A STRATEGY FOR BROAD-BASED BLACK ECONOMIC EMPOWERMENT

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FOREWORD

50 years ago, the Freedom Charter was signed in Kliptown in Gauteng. It provided a framework for transformation calling for all people to participate and share in South Africa’s wealth, land and opportunity. The Freedom Charter recognised that these are basic conditions on which an equitable society will be built and in which all will prosper.

These objectives have remained central since the establishment of democracy in 1994. The government has implemented numerous policies and laws aimed at achieving the political and economic liberation called for in the charter. The values of equality and freedom have been entrenched and the foundations laid for the country to chart a new path to economic development.

There have been substantive achievements; however, South Africa continues to reflect racial, gender and social service inequalities. The country has one of the most unequal distributions of income in the world. Gauteng, accounting for 33% of South Africa’s GDP and Africa’s 4th largest economy is no exception.

The economic successes in the province have primarily benefited those sectors of our society that are generally financially secure and stable and who have the necessary skills, means and resources to participate. Whilst there has been some change in the racial and gender make up of provinces economy, across all sectors there remain very low levels of participation of black people in ownership, control, management, and in skilled positions and consequently inequities and skewed benefit remain.

Further to this, a large section of black people in the province continue to experience high levels of poverty and unemployment. These sections of the population generally live in under resourced areas in the province and survive in from micro businesses that seldom generate sufficient income.

These inequalities are not only unjust, they have the effect of reducing the provinces ability to achieve equitable economic growth as they inhibit the potential of the majority to participate meaningfully in economic activities and improve their quality of life.

Accordingly, the Gauteng Provincial Government (GPG) recognises that the implementation of a BBBEE Strategy is an essential mechanism in its efforts to meet the objectives set out in the Freedom Charter, to achieve sustainable and inclusive economic development, social stability, and labour absorbing economic growth.

This BBBEE Strategy gives impetus to the Gauteng Growth and Development Strategy (GDS) and provides GPG with an integrated framework within which BBBEE activities will be driven and monitored.

Given Gauteng’s place as the economic hub of the sub continent, the opportunities for the province to address BBBEE are vast and the expectations for it to take a leading role in respect of wealth creation and empowerment great.

The BBBEE Strategy therefore enables GPG to fulfil its leadership role and has as its intention to leverage all aspects of GPG’s activities to support the economic policy objectives of broad-based black economic empowerment.

Signature       Date
MEC Paul Mashatile
Department of Finance & Economic Affairs
1. EXECUTIVE SUMMARY

1.1 Broad-Based Black Economic Empowerment (BBBEE) is an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people that manage, own and control the country’s economy as well as significant decreases in economic inequalities.

1.2 The objective of this BBBEE Strategy is to substantially increase GPG’s impact on BBBEE and consequently generate economic benefit and growth for the province as a whole.

1.3 The Strategy provides greater clarity on the implementation of BBBEE and aligns GPG activities to the Broad-based BEE Act 53 of 2003, the dti Codes of Good Practice on BBBEE and transformation charters.

1.4 The Strategy contains deliberate actions in BBBEE which apply to GPG and its agencies. A monitoring framework is outlined, incorporating indicators and targets against which GPG will measure its performance in terms of this Strategy on a quarterly and annual basis. All senior management within GPG will be required to meet targets and report on BBBEE.

1.5 Business and civil society are also encouraged within the context of the provincial Growth and Development Strategy (GDS) and sector transformation charter agreements to contribute towards the achievement of BBBEE objectives in the province.

1.6 The Strategy commits GPG to the following priority interventions:

1.6.1 The implementation of Preferential Procurement practices that align purchasing to BBBEE imperatives in a consistent manner across GPG, centrally administer sourcing and support mechanisms and increase scale of implementation in GPG.

1.6.2 The design of a coordinated framework within which GPG will support SMME development in the province, particularly in relation to its own procurement activities and through the recently established Gauteng Enterprise Propeller (GEP).

1.6.3 The identification of local economic development priorities in partnership with local authorities which generate economic activity through investment, SMME development infrastructure and the targeting of education, health and housing in under resourced areas.

1.6.4 The promotion of partnerships with business in the priority sectors in the province to achieve BBBEE objectives, especially in skills development, SMME support and targeted investment.

1.6.5 Greater integration of BBBEE and SMME imperatives in GPG’s economic development strategies and specifically its sector growth plans.

1.6.6 The alignment of GPG policy and legislation in, PPPs, licensing of gaming related activities, restructuring of state assets with BBBEE and other socio economic objectives.

1.6.7 Substantial improvements to GPG’s reporting and monitoring framework to ensure alignment and consistency in reporting and to enable measurement of performance and ultimately impact of GPG activities.

1.6.8 The design of a more comprehensive skills development programme for GPG employees.
1.6.9 The mainstreaming of policies on women, youth and people with disabilities, with BBBEE and SMME development initiatives.

2. OBJECTIVES

2.1 This BBBEE strategy is issued by the GPG as an integrated framework to enable the GPG to give effect to BBBEE objectives as outlined in the BBBEE Act 53, 2003 and to give impetus to the Gauteng GDS and other policy imperatives of the GPG.

2.2 Through this strategy the GPG aims to address inequalities and enable the majority of the people in the province to participate meaningfully in economic activities and contribute towards growth.

2.3 The strategy:

2.3.1 Integrates existing departmental initiatives aimed at BBBEE into a coherent province-wide framework.

2.3.2 Identifies areas of leverage and provides guidance to GPG on the implementation of various BBBEE programmes.

2.3.3 Prescribes a minimum set of standards that is to be observed.

2.3.4 Outlines BBBEE targets for GPG in a number of BBBEE elements.

2.3.5 Governs all procurement, public private sector partnerships, licenses and restructuring.

2.3.6 Seeks to promote initiatives in BBBEE with the private sector in the priority sectors.

2.3.7 Provides for reporting and monitoring.

3. APPLICABILITY

3.1 This document shall be known as the GPG BBBEE Strategy and will apply to all procurement, public private sector partnerships, restructuring and licensing administered by GPG and its agencies.

3.2 The strategy will not duplicate departmental initiatives, but rather complement and strengthen them. All GPG activities and programmes will be aligned where relevant to this strategy, while they will continue to be managed and implemented by the appropriate line department.

3.3 Business and civil society in the province should within the context of the provincial Growth and Development Strategy (GDS) and sector transformation charter agreements assist the GPG to contribute towards the achievement of BBBEE objectives in the province.

3.4 While GPG’s leverage and impact on empowerment is wide-ranging, the following priority interventions are outlined due to their potentially significant impact on BBBEE and their ability to drive economic benefit in the province as a whole:

3.4.1 In all GPG departments, substantial procurement budgets, amounting to approximately R6bn, can be leveraged to deliberately stimulate the development of BBBEE-accredited enterprises and SMMEs.

3.4.2 Coordinated activities of the Gauteng Enterprise Propeller (GEP), SMME procurement targets and specific programme interventions by GPG departments to support SMMEs.

3.4.3 As the employer of 110,000 people, GPG has the potential to substantially impact on human resource development, through the effective
implementation of employment equity and skills development, especially in areas such as health and education.

3.4.4 Through PPPs, restructuring of state assets and licensing of gaming related activities GPG will require the private sector to meet a range of BBBEE and socio economic objectives.

3.4.5 Access to land and property ownership through targeted interventions to address skewed ownership patterns.

3.4.6 Local economic development through land use initiatives, entrepreneurial development and investment in under resourced areas with economic potential.

3.4.7 Access to housing, basic infrastructure and social services such as education and health, enables increased levels of economic activity in under resourced areas.

3.4.8 Programmes in primary, secondary, further and tertiary education aimed at bridging the skills gap in the province and equipping people with the skills necessary to participate meaningfully in the economy.

3.4.9 Investment promotion and economic development plans in the provinces priority sectors will prioritise BBBEE, SMME development and job creation outcomes.

3.4.10 Partnerships with the private sector leveraging off the GDS platform and relevant sector charters in the priority growth sectors to accelerate BBBEE and other socio-economic outcomes.

