



# Western Cape Government

Economic Development  
and Tourism

## Business meets Cabinet

Economic Development Partnerships with the  
emphasis on Supply Chain Management as  
a possible vehicle

21 September 2011

# Western Cape economic performance and outlook

## Total GDP @ basic prices - R'million

	2008	2009	2010
RSA	1,619,175	1,594,336	1,639,417
<b>Western Cape</b>	<b>241,023</b>	<b>237,653</b>	<b>243,311</b>
WC share		15%	15%
<b>WC growth</b>		<b>-1.4</b>	<b>2.4</b>



# Western Cape economic performance and outlook

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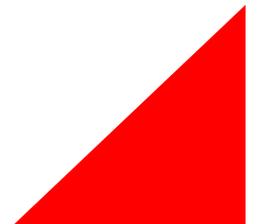
- **Forecast for 2011 – 2015: 4.2% average growth** in production.
- Economic **growth is dependent** on developments in the **agriculture value chain** (agriculture, food and beverages), **services sector** and **manufacturing**.
- **Risks** to the regional economy depend largely on what happens in the **US and Europe** because those are our main trading partners.
- **Western Cape unemployment** rate up at **22.2%** (SA: 24.9%).
- **2.4% Growth in 2010** did not create any new jobs. **Jobless Growth**
- We need **faster economic growth** and higher levels of labour absorption.
- We must focus on improving the **competitiveness** of industries through **partnerships** between Government, Business and Labour.



# Implications for WC economy

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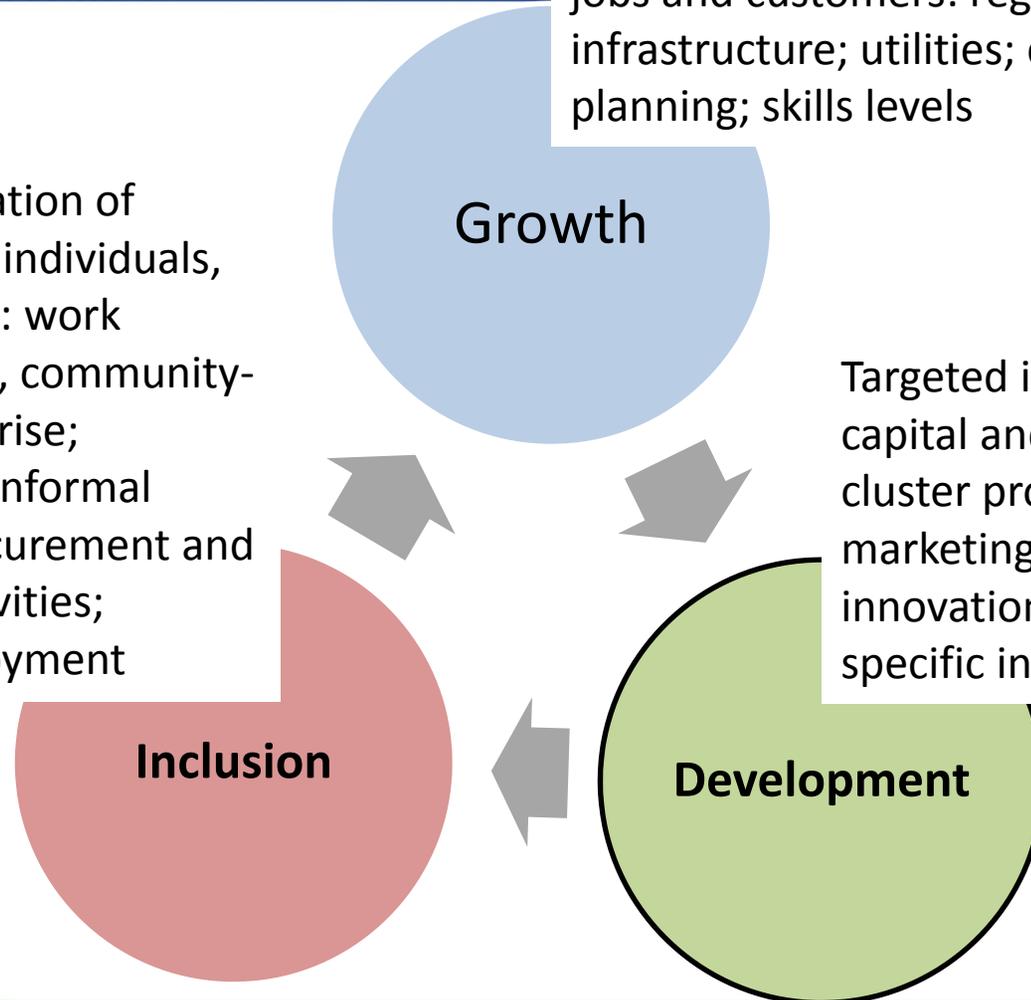
- The **service sectors** are expected to continue to grow.
- We have a **competitive advantage** in a number of sectors (e.g. finance and insurance, business services, wholesale & retail trade and tourism).
- **Further growth** potential lies in the **export market** (currently dominated by agricultural produce and food value chain).
- **Our growth is being concentrated in the skills-intensive services industries** rather than in the semi- and unskilled labour absorbing primary and secondary industries.
- We have seen a rise in education levels of WC workforce.
- **Youth unemployment at 46%.**
- **Informal sector** in WC relatively small – **potential** for providing gainful employment and access to wage income for the unemployed.



