

**An empirical investigation into the tendering and procurement
processes at the Mafikeng Municipality in
North West Province**



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SUBMITTED FOR THE DEGREE OF

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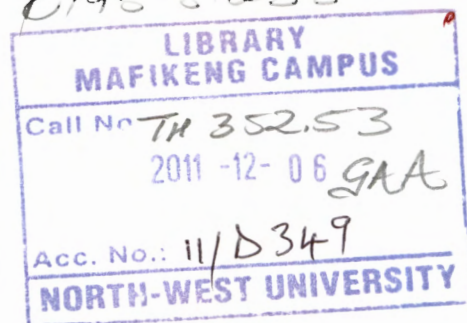
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DECLARATION

I, Nkagisang Rachel Gaepe, hereby declare that this mini dissertation for the partial fulfilment for a Masters of Business Administration (MBA) submitted at North West University, Mafikeng Campus has not been submitted by me for any other degree at this or any other university. I also declare that it is my own work and materials and references contained in this study are acknowledged.



Nkagisang Rachel Gaepe



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ABSTRACT

Procurement, as a socio-economic policy in the current South African context, entails the addressing of the imbalances of the past, empowering disadvantaged communities, income generation, educating of the illiterate. In essence, the policy provides for the preference to be given to targeted categories of people, without exclusion of anyone from the opportunity to tendering this study an evaluation of tendering and procuring procedures in Mafikeng Local Municipality of the North West Province was conducted as there was no review done since 2005. Different literature was reviewed to find out what other researchers state about the related problem. It was found that tendering and procuring had an adverse effect in any business, in the best way to do it was to formulate and implement some guidelines, procedure and monitor them on a monthly base. Information was collected by distributing questionnaires to different employees of Mafikeng Local Municipality. The questionnaires were aimed at identifying important procedures of tendering and procuring, identifying different types of business and finding if employers and employees are informed about the tendering and procurement processes.. The findings indicate *that* almost all respondents 39 (91%) agree on the value of the size of the company in the tendering and procurement process. According to the results, 40 (93%) agree that Small, Medium and Micro Enterprise cater for tendering and procurement in all aspects of supply chain management. In Mafikeng Local Municipality, Small, Medium and Micro Enterprise get preference to cater in all goods and services as compared to other enterprises. However, it was not clear for the respondents whether this preference given to Small, Medium MMEs addressed all problems related to unemployment, black economic and women empowerment. The majority (95%) do not think the tendering process is transparent. The transparency problem is a common challenge among municipalities and Mafikeng is not an exception.

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CHAPTER ONE

ORIENTATION TO THE STUDY

1.1. INTRODUCTION

The legacy that deprived blacks of viable business opportunities has resulted in the formulation of a Procurement strategy (An Affirmative Procurement Plan for the Durban Metro, North Central and South Central Local Councils, 1997:3). There was no entrepreneurial education for young black people. This meant that they were not encouraged to enter into business and acquire a culture of entrepreneurship. In fact, Bantu education restricted the opportunities for the acquisition of technical and professional skills, for example prior to 1979 blacks were legally prevented from acquiring artisan training (Affirmative Procurement Plan, 1997:3). Blacks, other than those who worked and resided in the urban areas, were confined to homeland areas, which lacked a dynamic business environment and were poor in terms of living standards and business opportunities.

Acts like the Influx Control Act denied blacks the right to move freely and the Group Areas Act 1913 in turn uprooted millions, not only from places of their residence, but also from their places of business before turning those areas into white areas. This led to capital losses and, in turn, destroyed the fabric of black small enterprises. These forced removals were due to complaints by whites that blacks were undermining their businesses. As a result, the Group Areas Act (1993) disqualified blacks from carrying on businesses, except in their designated group areas. This meant that business opportunities of any meaningful scale were precluded. This was because none of the factors necessary to sustain the development of business centres was present in the so called black areas, regardless of whether they were located in close proximity to white urban areas, or in distant rural areas. Furthermore, the segregation increased the distance between black residential and working areas, thereby increasing the cost and risk of conducting businesses (Affirmative Procurement Plan, 1997:3).

Even outside the homeland areas, it was impossible for black entrepreneurs to participate in business apprenticeships and partnerships with more established (non-black owned/controlled) enterprises. Furthermore, not only did the government control the allocation of business sites, but it also designated the types of businesses

blacks were allowed to operate in the urban townships (for example in small shops, spaza shops, house shops, hawkers and other small businesses). The Native (Urban Areas) Act, (1923) (as amended) stipulated that black businesses could only provide essentials such as milk, bread, meat, vegetables and soap. It denied them the right to operate businesses such as dry cleaning, bookshops, garages and pharmacies.

In 1963, black entrepreneurs were limited to the ownership of a single business and were specifically prohibited from establishing black-controlled financial institutions, manufacturing plants and operations, construction and building businesses and wholesale outlets. Licenses for blacks were also restricted to entrepreneurs who wanted to be grocers, butchers, dairy owners and wood and coal dealers (Affirmative Procurement Plan 1997:3-4).

1.2 CONSTITUTIONAL AND LEGAL FRAMEWORK FOR PUBLIC PROCUREMENT IN SOUTH AFRICA

Public procurement must comply with the provisions of the 1996 Constitution, support macro-economic policies, be an instrument of the transformation process, promote tax morality and improve labour standards. When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective. However, this does not prevent such organs of state or institutions from implementing a procurement policy providing for categories of preference in the allocation of contracts and the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination. National legislation must prescribe a framework within which the policy referred to above may be implemented (Constitution, 1996).

1.3 LEGISLATIVE FRAMEWORK FOR LOCAL GOVERNMENT PROCUREMENT

Arising out of the constitutional mandate, the Local Government Transition Act, 1993 (Act 209 of 1993), section 10G (5), specifically provides for local government procurement as follows:

- (a) Municipality shall award contracts for goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.
- (b) Notwithstanding paragraph (a), a municipality may in accordance with frameworks prescribed by national legislation; in awarding contracts give preference to the protection or advancement of persons disadvantaged by unfair discrimination, and shall make the granting of such preferences public in the manner determined by council.
- (c) A municipality may dispense with the calling of tenders in the case of an emergency or of a sole supplier or within such limits as may be prescribed by a national law.