4. REGULATORY FRAMEWORK

4.1 This strategy is guided by the following legislation and policy:

4.1.3 The National Small Business Act, No. 102 of 1996, as amended.
4.1.4 The Employment Equity Act, No. 55 of 1998.
4.1.5 Competition Act, No. 89 of 1998.
4.1.6 Skills Development Act, No. 97 of 1998.
4.1.8 The Urban Renewal Strategy, 2001.
4.1.10 The Public Finance Management Act, No. 1 of 1999, as amended.
4.1.11 The Preferential Procurement Policy Framework Act, No. 5 of 2000 and regulations.
4.1.13 Broad-Based Black Economic Empowerment Act, No. 53 of 2003 and Codes of Good Practice issued in terms of it.
4.1.14 Sector Charters issued in terms of section 12 and section 9 of the BBBEE Act.


4.1.20 Gauteng GDS, 2005.

4.1.21 The Gauteng Policy Framework for Gender Mainstreaming and for People with Disabilities.

4.1.22 GPG issued Supply chain management guidelines and

4.1.23 The Gauteng Provinces Youth Development Strategy.

5. **PREFERENTIAL PROCUREMENT**

5.1 All departments and agencies within GPG will apply the preferential procurement guidelines contained in this Strategy when procuring all goods and services.

5.2 All procurement related policy and procedures, scoring methodologies, verification systems and reporting frameworks will be brought in line with these guidelines.

5.3 **Objectives of Preferential Procurement in GPG**

5.3.1 Substantially increase GPG spend on BBBEE-accredited and SMME suppliers, so that by 2009, 70% of GPG procurement is on BBBEE-accredited enterprises and 20% on SMMEs.

5.3.2 Establish and support a competitive and viable base of BBBEE enterprises and SMMEs, through providing access to opportunities, stability and meaningful supplier development interventions, especially for small and micro enterprises.

5.3.3 Facilitate increased spend on youth, black women, cooperatives and other forms of collective enterprises.

5.3.4 Provide for fair and equitable treatment of all suppliers involved in procurement with GPG, within the framework of this strategy.

5.3.5 Transform the procurement functions in GPG into an integrated supply chain management function, including migration to commercial information technology (IT).

5.3.6 Improve the capacity of procurement officials to execute preferential procurement effectively and in terms of national and provincial policy and regulations.

5.3.7 Ensure that GPG continues to maximise efficiency, economies of scale and value for money.

5.3.8 Align BBBEE accreditation mechanisms and criteria to the dti generic scorecard contained in the dti Codes of Good Practice, sector charters that are issued as codes of practice and the BBBEE Act.

5.3.9 Adjust the procurement spend calculation methodology to that of the dti Codes.
5.3.10 Ensure consistent application of the preferential procurement standards contained in this Strategy and adherence to this Strategy across GPG.

5.3.11 Promote reporting on performance against the set targets and other outcomes and accessible and uniform monitoring of BBBEE spend.

5.4 **Procurement ethics**

5.4.1 An environment where business can be conducted in a fair and reasonable manner and with integrity.

5.4.2 Adherence to ethical behaviour and practices by all staff involved in procurement.

5.4.3 Detecting and combating fraud, corruption, fronting, favouritism and unfair or irregular practices.

5.4.4 Transparent and fair dealing with suppliers.

5.4.5 The need to recognise and deal with actual and potential conflicts of interest.

5.5 **Pre-qualification and BBBEE/SMME verification**

5.5.1 Suppliers must be qualified in accordance with pre-determined criteria as outlined by the generic BBBEE scorecard, provided for in the dti Codes.

5.5.2 Suppliers who are subject to a sector charter which has been issued as a code of practice must be measured against that sector charter.

5.5.3 GPG can impose project specific criteria which provide for project specific goals, where BBBEE and SMME imperatives are built into the tender specifications, the manner in which it is broken down and through contract participation goals. These principles must form part of all large capital investment and infrastructure projects, with BBBEE plans being designed upfront prior to the issuing of RFPs.

5.5.4 Where the latter are PPPs, the design of project specific criteria should be done in accordance with the PPP guidelines published by National Treasury.

5.5.5 The GPG will establish a centrally administered verification system and supplier database. All suppliers will be required to complete a questionnaire for input into the system. GPG advertise quarterly for enterprises to submit their information into the system. No suppliers will be utilised by any department or agency of the GPG unless they have been verified and form part of the GPG database.

5.5.6 The verification system will assist those evaluating suppliers and administering contracts in verifying the bona-fides of suppliers. It will record a supplier's BBBEE and SMME status.

5.5.7 Information on suppliers’ technical competency and quality will be incorporated into the system.

5.5.8 SMME suppliers, who do not have verifications (ratings) by a dti accredited verification agency, will be verified by the GPG. All suppliers that do not fall within the SMME category will be expected to provide a BBBEE verification from a dti-accredited verification agency.

5.5.9 All suppliers will be asked to state under oath that the information provided is correct and truthful. All information will be recorded in the centrally administered system, whether the supplier has an existing verification or not.
5.5.10 For contracts extending beyond one year, supplier verifications should be renewed every six months. Furthermore, it will be necessary from time to time for GPG to undertake site visits of suppliers who have been awarded tenders above a certain amount, particularly where additional contract participation goals have been incorporated.

5.6 **Adjudication**

5.6.1 GPG will conduct all procurement through the GSSC, except construction-related activities in housing, education and public works. Therefore, all departments will migrate to the GSSC during the 2005/6 financial year.

5.6.2 In the event that GPG prefers to vary from the weightings proposed by the PPPFA for calculating price and technical compliance versus BBBEE i.e. 80/20, 90/10, it would be required to apply for exemption from the PPPFA.

5.6.3 The BBBEE component must be measured against the generic dti scorecard in this Strategy and for enterprises that fall within a sector charter against that charter's scorecard, provided it has been issued as a code of practice.

5.7 **Procurement targets**

5.7.1 GPG’s will procure a minimum of 70% of eligible procurement spend from BBBEE enterprises and 20% from SMMEs by 2009. The calculation of performance in terms of the target is based on a weighted BEE status matrix which favours enterprises and SMMEs with higher levels BBBEE compliance.

5.7.2 The targets will be broken down per year per department and monitored by the DFEA.

5.7.3 The achievement of annual targets will be included in the performance contracts of all senior management who will therefore be expected to ensure that they are conversant with them and apply them accordingly.

5.8 **Supplier development**

5.8.1 Tender accessibility: Opportunities must be made accessible to suppliers from all sectors of society through public advertising in appropriate media and local language appropriate advertisements in newspapers and in the Local Government Tender Bulletin.

5.8.2 Targeting SMMEs: All contracts above a certain size must either be disaggregated into smaller components (for instance per region or material/service type to enable BBBEE-accredited small and micro enterprises to participate) or include SMME contract participation goals through sub-contracting.

5.8.3 Set-asides: The GPG may identify certain commodities within its spend that will be set aside for companies that meet specific BBBEE requirements. These identified goods and services must be 100% awarded to BBBEE enterprises and or people with disabilities, women or youth.

5.8.4 Tender specifications: Tender specifications should be sufficiently explanatory to enable suppliers to prepare proposals or tenders and to meet the requirements. Technical specifications should be reviewed to ensure that they are for functional requirements and not presented in a way that may result in the exclusion of certain suppliers especially those that are from previously disadvantaged communities and are unfamiliar
with procurement processes. Such documents should as far as possible, also be available in local languages to enhance equal access.

5.8.5 Early payment: To alleviate unnecessary cash flow pressures experienced by companies that have been awarded contracts, the GPG shall upon receipt of all relevant documentation pay SMME suppliers within 15 days.

5.8.6 Financial and non-financial support: GPG is committed to assisting BBBEE-accredited SMME suppliers to create and expand their capacity to supply. GEP and GSSC will be the key drivers of GPG supplier development through the accreditation of suppliers, tendering advice, business training and other financial or non-financial support. The following key interventions should be explored:

- Where appropriate, material and equipment required to perform a contract will be purchased in a separate tender process by GPG to alleviate the need to raise expensive working capital by SMME suppliers.
- Through GEP, GPG will implement a system of contract guarantees for eligible suppliers.
- GEP will investigate the feasibility of establishing a bridging finance vehicle to assist those suppliers, especially black businesswomen, who experience cash flow constraints during the first year of operations.