# What is economic development?

Improved economic development fundamentals to ensure good climate for business formation and growth, investment, jobs and customers: regulatory and tax regime; infrastructure; utilities; connectivity; land use planning; skills levels

Increase participation of excluded groups, individuals, firms or locations: work readiness; micro-, community- and social enterprise; incorporation of informal settlements; procurement and supply-chain activities; temporary employment



Targeted interventions: access to capital and premises; sector and cluster promotion; branding and marketing; entrepreneurship and innovation; new facilities for specific industries

Integration of discrete clusters of economic activities into single development framework: not 'either/or', all are needed

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Since 1994, the South African government has implemented and introduced a range of policy initiatives and programmes aimed at economic reform, with particular emphasis on those that give effect to addressing the economic imbalances and uneven opportunities of the past.

# Legislative Framework

Constitution of the Republic of South Africa (Act No. 108 of 1996) - Section 217 states that government procurement systems must be Fair, Equitable, Transparent, Competitive and Cost Effective

Fair, Transparent, Competitive, Cost Effective			Equitable	
Public Finance Management Act (Act No. 1 of 1999)	Municipal Finance Management Act (Act No. 56 of 2003)	Construction Industry Development Board Act (Act No. 38 of 2000)	Preferential Procurement Policy Framework Act (Act No. 5 of 2000)	Broad Based Black Economic Empowerment Act (Act No. 53 of 2004)
PFMA	MFMA	CIDB	PPPFA	BBBEE
Public Sector Clients	Public Sector Clients	Public and Private Sector Clients	Public Sector Clients	Public and Private Sector Clients

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Section 217(1) of the Constitution provides the basis for procurement by determining that:

“ When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective.”

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The object of both the PFMA and MFMA, is to secure accountability and sound management of the revenue, expenditure, assets and liabilities of the institutions to which it applies and which:

- allows managers to manage and at the same time hold them accountable; and
- focuses on outputs and responsibilities and adopts a broad strategy to improve financial management in the public sector.

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To effect the provisions of section 217 of the Constitution, the PPPFA was promulgated in 2000. This Act provided the framework for the preferential procurement policy. The Act prescribes that, amongst others:

- a preference point system should be followed when awarding contracts;
- based on prescribed amounts, maximum 20 or 10 points may be allocated for specific goals provided the lowest price scores 80 or 90 points respectively;
- the contract is awarded to the bidder scoring the highest points.

# Supply Chain Management

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SCM could be described as a function that ensures that goods and services are delivered to the right place, in the right quantity, with the right quality, at the right cost and at the right time.

These are the underlying principles that drive any procurement process.

This process is aimed at:

- To render services to the public (primary function).
- For socio-economic benefit (secondary function).



# Setup in the Province

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- A Provincial Treasury must promote and enforce transparency and effective management in respect of revenue, expenditure, assets, and liabilities in the provincial and local spheres of government; focusing on financial planning, budgeting, expenditure monitoring, evaluation and reporting that will improve budget allocation processes and application of resources;
- The Province is committed to proper transparent and accountable governance that is mainly aimed at how we conduct our daily business (governance) and interact with our people (citizens and employees);
- This vision is captured as: To be the best run regional government in the world; which seeks to ensure that the organisation and its people are able to effectively deliver on the other objectives; and
- With a strategic focus on “Management for Results” aimed at performance through achieving desired outcomes and ultimate impact, using performance information for internal management learning and decision-making and accountability in reporting results to stakeholders.

# Provincial Context

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- Supply Chain Management vests under the auspices of the accounting officers of each institution/department in the Province whose role it is to deliver the services that each is responsible for, in a cost effective and efficient manner;
- This is done via the accounting officer's access to two main resources, i.e. Personnel and Goods & Services;
- Central to this responsibility is that of good, clean and accountable and transparent decision making in the supply chain management process through adherence to legislative requirements and good governance as the guiding principles.

# Preferential Procurement and BBBEE

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- The **PPPFA, Act 5 of 2000** incorporates the 80/20 and 90/10 preference **point system**.
- Points may be allocated for contracting with persons historically disadvantaged by discrimination on the basis of race, gender or disability.
- **The revised Preferential Procurement Regulations, 2011** have been issued and come into effect on 7 December 2011.
- **Verification Certificates** will be used to calculate points. These will be done by Verification Agencies accredited by SANAS.
- Bidders with annual turnover of less than R5 million qualify as **Exempted Micro Enterprises**.



# Preferential Procurement and BBBEE - continued

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## Evaluation of bids on functionality

- Clear indication must be provided in bid documents if bids will be evaluated on functionality. Evaluation criteria must also be objective.
- Evaluation criteria, the weight for each criterion, applicable values and the minimum qualifying score (for each bid on its own merit) must be indicated in bid documents.
- Bids failing to achieve qualifying score for functionality must be disqualified.
- Bids achieving the minimum qualifying score must be evaluated further in terms of points for price and B-BBEE status level contribution.

# Public Sector Procurement Rationale and Impact

- There is a **general perception that government will via its procurement process provide job opportunity/job creation**. It must be highlighted that government tenders are limited to goods and services required within the public sector and may not necessarily be the commodities that are being provided by the market at large/SMMEs in the broader context.
- Certain technical services required by government require nurturing and a more focused skills development to enhance a supplier of goods/services capacity to deliver.
- Generally, targeted suppliers/enterprises that are doing business with the government do not have core competencies in any specific industry or sector.
- Small black-owned and large businesses/enterprises do not collaborate and cooperate, thus miss out on market opportunities created through black economic empowerment. There is a need for collaborative partnerships to facilitate growth and development.
- Inability to meet legislative/prescribed requirements of tender that renders bids unresponsive/non-compliant to tender requirements.



