



GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

**ADDRESS BY THE GAUTENG MEC OF FINANCE,
BARBARA CREECY, ON THE OCCASION OF THE
PROUDLY SA PREFERENTIAL PUBLIC PROCUREMENT
FORUM, 54 ON BATH, ROSEBANK, 17 MAY 2018**

Programme Director, Mr Rams Mabote
Mr Eustace Mashimbye, CEO of Proudly South African
Dr Tebogo Makube, Chief Director: Industrial Procurement at
the DTI
Representatives from government, business and other sectors;
Ladies and Gentlemen;

On behalf of the Gauteng Provincial Government, I want to thank Proudly South African for inviting us to this important event, the *Proudly SA Public Sector Preferential Procurement Forum*.

Indeed, this platform will enable us to share with you the work that we are doing to leverage provincial government's massive procurement spend to drive meaningful economic transformation in Gauteng.

We share your values. We believe that if we buy local and use local services we will revitalise local economies, ensure sustainability and growth of local businesses, grow the economy and create jobs.

This event will therefore also allow us time to engage with you as like-minded stakeholders on areas of possible collaboration in order to further stimulate local economies, develop local entrepreneurs and create much-needed jobs for people in areas where they live.

Ladies and Gentlemen, we meet here today at the time when the country's economic outlook is showing signs of improvement. This is largely as a result of the "New Dawn" which has brought about renewed hope in the capacity of the state to deliver services, policy certainty, a real commitment to fight corruption, grow the economy and create jobs.

This improved sentiment was evidenced by Moody's decision in March to confirm our country's BBB rating and upgrade our outlook from negative to stable.

Also, the International Monetary Fund last month made an about turn and raised its 2018 forecast of our gross domestic product to 1.5% for 2018 and 1.7% for 2019, compared to previous forecasts of 0.9% and 1.6% respectively.

However, Ladies and Gentlemen we know that much more work must be done on the ground to directly address the triple challenges of unemployment, poverty and inequality.

Statistics South Africa reminded us about this late last year when it published its latest Poverty Trends report which examined absolute poverty in our country over a period of 10 years.

This report said the face of poverty in our country remains Black, female, below the age of 17 and with no education.

Gauteng, according to the report, contributed 14% to national poverty headcount! This was despite the fact that the province

is an economic hub of South Africa, accounting for about 35% of the Gross Domestic Product.

Ladies and Gentlemen as the Gauteng Provincial Government, we are of the view that our bold programme for transformation, modernisation and reindustrialisation – a programme we are currently implementing in partnership with the private sector, labour and the rest of society – is the most direct and effective route towards addressing the socio - economic challenges we are facing.

This programme is our road map towards the vision of a transformed, modernised, and reindustrialised Gauteng City Region that is socially and economically inclusive, a leading economy on the African continent at the cutting edge of the forth industrial revolution, with smart, green, sustainable firms and industries of the future as well as an active and empowered citizenry.

The programme marks our own contribution to the goals of the National Development Plan, Vision 2030.

When we outlined our vision, at the beginning of our term of office, we said, among others that this vision will help us deal decisively with the monopoly structure of our economy and create space for a vibrant and thriving SME sector, including cooperatives and township enterprises.

We knew then as we know now that at the centre of our efforts towards changing, fundamentally, the structure of our economy is the need to vigorously promote the development of SMEs, cooperatives and township enterprises.

We know for instance that SMMEs, by number, dominate the world business stage – they are currently the dominant type of business, globally.

It is estimated that more than 70% of enterprises across the world are SMMEs, accounting for approximately 60% of private sector employment. In a country such as Ghana SMEs provide up to 80% of total employment.

A 2016 Research Note commissioned by the Small Enterprise Development Agency confirms that Gauteng is indeed the home of SMMEs. It found that 46% of South Africa's SMMEs operate in our province. Gauteng also has the most number of informal SMEs at 31% of the total. The World Bank estimates the township economy to be worth R 10 billion annually.

Given the important role that the SME sector plays in our overall agenda for transformation, modernisation and reindustrialisation as government we continue to use our massive procurement muscle as well as our vast infrastructure spending as strategic levers to drive meaningful transformation, empowerment, job creation and economic inclusion - including the participation of SMEs, cooperatives and township enterprises in the mainstream economy.