5.9 Internal training

5.9.1 It is the policy of GPG to ensure that all senior management are equipped with skills and competencies to undertake procurement duties and have sound knowledge of supply chain management, preferential procurement practices and BBBEE.

5.9.2 This responsibility lies with each line department and will be coordinated by the GSSC.

5.9.3 Capacity building should include:

- The establishment of supply chain management units in the relevant CFO structures.
- The establishment of clear lines of authority and accountability and performance criteria for the minimising of risk.
- Training on setting BBBEE and SMME tender specifications and measuring compliance.
- Efficient sourcing and better asset and inventory management.

5.10 Compliance and Penalties

5.10.1 The following penalties shall be instituted (as per the PPPFA) by the GPG against any supplier who has been awarded contracts in preference to others on a fraudulent basis or has been found to be fronting or contractors who fail to achieve their contractual obligations relating to the engagement of targeted enterprises:

- Those suppliers who submit fraudulent information will be eliminated from GPG’s approved supplier database.
- GPG may cancel the contract/tender and claim any damages suffered.
• GPG may reject payment certificates as being incomplete if the appropriate supporting documentation is not provided or if all the deliverables have not been achieved.

• GPG may restrict the contractor and its shareholders and directors from being awarded further contracts by the contracting authority for a specified period of time.

5.11 Monitoring and evaluation

5.11.1 The DFEA will be the custodian of preferential procurement and monitor compliance of all departments and agencies within GPG.

5.11.2 Each department must report quarterly on their total spend for the previous quarter, the amount spent on BBBEE-accredited enterprises and on SMMEs as defined in this Strategy and determined by the following weighted scoring.

<table>
<thead>
<tr>
<th>Level</th>
<th>Scorecard points</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>In excess of 100</td>
<td>135%</td>
</tr>
<tr>
<td>2</td>
<td>≥ 85 and &lt; 100, or micro/small enterprise with high(^1) accreditation</td>
<td>125%</td>
</tr>
<tr>
<td>3</td>
<td>≥ 75 and &lt; 85</td>
<td>110%</td>
</tr>
<tr>
<td>4</td>
<td>≥ 65 and &lt; 75</td>
<td>100%</td>
</tr>
<tr>
<td>5</td>
<td>≥ 55 and &lt; 65</td>
<td>80%</td>
</tr>
<tr>
<td>6</td>
<td>≥ 45 and &lt; 55</td>
<td>60%</td>
</tr>
<tr>
<td>7</td>
<td>≥ 40 and &lt; 45</td>
<td>50%</td>
</tr>
<tr>
<td>8</td>
<td>≥ 30 and &lt; 40</td>
<td>10%</td>
</tr>
<tr>
<td>9</td>
<td>&lt; 30</td>
<td>0</td>
</tr>
</tbody>
</table>

Where any enterprise is in excess of 50% owned by black people, the BBBEE Status of that enterprise will be at the level immediately above the level at which its actual score is evaluated.

6. ENTERPRISE DEVELOPMENT

6.1 The South African economy has been characterised by the dominance of large, capital-intensive firms and the continued neglect of small enterprises. Despite the enactment of an enabling legislative and policy environment and institutional support there has been inadequate development of sustainable SMMEs. This problem has particularly affected black people and black businesses. Very few black-owned enterprises have effectively accessed the resources required for their support and this has consequently impacted on the numbers of black businesses graduating from micro and small into medium sized enterprises. BBBEE imperatives are therefore a central consideration when designing small business solutions.

6.2 The BBBEE Strategy and Act, recognises that SMMEs are a major lever for BBBEE, providing opportunities to increase meaningful black participation in economic activities, especially black women, cooperatives and designated groups. Furthermore, sustainable enterprise development will expand the productive capacity of the economy and act as an engine of job creation.

6.3 The Government’s Integrated Small Enterprise Development Strategy (2005) has been designed to address the needs and development potential of the whole small enterprise sector, focussing on specific sub-sectors and support for black entrepreneurs.

\(^1\) Dti is drafting a separate scorecard for SMMEs, which will assist in determining at what level of BBBEE accreditation small and micro enterprises will be elevated to level 2 contributors.
6.4 Consequently, GPG will approach small business development and BBBEE in an integrated manner, simultaneously recognising all priorities without overly restricting the ability of SMMEs to prosper. Effective coordination of these different thrusts is therefore critical to ensuring the most positive net effect of policy interventions.

6.5 GPG will support for micro enterprise in general, small business development in high-growth sectors and the growth of SMEs owned and managed by black people and black women in particular, the youth, the disabled and cooperatives. A central objective of this Strategy is to embed SMME priorities into sector growth plans and GPG’s procurement practices.

6.6 Gauteng Enterprise Propeller (GEP) was established as a one-stop shop for SMME development to drive enterprise development in the province. GEP has been allocated an amount of R300 million over the next three years. Its mandate is to provide financial and non-financial support including business planning, financial advice, taxation advice, access to procurement opportunities and contract guarantees. GEP will also facilitate and coordinate SMME development initiatives in GPG as a whole.

6.7 Specific intervention include:

6.7.1 Target 20% of eligible procurement spend on SMMEs.

6.7.2 In addition to the target, GPG will create favourable procurement opportunities and suitable tender specifications for SMMEs and promote set asides for SMME participation in procurement.

6.7.3 An agreement with the financial sector to provide contract guarantees to SMMEs securing a contract with the GPG.

6.7.4 Promote entrepreneurship through school-based programmes, campaigns, leadership development and awards for Gauteng’s best performing SMMEs.

6.7.5 Improve information and knowledge management, including research, communication and monitoring. A collaborative research project between GEP and Finmark Trust, which will define the Gauteng SMME sector and identify its needs, is being conducted.

6.7.6 Design partnerships with business in priority sectors, to establish enterprise development infrastructure such as incubators or supplier development parks. These initiatives must assist the GPG, given it extensive infrastructure investment programmes over the next ten years, to substantially enhance its impact on enterprise development particularly in the construction sector.

6.7.7 Utilise the GEP’s SMME Portal as an SMME database, to register and verify SMMEs, to improve procurement benefits flowing to SMME, and to disseminate relevant business information.

6.7.8 Partner with local authorities in enterprise development initiatives through resources, shared capacity and dissemination of information on procurement opportunities at local authorities to SMMEs.

6.7.9 Develop relationships with other national and local SMME support agencies to enable GEP or other departments in GPG to provide a range of financial and non-financial support to SMMEs.

6.8 All GPG departments and agencies must report quarterly on the numbers of SMMEs supported and the value of monetary and non-monetary spend on SMMEs. The reports must reflect the BBBEE status of the SMMEs.
6.9 Mechanisms must be put in place to measure the growth and sustainability of SMMEs across the following indicators:

6.9.1 Increase in annual turnover.

6.9.2 Increase in number of permanent employees disaggregated according to gender.

6.9.3 Increase in value of largest project undertaken or portion of a joint venture.

6.9.4 Increase in value of assets.

6.9.5 Increase in number of operating systems.

6.9.6 Increase in the diversity of activities that the company has the ability to undertake.

7. **HUMAN RESOURCE DEVELOPMENT**

7.1 GPG employs over 110 000 people enabling the GPG, through effective implementation of human resource practices, to have a significant impact on skills development and employment equity in the province.

7.2 GPG is committed to increase the participation of black people, black women and people with disabilities at various management levels and to address skills development

7.3 GPG will exceed the public sector HRD targets endorsed by Cabinet on 25 June 2003 and consequently the following targets have been set:

- 80% black people in senior management by 2009.
- 40% black women in senior management by 2009.
- 80% black people in other management by 2009.
- 40% black women in other management by 2009.
- 4% people with disability by 2009.
- 8% of staff in learnerships by 2009.
- 2% of payroll spent on skills development per annum.

7.4 GPG will do the following:

7.4.1 Seek staff endorsement for the approach to HRD through higher levels of consultation and participation in the formulation of the policies and in setting of the mandates of the various forums or committees. Attention will be paid to equal representation of women and men in such forums and committees to ensure integration of interests and concerns of both sexes.