# Provincial Objectives

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Broadly speaking, the provincial government aims to address the following objectives:

- **Broaden opportunity;**
- **Broaden access and participation;**
- **Build a competitive market; and**
- **Build strong, competitive local companies.**

These objectives must be seen as a collaborative **partnership** between Business and the Provincial Government through **empowering the SMME sector**, focused skills development and bringing together supply and demand on an **opportunity driven ticket**.



# Initiatives

## 1. Supplier Database Revision for the Provincial Departments

- Currently the database has:
  - 37 985 verified suppliers in total;
  - 27 918 suppliers verified as having HDI equity ownership;
  - 33 198 suppliers verified as SMMEs;
  - 26 095 suppliers verified as SMMEs having HDI representation;
  - 4292 suppliers verified as having < 50% women equity ownership;
  - 13 180 suppliers verified as having > 50% Women Equity ownership.
- **Move toward compulsory registration on the supplier database** that will manage and house tax clearance certificates, declarations and disclosures, and certain bid documents that require annual submission.
- Move toward easy access and transacting to **eliminate many documents** being submitted many times over in different tender processes by suppliers.



# Initiatives – continued

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## 2. Supplier Open Days

- The initiative is aimed at exposing the business community (suppliers/ vendors) to all the **opportunities that exist for doing business with government**;
- Foster relations between the stakeholders of BBBEE and SMME Development, harness cohesion between Local Economic Development and Supply Chain Management in the provincial and local spheres;
- Inform the Public on the legislative requirements in Government Procurement;
- Facilitate relations between the Provincial and Local spheres of Government, external stakeholders in the supply chain management environment and suppliers;
- The general approach is a more holistic one toward **supplier development**.



# Initiatives – continued

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## 3. Red Tape to Red Carpet

- This is a red tape reduction programme aimed at **removing blockages to economic growth.**
- It is a **partnership between business and government.**
- Will also identify and manage the reduction of Red Tape in supply chain management processes.
- The unit will direct any query that needs attention.



# Initiatives – continued

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## 4. CIDB Initiatives:

- The **Construction Industry Development Board (CIDB)** is mandated through CIDB Act 38 of 2000 to support contractor development and emerging sector participation throughout government and industry.
- MINMEC specifically, has mandated CIDB in collaboration with the National and Provincial Departments of Public Works to devise and implement a **National Contractor Development Programme (NCDP)**.
- NCDP Summary Framework (2010) – establishes the parameters for implementation.



# National Contractor Development Programme (NCDP)

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- Government programme comprising of a partnership between the CIDB, national and provincial public works and other willing stakeholders.
- Participating stakeholders commit their efforts and resources to develop previously disadvantaged contractors, by:
  - Establishing enabling environment, including e.g. procurement strategies that promote continuity of work, access to finance, prompt payment, appropriate contracting conditions, mechanisms for skills development, etc.;
  - Enhancing and strengthening contractor development mechanisms, including emerging contractor development programmes (ECDPs), joint ventures (JVs) and other appropriate mechanisms;
  - Facilitating performance improvement of contractors; and
  - Supporting the creation of a pool of skilled artisans, supervisors, technicians and technologists for the construction industry.

# Western Cape DTPW Contractor Development Programme

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Two key Programmes:

- Qingqa Skills Development Programme
- Siyenyuka Contractor Enhancement Programme

CIDB:

- Provides strategic support to programmes
- Participation at Training and information sessions

WCDTPW facilitates enhanced working relationships with district municipalities.



## Qingqa Skills Development Programme

Aim:	To develop & enhance contracting skills of new & emerging contractors within construction industry
Beneficiaries:	Contractors on CIDB grading 1 to 2 and/or registered on municipal supplier database
Scope:	<ol style="list-style-type: none"><li>1. Provides Training &amp; Information Sessions<ul style="list-style-type: none"><li>• Tender Information Sessions</li><li>• Costing, Pricing &amp; Estimating</li><li>• General Conditions of Contract</li><li>• JBCC Contract Documentation</li><li>• Labour Intensive Construction (NQF Level 2)</li><li>• Project cashflow Management</li><li>• Occupational Health &amp; Safety</li></ul></li><li>2. BBBEE: Alignment with provincial legislation</li></ol>
Current status:	Total of 443 emerging contractors attended training throughout WC

## Siyenyuka Contractor Enhancement Programme

Aim:	To facilitate skills development & promote business sustainability for emerging contractors within construction industry
Beneficiaries:	Active Contractors on CIDB grading 2PE to 7 (PE = Potentially Emerging status, indicating that contractor has significant development potential, but has impediments that must be overcome)
Scope:	<ul style="list-style-type: none"><li>• Potential Beneficiaries identified and selected</li><li>• Training Needs Analysis conducted</li><li>• Goal Development Plans compiled</li><li>• Mentorship provided</li><li>• Training provided</li></ul>
Current status:	<ul style="list-style-type: none"><li>• 30 participants identified throughout WC &amp; currently engaged in mentoring &amp; training</li><li>• New participants to be identified for pilot process in 2012/2013</li></ul>

