



GAUTENG PROVINCE

ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

SPEECH BY MEC KGOSIENTSHO RAMOKGOPA AT THE PROUDLY SOUTH AFRICAN BUSINESS FORUM ON 24 JULY 2019

The Gauteng Department of Economic Development is in the forefront of Transformation, Modernization and Re-Industrialization (TMR) agenda in the province. The objective is to transform the skewed economic structure in order to pull into the mainstream of the economy SMMEs, cooperatives and township enterprises owned by previously disadvantaged groups in the province such as blacks, youth, women and people living with disabilities. This task is necessary if we are to defeat the war against unemployment, poverty and inequality. This has led to amongst other things prioritization of economic interventions which advocate for broad participation in the economy especially with regard to ownership and empowerment.

These efforts have been more pronounced in the social economy which locates co-operatives or collective ownership as a catalyst for broader economic participation. Industrial Co-operatives are beginning to emerge in all corners of the province following years of inadequate performance. Challenges still abound but are not, by any stretch of imagination insurmountable. Government will continue to use strategic levers (public procurement) at its disposal to ramp up enterprise development and support to ensure growth and sustainability of SMMEs and Cooperatives in the province. Public procurement can make a significant contribution to the development and growth of enterprises that are able to participate competitively in the global economy.

For example, the procurement of school uniforms and desks, hospital linen, soft furnishings for Government offices are but a few areas in which public procurement can be utilised in support of the development of a wide set of local industries. Some of the notable areas of progress includes advent of manufacturing co-operatives – Co-operatives have started producing high quality products and exploring export opportunities. Co-operatives are now found in furniture manufacturing, cosmetics and beauty products, clothing and textile, detergents and so forth. The growth was made possible through a combination of public and private support.



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Co-operatives Financial Institutions (CFS) have emerged as a strong channel for accessing funds thereby enabling strategic investment in productive and services sectors of the economy. This activity is augmented by strong stokvel and burial society activities which will be re-orientated to positively contribute to funding gap, especially in the light of failure of the mainstream financial institutions to provide access to SMMEs and township enterprises. The risk profiling of SMMEs and township enterprises imposes a cost premium and makes funding unaffordable.

Research has proved that technology platforms have the potential to help de-risk small enterprises and creates a platform to address demand and supply dichotomy. The SMMEs clearing house (a provincial initiative) provides an opportunity to deploy technology for the benefit of small enterprises. The platform will be expanded and operationalized to address the gap outlined above and eventually open market access opportunities between enterprises.

Whilst small enterprises are being prepared and supported to participate in key value chain of the priority sectors, government approach towards funding support must be relooked at. Small enterprises requires different funding support relative to big corporates which mainly requires larger capital outlay. These innovative funding includes contract funding especially when an enterprise has been awarded a contract and just require financial injection to successfully deliver a project. The Gauteng Enterprise Propeller is being re-engineered to close this gap.

A negative perception persist that small enterprises especially based at township do not have the capacity to produce high quality products. This is being addressed in many respects. The advent of the township economy has sparked interest and many business are beginning to invest in the townships. Government will continue to work with economic regulatory agencies (such South African Bureau of Standards) and other stakeholders to improve the quality of products and services offered by these enterprises.

SMMEs and cooperatives have a great potential to deal with high unemployment, poverty and inequality in the province. There are a number of non-negotiable that we have to agree



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on if we are to be successfully address triple challenges of high unemployment, poverty and inequality in the province the unemployment. To mention a few:

Firstly, when making decisions on small business support and funding, our Enterprise Development entities like the Gauteng Enterprise Propeller should give priority to businesses that show immense potential for growth and creating jobs.

Secondly, there must be accountability in how businesses that are funded by state agencies spend the funds and how they leverage these funds to contribute to our mandate to create jobs and fight poverty.

Thirdly, these businesses must make all efforts to source their inputs from local producers to ensure multiplier effects across the board and enhance job creation.

We are also monitoring local production and content compliance to all provincial departments. Public institutions are receiving continuous support in terms of local content compliance. The Local Content Procurement Accord requires that all public institutions spend 75% of their budget for goods and services on locally manufactured goods and services. Public institutions in the province are assisted to increase their spending on locally manufactured goods and meet the minimum thresholds for local content. There is still a lot of work to be done in this area of our work. To this end, the province will develop and institutionalize local production and content compliance framework to enhance re-industrialization in the province.

In conclusion, let me assure you that we will continue to partner with Proudly SA and the Buy Local Movement to support local production and available dedicate resources into the growth and support of SMMEs and Cooperatives in our quest to grow Gauteng Economy Together. This will go a long way in assisting us to resolve our social challenges and build South Africa we all want.