7.4.2 Improve on the implementation of workplace forums and diversity management processes.

7.4.3 Increase capacity of both female and male employees, especially at middle and front line management and in financial management

7.4.4 Address staff retention strategies, (especially retention of female employees) more comprehensively through improved succession-planning and incentives, especially for professional categories.

7.4.5 Enhance gender awareness in the workplace and promote a conducive and empowering environment for women in general. Strengthen gender equality training, gender-based violence awareness and the dissemination of gender-disaggregated and gender-relevant information.
7.4.6 Target skills development and employment equity for women particularly in areas that are presently male dominated.

7.4.7 Identify barriers for black women advancement and design targeted programmes to increase the representivity and the empowerment of black women across all levels of the workforce.

7.4.8 Ensure reasonable accommodation and access for applicants and employees with disability including reach-out during recruitment processes.

7.4.9 Monitor the implementation of learnerships and meet the target of learnerships for 8% of workforce by 2007.

7.4.10 Promote a human rights culture within the public service.

8. SOCIAL INFRASTRUCTURE

8.1 It is widely recognised that access to social infrastructure such as housing, education and health provides a foundation on which to participate more meaningfully in economic activities. GPG aims to systematically establish integrated communities equipped with social amenities, educational facilities, security infrastructure and housing infrastructure.

8.2 In GPG housing, education and health have large capital budgets and consequently vast potential to promote BBBEE, SMME and other socioeconomic objectives; they also present significant employment and skills development opportunities.

8.3 Although Gauteng has South Africa's finest skills development infrastructure and is responsible for 49.6% of all employee remuneration in the country, a significant provincial skills mismatch threatens to undermine growth. GPG will build on its successes in education in the following related areas:

8.3.1 Ensure a firm foundation for the next generation of learners and future skills requirements through access to early childhood development and improved primary education.

8.3.2 Maintain high quality general education; improve infrastructure, teaching and learner performance, particularly in under-resourced areas.

8.3.3 Enhance post-school education, through the design of skills development programmes that are linked to the needs of a growing economy.

8.3.4 In particular, GPG will:

- Focus on improving educational infrastructure and teaching in under-resourced areas, especially in Maths and Science and the use of ICT in schools through projects such as Gauteng Online.
- Facilitate the establishment of industry working groups for each growth sector to identify scarce skills in the province, to design appropriate programmes to address those skills gaps with the SETAs, FET and tertiary institutions.

8.4 To date GPG has provided shelter to more than 2.5 million people. In continuing to address the backlog in housing, GPG is focussing on urban densification and developing housing finance solutions. Key projects include: the conversion of hostels; accelerated formalisation of tenure for socially provided houses; urban regeneration and formalisation of informal settlements.

8.5 GPG will enhance its support for enterprise development in the construction sector, to ensure effective and sustainable SMME participation in construction related activities such as building schools, housing and other social amenities.
8.6 Through the Expanded Public Works Programme GPG is able to create short-term jobs and skills development, whilst involving communities in social infrastructure in their areas.

8.7 To assist GPG to deliver on its social infrastructure mandate, the provincial government will pursue partnerships with the private sector in the following areas:

8.7.1 To encourage investment in infrastructure development

8.7.2 Design innovative financing mechanisms for infrastructure development and housing.

8.7.3 Promote access to health care through a reduction in health care costs, provision of human resources and supporting infrastructure.

9. LOCAL ECONOMIC DEVELOPMENT

9.1 GPG is implementing a local economic development programme in partnership with local authorities aimed at promoting economic activity in under resourced areas.

9.2 The LED programme includes social infrastructure and SMME development mechanisms under resourced areas and target investment and hard infrastructure development in areas with economic potential.

9.3 GPG will:

9.3.1 Design a comprehensive LED strategy which identifies requirements and economic potential in under resourced areas across the province.

9.3.2 Harmonise Integrated Development Plans, the Provincial Growth and Development Strategy and National Spatial Development Perspectives with the BBBEE Strategy.

9.3.3 Develop SMME infrastructure and support mechanisms targeted at micro and small enterprises in under resourced areas.

9.3.4 The Financial, Construction and Property Sector transformation charters' initiatives to increase investment and lending in under-resourced areas must be accessed to the benefit of these communities.

9.3.5 Channel resources are to local municipalities to support LED initiatives.

10. PROPERTY OWNERSHIP

10.1 South Africa is characterised by vast gender and racial inequalities in ownership of land and in participation and benefit from property ownership. Historically, black people were denied access to productive land, could not own or effectively trade on properties. These laws have affected the ability of black people to create or accumulate wealth, which has had a fundamental impact on the economic potential of South Africa and black people in particular.

10.2 GPG is committed to addressing this skewed ownership of land and property relations through the following interventions:

10.2.1 Work with the national Department of Land Affairs’ land reform programme, to identify land reform opportunities.

10.2.2 Manage competing land uses in Gauteng given the urban and industrial character of Gauteng.

10.2.3 Develop the agriculture and agribusiness sector, thereby promoting productive land use and optimising the numbers of BBBEE-accredited
enterprises, community ownership schemes, cooperatives and SMMEs participating in the agricultural sector.

10.2.4 Increase the roll out of the "Land Reform for Agricultural Development" in partnership with the Department of Land Affairs, through which the department purchases land and transfers it to black people. Gauteng has 135 land reform projects involving 850 beneficiaries. 259 individual farmers, primarily women, are currently leasing land with an option to purchase under the Gauteng Small Farmers Settlement Programme.

10.2.5 Identify property for development purposes to enhance the impact of Integrated Development Plans (IDPs) and promote economic activities especially in under-resourced areas.

10.2.6 Combine zoning rights with property development, transformational infrastructure requirements and BBBEE.

10.2.7 Unlock administrative and legal obstacles to property ownership in underdeveloped areas, particularly access to title deeds.

10.2.8 Through GPGs extensive property portfolio, identify properties within its portfolio for disposal and leasing to BBBEE accredited enterprises and where other socioeconomic objectives may be achieved.
   - Detailed guidelines will be issued by the GPG, outlining the criteria against which leasing and disposal of immovable assets will be conducted.
   - The leasing and disposal must be informed by BBBEE principles and other socio-economic objectives.
   - Prior to assets being disposed of, assessments based on factors such as size, value and potential use will be done to classify immovable assets as superfluous. Once selected, the disposal process should be subject to the criteria and mechanisms outlined in leasing and disposal guidelines issued by GPG, which are in line with the objectives of this BBBEE Strategy.

11. INVESTMENT & TARGETED ECONOMIC SECTORS

11.1 Gauteng is the economic hub of the sub-continent and is responsible for 52% of all turnover of institutions. As such it has the potential for expansion in both domestic and foreign investment. An efficient infrastructure backbone is widely recognised as a key lever of investments, as are partnerships with business.

11.2 GPG has made considerable efforts to put both in place over the past few years, with a number of investment and growth related strategies and initiatives, including the Trade and Investment Strategy, infrastructure upgrading and investment programmes, and the establishment of agencies (including the GFO, GEDA. GTA and Blue IQ) and more recently the Gauteng GDS.

11.3 The strategic focus of the GDS is to build on the “smart province” concept, through improving all growth sectors, enhancing their employment generating potential, BBBEE and SMME development, appropriate provision of economic and social infrastructure and building of sustainable communities, and contributing to this on a national and continental level.

11.4 Six growth sectors and clusters have been identified for targeted and increased support and investment:
   11.4.1 Smart Industries (including ICT, Pharmaceuticals)
11.4.2 Trade and Services (including Finance and Film)
11.4.3 Tourism
11.4.4 Agriculture (agri-processing and bio-tech)
11.4.5 Manufacturing (steel related industries, automotive parts and components, beer and malt)
11.4.6 Infrastructure expansion and investment

11.5 Existing industries such as the mining sector remain important in the province and contingency plans will be put in place for potential job losses, including growing the mining services sector and beneficiation.

11.6 Through the DFEA a number of agencies are mandated to enhance investment, economic growth and BBBEE.

11.7 GPG is committed to deliberately leverage increased BBBEE participation, SMME development and job creation through in its economic growth plan, in conjunction with the agencies and in partnership with the private sector, through the following:

11.7.1 Improved coordination of all agency activities (through a CEO Forum for all the agencies) and more effective planning for economic development and growth, particularly in the identified sectors. BBBEE, SMME and job creation imperatives must be embedded into the strategic and business plans outlined for the core sectors.