The aforementioned legislation, in keeping with the national mandate, set out the entire process of local government procurement management. It, moreover, emphasizes normative guidelines, as well as the inequities and inadequacies of the past, in its implementation.

Procurement, as a socio-economic policy in the current South African context, entails the addressing of the imbalances of the past, empowering previously disadvantaged communities, income generation, educating of the illiterate, and providing shelter for the homeless. In essence, the policy provides for the preference to be given to targeted categories of people, without exclusion of anyone from the opportunity to tender (Affirmative Procurement Plan, 1997:1).

1.4 BACKGROUND OF THE STUDY

Public procurement in South Africa affirms in a pragmatic and practical manner the country's changed environment, and the principles promoting the Reconstruction and Development Programme ("the RDP") (Government Gazette 1997:133). Public procurement enables the organs of the State to operationalise policies in a targeted, transparent, visible and measurable manner when engaging in economic activity with the private sector, without compromising principles such as fairness, competition, cost-efficiency (Government Gazette, 1997:133).

It is essential, because the implementation of public procurement impacts on the quality of life of previously disadvantaged individuals and communities. As such, it has become a tool of social policy engineering. In most developing countries,

plagued by underdeveloped internal markets, where wealth is concentrated in the hands of a few, public sector procurement can play a crucial role in addressing market imbalances. If these interventions are carefully structured, they could contribute to better functioning markets. Affirmative procurement has entailed implementing participative programmes aimed at the engagement of small, medium and micro enterprises (SMME's) owned by previously disadvantaged persons and increasing the volume of work available to the poor, and income generation by marginalized sectors of society (Affirmative Procurement Plan, 1997:3).

1.5 PUBLIC PROCUREMENT DEFINED

Staats (1971:81) defines public or government procurement as "...The science or perhaps the art, of getting the most for the taxpayer's money in a whole spectrum of buying, leasing or otherwise acquiring goods and services."

Public sector procurement has been used in developed countries to achieve certain social objectives, such as the creation of jobs, promotion of fair labour conditions, the use of local labour, the prevention of discrimination against certain groups, the improvement of environmental equality, the encouragement of equal opportunities between men and women and the increased role of the disabled. This has implications not only for the country's populace, but also for the business community. This ranges to name a few, from diplomatic recognition, sport and business (African National Congress, 2001). Westing and Fine (1966:2) submit that procurement is a business activity directed to obtain materials, supplies, and equipment required for the continued operation of an institution.

1.6 PROBLEM STATEMENT

The legacy of previous policies constitutes a factor in the ability of black owned or controlled enterprises to face business development arena (White paper on Small Business, 1995). There are SMME's that are not successful in sustaining business operations or failing to promote growth of their business operations.

The poor quality of education for the historically disadvantaged sector restricted opportunities for the acquisition of technical and entrepreneurial skills. According to the White Paper on Small Business (1995), previous policies confined the majority of people to the so-called homelands that lacked a dynamic business environment. As a result of restrictions placed on property ownership, it was virtually impossible for

these people to acquire assets that could be used as collateral to finance loans. Due to these problems, it was necessary for small business support policies to focus on the particular needs of black controlled enterprises, with an understanding that policy differentiation will have to include affirmative elements.

The current unemployment rate in South Africa is 50 percent (Reddy, Sing & Moodley, 2003: 184). According to Niemann (1997) approximately 350 000 new job seekers are expected to enter the job market annually over the next ten years and the prospect for any young person to find employment looks bleak. The unemployment problem in South Africa needs entrepreneurs to combat unemployment, poverty, and socio-economic injustices of the past. There is a need to establish a means of evaluating whether the preferential procurement policy framework has an impact on SMME's within the areas of Mafikeng Local Municipality.

1.7 IMPORTANCE OF THE STUDY

There is direct need for the redistribution of income and opportunities to the historically disadvantaged individual. This study may provide greater insight into public procurement and tendering, in the South African context, specifically in the North West Province. The research is may be necessary for both North West Province and SMMEs to measure the impact of preferential procurement within Mafikeng Local Municipality. The South African SMME's sector is far from homogenous and may require a set of interventions rather than the generic assistance currently provided. Only a few dynamic SMME's show potential to contribute to rapid employment creation, whilst survivalist activities constitute the vast majority of South African SMME's (Kesper, 2000). It may be important for government to know the value of SMME's, especially in the creation of employment and the impact that preferential procurement has on SMME's within Mafikeng Local Municipality. The study may serve as a reference to the North West Province. It may provide insight into the effect that preferential procurement has on SMME's.

1.8 THE OBJECTIVE OF THE STUDY

1.8.1. The Primary Objective

The main objective of the study is to investigate the effect of preferential procurement, and tendering on SMME's within the Mafikeng Local Municipality of the North West Province.

1.8.2. The Secondary Objective

Secondary objectives are:

- To identify the role of preferential procurement and tendering in promoting an entrepreneurial culture among SMME's.
- To determine the role of preferential procurement in the economic empowerment of SMME's and the individuals therein.
- To determine how preferential procurement assists SMME's in job creation.
- To determine how preferential procurement impacts on the empowerment of women within the SMME's sector.

1.9 RESEARCH DESIGN

The research design is a plan of how one intends to conduct the research. It provides the glue that holds the research project together (Mouton, 2003:55). It is used to structure the research, show all the major parts of the research project, namely, the samples or groups, measures, treatments or programmes, and methods of assignment, i.e. all work together to try to address the central research questions (Trochim,2002). This study will use a quantitative research design, which involves the use of numerical measurements and statistical analyses of measurements to examine social phenomena. The quantitative approach places great premium on objectivity and reliability of findings and encourages replication (MANCOSA, 2000). A descriptive study establishes only associations between variables. An experiment establishes causality. Statistics like correlations and relative frequencies are used to express the relationships or differences between variables (Hopkins 2000). The study is descriptive in nature and the relationships between variables is expressed using relative frequencies and associations

The population under study consists of the Municipal employees (political and official) as this study will only display the state of affairs due to a limited time. A stratified sampling technique will be used to draw a sample of Municipality employees in the Procurement Unit who sit in bid committees (20).