# Initiatives – continued

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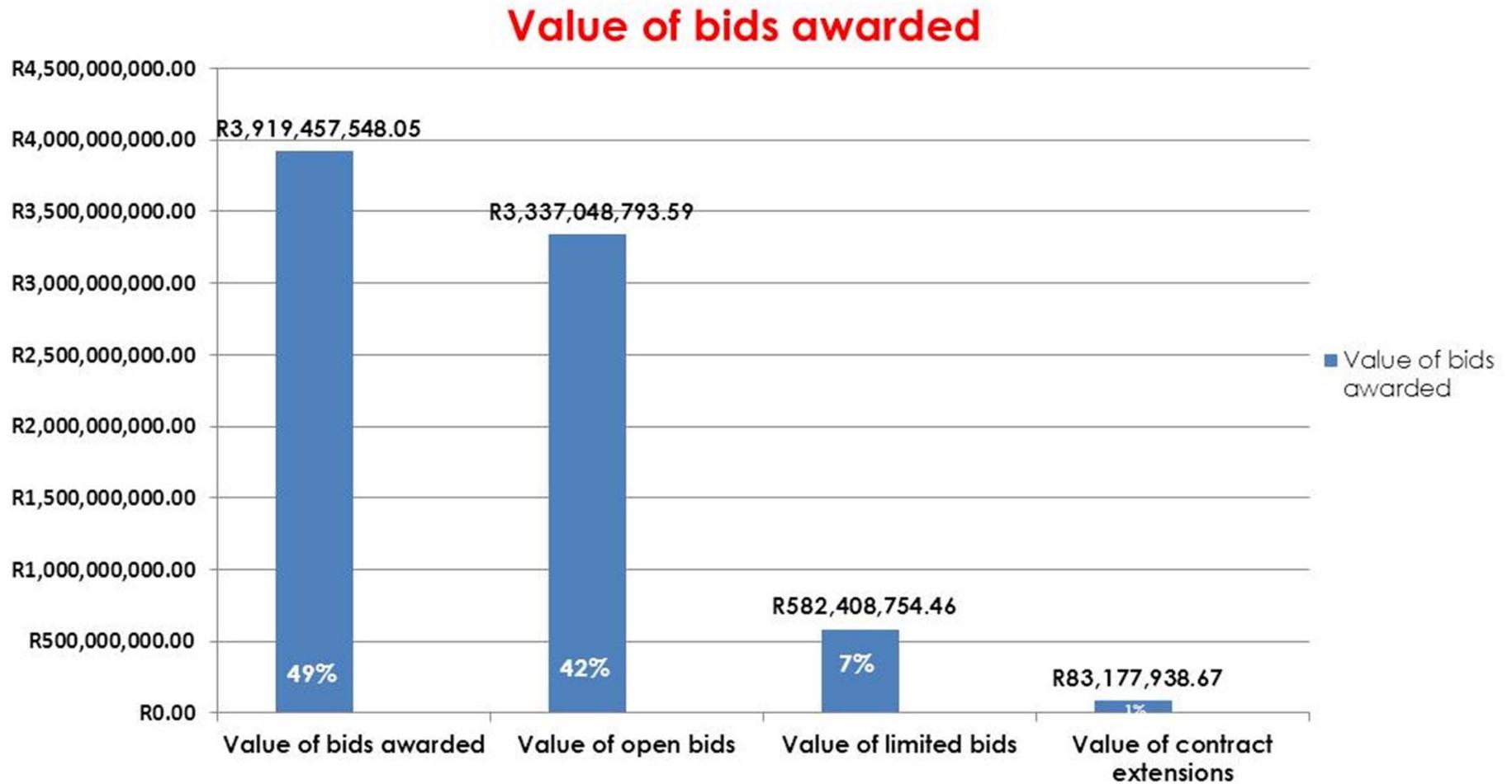
5. Drive and focus on SCM transparency, accountability and efficiency:
- Institutional clarity on policy and procedure;
  - Establishing a credible foundation for a culture of accountability and transparency;
  - Resources to fight poor governance and malpractices;
  - Efficiency of broader budgeting spend that is growth and development orientated;
  - Better planning of tenders;
  - Improve specifications and post-tender contract management;
  - Avoid the snapshot view but take cognisance of long term impact that delivers efficiency and value for money.

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**Contracts awarded** during the  
2010/11 financial year and  
expenditure on selected items for the  
same period