11.7.2 Increased structured engagement with business and other stakeholders through the GDS Forum and other vehicles. The private sector will be encouraged to invest and to fulfil obligations set out in the Gauteng GDS, existing and pending sector charters.

11.8 The ICT Sector

11.8.1 Gauteng is rapidly growing into an ICT hub. With the vast majority of the listed ICT companies based in Gauteng, the province is rich in research, development and innovation capacity.

11.8.2 GPG is identifying niche business development opportunities and devising plans to develop BBBEE-accredited enterprises and SMMEs in those markets.

11.8.3 Specifically, the Innovation Hub and ICT Incubator in Pretoria and Blue Catalyst in Johannesburg, provide opportunities to target BBBEE and SMME development in the sector.

11.8.4 In its efforts to promote access to ICT, GPG will:

- Continue to enhance ICT usage and the bridge the digital divide through Gauteng online, the establishment of Network Access Points, call centres, Internet cafes and an information clearing centre.
- Partner with the private sector to promote universal access for underserved areas and provide support or create public and community access points.
- Leverage off the ICT sector charter (ICTSC), through partnerships, sourcing support from ICT companies in SMME development, skills programmes and social investment commitments, including but not limited to the following commitments of the charter:

11.9 The pharmaceuticals sector
11.9.1 The pharmaceuticals sector includes manufacturers, distributors and dispensers. There is limited manufacturing of active pharmaceutical ingredients (APIs) and advanced intermediates remain very low.

11.9.2 GPG is targeting this sector for growth and amongst other interventions, GPG will in partnership with the private sector:

- Establish a Pharmaceutical Innovation and Manufacturing Centre (PIMC).
- Further explore research into indigenous medicines and consolidate accreditation of traditional health practices.
- Design enterprise development opportunities and support mechanisms for BBBEE-accredited SMME growth in PIMC.
- Establish a Clinical Trials Institute (CTI), as a centre of excellence for South Africa to spearhead the growth of a Gauteng-based clinical trials industry.

11.9.3 GPG has significant leverage over the health sector as a purchaser of products and can therefore utilise the impending Health Sector Charter, to drive BBBEE and SMME development within the sector.

11.10 Metals fabrication

11.10.1 There are low levels of black participation in manufacturing, specifically in metals fabrication, where the sector is dominated by a few players.

11.10.2 Metals fabrication in Gauteng is focussed on beneficiation of steel and related products.

11.10.3 In further developing the sector, GPG will, amongst other interventions:

- Design economic, financial and other incentives to retain principal actors in Gauteng.
- Promote the use of steel cladding in domestic architecture and in automotive components and parts manufacturing.
- Increase export market access, especially for SMMEs and BBBEE-accredited enterprises.
- Design downstream opportunities and support requirements for BBBEE-accredited enterprises and SMMEs in the use of steel.

11.11 Automotives

11.11.1 The automotives sector has been successful in exporting and consequently has a significant impact on local industries in its supply chain, such as leather, glass, rubber and platinum group metals.

11.11.2 GPG is actively supporting investment in the sector through the Automotive Industry Development Cluster (AIDC) in Pretoria. GPG will continue to support the sector’s growth and amongst other interventions, will:

- Encourage assemblers and component manufacturers, to support the development of new black firms in the supply chain.
- Develop SMMEs through low-cost sites for SMMEs, local tax incentives and business management training.
- Address the lack of readily available information on potential BBBEE suppliers.
• Promote BBBEE direct material suppliers in the GPG automotive industry.

11.12 **Infrastructure, transport and construction**

11.12.1 Considerable investment has and is being channelled into the establishment, upgrading, extension and augmentation of an integrated transportation network in the province to meet the requirements of a growing modern economy, address accessibility and affordability and facilitate effective and efficient mobility of goods and services.

11.12.2 Infrastructure development will catalyse growth of the targeted economic sectors and enable people to participate more effectively in economic opportunities. Furthermore, infrastructure development presents vast opportunities for BBBEE, SMME development and job creation.

11.12.3 In terms of this Strategy GPG commits to:

• Ensure maximum BBBEE participation in Gautrain, the Province’s flagship infrastructure development, which is worth an estimated R7 billion.

• Promote opportunities for BBBEE accredited enterprises and SMMEs in the expansion and maintenance of Johannesburg International Airport.

• Enhance the impact of the expanded public works programme (EPWP), which provides social and economic infrastructure to poor communities through community consultation, participation and empowerment in the projects themselves, including health care facilities, transport infrastructure and the building of schools, through GPG CAPEX spend and private sector investments.

• Expand the learnership/mentorship programme for black contractors, which currently provide on-the-job training to 27 contractors.

• Maximise the labour content of all infrastructure programmes and ensure 100% labour maximisation through the EPWP programme.

• Integrate skills development in the provision of infrastructure to promote sustainable jobs and to act as a catalyst for skills specialisation.

• Facilitate partnerships with the private sector in infrastructure development and in the financing of infrastructure.

11.13 **Trade and services**

11.13.1 The financial sector is the second largest contributor to the economy of Gauteng and has the highest labour productivity index, with most banks headquartered in the province. It is also highly technologically advanced and innovative. Given these factors, the development of Gauteng’s financial sector is a priority in developing Gauteng as the smart centre of South Africa.

11.13.2 In consultation with financial institutions, which are bound by the charter, GPG will leverage off the financial sector charter (FSC) commitments to increase access to financial services and to channel empowerment financing toward low income housing, SMME finance, transformational infrastructure investment, enterprise development, skills development and consumer education.

11.14 **The Film sector**
11.14.1 Gauteng shows great growth potential in Film due to the world-class production facilities and crews. The establishment of the Gauteng Film Office under the Gauteng Economic Development Agency is aimed at assisting this growth, developing local and international productive capacity in the province, including the following:

- The promotion of post-production facilities to international producers.
- The establishment of a film city complex featuring sound stages and international sized and equipped film studios to attract international producers and crews, especially for commercial film.
- The development of commercially viable content.
- Audience development, particularly in previously disadvantaged areas.

11.15 Tourism

11.15.1 The tourism sector is regarded as one of the country’s major short-term growth sectors, potentially the largest provider of jobs and earner of foreign exchange. Tourism presents enormous opportunities for extending participation to black people and enterprises. The Gauteng Tourism Agency (GTA) falls under the DFEA and is responsible for the marketing and development of tourism in Gauteng.

11.15.2 The GTA is in the process of consolidating an integrated approach to Tourism SMME support through the Gauteng Tourism Fund and Public Private Partnerships. A third of its annual budget has been set aside for the development and support of SMMEs and other community-based tourism products.

11.15.3 In further developing the potential of the tourism sector, GPG will:

- Open up opportunities for BEE-accredited tour operators and travel agents to join the distribution channels, and ensure that they are given support to sustain their presence. GPG's own procurement spend is a driver of this as travel is a major budget item.
- In relation to accommodation, attractions, entertainment, services and transport vendors, assist the sector to grow through enterprise development support and funding.
- Make resources available for community-based tourism initiatives that are geared towards the provision of critical tourism infrastructure; responsible tourism products and resources; training, skills development and capacity building programmes; business linkage, marketing and support programmes; eco-tourism.

11.16 Agriculture

11.16.1 Gauteng is the smallest of the nine provinces in South Africa, occupying only 1.4% of the total land surface area. Much of the arable agricultural land in Gauteng is of high or medium potential.

11.16.2 GPG is committed to, grow the agri-business sector in the province and optimise the numbers of BBBEE-accredited enterprises, community ownership schemes, cooperatives and SMMEs participating in the agricultural sector through the following initiatives:

- Enhance productivity on 300 000 hectares of arable land currently cultivated and bring into production the approximately 130 000 hectares of land that are not currently cultivated
• Available agricultural land will be used for high value-added crops such as essential oil production and medicinal plants to enhance the potential to create jobs for unskilled workers and to add post-harvest value to the produce.

• Design, in partnership with GEP, a programme for product development and business support to SMMEs. The programme will include:
  • Removal of barriers to local and export trade for SMMEs.
  • Attainment of standards for food quality and labelling purposes.
  • New product development, product extension, regulatory advice, access to markets and processing support e.g. shared food processing (such as quick freezing, drying and possibly canning).