The usual instruments used in the gathering of data are survey data collection modes (Cooper & Schindler,1998:291). To ensure responses and valid and reliable results, follow-ups were made. The researcher also attached a covering letter to the

questionnaire to explain the purpose of the survey and to assure the participants that the information provided by them would be kept confidential and anonymous.

Descriptive statistics provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data. These are used to present quantitative descriptions in a manageable form and they reduce masses of data into a simpler summary (Trochim, 2002). Descriptive statistical analysis was used to describe the basic features of the data in this study.

Frequency analysis consists of summary tables in which the data are arranged into conveniently established numerically ordered class groupings or categories. These are generally obtained for nominal and ordinal variables such as age group, years of service, education levels and others (Berenson and Levine, 1996:62). The frequencies of the respondents' biographical data were presented in summary tables, charts and graphs, in this study. Saunders (2003:394) concurs that data analysis involve summarizing and simplifying data collected, condensing it and displaying it into different categories. Zickmund (1997:57) shares similar views that data analysis is the application of logic to understand and interpret the data that has been collected about a subject.

1.10. ETHICAL CONSIDERATIONS

Careful consideration relation to information that may harm and taint the image of the organisation is emphasized. According to Gill and Johnson (1997: 126) ethical issues arise from the nature of the relationship between the researcher and host organisation and between the researcher and the subjects he or she studies, both of which may prevent other researchers if hostility is aroused.

The objectives of the study will be briefly explained to all participants as well to their importance in playing a role. It rests solely on an individual to give information as required by questionnaires. The information were provided by the participants voluntarily and not by coercion. Only honest opinion would be required of participants and their identity will remain confidential. The participants were required to sign a form of informed consent detailing the objectives of the study. The real and potential harm in participating in this study is the duration of time spent in completing the questionnaire. The benefits of participating in the study are that the contributions

made by the participant will assist in trying to find the best ways of solving the problem at hand.

1.11 PLAN OF THE STUDY

The intention of this section is to briefly explain the organization of the study:

Chapter 1

In chapter one the researcher will present an introduction to the evaluation of procurement and tendering in the Mafikeng Local Municipality.

Chapter 2

The literature review and theoretical foundation are discussed in this chapter.

Chapter 3

This chapter discusses the research designed and the procedure followed to gather data is outlined.

Chapter 4

In this chapter the results of the survey and the interpretation thereof are presented.

Chapter 5

In this chapter, the summary of the contents of the proceeding chapter is presented together with conclusion and recommendation.

1.12 CONCLUSION

This chapter has introduced the concept of procurement and tendering in a broader sense. It had indicated how the historically disadvantaged have been economically restricted, during the past regime from participation in business. These historical restrictions have created many of the problems that government now has to deal with, the most significant being poverty and inequality. As such, the new dispensation decided to formulate the national government policies at a local level.

Although these restrictions have now been removed, they have served to undermine the potential for black people to enter business as equals with other racial groups. This has resulted in most of the historically disadvantaged to participate in both municipality and government procurement systems. Based on that, the main objective of the study is to investigate the whether the preferential procurement and

tendering on the SMME's was reaching its objective by involving all those who were historically disadvantaged. The research design of the study and the sampling technique were also presented. In the next chapter, the literature review will be presented with emphasis on procurement in municipalities.

CHAPTER 2

LITERATURE REVIEW

2.1. INTRODUCTION

The systematic disempowerment mechanisms, have led to an economic imbalance that excludes the majority of South Africa's citizens from the economic mainstream. Adam's (2002) analysis of business South Africa found that the vast inequalities in the South African society that is structured along racial lines arose primarily because of uneven development that stemmed from the previous government's apartheid policy. They further indicated that there was a need for a fine balance between government, labour and business in unlocking the development of the South African economy and acknowledged the need for strategic interventions by government to ensure redistribution and social equity.

Various tentative steps have been taken by government to achieve greater diffusion of economic power within the black community, since the early 1990s. This has led to them to being included in the new or amended legislation together with programmes and policy statements aimed at overcoming economic inequalities and underdevelopment. The emergence of Black Economic Empowerment has been a central objective of the Reconstruction and Development Plan, which was the country's original blueprint for transformation. For some time now, bidders for procurement have been required to demonstrate their BEE credentials. The keywords BEE, credentials, transformation and RDP have been used to look for articles using search engines such as Google Scholar and EBSCO host. The layout of the dissertation is definitions, procurement and items that deal with procurement and a research question section and a final conclusion that could be drawn.

2.2 DEFINITION OF TERMS

2.2.1 Procurement

It refers to the process of acquiring goods and services by the Municipality, in accordance with a set of policies by the Council (Madibeng, 2010). Westing and Fine (1966:2) submit that procurement is a business activity directed to obtain materials, supplies, and equipment required for the continued operation of an institution. Staats (1971:81) defines public or government procurement as the science or perhaps the

art, of getting the most for the taxpayer's money in a whole spectrum of buying, leasing or otherwise acquiring goods and services.

2.2.2 Micro Enterprise

Micro enterprises usually lack "formality" in terms of registration for tax purposes, labour legislation, business premises, accounting and operating procedures, e.g. Metal workers, furniture makers, spaza shops, mini-taxis, etc. (Affirmative Procurement Plan, 1997:22).

2.2.3 Very Small Enterprise

This category refers to self-employment, and employing a limited number of employees who operate in the formal market and have access to modern technology (Affirmative Procurement Plan, 1997:22).

2.2.4 Small Enterprise

Compared with the very small enterprise, the enterprises in this category are generally better established. The processes and the organizational structures of these enterprises are more complex (Affirmative Procurement Plan, 1997:22).

2.2.5 Medium Enterprise

In terms of this definition, it is difficult to demarcate the small and large enterprise categories. Although still owner/manager controlled, the ownership and management structure is more complex. Often decentralisation of power to an additional management layer, division of labour and functional division pinpoints the natural division between small and medium-sized enterprise (Affirmative Procurement Plan, 1997:22).