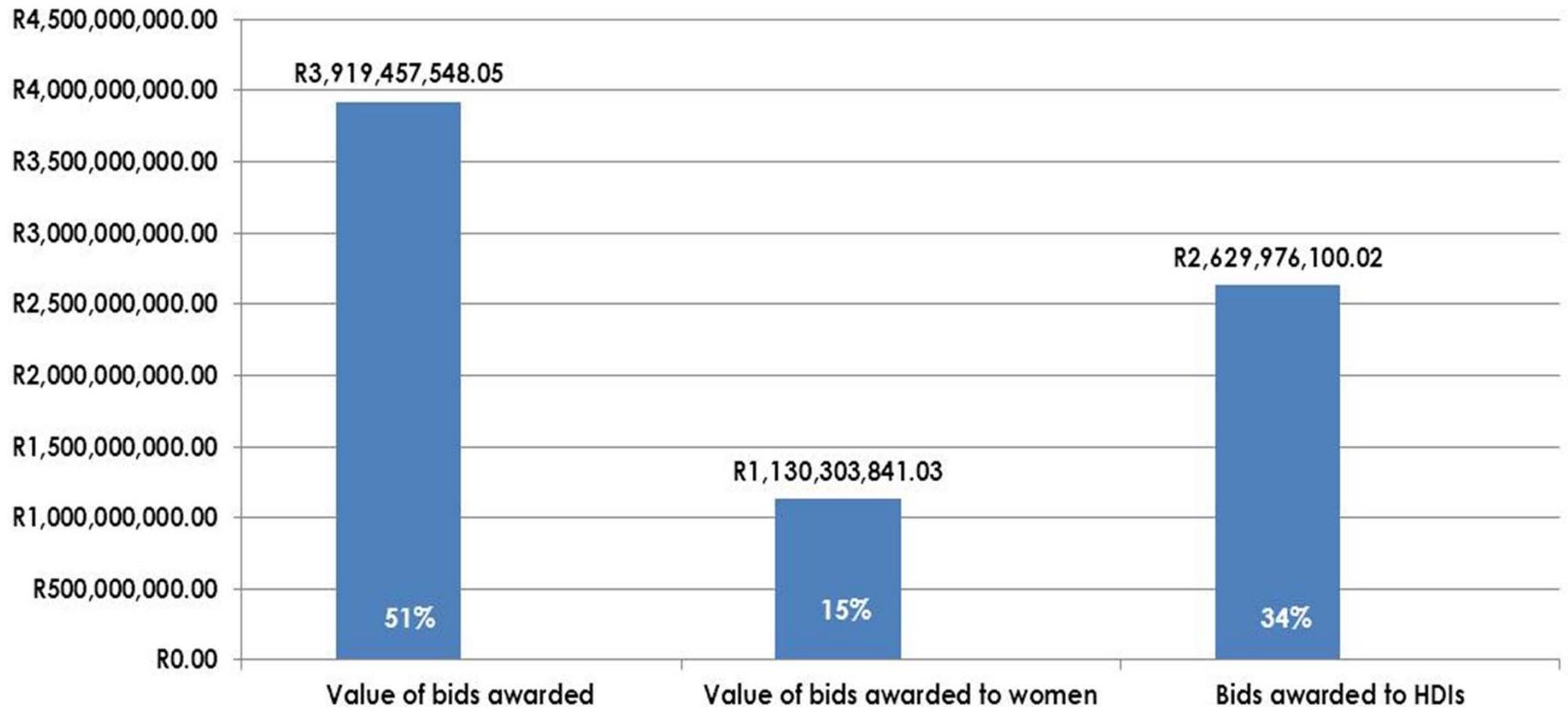


# Value of bids awarded over R200 000.00 by Provincial Departments for the 2010/11 financial year



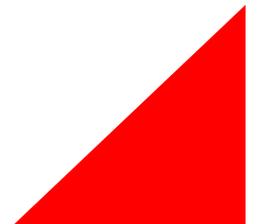
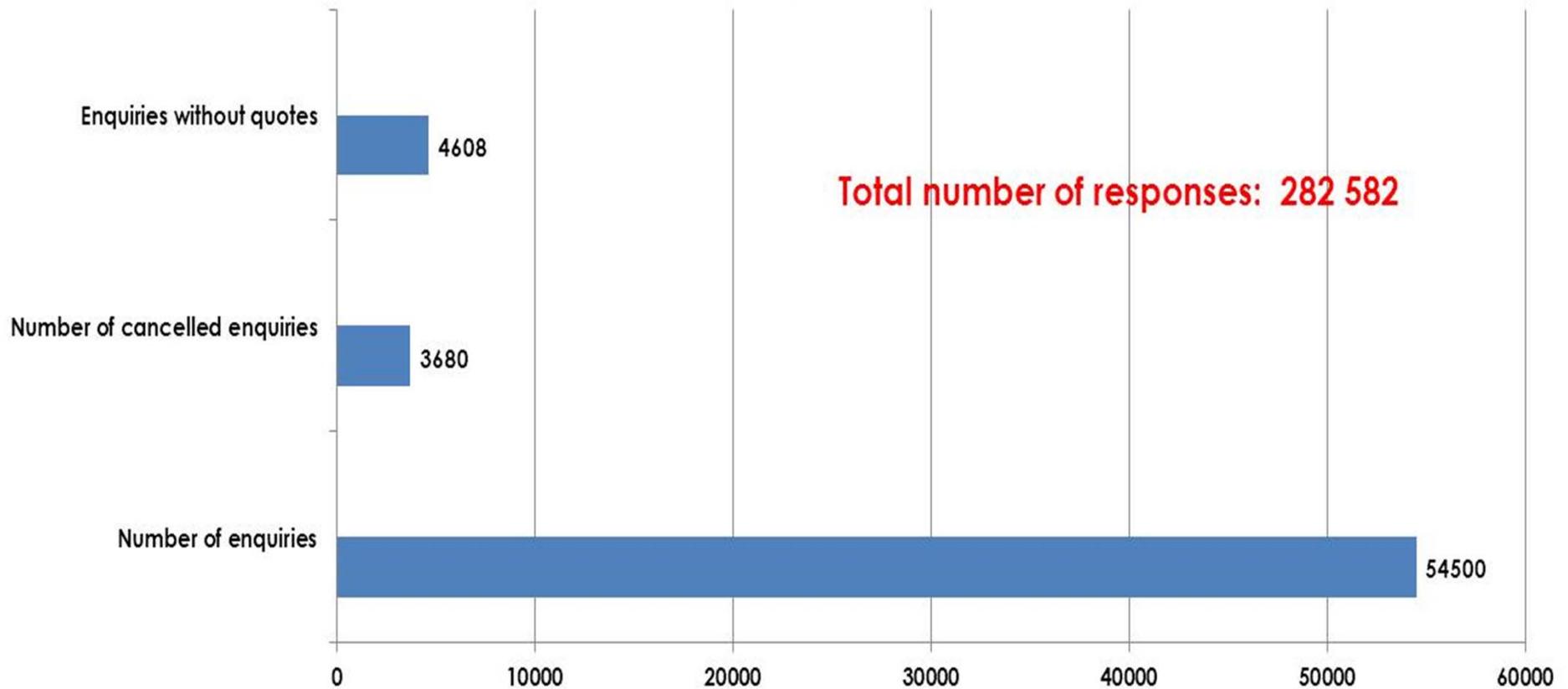
# Formal Bids Awarded by Provincial Departments for the 2010/11 to HDIs and non HDIs for bids over R200 000.00