12. **RESTRUCTURING and PPPs**

12.1 **Restructuring**

12.1.1 GPG will introduce a BBBEE framework for the restructuring of Blue IQ and any other assets, which includes targets for all elements of BBBEE.

12.1.2 The framework will include:

  • Broadened ownership, training, procurement and self-management opportunities for black people, both directly through involvement in SOE management and indirectly through widespread ownership opportunities.
  • Mechanisms to facilitate favourable and preferential funding, support independent advisory capacity to BBBEE companies bidding for opportunities.
  • The feasibility of incorporating employee share ownership and where possible other schemes aimed at enhancing worker and community participation.

12.2 **Public Private Partnerships**

12.2.1 Where feasible and appropriate, the DFEA will enter into partnerships with the private sector to maximise benefit for the province.

12.2.2 BBBEE criteria as outlined by the PPP guidelines provided for by National Treasury will be followed so that PPPs are assessed against targets which are set to measure all elements of BBBEE.

12.2.3 The National Treasury guidelines on PPPs require that PPP arrangements must:

  • Demonstrate value for money
  • Be affordable
  • Be procured using transparent and competitive processes
  • Show evidence of substantial risk transfer from the Department to the Private Party.

12.2.4 In terms of the guidelines, the weighting of the BBBEE component of a PPP bid will constitute no less than 15% and no more than 20% of the three components of bid evaluation in a PPP.
13. LICENSING

13.1 GPG is involved in the issuing of licenses, including casinos, horse racing and bingo, and also the issuing of liquor licenses. Gaming is by far the greatest contributor to revenues.

13.2 In its discharge of responsibilities in respect of BBBEE, the Gauteng Gambling Board (GGB) is guided by the provisions of the Gauteng Gambling Legislation as well as the requirements and requests for proposals (which the Board issued for the various types of licences) and the conditions of licence (which ultimately found their way into these licences).

13.3 All the licenses were issued in terms of BBBEE criteria.

13.3.1 At the time of issuing casino licenses there were no uniform benchmarks and each licensee set their own standards and made certain commitments to improve on these.

13.3.2 Ownership in BEE consortia has been very fluid, with changes occurring at the bidding stage and after the award. These changes may be prompted by black groupings being in a position to sell their stakes to raise capital for other investments more suitable for their portfolios.

13.3.3 The lack of access to funding by the majority of empowerment partners is seriously affecting their ability to participate effectively in the industry and in the direction and operation of these companies.

13.3.4 Bid commitments were ambiguous in certain respects.

13.4 The GGB in recognising these constraints is developing a common framework with other South African gambling regulators to include targets against which the licensees will be monitored and evaluated. All provincial gambling boards as well as the national gaming board are working on minimum criteria to be applied nationally. There will be an attempt to align these criteria to that of the GPG BBBEE Strategy.

14. ROLE OF THE PRIVATE SECTOR

14.1 The GPG envisages the role of the private sector in promoting BBBEE to include:

14.1.1 Implementation of sector transformation charters where these exist and alignment with the dti Codes of Good Practice on BBBEE.

14.1.2 Commitment to enhance BBBEE impact in its contractual arrangements with GPG and in PPPs.

14.1.3 Support for the development of SMMEs and other enterprise development in partnership with GPG.

14.1.4 Active participation in business organisations and similar stakeholder-driven structures.

14.1.5 Participation in public private initiatives (PPIs), which being less cumbersome arrangements than PPPs, enable development assistance and capacity building.

14.1.6 Design innovative financing options to enable GPG to meet its socio-economic and development objectives, particularly in areas of housing, health and infrastructure.

14.1.7 Enhance skills development initiatives within companies, through the SETAs and in partnership with academic institutions and GPG.
15. ROLE OF CIVIL SOCIETY
15.1 Organisational development and capacity building of community-based organisations and other marginalised non-governmental organisations.
15.2 Monitoring and evaluation of implementation of the Gauteng GDS in collaboration with other stakeholders.

16. EFFECTIVE DATE
16.1 This BBBEE Strategy comes into effect immediately upon being approved by the EXCO.

17. MONITORING, EVALUATION AND REPORTING
17.1 The DFEA shall champion and be the custodian of this strategy.
17.2 An Accounting Officer of the DFEA should assume full accountability and responsibility for its development, implementation and review.
17.3 All GPG departments and their respective agencies, or SOEs, shall supply quarterly reports on BBBEE to the DFEA against the performance matrix contained in this Strategy.
17.4 The DFEA will be responsible for consolidating the quarterly and annual BBBEE reports for the GPG.
17.5 These reports shall be tabled at the HOD meetings and at EXCO.
17.6 Departmental performance in terms of this Strategy must be incorporated into the year end financial statements.
17.7 No amendment to this strategy shall be made or any deviation undertaken without the approval of the DFEA Executive Authority.
17.8 The DFEA shall:
   17.8.1 Be responsible for assessing and evaluating the impact of the BBBEE Strategy.
   17.8.2 Develop systems and procedures for monitoring the implementation of the Strategy.
   17.8.3 Assess achievements, cost and benefits and impact.
   17.8.4 Document inadequacies when and if they arise.
   17.8.5 Prepare an annual review of the BBBEE.
   17.8.6 Ensure ongoing commitment and support of BBBEE within the province.
   17.8.7 Establish BBBEE targets.
   17.8.8 Monitor and evaluate progress on the attainment of targets.
   17.8.9 Conduct impact assessment on BBBEE procurement activities.

17.9 The Accounting Officer of each GPG department shall be responsible for the attainment of the objectives of this Strategy. The responsibilities of the departments shall be to:
   17.9.1 Develop and implement departmental BBBEE strategies and align them with the provincial framework.
   17.9.2 Report quarterly on the BBBEE activities and targets.
   17.9.3 Monitor and review policies and strategies.
17.9.4 Ensure consistency in communication and interaction with internal and external stakeholders.

17.9.5 Provide resources for the successful implementation of preferential procurement.

17.10 The performance contracts of all senior management in GPG will incorporate BBBEE and SMME as key performance areas making it compulsory to report on activities and results in terms of this Strategy.

17.11 This Strategy will be reviewed every three (3) years or at any other interval when the necessity arises as a result of changes to relevant legislation.

### GPG PERFORMANCE MATRIX (DRAFT- REQUIRES COMMENT FROM GPG)

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>INDICATOR</th>
<th>PROPOSED GPG TARGETS 2009</th>
<th>PROPOSED WEIGHTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Equity in GPG</td>
<td>Representation in the workforce of GPG</td>
<td>80% black people at senior management level&lt;br&gt;40% black women at senior management level&lt;br&gt;4% people with disabilities</td>
<td>5</td>
</tr>
<tr>
<td>Skills development in GPG</td>
<td>% of payroll spent on training in GPG per annum&lt;br&gt;% of payroll spent on training black women in GPG per annum&lt;br&gt;Learnerships in GPG as a % of total staff in GPG/Dept</td>
<td>2 %&lt;br&gt;1 %&lt;br&gt;8%</td>
<td>10</td>
</tr>
<tr>
<td>Job creation</td>
<td>No’s of jobs created by each department and agency</td>
<td>80% labour intensive contracts&lt;br&gt;EPWP: Labour intensive in all potential contracts and 50% local labour</td>
<td>15</td>
</tr>
<tr>
<td>Land ownership and property disposals by GPG</td>
<td>Ownership of land&lt;br&gt;% properties disposed to BEE accredited enterprises (level 1-4) or black individuals</td>
<td>GPG land target&lt;br&gt;70% of property disposal</td>
<td>10</td>
</tr>
<tr>
<td>Licensing, restructuring, PPPs, Investment,</td>
<td>in PPPs.&lt;br&gt;in restructuring.&lt;br&gt;In gaming licenses.&lt;br&gt;BBBEE in new investments.</td>
<td>All PPPs, gaming licenses, restructuring initiatives must be based on BBBEE criteria. Detailed targets will be set for each element of BBBEE in each of these areas and reported against by the respective department.&lt;br&gt;GEDA will measure all new investments against their companies with BBBEE and other socio-economic objectives.</td>
<td>15</td>
</tr>
<tr>
<td>Procurement from BBBEE-accredited companies</td>
<td>% of Procurement spend on BEE accredited companies across all departments, agencies and SOES (incl. women, disabled, youth, broad-based enterprises and varying levels of BBBEE accreditation)</td>
<td>70%</td>
<td>15</td>
</tr>
<tr>
<td>Procurement from SMMEs</td>
<td>% of Procurement spend on SMME’s across all departments, agencies and SOES</td>
<td>20%</td>
<td>10</td>
</tr>
</tbody>
</table>
### 18. IMPACT MEASURES

18.1 GPG will embark on a process to design an assessment framework to measure its impact on BBBEE and other socio economic objectives in the province as a whole.