2.2.6 Targeted Labour

Targeted labour will be defined as being unskilled workers (Economic Development Department, 1997:13).

2.3 PUBLIC SECTOR PROCUREMENT IN SOUTH AFRICA PRIOR TO 1994

The public sector procurement in South Africa was regulated in terms of the State Tender Board Act of 1968 (Act No. 86 of 1968), prior to 1994. The general conditions for procuring goods and services were contained in the State Tender Board's

General Conditions and Procedures (ST 36). The regulatory framework for public sector procurement prior 1994 was based on systems and procedures that are prevalent in developed countries. The emphasis of the regulatory framework was primarily, on financial rules and regulations, as opposed to the broader economic implications of public sector procurement

2.4 PUBLIC SECTOR PROCUREMENT IN SOUTH AFRICA AFTER 1994

Public procurement was reformed in South Africa by the Ministries of Finance and Public Works in 1995, whereby a task team was established comprising relevant role-players, including the State Tender Board, officials from the Departments of Public Works and Finance, and private sector consultants, with the objective of developing interim strategies that could be adopted and implemented within existing legislation. The work of the task team has resulted in the 10 Point Plan that has initiated the public procurement reform process (Reddy, Sing & Moodley, 2003: 153).

Public procurement in South Africa affirms in a pragmatic and practical manner the country's changed environment, and the principles promoting the Reconstruction and Development Programme (RDP). It enables the organs of the State to operationalise policies in a targeted, transparent, visible and measurable manner when engaging in economic activity with the private sector, without compromising principles such as fairness, competition, cost-efficiency, while remaining inclusive (Government Gazette, 1997:133).

2.4.1 Fair and equitable Procurement

Section 217 (1) of the Constitution of the Republic of South Africa stated that:

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

According to the Code of Conduct for Supply Chain Management Practitioners and other Role Players (undated) it is essential that the procurement of goods and services, including engineering and construction works as well as disposals of assets by the Municipality should not be affected, or tainted, by illegal action, or default, at any stage of the process by and any party involved.

The Code section 6.1 and 6.2 further stated that: bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the municipality and/or the municipal entity in an honest, fair, impartial, transparent, cost-effective and accountable manner. Bid evaluation/adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.

2.5 MAIN FEATURES OF PUBLIC PROCUREMENT

Farlam (2005: 3) highlighted the main features of public procurement as follows:-

Contracting authority establishes clearly what is to be built, how and by what means. Invitations to tenders are accompanied by very detailed technical specifications regarding the type of work being procured. Price quote is the single most important criterion in the evaluation of bids. The procurement process is short-term in nature and does not involve long-term occupancy of the infrastructure assets, and thus does not lay emphasis on the operational phase of the project.

2.6 REASONS FOR PROCUREMENT IN SOUTH AFRICA

2.6.1 Empowerment through Procurement

The goals of public procurement is to develop small business, particularly those owned and operated by black entrepreneurs who are locally-based, and to ensure that their business activities reflect the norms and standards of developed countries. Other goals include putting in place a programme of affirmative procurement to address the marginalisation from economic, political and social power of previously disadvantaged individuals and sectors of society (Economic Development, 1997: 13).

Considerable procurement muscle was used to promote small and medium enterprises (SMMEs), Black economic empowerment (BEE) and the empowerment of the previously disadvantaged such as women and people with disabilities. This approach was initially promoted through the Gauteng Tender Board and more recently, through the procurement policy of provincial government departments including the Gauteng Shared Services Centre (GSSC). The provincial government set targets of over 80% on certain contracts, like in construction (Shilowa, 2003).

2.6.2 Promotion of Black Economic Empowerment

The new dispensation has ensured that there should be some measures to promote Black Economic Empowerment. According to Kalawe (2007) approaches to be undertaken in order to realise their vision include the following:-

- ✓ setting up of targets for affirmative procurement
- ✓ setting asides 30% of all procurement opportunities, specifically for SMEs and Cooperatives
- ✓ provision for mentoring services for SMEs and cooperatives to ensure that they have the technical support
- ✓ ensuring that these SMEs are linked to support structures and advice centres
- ✓ Setting up a monitoring and evaluation procurement system to ensure that the BEE programme is nurtured and enhanced.

2.6.3 The Importance of Small Business Sector in the Economy

Small enterprises contribute a lot to the economy of the country. According to Horton, Hondrich and Modise (2000) small businesses is the engine of job creation and black economic empowerment, of innovation and redistribution. Mbeki (1999) also stated that it was important to develop a thriving small business sector because they are permanent employment creators. As stated in Ntsika (1999) annual report, this sector could play a major role in creating jobs and wealth in any economy. On the other hand, Erwin (2001) stated that SMMEs could create employment opportunities and lead to a more equitable distribution of income in our society.

Kroon and Moolman (1999) provide reasons for the importance of small organisations in any country are as follows:-

- Small organisations are multitudinous, suppliers of employment and creators of work opportunities, innovators and initiators, subcontractors for large organisations, responsible for the manifestation of the free market system, in many instances the entry point into the business world, playing an important socio-economic role;
- Small organisations can have a multiplying effect on the economy;

- Small organisations provide economic stability and a better distribution of economic activities.

Investing \$1 million each, in 350 small businesses would give them more jobs and more economic growth than giving \$350 million to one big company (Bates, 2003). According to the White Paper Notice 213 of 1995, there were more than 80000 small medium and micro-enterprises in South Africa, absorbing about a quarter of the labour force of 15 million people. This is in addition to about 3, 5 million people involved in some or other type of survivalist enterprise activities. The need for work opportunities and the role of small business enterprise play in the creation can be seen as important reasons for the existence and significant stimulation of small businesses in South Africa. Small businesses also play a role in the social life of the free market system (Cronje, Neuland, Hugo and van Reenen, 1993: 381).

It could be concluded from what has been stated that small businesses play an important role in the economy of the country as a result of their job creation and economic empowerment as well as wealth in the economy. They are able to stabilise the business cycle while larger businesses destabilise through employment swings.

