

**ADDRESS BY THE MINISTER OF FINANCE, MR PRAVIN GORDHAN, MP, AT THE
2016 GAUTENG OPEN TENDER SEMINAR, GALLAGHER ESTATE, GAUTENG
11 OCTOBER, 2016**

Premier of Gauteng, Honourable David Makhura,

MEC of Finance, Honourable Barbara Creecy,

Other Members of the Executive Council of Gauteng,

Heads of Departments,

Senior Officials,

Ladies and Gentlemen,

Firstly allow me to congratulate the Gauteng government with the bold steps it has taken to amplify transparency in procurement processes in the province. The Open tender approach has practically demonstrated how confidence in the procurement process can be restored – I commend you for your efforts and encourage you to expand this initiative in the areas of procurement planning, performance reporting and supplier performance – after all, evaluating the quality of completed projects is the ultimate hallmark of procurement done well.

Ladies and gentlemen, procurement is big business. Departments, municipalities and entities across government spend between R550 and R600 billion a year on the procurement of goods, services and works. Failure to purchase them cost effectively can put the achievement of key objectives and services of government at risk. So it is not surprising that the public is interested in how departments, municipalities and entities procure goods, services and works. The result of government's procurement decisions directly impact on their daily lives and determine to some extent the quality thereof – be it school books not delivered on time, a road that is full of potholes after 12 months after it was constructed or medicine stock outs for patients desperately in need of treatment. Public procurement impacts on all of us.

Our reports on procurement have highlighted deficiencies in the state's procurement system. At the same time assessments highlighted pockets of excellence in the buying of infrastructure and construction, ICT, professional services and run-of-the-mill day-to-day goods and services. The Chief Procurement Officer and his team have noted existing good procurement practise and are in the process of finalising a Procurement Bill adopting a more constructive approach to public procurement – I am told that consultation on the procurement Bill was scheduled for 5 and 6 October 2016 in your province and encourage

you to further provide inputs to the Bill where you believe strides can be made in improving public procurement.

The current Procurement Reform attempts to modernise supply chain management by:

- enabling a differentiated approach towards procurement,
- providing agility and flexibility to maximise public procurement as a lever for economic growth, job creation, industrialisation and SMME development to name a few;
- optimising efficiency and effectiveness of SCM in obtaining value-for-money;
- enhancing transparency, accountability and oversight in SCM; and
- consolidating the fragmented procurement legislative landscape.

Whatever approach departments, municipalities or entities adopt to procure goods, services and works, there are a number of key principles which they need to follow:

- have a strategic approach to procurement;
- make appropriate use of electronic commerce;
- manage procurement risks;
- develop contract strategies and manage supplier relationships;
- carefully manage major procurement projects;
- ensure there is reliable procurement financial and management information; and
- measure and evaluate procurement performance.

While an enabling procurement legislative framework is key to achieving the objectives of a developmental State as depicted in the National Development Plan, the current reforms are capitalising on the smart use of technology. The Chief Procurement Officer introduced the use of a Central Supplier Database and in one (1) short year after its introduction, more than 330 000 suppliers registered on the supplier database. It is currently the largest supplier database in Africa and possibly one of the top 10 databases in the world. The amount of time and effort it saved businesses in South Africa is estimated to equate to Billions of rands in terms of productivity and cost. The CSD is also the foundation for enabling automated quotations that will further break down barriers to do business with the State and reduce Red Tape significantly.

Not only is technology reducing administrative effort in doing business with the State, it also optimises compliance in the procurement process – the Chief Procurement Officer identified almost 9000 employees of State doing business with government in the last year and referred these instances to the relevant departments and entities for validation and further action.

It also highlighted over 12 000 identification numbers of “deceased persons” registered to do business with the State which the Chief Procurement Officer is addressing as potential cases of fraud, fronting and criminality. Similarly the CPO detected 45 000 bank accounts that are not linked to the same supplier that is registered on the CSD – these occurrences are followed up continuously with Banks, CIPC and respective suppliers.

Government’s use of the Central Supplier Database is a good start in making sure that suppliers doing business with the State are who they say they are, are not employees of government, have their tax affairs in order and are contributing to BEE as per the transformation goals of our county in a quick and easy fashion.

Ladies and gentlemen, the CSD is a demonstration of how the current Procurement Reforms contribute to instil confidence in the integrity of the procurement process by validating the accuracy and authenticity of information in real time.

In addition, the Chief Procurement Officer established government’s e-Tender portal that requires organs of State to publish all tenders on a single easily accessible platform free of charge.

Approximately 7200 tenders from national and provincial departments have been advertised on the e-Tender portal in the last year and it is compulsory for municipalities to advertise their tenders on www.etenders.gov.za from 1 July 2016. The e-Tender platform provides transparency to stakeholders on:

- procurement plans of national and provincial departments;
- free access to tender documentation;
- information on successful awards, price, BEEE points claimed as well as names of competing suppliers;
- contact detail of responsible official responsible for the project or procurement

Technology can make an enormous impact on the transparency with little or no cost associated to interested stakeholders, civil society, oversight bodies and the public accessible 24 hours a day for 365 days a year.

Availability of information is a good start, but the frequency and robust engagement of civil society and the public at large and oversight institutions in holding departments, municipalities and entities accountable will be the deciding factor to ultimately ensure an just, open, fair and transparent procurement system in our country. I invite you to visit www.etenders.gov.za and assess the tenders, awards and procurement outcomes organs of State are embarking on.

The Chief Procurement Officer is also developing technology that will lead to digitalisation of procurement processes in the next 2 years. This will mean that many of the procurement processes will be automated and contribute simplify and speed up procurement processes and activities. An e-Procurement System for government, electronic catalogues and further enhancing the sharing of common procurement information among government buyers will be developed in the next 18 months.

It has the potential to provide better management of information about suppliers, products and prices to aid better procurement decisions and communication between purchasers, but to do so requires radical change in business processes and in the attitude of the people who operate them.

The current Procurement Reform will require a modern legislative framework that the draft Public Procurement Bill attempts to articulate. It will also not only require technology to significantly simplify, standardise and automate procurement processes but will require a professional, capable and competent work force. The role of procurement officials and those in the line function will change drastically to ensure value-for-money is achieved. A number of initiatives are currently underway defining the required skills, capabilities and performance levels required for procurement to excel.

In conclusion, public procurement is important because failure to purchase goods, services and works cost effectively can put the achievement of key objectives and services at risk. It is a major spending category in government expenditure and procurement reforms will result in:

- 1) A Public Procurement Act;
- 2) Smart use of technology to simplify, standardise and automate procurement processes and activities;
- 3) Strengthen transparency, oversight and accountability;
- 4) Develop a professional, capable and competent work force.

It is my believe that the reforms will go a long way towards improving efficiency, effectiveness in government, contributing to transparency, oversight and accountability and ultimately, serving our people as best as we can.

Thank you