18.2 The following BBBEE related indicators should form part of this overall impact assessment framework.

- **18.2.1** Increase in the number and quality of jobs and a sustainable reduction in unemployment figures in the province as a whole.
- **18.2.2** Increased income levels of black persons and a reduction of income inequalities between and amongst groups in the province.
- **18.2.3** Improved access to infrastructure and meaningful participation in productive economic activities in underdeveloped areas. (LED measure - needs input).
- **18.2.4** Increases in levels of BBBEE compliance of enterprises in the province, especially in priority sectors of the economy.
- **18.2.5** Increases in levels of skills in the province.
- **18.2.6** Accelerated and shared economic growth

### 19. DEFINITIONS

19.1 “Black people” in accordance with the BBBEE Act No 5 of 2003, means Africans, Coloureds and Indians.

19.2 “BBBEE Scorecard”: According to dti, a scorecard for the measurement of broad-based black economic empowerment for a particular enterprise as set out in the charter

19.3 “Broad-Based Black Economic Empowerment (BBBEE)” means the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

- **19.3.1** Increasing the number of black people that manage, own and control enterprises and productive assets.
- **19.3.2** Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises.
19.3.3 Human resource and skills development.

19.3.4 Achieving equitable representation in all occupational categories and levels in the workforce.

19.3.5 Preferential procurement.

19.3.6 Investment in enterprise that are owned or managed by black people.

19.4 “Small Medium and Micro Enterprise (SMME)” means any entity, whether or not incorporated or registered under any law, which consists mainly of persons carrying on small business concerns in any economic sector, as classified in the Schedule of the National Small Business Act.

19.5 “BBBEE-accredited Enterprise” is a generic term referring to accreditation in terms of a sector scorecard which has been issued as a code of practice or in terms of the dti’s generic scorecard once finalised.

19.6 “Black Enterprise” is one that is at least 50, 1% owned by black persons and where there is substantial control by black people in the enterprise. Ownership refers to economic interest while control refers to the membership of any board or similar governing body of the enterprise, including executive management.

19.7 “Black-empowered Enterprise” is one that is at least 25, 1% owned by black people and where there is substantial control by black people in the enterprise.

19.8 “Black Women-owned Enterprise” is one with at least 25, 1% representation of black women within the black equity and management portion.

19.9 “Black disabled people” means black people who also satisfy all of the criteria in the definition of ‘persons with disabilities’ set forth in paragraph 5.1 of the “Code of Good Practice on the Employment of People with Disabilities” (as amended or substituted from time to time) issued in terms of section 54(1)(a) of the Employment Equity Act.

19.10 “Enterprise” means the person(s) conducting a business, trade or profession in the Republic of South Africa. Unless the context clearly indicates the contrary, all references in this Statement to the term “Enterprise” includes a reference to an Associated Enterprise.

19.11 “Enterprise Development” aims at assisting and accelerating the development of the operational and financial capacity of enterprises that contribute towards broad-based BBBEE. The primary beneficiaries of enterprise development are the small and micro enterprises owned and controlled by black people. The measures range from direct financial assistance to non-monetary support.

19.12 “Fronting” refers to any entity, mechanism or structure established in order to circumvent the BEE requirements as required under various policy instruments. Fronting structures generally claim a higher BEE status than the actual substantive economic benefits flowing to black beneficiaries. The claims can be in the form of direct ownership, human resource development and indirect ownership components as per the balanced scorecard.

19.13 “Public Private Partnerships” (PPPs) are widely used to implement national and provincial government’s infrastructure and service delivery commitments. Regulated by the relevant Treasury (currently, the National Treasury) in terms of Treasury Regulation 16 to the Public Finance Management Act (PFMA).

19.14 Public Private Interactions: The term PPI is used to indicate that all forms of interaction between the two sectors, rather than merely focussing on specific public-private partnerships (PPPs).
19.15 “Preferential Procurement”, as defined by dti, refers to specific procurement policies, which target procurement of commercial goods and services from enterprises owned by persons disadvantaged by unfair discrimination on the basis of race, gender or disability.

19.16 “Skills development” refers to the development of core competencies of black people to facilitate their interaction in the mainstream of the economy. It is imperative that there be a focus on core and technical skills that would enable black people to participate in the wider economy in a meaningful manner.

19.17 “SMME” is a small, medium or micro enterprise which, according to the National Small Business Act 102 of 1996. Whilst the Act defines it by sector, SMMEs are commonly defined as enterprises with less then R25m turnover per annum.

20. **ACRONYMS**

   20.1 AIDC Auto Industry Development Centre
   20.2 BEE Black Economic Empowerment
   20.3 BBBEE Broad Based Black Economic Empowerment
   20.4 CFO Chief Financial Officer
   20.5 DAC Departmental Acquisition Council
   20.6 DFEA Department of Finance and Economic Affairs
   20.7 DPE Department of Public Enterprise (national)
   20.8 ECD Early childhood development
   20.9 EPWP Expanded Public Works Programme
   20.10 ESOP Employee Share Ownership Programme
   20.11 FET Further Education & Training
   20.12 GDS Growth and Development Strategy
   20.13 GEDA Gauteng Economic Development Agency
   20.14 GEP Gauteng Enterprise Propeller
   20.15 GFO Gauteng Film Office
   20.16 GGB Gauteng Gambling Board
   20.17 GPG Gauteng Provincial Government
   20.18 GSSC Gauteng Shared Services Centre
   20.19 GTA Gauteng Tourism Agency
   20.20 HRD Human resource development
   20.21 IDP Integrated Development Plan
   20.22 IT Information technology
   20.23 JV Joint Venture
   20.24 LED Local economic development
   20.25 NEF National Empowerment Fund
   20.26 PPI Public Private Initiative
   20.27 PPP Public Private sector Partnership
<table>
<thead>
<tr>
<th>Code</th>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.28</td>
<td>PPPFA</td>
<td>Preferential Procurement Policy Framework Act No. 5 of 2000</td>
</tr>
<tr>
<td>20.29</td>
<td>PFMA</td>
<td>Public Finance Management Act No 1 of 1999 as amended</td>
</tr>
<tr>
<td>20.30</td>
<td>SMME</td>
<td>Small Medium and Micro Enterprise</td>
</tr>
</tbody>
</table>
## 21. DTI DRAFT SCORECARD – JUNE 2005

This scorecard is for the use of GPG when measuring the performance of its suppliers.²