2.6.4 Mechanism for Developing the Role of SMMEs

One of the mechanisms for developing the role of SMMEs is to link them to a specific industry. The acceptable way is therefore to link local economic development and SMMEs to public-sector procurement systems (Rhodes University, Human Sciences Research Council & University of the Free State, 2003). This could be achieved by the public sector outsourcing some of its services to the SMMEs, so that instead of the public sector providing that kind of services SMMEs do.

According to the Policy of Local Economic Development (1999:39), targets are set and delivery systems facilitate the development of SMMEs particularly those owned and operated by previously disadvantaged persons that are located within the local area. This would increase the volume of work available to the poor.

2.7 TARGETS FOR THE PREFERENTIAL PUBLIC PROCUREMENT

SMMEs can, in terms of targeted procurement, be targeted on either a generic or area bound (localised) basis. Generic targeting, in turn, can target either small and medium enterprises within a country, or block of countries, or small and medium enterprises within demarcated political boundaries, which are owned and controlled

by marginalized firms or companies (Affirmable Business Enterprises: Implementing Targeted Procurement, 1999:2).

2.7.1 Broad targets to be employed

According to the Reddy *et al.* (2003: 164) the Central Transitional Metropolitan Substructure Council resolution taken on 7 December 1995, the broad targets to be employed are as follows:-

- Fifty percent of tenders to be awarded to disadvantaged people.
- Twenty percent of tenders to be awarded on a joint venture basis between established businesses and disadvantaged people
- Thirty percent of tenders to be awarded in terms of current practice

Reddy *et al.* (2003: 164) further stated that the achievement of these milestones, which are to be reviewed on an annual basis, should serve as an unambiguous indicator of whether a council is moving towards its set target and ultimately, its performance in the arena of affirmative procurement and small business development.

2.7.2 Aims of Targeted Procurement

The aims of targeted procurement include the following (Policy for Local Economic Development, 1999:39):-

- Stimulate the growth and development of SMMEs and local resources;
- Empower specific population groups/sectors of society;
- Increase the volume of work available to the poor;
- Encourage the use of employment-intensive practices and technologies.

Targeted procurement contributes to the improvement of growth of SMMEs as well as increasing the chances of people who unemployed to be employed.

2.8 AFFIRMATIVE PROCUREMENT

Targeted procurement, which targets affirmable business enterprises, may be referred to as affirmative procurement (Affirmable Business Enterprises: Implementing Targeted Procurement, 1999:2). It offers an opportunity for the historically disadvantaged individual to play a bigger role in the economy of the

country. To prepare tender documents that include empowerment criteria, there are four focus areas that need to be considered. These include: shareholding; affirmative action in employment; training and economic empowerment such as subcontracting (Mvula Trust, 2006).

This procurement is one of the most effective tools to advance black economic empowerment and massive job creation. In the past few years, procurement from Black empowerment companies has become a major focus. It gives emerging black enterprises and community-based cooperatives massive opportunities to grow their production and become competitive and efficient (Kalawe, 2007). According to the Green Paper on Public Sector Procurement (1997: 133) affirmative procurement comprises of programmes aimed at the engagement of small, medium and micro enterprises owned by previously disadvantaged persons and the increasing of the volume of work of marginalized sectors of society. It has two components, namely, a developmental component which ensures that the targeted group is capable of participation, and the structured participation component, which ensures that the target is engaged in the provision of goods and services and works.

2.8.1 Aims of Affirmative Procurement

The main aims of affirmative procurement include the following (Government Gazette, 1997:134):-

- Need to promote developmental objectives focusing on human resource development.
- Provide opportunities for skills transfer and capacity building to acquire experience.
- Encourage commitment to human resource development and social responsibility programmes within organisations to specifically redress historical imbalances.
- Facilitate growth, efficiency and effectiveness of delivery, as well as the numbers and size of businesses owned and controlled by previously disadvantaged individuals.
- Ensure that the emerging enterprises contribute to the tax base, encourage workers who are affiliated to labour associations, adhere to safety regulations and

reflect norms and standards in their business activities associated with those of developed countries.

2.8.2 The long term aim of affirmative procurement

According to the Green Paper on Public Procurement Reform in South Africa, its long term aim is to:

- ❖ promote development objectives with a focus on human resource development;
- ❖ provide opportunities for skill transfer, capacity building to acquire experience
- ❖ encourage commitment to human resource development and social responsibility programmes within organisations to specifically, redress historical imbalance
- ❖ facilitate growth in terms of the efficiency and effectiveness of delivery as well as numbers and size of business owned and controlled by previously disadvantaged individuals
- ❖ Ensure that emerging enterprises contribute to the tax base, engage workers who are affiliated to labour associations, adhere to safety regulations and reflect norms and standards in their business activities associated with those of developed countries.

2.8.2 Elements of Affirmative Procurement

There are quite a number of elements that are contained in an affirmative procurement. These are discussed as follows (Green Paper on Public Sector Procurement Reform, 1997: 133):-

The recognition that procurement may be used as an instrument of government social policy. As a result, value for money does not need to be measured by monetary costs alone. Goods, services and work can be procured both in terms of resource and technical specification. Participation of targeted individuals, groups of people, communities and enterprises can be secured by means of a developmental objective/prices mechanism, a resource specification or a combination thereof.

The use of development objectives/prices mechanisms, for instance, a points scoring term adjudication procedures, as a means of measuring a tenderer's resource and

financial offer, (such as value for money), adjudicating of tenders, ensuring that premiums, if any, paid in respect of socio-economic or developmental objectives are within acceptable limits, favouring certain targeted individuals, groups, communities or practices without excluding those who fall outside of such target groups from tendering, and encouraging the private sector to use their skill, knowledge and creativity in responding to socio-economic and development objective challenges in the cost effective manner.

The use of human resource specification in order to define target groups, set goals, measured in monetary terms, which may be met by engaging the target groups in the pursuit of predetermined socio-economic/development objectives, provide for the measurement of key indicators to ensure that goals may be quantified and audited during the performance of the contract, set out the manner in which goals can be achieved, and penalties applied in the event of a contractor failing to achieve his/her contractual goal. The classification of contracts in order to facilitate standardisation in approach and the targeting of business enterprises' local resources.