Ladies and Gentlemen, not only are we encouraging the private sector to privilege SMEs in their procurement practices, we ourselves have taken a decision to deliberately target SMEs, especially those owned by previously disadvantaged individuals in our procurement.

Already as the Gauteng Provincial Government we are spending more than 91% of our procurement budget of R 46 billion (US\$ 3.5 billion) over three years on businesses owned by historically disadvantaged individuals, including more than 10 000 black enterprises.

In addition, from 2013 to 2016, we spent R 30 billion (US\$ 2.3 billion) on infrastructure development and maintenance, 91% of which benefited Broad Based Black Economic Empowerment

companies, especially in construction and professional services.

To support the formalization of township enterprises, and facilitate market access, the Gauteng Provincial Government has registered over 10 000 township businesses on the central supplier data base and spent over R22 billion procuring goods and services from these enterprises in the past financial year.

By the end of last year, we had supported more than 500 cooperatives mainly run by women, benefitting more than 2 800 members. We are currently linking these cooperatives to opportunities in the mainstream economy to ensure their sustainability.

Through our flagship youth empowerment and development programme: Tshepo 1 Million, we have ensured that more than 15 000 young people across Gauteng are now accredited entrepreneurs and are receiving support from our procurement processes as well as supplier development programmes of our partner organisations in the private sector and state-owned enterprises.

Programme Director, building on our successes thus far and in order to strengthen further the work we are doing to radically transform our economy, to expand participation in the economic mainstream, to create jobs, and advance empowerment, as the Gauteng Provincial Government, we are now moving to what we refer to as the “second wave” of empowerment.

This “second wave” of empowerment will ensure that black businesses and township enterprises, including SMMEs and cooperatives that we are currently empowering become more sustainable by participating in other value chains within the economy, including in the private sector.

Ultimately our goal is to ensure that these enterprises not only depend on government tenders; rather that they are self-sustaining!

Accordingly, earlier this year, we announced a set of radical measures we are calling for and are undertaking in partnership with key industry leaders. These measures include:

- Assisting and encouraging black firms and township enterprises to get involved in manufacturing so that they can produce goods locally and sell them to domestic and foreign markets.
- Setting conditions for big companies doing business with government to sub-contract at least 30% of the main contract to qualifying black firms and township enterprises in a manner that ensures their meaningful participation.
- Strengthening our supplier development programme to ensure that new and emerging black firms benefit from major contacts in the private sector in terms of skills and technology transfer.
- Supporting new initiatives to expand access to capital by historically disadvantaged individuals such as the newly licenced Stock Exchanges and cooperative banking institutions.
- Working with industry leaders in every major sector of our economy to unlock employment and empowerment opportunities for all the citizens, as part of building an economy for all where no one is left behind.

We are also hard at work ensuring that we pay all our service providers on time. As Premier Makhura consistently says, we

cannot be party to practices that lead to the collapse of the very SMEs we are seeking to empower.

By the end of the previous financial year, eleven out of fourteen departments paid 98% of their invoices within 30 days. These same eleven departments do in fact pay 91% of invoices within 15 days!

The Provincial Treasury is intervening to assist all those departments who, for one reason or the other, are unable to meet the 30-day payment deadline.

By way of conclusion, it's useful to look at what more can we do to realise our joint objective of local economic development.

The first suggestion I would make is that we begin to give definition to what we mean by "localization" and local content.

If we are truly committed to these concepts, then it will be important to agree on common definitions and in due course define targets for government procurement.

One of the complex issues we face in all infrastructure projects is disruption by so-called local business forums because local contractors are not being hired as sub-contractors. We are currently piloting a programme with public transport to match local supplier databases with projects so that genuine suppliers are able to benefit from infrastructure programmes.

Earlier this week Minister Davies spoke about the successes that Industrial Policy Action Plan (IPAP) has achieved in different sectors. The question we would want to ask is what is the link between successful local industrialization programmes and government procurement? Do we use SA steel in government construction, do we use SA textiles for uniforms for Extended Public Works Programme workers, do we use SA concrete and bricks for public construction; do we use SA

manufactured cars for G-fleet and other government fleet purchases and how do we enforce it?

Finally, how do we start to ensure the private sector has targets for their own supply chains to procure from micro enterprises they develop? With the best will in the world government will never be able to give marketing opportunities to all enterprises who would want to do business with us.

Once more thank you once again for inviting me to address you and I wish you every success in your deliberations today.

Thank you