<table>
<thead>
<tr>
<th>BEE elements</th>
<th>Weighting</th>
<th>Indicators</th>
<th>Indicator Weighting</th>
<th>Targets</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>20%</td>
<td>Exercisable Voting Rights by black people</td>
<td>3%</td>
<td>25% + 1 vote</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Exercisable Voting Rights by black women</td>
<td>2%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Economic Interest in the Enterprise to which Black people are entitled</td>
<td>4%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Economic Interest in the Enterprise to which Black women are entitled</td>
<td>2%</td>
<td>2.50%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Economic Interest in the Enterprise to which Black designated groups are entitled</td>
<td>1%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Ownership fulfilment</td>
<td>1%</td>
<td>No restrictions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net economic value</td>
<td>7%</td>
<td>20% of the target (year 1-2)</td>
<td></td>
<td>50% of the target (year 3-5)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>75% of the target (year 6-8)</td>
<td></td>
<td>100% of the target (year 9-10)</td>
<td></td>
</tr>
<tr>
<td>Ownership by broad-based BEE schemes or new entrants (bonus)</td>
<td>3%</td>
<td>Bonus per each level of 5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Control</td>
<td>10%</td>
<td>Exercisable voting rights by black people</td>
<td>3%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Members of the board who are black people</td>
<td>1%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Members of the board who are black women</td>
<td>1%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Black senior executive representation</td>
<td>2%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Black women senior executive representation</td>
<td>1%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Black other executive representation</td>
<td>1%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Black women representation as other executive</td>
<td>1%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Black independent director representation (bonus)</td>
<td>1%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Employment Equity</td>
<td>10%</td>
<td>Weighted Employment Equity statistics across all job levels</td>
<td>12%</td>
<td>50%</td>
<td>Bonus points will be awarded for the employment of black disabled people</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Weighted black women representation across all job levels</td>
<td>8%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Skills Development</td>
<td>20%</td>
<td>Investment in skills Development (including the skills development levy) as a percentage of payroll</td>
<td>10%</td>
<td>3%</td>
<td>The following contributions will be considered for bonus points and enhanced recognition:</td>
</tr>
</tbody>
</table>
| Elements                          | Weighting | 10%  | 3%   | 1. Mentorships, internships and learnerships  
2. Development of core and critical skills  
3. ABET  
4. Retention of learners  
5. Development of scarce skills in terms of the National Skills Development Strategy  
6. Skills development in rural areas |
|----------------------------------|-----------|------|------|-----------------------------------------------|
| Preferential Procurement         | 20%       | 20%  | 50%  | The following areas to be considered:  
1. Recognition level of qualifying small enterprises (preference through qualifying small enterprise scorecard)  
2. Exempted micro enterprises (recognition through qualifying small enterprise scorecard)  
3. Exempted micro enterprises (automatic recognition)  
4. Enhanced recognition for the creation of domestic productive capacity  
5. Linkage to enterprise development |
|                          | 10%       | 1%  | 1%  | year 1-2  
2% year 3-4  
3% year 5-6  
4% year 7-8  
5% year 9-10 |
| Enterprise Development           | 10%       | 10%  | 1%  | year 1-2  
2% year 3-4  
3% year 5-6  
4% year 7-8  
5% year 9-10 |
| Cumulative quantified contribution in enterprise development over the previous five years over average profit before tax, interest and dividend over the previous five years. | 10%       | 1%  | 1%  | year 1-2  
2% year 3-4  
3% year 5-6  
4% year 7-8  
5% year 9-10 |
| Residual                         | 10%       | 10%  | 1%  | year 1-2  
2% year 3-4  
3% year 5-6  
4% year 7-8  
5% year 9-10 |
| Cumulative quantified contribution to social development and industry specific initiatives over the previous five years over average profit before tax, interest and dividend over the previous five years. | 10%       | 1%  | 1%  | year 1-2  
2% year 3-4  
3% year 5-6  
4% year 7-8  
5% year 9-10 |
| Weighting                        |           | 110% |      | The following contributions will be considered for bonus points and enhanced recognition:  
1. Quantifiable support to qualifying small enterprises and exempted micro enterprises  
2. Quantifiable support which directly contributes to domestic capacity building. |
| People employed through learnerships and internships (as a percentage of employees) | 10%       | 1%  | 1%  | year 1-2  
2% year 3-4  
3% year 5-6  
4% year 7-8  
5% year 9-10 |
| Level 1 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R1.35 for every R1 spent) | Level 1 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R1.35 for every R1 spent) |
| Level 2 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R1.25 for every R1 spent) | Level 2 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R1.25 for every R1 spent) |
| Level 3 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R1.10 for every R1 spent) | Level 3 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R1.10 for every R1 spent) |
| Level 4 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R1.00 for every R1 spent) | Level 4 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R1.00 for every R1 spent) |
| Level 5 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R0.90 for every R1 spent) | Level 5 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R0.90 for every R1 spent) |
| Level 6 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R0.60 for every R1 spent) | Level 6 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R0.60 for every R1 spent) |
| Level 7 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R0.50 for every R1 spent) | Level 7 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R0.50 for every R1 spent) |
| Level 8 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R0.10 for every R1 spent) | Level 8 contributor, as verified by BEE verification agencies instituted under statement 020 (Recognition of R0.10 for every R1 spent) |
22. EXPLANATORY NOTE ON NATIONAL BBBEE POLICY AND LEGISLATION

22.1 The public sector began to implement BBBEE in 1994. However, the impact of its BBBEE initiatives has suffered from a lack of policy clarity, inadequate guidelines and ineffective systems and support programmes. Consequently, Government issued *South Africa’s Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment*. The Strategy defined BBBEE and outlined the roles of business and the public sector.

22.2 In terms of the Strategy, BBBEE is defined as: “An integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities.” The strategy further states that the BBBEE process must include elements of human resource development, employment equity, enterprise development, preferential procurement, as well as investment, ownership and control of enterprises and economic assets.

22.3 The Strategy provides for Government to utilise its leverage in promoting BBBEE through regulation, licensing, procurement, restructuring of state assets, public private sector partnerships and provision of finance and incentives.

22.4 Subsequently the Government promulgated the BBBEE Act, which is enabling legislation aimed at providing guidance and promoting a standard approach to BBBEE. It defines BBBEE and allows for the issuing of codes of practice (Section 9) by the Minister of Trade and Industry (“the Minister”), when so ever it is deemed necessary.

22.5 In terms of the Act, BBBEE is defined as the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

22.5.1 Increasing the number of black people that manage, own and control enterprise assets.

22.5.2 Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises.

22.5.3 Human resource and skills development.

22.5.4 Achieving equitable representation in all occupational categories and levels in the workforce.

22.5.5 Preferential procurement and

22.5.6 Investment in enterprises that are owned or managed by black people.

22.6 The objectives of the Act as stated in section 2, are to:

22.6.1 Facilitate broad-based black economic empowerment by promoting economic transformation in order to enable meaningful participation of black people in the economy.

22.6.2 Achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises.

22.6.3 Increasing the extent to which communities, workers, cooperatives and other collective enterprises own and manage existing and new enterprises.
and increasing their access to economic activities, infrastructure and skills training.

22.6.4 Increasing the extent to which black women own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training.

22.6.5 Promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity.

22.6.6 Empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills.

22.6.7 Promoting access to finance for black economic empowerment.

22.7 Codes of practice issued in terms of the Act (section 10) would be applicable to any organ of state and public entity under the following circumstances:

22.7.1 Determining qualification criteria for issuing of licenses, concessions or other authorisations in terms of any law;

22.7.2 Developing and implementing a preferential procurement policy;

22.7.3 Determining qualification criteria for the sale of state-owned enterprises; and

22.7.4 Developing criteria for entering into partnerships with the private sector.

22.8 It is further expected that the public sector would be required to report on its performance in BBBEE to the BBBEE Advisory Council. Consequently in terms of policy and legislation GPG is required to implement and report on BBBEE against the objectives and definitions as set out in the BBBEE Strategy, BBBEE Act and subsequent codes of practice.

22.9 Sector charters and the dti generic scorecard.

22.9.1 The BBBEE Act states that the public sector is required to implement codes of good practice on BBBEE. The first part of the codes has been issued including a generic scorecard, against which all companies should be measured unless they are bound by a sector charter. The full code should be finalised by August 2005.

22.9.2 The Codes provide an account of criteria for gazetting sector charters (Section 12 of the BBBEE Act) and for issuing charters as codes (Section 9) as well as a framework for accrediting rating agencies.

22.9.3 In terms of the BBBEE Act, the Codes and the PPPFA draft regulations, BBBEE must be measured either against a gazetted charter scorecard or the dti generic scorecard (if they are not bound by charters) contained in the Codes. The Codes provides that, for the avoidance of doubt, where definitional issues are unclear in a charter which has been issued as a code, the dti generic scorecard has precedence. Government entities may utilise the generic scorecard, as opposed to the charter, if it has due cause and in doing so it must account to the bidders.

22.9.4 Three transformation charters or sector BBBEE strategies are in place with at least another ten being designed, to provide sector specific obligations and guidelines. These include: Liquid Fuels, Mining, Financial sector - in place. Transport, Health, Construction, Property, ICT, Advertising, Automotives, Cosmetics, Tourism, Agriculture – in process.