The use of the local government in order to effect area-bound targeting relating to marginalized sectors of society in construction projects. Affirmative procurement has two main legs, such as developmental component, which ensures that the target group is capable of participation, and a structured participation component, which ensure that the group is engaged in the provision of goods and services and work.

Based on the above-mentioned elements of affirmative procurement, it is clear that value for money does not need to be measured in monetary costs alone. For the targets to participate they can be secured by means of a developmental objective/prices mechanism, a resource specification or a combination thereof.

2.9 LEGISLATIVE FRAMEWORK OF PREFERENTIAL PROCUREMENT

The Constitution of the Republic of South Africa makes specific provision pertaining to public sector procurement in South Africa Section 187 of Act No. 108 of 1996 contains specific provisions relating to procurement and it was framed as follows:-

The procurement of goods and services, for any level of government shall be regulated by an act of parliament and provincial laws which shall make provision for the appointment of independent and impartial Tender Boards to deal with such

procurements. The tendering system referred to in sub section 1 shall be fair public and competitive, and the Tender Board shall on request give reasons for their decisions to interest parties. No organ of State and no member of any organ of State or any other person shall improperly interfere with the decisions and operations of the Tender Board All decisions of the Tender Board shall be recorded.

The Preferential Procurement Policy Framework Act, No 5 of 2000 gives effect to section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in section 217(2) of the 1996 Constitution.

2 (1) an organ of state must determine its preferential procurement policy and implement it within the following framework:

The specifics:

- (i) contracting or categories of persons, disadvantaged by unfair discrimination on the basis of race, gender or disability;
- (ii) The Local Government Transition Act No209 of 1993, section 10G(5), specifically provides for local government procurement as follows:
 - (a) A municipality shall award contracts for goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.
 - (b) Notwithstanding paragraph (a), a municipality may in accordance with frameworks prescribed by national legislation, in awarding contracts give preference to the protection or advancement of persons disadvantaged by unfair discrimination, and shall make the granting of such preferences public in the manner determined by council.
 - (c) A municipality may dispense with the calling of tenders in the case of an emergency or of a sole supplier or within such limits as may be prescribed by a national law.

2.10 PROCUREMENT STRATEGIES

The Ten Point Plan on Public Sector Procurement was developed to create arrange of interim procurement strategies aimed at increasing the participation of previously disadvantaged enterprises in the public sector procurement. This strategy was introduced in order to prevent the perpetuation of the inequitable award of State

contracts after 1994, whilst new policy was being developed (Minister of Public Works and Deputy Minister of Finance, 1995).

2.10.1 Procurement Strategies: Targeted Procurement

This is a programme of the national government of South Africa, which has been implemented through the Department of Public Works since 1999. The primary objectives of the programme is to exploit the potential of public procurement (especially for building and construction projects and services) as a tool for socio economic policy with a special focus on (Irurah, undated):

Affirmative action on empowerment of previously disadvantaged groups (blacks, women and disabled). This involves an entrepreneurial component (joint ventures and sub-contracting) and management/ownership criteria. Which is covered under Resource Specifications 1, 2, 3. Job creation and support for local economies through a local resources component. Which is covered under Resource Specification 4 and 5.

Irurah further stated that under this programme tenders are assessed in terms of cost competitiveness (with 90% weighting) and contribution to socio-economic objectives (with 10% weighting). The effect of the weighting is that a contractor could quote a higher price and still win the tender on the basis of the socio-economic response. Besides the resource mentioned above, the implementation process is guided by accredited built environment professionals who oversee the tendering and contract administration requirements of the programme. This programme includes a monitoring, reporting and evaluating mechanism to assess overall performance with respect to the stated objectives

2.11 AFFIRMATIVE PROCUREMENT POLICY

2.11.1 Policy as means of Empowerment

In order to ensure that procurement meets its intended goals, the government has made sure that policies should be formulated in order to provide guidelines to empower the previously disadvantaged individuals and SMMEs. It is a matter of government policy that small enterprises (SMMEs) and historically disadvantaged individuals (HIDs) should play a bigger role in the economy (The Mvula Trust, 2006).

In his speech at SAPOA Convention industries (1998) The President stated that: “in the case of property industry, policies of economic empowerment mean that creating opportunities for and empowering previously disadvantaged individuals and firms, especially small, micro and medium enterprises through outsourcing and sub-contracting.

The Department of Public Works has during the last four years developed its Affirmative Procurement Policy that fundamentally contributes to the development of the SMME sector (Mbeki, 1999). Manuel, 1997):

The Government as the largest buyer in the country has a responsibility to ensure that its procurement policy supports its overall economic objectives, and serves as an instrument for attaining those objectives. One of the key elements in Government’s strategy for employment creation and income generation is the promotion of small, medium and micro enterprises (SMME’s). In the past, the tendering system favoured large, established companies, and it was very difficult (if not impossible) for newly established businesses to enter the public tendering system. The government therefore embarked upon a reform process to make the tendering system more easily accessible to small, medium and micro enterprises.

2.11.2 The Objectives of the Procurement Policy

The objectives of the procurement policy consist of the following (Madibeng, 2010):

- To create a procurement system which is uniform within the municipality and simple;
- To create conditions which are conducive to the empowerment of small, medium, micro-enterprises (SMMEs);
- To promote the achievement of equity by measures designed to protect or advance persons, disadvantage by past unfair discrimination;
- To eliminate fraud or any other irregularities in the procurement of goods and services; and To guide the Municipality in property administrating processes relating to tenders/contracts/retention, purchase requisition and orders, creditor payment and stores

According to the General Procurement Guidelines of South African Government (2002: 8) the government has implemented the Preferential Procurement Policy

Framework Act as the foundation on which all procurement activities are to be based.

Its aim is to:

- advance the development of SMMEs and HDIs;
- promote women and physically handicapped people;
- create new jobs;
- promote local enterprises in specific provinces, in a particular region, in a specific local authority, or in rural areas; and
- support the local product.

