

Public Infrastructure Procurement: A Primary Catalyst for Radical Economic Inclusiveness



Department of Public Works

13 - 14 August 2015

Infrastructure Spend in KZN

Total KZN Provincial Budget : R 96 billion

Goods and Services : R 14 billion

Infrastructure : R 12 billion

- Major custodians of infrastructure spend:
 - Departments of Transport, Public Works, Human Settlements, Education, Health, COGTA

This excludes National Departments, Municipalities, and State Owned Enterprises such as Transnet, SANRAL, Umgeni Water, etc

Government's total spend on procurement can be a fundamental catalyst to bring about a social and economic revolution, aimed at creating a demand driven education system, functional and expanding job markets coupled with skills transfer for a sustainable future.

Who are the Major Beneficiaries of the Spend?

Public procurement as a tool for development and transformation

There is a view that the PPPFA does not do enough to support socio-economic transformation. Achieving socio-economic objectives through public procurement goes beyond legislation

The PPPFA and its Regulations give expression to Section 217(3) of the Constitution which prescribes the framework within which preference and socio-economic objectives are to be achieved. There has been criticism that the PPPFA and its Regulations do not go far enough to achieve the preference, empowerment and socio-economic objectives described in Section 217(2) of the Constitution. Three main arguments are put forward:

- The point scoring system based on price and empowerment is biased in favour of established businesses. The cost structures for emerging black businesses can be higher than those of their established, mainly historically-white counterparts. In addition, established businesses have experience of the supply chain processes and control many of the inputs of the economy. There should be no limit to the cost premiums associated with empowerment, i.e price should not be a main criteria when adjudicating bids.

Who are the Major Beneficiaries of the Spend?

- Local economic and enterprise development is difficult to be attained within the current procurement regime.
- ‘Set-asides’ of procurement for designated previously disadvantaged groups are the only way in which economic transformation can be attained. However, the current system does not allow for these. Realising the benefits of preferential policies and achieving the objectives of empowerment and socio-economic change go beyond legislation. The reasons why this is the case include:
 - The current fragmented procurement regime is a barrier to entry for emerging small and medium businesses; this makes it difficult for new businesses to transact with government.

Why are we not achieving our political objectives?

- Is there a problem with our legal framework?
- Alternatively are we not interpreting our legal framework correctly?
- SCM practitioners unable to conceptualize and implement tenders aligned with government's developmental objectives.
- How do we develop capacity of service providers to meet functionality and eligibility criteria?
- Promote Local production and local content
- Growing the Economy – essential for sustainability
[Formal and Informal, Socially Cohesive]

Theory and Practice

Practice without theory is blind

Theory without practice is sterile

**WE CANNOT WAIT FOR THE
THEORY TO BE SETTLED**

The background features abstract, overlapping green geometric shapes in various shades, including light lime green, medium green, and dark forest green. These shapes are primarily located on the left and right sides of the page, framing the central white area.

CONTRACTOR DEVELOPMENT

Eyesizwe Contractor Development Programme

- In line with the National Contractor Development Programme the KZN Provincial Department of Public Works has developed the Eyesizwe Contractor Development Programme to resuscitate the Contractor Development Forums within the Department.
- The Eyesizwe Contractor Development Programme Database was advertised on the 21st November 2014, closed on the 9th December 2014 because there were fewer applications received the closing date was further extended to close on the 31st December 2014.
 - 816 applications were received
 - 202 applications did not meet the admission criteria
 - 614 applications were responsive and are admitted to the programme

(296 youth, 327 women, 216 others)

Immediate Interventions

- Contactor Forums have already been established in both Districts and Provincial level.
- Participating Contractors (614) are being exposed to capacity building programmes in order to maximise economic / procurement opportunities within DPW and externally.
- Period Contracts are being put in place for participating Contractors.
- Public Works will re-advertise in September 2015 for the Eyesizwe Contractor Development Programme Phase 2.

Contracting Options

- Targeted Procurement
 - Direct
 - Indirect: Subcontracting: 25%
Joint Ventures
Enterprise Development
[Mentorship, Local Spend]
- Competitive Downgrading [Restricted to targeted grades]
- Rotation
- Always Assess Risk [Functionality]

Targeted Procurement

- Procurement Strategy: An amount of R 110 million will be set aside from the 2015/16 financial year budget for projects for Contractor Development.