## Value of bids awarded to HDIs



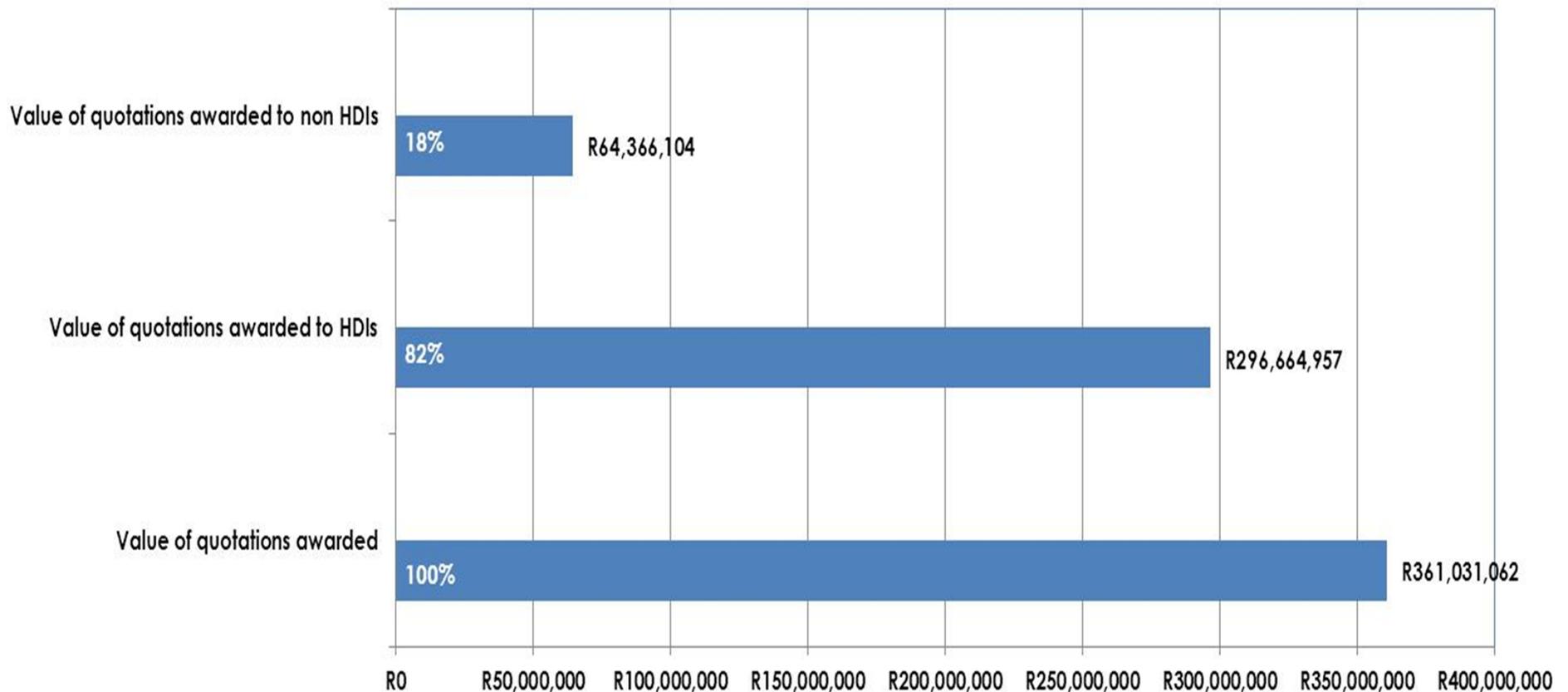
# Formal Quotations (R10 000.00 – R500 000.00) by Provincial Departments for the 2010/11 financial year