2.12 MODELS FOR PUBLIC PROCUREMENT INTERVENTION

There are various models for public procurement intervention that can be adopted. These models have evolved internationally and locally, and have been done so on the basis of country-specific requirements. These are discussed below:

2.12.1 Price Preference policy

This policy targets groups that are given price preference and, in general, there is not exclusion of non-targeted groups from the bidding process. An example of the implementation model is the case of Greece, where price preference up to 8% on public sector procurement was accorded to business enterprises located outside the prefecture of Attica, which encompasses the area of Athens. This was introduced to avoid an over concentration of economic activity in the Athens area. The Affirmative Procurement Policy currently utilised by South Africa also utilises a price preferencing mechanism to target women-owned enterprises and Affirmable Business Enterprises for contract of less than R2 million.

2.12.2 Set Asides

These refer to a procurement strategy whereby a percentage of the total value of transactions in a specified market segment, or sub-segment, is set aside for a particular targeted group. In such cases, businesses from non-targeted groups cannot participate in the bidding process. A good example of a set aside program occurs in the United States, where Federal contracts for the supply of goods and services that have estimated values of between US\$2 500 and US\$100 000 are reserved exclusively for small business.

2.12.3 Step-in Mechanisms

The author within the context of public sector procurement has coined this phrase “step-in mechanism”, as this cannot be viewed as a direct preference. Using this approach, targeted enterprises are granted the opportunity to step in once the cheapest bid has been established. A targeted enterprise is offered the contract, provided that it can match the terms and conditions offered by the cheapest bidder. Examples of this model of intervention are the step-in options for small and medium enterprises developed in Germany in 1976, and a modified version thereof entitled the Special Preference Scheme, which was used in the United Kingdom.

2.12.4 Contract Participation Goal-setting

Using this model, the procurement agency specifies a minimum contract participation goal, being a percentage of the value of the contract, which must be undertaken by the targeted group. Achieving this contract participation goal could be either at a prime contract level by means of a joint venture relationship, or materials, supplies and services, including professional services, from the targeted group. Under this model, the responsibility of attaining the contract participation goal rests with the contractor and bonus points contributing towards the award of the contract are awarded to tenders who offer to exceed the minimum contract participation goal. Examples of this model are the City of Atlanta’s Equal Business Opportunity Program and the South African Department of Public Works Affirmative Procurement Policy (APP) for the construction projects in excess of R2 million. This model is a tool, which is predominantly based on macro indicators, which are intended to look at key elements of public procurement systems.

2.13 THE ASSESSMENT OF PROCUREMENT OF PUBLIC PROCUREMENT SYSTEM

The assessment of a public procurement system will be conducted on the basis of the following twelve indicators, which have been identified as the core components of a public procurement system and are grouped into four key areas known as pillars (Organisation for Economic Co-operation and Development 2004): -

2.13.1 Indicators for evaluating the procurement systems

These indicators are intended to evaluate procurement systems at a fairly macro level and are designed to give a broad, overview of the comparative strengths and

weaknesses of the system concerned. Another important feature of these indicators is that a simple 'yes' or 'no' cannot answer most of the questions. In general, the questions are complex and require professional judgment in giving an answer that, fairly and objectively, assesses the national procurement system against the baseline (Organisation for Economic Co-operation and Development, 2004):-

The system of indicators is a tool to be used to assess the existing elements of a procurement system against a defined set of standards or baseline indicators that are derived from the model system as developed and agreed by the participants in the Roundtable process. Such a tool helps identify when an element of the national public procurement system meets or exceeds the baseline and where it needs improvement or modification in order to meet the baseline (Organisation for Economic Co-operation and Development, 2004).

2.13.2 The System of Indicators

According to the Organisation for Economic Co-operation and Development (ibid) these indicators include the following pillars:-

Pillar I. The Legislative and Regulatory Framework

The legal and regulatory framework is often seen as the starting point for the development of a governance system. This framework sets rules of the process as well as provides the legal basis for ensuring rights of participants and establishing their responsibilities. This is a fundamental element that links the procurement process to the overall governance structures within the country and defines obligations of the government to comply with internal and external requirements

Indicator 1. Public Procurement legislative and regulatory framework achieves the agreed standards and complies with applicable obligations

a) Scope of application and coverage of the legislative and regulatory framework

Contracting entities at all levels, including government authorities, municipalities, regional authorities and utilities/state-owned enterprise, are covered.

All areas of procurement, works, goods and consulting services

Procurement using public funds, irrespective of contract value

The applicable legislative and regulatory framework is structured, consistent and accessible to users

b) Procurement methods

- Stated preference for the use of open, competitive procurement unless otherwise justified in accordance with the legislative and regulatory framework
- International competitive tendering methods defined for specified contracts (e.g. where monetary thresholds exist) that are consistent with international standards;
- Defined basis for the procurement method, if other than open competition;
- Negotiated procedures and direct purchasing only under well defined and justified circumstance, subject to controls;

c) Advertising rules and time limits

- Mandatory and accessible publication of opportunities for competitive procurement
- Mandatory publication of result information on contract awards based on defined thresholds;
- Minimum time limits for submission of tenders and applications, which should be consistent with method of procurement national conditions and when applicable, international requirements.

d) Rules on participation and qualitative selection

- Fair, predictable and defined rules for participation that rely on qualifications and ability to perform the requirement;
- Limited and controlled use of price preferential clauses;
- Debarment process if covered, on defined basis, allowing for due process and appeal
- Rules for participation of government-owned enterprise that provide for equal treatment in competitive procurement

e) Tender documentation and technical specifications

- The minimum content of the tender documentation is specified;

- Neutral technical specification with reference to international standards where possible;
 - Content of tender documentation is relevant to meeting requirement and implementing the process.
- f) Tender evaluation and award criteria
- Objective, fair and pre-disclosed criteria for evaluation and award of contracts;
 - Clear methodology for evaluation of tenders based on price and other fully disclosed factors leading to award of contracts;
 - Requirement to maintain confidentiality during the evaluation process.
- g) Submission, receipt and opening of tenders
- Public opening of tenders in a defined manner that ensures the regularity of the proceedings;
 - Clear requirement to maintain records of proceedings and process that are available for review/audit;
 - Requirement to maintain security and confidentiality of tenders prior to bid opening;
 - Submission and receipt modalities of tender documents are well defined.
- h) Complaint review procedures

Inclusion of complaint and remedy procedures that provide for fair, independent and timely implementation.