Type of investment	Budget 2015/16	Targeted Number of Women	Targeted number of Youth Entrepreneurs
Maintenance	R20m	15	20
Storm Damage	R58m	5	7
School Fencing Programme	R12m	3	4
Repairs and Renovations	R20m	35	25

Empowering Professional Service Providers

No.	Item	Timelines
1.	Projects with fee estimated value of R200 000 incl. vat or less per appointment, will be rotated on a next inline basis amongst the emerging targeted groups Service Providers	30 September 2015
2.	DPW will encourage Joint Ventures and Consortiums between Technologist and Professional registered Service Providers on projects with fee estimate of R 500 000 and below per appointment	30 September 2015 Target: 10 Technologist Entities
3.	Programme Management Consultants or Implementing Agents for major contracts should employ at least four (4) emerging Consultants or Technologist Firms as part of their teams to promote skills transfer and partnerships.	30 October 2015 Target: 40 companies with a turnover of less than R 5 m

Partnership with Construction CETA

Background

- The KwaZulu-Natal Department of Public Works, is in partnership with the Construction Education and Training Authority (CETA), to train individuals in technical accredited skills to improve their employability through providing opportunities of work experience, skills development and support to gain access to economic and further learning opportunities.
- A total of 570 participants will benefit from this programme in various disciplines as per the next slide.
- Implementation to commence in September 2015.

Partnership with Construction CETA

Programme	Intended output	Budget	Number of targeted participants
Apprenticeship	To assist beneficiaries to become competent artisans	R 5, 562, 000	120
Internship	To receive work exposure in order to achieve the qualification	R 350, 000	50
Recognition Prior Learning (RPL)	To become certified in their areas of expertise	R 525, 000	150
Trade Test	To receive certificate	R 5, 4000, 000	100
Work placement	To improve employment opportunities	R 1, 800, 000	150
Total		R 13, 637, 000	570

KwaZulu Natal Department of Public Works will contribute R 5 million from its budget for project management, learner material, facilitation and training. Therefore the total spend will be R 18.6 million

KZN

PROVINCIAL

INFRASTRUCTURE MASTER PLAN

(KZN-IMP)

VISION 2030

KZN Construction Entrepreneurial Development Centre

15/16 Piloting of the Programme

- Production and repairing of school desks to be piloted as part of job creation and SMME development.
- One hundred and five (105) youth will be recruited to participate in the piloting of the programme.
- Programme to commence by April 2016 [All preparatory including selection of beneficiaries to be completed by February 2016]
- Pilot Centre to be identified and refurbished to suit the identified pilot project
- Material and equipment to be procured for the center
- Train youth on accredited carpentry and upholstery skills
- Forge partnership with the Department of Education to support the programme.

Land

- **Prime Sites** [To be available on incentivised and preferential basis]
- **Property Development:**
 - Professional Space
 - Business Space
 - Residential Space
- **Targeted Beneficiaries:**
 - Established Black Business
 - Emerging Business

Finance Linked Individual Subsidy Program [FLISP]

- Finance Linked Individual Subsidy Program [FLISP] was developed by the Department of Human Settlements to enable sustainable and affordable first time home-ownership opportunities to South African citizens and legal permanent residents earning between R3 501 and R15 000 per month, (the “affordable” or “gap” market).
- Individuals in these salary bands generally find it hard to qualify for housing finance; their income is regarded as low for mortgage finance, but too high to qualify for the government “free-basic house” subsidy scheme.

Subsidy Available:

- 1 Apr 2012 – Income of R15k, product price of R300k
- 1 Apr 2014 – Income of R15k.....and no limit to product price

Opportunity:

- Land + Subsidy + Development

Skills Required:

- Project Management, Financial Management, Marketing, Social Facilitation

Property Management is a serious professional skill

Prime Land Available

- **Bellair:** 3.4287 ha and 2.15 ha
- **Bluff:** 1.1812 ha
- **Brickfield:** 8094 m²
- **Queensburgh:** A series of properties forming one big plot with the following sizes all next to each other (2023 m², 7183 m², 8119 m², 5026 m² and 8866 m²)
- **Booyesen's Properties:** 3 x city centre
- **Student Accommodation**
- **Average Value of Project:** R 20m-R 50m

Government Leases

- Current Total Spend: R 270 m per annum
- PMB Provincial Capital: R 125 m per annum
- Demographic Profile of Lessors
- Opportunity: 10-12 years leases
[Green Buildings]
- Contradiction and Opportunity: Plans for government precinct
[PPP/BOT/Financial Leases]

Conclusion

“No political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the first priority of a democratic government.”

[The Reconstruction and Development Programme, 1994]

“To make meaningful, rapid and sustained progress in reducing poverty and inequality over the next two decades, **South Africa needs to fix the future, starting today.**”

“This plan outlines a new development approach that seeks to involve communities, youth, workers, the unemployed and business in partnership with a capable state. The aim is to develop the capabilities of individuals and of the country, creating opportunities for all.

[National Development Plan]”



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