## Number of enquiries/requests

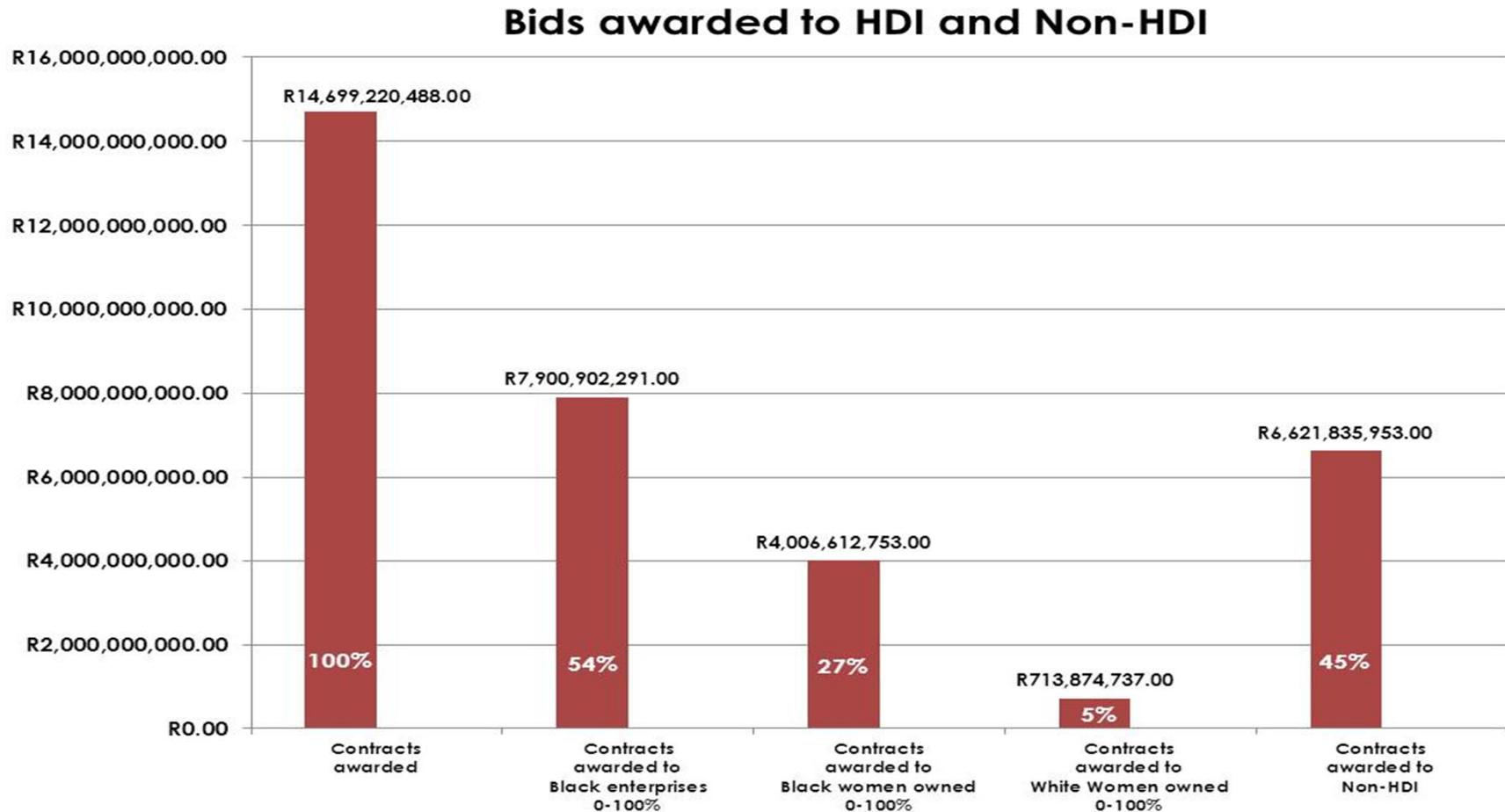


# Value of Formal Quotations (R10 000.00 – R500 000.00) by Provincial Departments for the 2010/11 financial year to HDIs

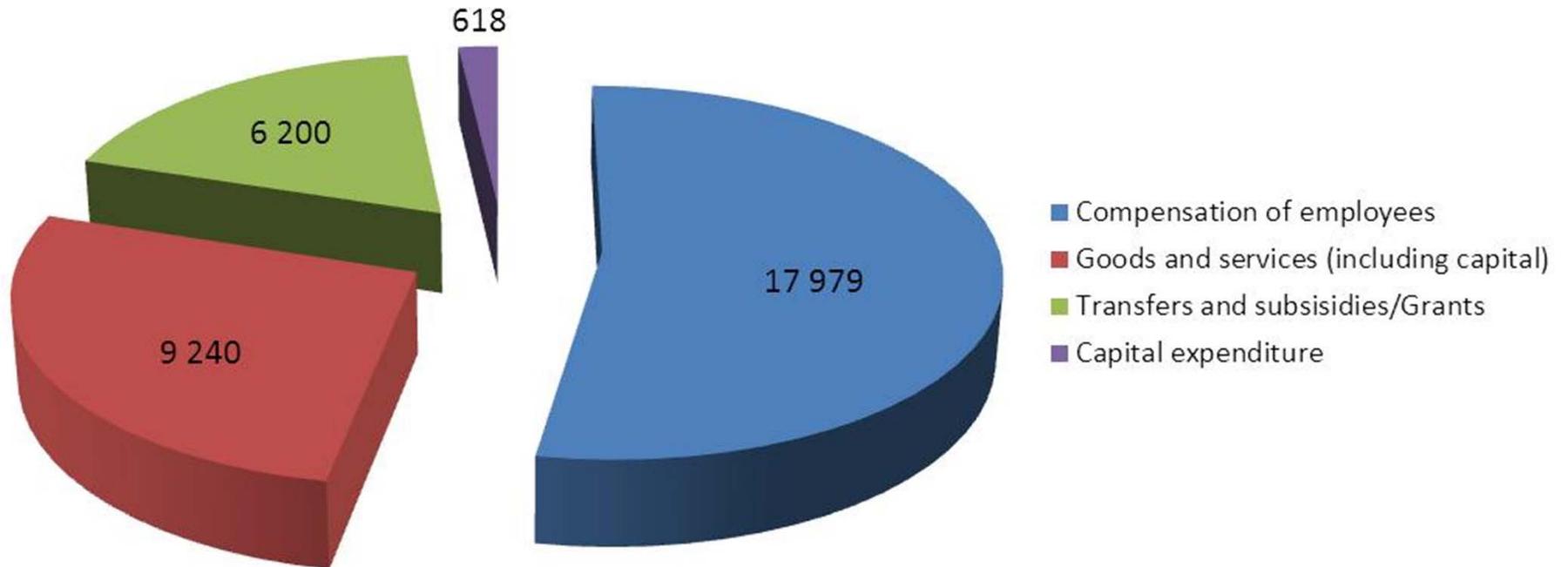
## Value of quotations awarded



# Formal Bids Awarded by Municipalities for the 2010/11 to HDIs and non HDIs for bids over R200 000.00 (01 Apr 2010 - 31 Mar 2011)



