provide a more accurate benchmark of the sector than can be obtained from compliant enterprises alone.

This Interim Monitoring Report for October 2016 is issued to inform the ICT Sector of the transformation environment at the time of the launch of the B-BBEE ICT Sector Council at the start of a new leg of the journey towards achieving and exceeding the spirit of the empowered sector that is at the heart of enabling the South African economy.

# 10.  ABBREVIATIONS

ABP        Association of BEE Professionals

B-BBEE     Broad-Based Black Economic Empowerment

BEE        Black Economic Empowerment

BITF       Black Information Technology Forum

BMF        Black Management Forum

BO-BWO     Black Owned - Black Women Owned

CEO        Chief Executive Officer

DTPS       Department of Telecommunications & Postal Services

EAP        Economically Active Population

EME        Exempt Micro Enterprise

ICASA      Independent Communications Authority of South Africa

ICT        Information & Communications Technologies

IITPSA     Institute of Information Technology Professionals South Africa

MICT SETA       Media, Information & Communications Technologies Sector Education & Training Authority

NEC        National Executive Council

NEDLAC     National Economic Development & Labour Council

NPAT       Net Profit After Tax

NSA        National Skills Authority

QSE        Qualifying Small Enterprise

SABC       South African Broadcasting Corporation

SACF       South African Communications Forum

SANAS      South African National Accreditation Service

SED        Socio-Economic Development

SMME       Small, Medium & Micro Enterprise

the **dti**    Department of Trade & Industry

TMPS       Total Measured Procurement Spend

VAT        Value Added Tax