# Western Cape Provincial Government 2010/11 spending



<b>Western Cape Provincial Government spending and budget</b>				
<b>Items</b> <b>(R'million)</b>	<b>2010/11 Audited Outcome</b>	<b>2011/12 Budget</b>	<b>2011/12 % share</b>	<b>2011/12% Budget growth</b>
<b>Operational expenditure</b>	<b>27 220</b>	<b>30 125</b>		
Compensation of employees	17 979	20 280	55%	11%
Goods and services	9 240	9 843	27%	6%
Of which				
Current payments				
Contractors: Maint & Rep Other Assets	316	278		
Inv Learn Sup: Text / Prescribd Bks	166	243		
Inv Medi: Medicine	565	613		
Medical Lab Serv Nhls	407	432		
Gov Vehicles Transport	293	321		
Capital payments				
Cons / Prof: Engin Civil	235	197		
Contractors: Building & Construction	660	530		
Contractors: Refurb & Rehab Oth Assts	510	773		
Contractors: Upgrade & Add Oth Assts	410	300		
Own Lease Upgrade & Add	182	187		
<b>Transfers and subsidies / Grants</b>	<b>6 200</b>	<b>6 002</b>	<b>16%</b>	<b>(3%)</b>
Provinces and municipalities	742	757		
Public entities	286	262		
Of which				
Cape Medical Depot Augmentation	52	13		
Prov : Destination Marketg Org	38	32		
Prov : Investmt & Trade Prom Agy	15	12		
Public corporations and private enterprises	824	820		
Of which				
Casidra Pty Ltd	190	113		
Public Transport Operations	633	707		
Non profit institutions	2 212	2 379		
Of which				
Non Profit Institutions	950	962		
Sect 21 Sch: Norms And Stan Rds	291	271		
School Support Oth Educ Instit	818	887		
Households (mostly housing grants paid by municipalities)	2 132	1 778		
<b>Capital expenditure</b>	<b>618</b>	<b>880</b>	<b>2%</b>	<b>30%</b>
Buildings and other fixed structures	217	392		
Machinery and equipment	375	428		
Of which				
Construction & Maintenance Equip	39	20		
Computer Hardware & Systems	101	144		
Medical & Allied Equipment	159	193		
Software and other intangible assets	7	6		
Softw & Other Intangible Assets				
<b>Financial asset payments</b>	<b>22</b>	<b>4</b>		
<b>Total expenditure</b>	<b>34 060</b>	<b>37 010</b>	<b>100%</b>	<b>8%</b>

# Goods and Services Expenditure for 2010/11

<b>Total Goods and Services (R'000)</b>	<b>9,240,044</b>
<b><i>Minus: Selected Spending on selected items</i></b>	<b><i>6,318,770</i></b>
Infrastructure/ all Maintenance/ Upgrading, etc.	3,068,782
Medicines, Medical Inventories and Laboratory	2,046,556
Municipal Services	325,079
Government Transport	292,540
Payments to the State Information Technology Agency (SITA)	186,122
Licences and Registration Fees	175,706
Nursing Agency Staff	114,432
Employee Bursaries	40,994
Learnership and Volunteer payments	39,545
State Attorney	16,789
Government Printers	10,342
Payments to Board Members	1,883
<b>Remaining Goods and Services</b>	<b>2,921,274</b>

<b>Remaining Goods and Services (R'000)</b>		<b>2,921,274</b>
<i>of which 54 % spent on:</i>		<b>1,578,065</b>
1	Food Inventories includes: formula feeding, dietary supplements, groceries, etc.	254,772
2	Financial and Operating Leases <i>includes:</i> hiring of photocopy machines, equipment, telephone systems, etc.	222,415
3	External Computer Services <i>includes:</i> information services, software licences, system development, internet charges.	188,134
4	Prescribed Text Books	166,056
5	Professional Agency Staff	143,444
6	Transport of Scholars	141,856
7	Safeguarding and Security	131,261
8	Communication Services (Telephone, fax, cellphone charges, TV and radio transmissions, etc.) <i>and</i> Telecommunication Equipment > R5000	120,770
9	Stationery Inventory	61,290
10	Cleaning Services	55,619
11	Research and Advisory Consultants	92,447

# Role of government in growing the economy

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## The Enabling Environment

- **Infrastructure** and Asset development . (Break away discussion)
- **Skills investment** (e.g. Provincial Skills Development Forum EPWP).
- Attention to linkages within and across **promising sectors**, to acknowledge good business results.
- **Reducing constraints** on the formal sector and informal sector (e.g. Regulatory Environment - Red Tape).
- Understanding and addressing actual root causes of social disintegration (e.g. **substance and alcohol abuse**, crime, women and child abuse, interpersonal violence).
- **Western Cape Economic Development Agency.**
- **Catalyst Projects – Port, IDZ, Telecoms, Fringe, Health Hub**



# Role of business in growing the economy

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- **Clarity** on the **type of support and interventions** needed from new/existing businesses.
- Focus on improving **competitiveness** – business efficiency.
- Potential **new markets** (rest of South Africa, Africa, BRICKS and global).
- Government creates the enabling environment for **Business to create the Growth and Jobs.**



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