Indicator 2. Existence of Implementing Regulations and Documentation

The existence and availability of implementing procurement regulations, such as operational procedures, handbooks, model tender documentation and standard conditions of contract is important for a correct and consistent application of the legislative and regulatory framework as well as for an effective undertaking of the procurement operations.

Pillar II. Institutional Framework and Capacity

Modernizing and maintaining a country's public procurement system is an on-going and very complicated process. It benefits strongly from the existence of focal points within the government administration with sufficient capacity and qualifications to manage the procurement system and the monitoring of public procurement implementation. All bodies with legitimate interest in public procurement, such as the contracting entities, private sector entities; the government and the judicial system will benefit from support of a varying nature. The Institutional Capacity section is designed to look at the central government institutional framework and examine capacity to oversee, manage and support efficient implementation as well as to provide leadership in modernizing and maintaining the public procurement system. This can be adapted to look at other levels of government, especially in highly decentralised systems.

Indicator 3. Mainstreaming Procedures into Public Financial Management

Public procurement should be an integral part of the overall public financial management and public sector governance systems in a country. A well functioning procurement system will provide information to support the process of budget development and execution and will benefit from the public financial management system with regard to timely appropriations and availability of funds to support the award and payments of contracts. Lack of integration between the budgeting process and procurement process can result in cancellations and/or insufficient funds to make timely payments, resulting in increased costs and inefficiencies in the use of public funds.

Indicator 4. Functional Management/Normative Body (the Body)

Most countries benefit from the existence of a management bodies within the central government to provide a range of functions that support the consistent development, maintenance and application of the legislative and regulatory requirements of a procurement system. The existence and capacity of such bodies becomes increasingly important in governments with higher levels of decentralization. Such organisations provide guidance on interpretation of rules and support training and capacity development. Increasingly such bodies need to develop and oversee the implementation of the use of technology to support procurement, including development and support to e-procurement solutions.

Indicator 5. Existence of Institutional Development Capacity

The public procurement system is defined by a legislative and regulatory framework that can be complex and often requires the exercise of judgment in the application of the appropriate procedures. The performance of the system relies heavily on the capacity of the participants, both public and private sector, to understand and implement the procedures. Performance is also reliant upon the capacity of the various stakeholders who interact with the system.

Pillar III. Procurement Operations and Public Procurement Market Practice

A functioning and competitive private sector market is a key partner to the public procurement system in a well functioning system. The market must have confidence in the competence of the contracting authorities at all levels within the system to implement and administer the public procurement system in accordance with the legislative and regulatory framework in order for the market to be an effective partner (Pesamaa, Eriksson and Hair, 2009):

Indicator 6. Efficient Procurement Operations Capacity and Practice

Procurement operations capacity and practices are at the core of a well functioning procurement system. They are dependent upon the staffing, knowledge, skills and capabilities of the human resources and on the incentives and controls in the system that influences human behaviour and institutional performance (Sun and Sadeh, 2009).

Indicator 7. Functionality of the Public Procurement Market

Market performance is dependent upon the capacity and depth of the market in the country (Guijarro, 2009).

Indicator 8. Existence of Contract Administration and Dispute Resolution Provisions

Contract administration is a key element of managing the outputs of a public sector procurement system. It provides oversight on quality, timely performance and provides for early access to information that is needed for good management. In the context of major public investment projects, contract administration is critical to successful implementation. During the process of implementation and administration of contracts, disputes commonly arise. Appropriate procedures to resolve such

disputes fairly and in a timely manner become an important aspect of contract administration (Wilson, Murray and McKenna-Black, 2001):

Pillar IV. The Integrity and Transparency of the Public Procurement System

A cornerstone of a well-functioning public procurement system operating with integrity (fair, transparent, and credible) is the availability of mechanisms and capacity for independent control and audit of procurement operations to provide for accountability and compliance. Similarly, there must be a system for participants to lodge complaints and challenge decisions with administrative and judicial review bodies having appropriate levels of independence, that also have the legal power to impose corrective measures and remedies against contracting entities in breach of the legal and regulatory framework (Van Long and Stähler, 2009). Fraud and corruption, including the issue of conflict of interest, should be addressed in legislation as well as through special measures in order to create a sound and fair environment for public procurement operations.

Indicator 9. Effective Control and Audit System

Internal and external controls at the implementing agency level and an effective external audit system are key elements of a governance and public financial management system and are particularly important to the effective and efficient operations of the public procurement system (Relly and Sabharwal, 2009):

Indicator 10. Efficiency of Appeals Mechanism

The appeal mechanisms, which include a complaint review and remedy system, provide an important contribution to the compliance environment and integrity of the public procurement system. Such a system must be seen to operate efficiently, fairly and providing balanced unbiased decisions.

Indicator 11. Degree of Access to Information

Access to information is a key element of an open and transparent governance system. In procurement, the value and need for access to information is critical in all aspects of the system and to the many stakeholders that participate or benefit from the operation of the system. Although access to information is covered under various baselines, the importance of this element justifies a dedicated indicator. As governments move towards implementation of e-procurement solutions, access to information is critical to a successful strategy and solution.

Indicator 12. Ethics and Anti-corruption Measures

The procurement system should be perceived to operate with integrity, providing for clear definitions of unacceptable practices and stating the consequences to participants in the procurement system who engage in fraudulent, corrupt or unethical behaviour.

2.14 METHODOLOGY FOR USE OF SYSTEM

This system of indicators is a tool that could be used to assess the existing elements of a procurement system against a defined set of standards or baseline indicators that are derived from the model system. Such a tool assists in identifying when an element of the national public procurement system meets or exceeds the baseline and where it needs improvement or modification in order to meet the baseline (Organisation for Economic Co-operation and Development, 2004).

The baseline indicators system enables the end user to compare elements of a public procurement system against an agreed set of baseline indicators that define what is considered to be necessary in any public procurement system, for that system to provide for "economy and efficiency in the use of public funds while adhering to the fundamental principles of non-discrimination, equal treatment, due process, access to information and transparency (Organisation for Economic Co-operation and Development, *ibid*).

2.14.1 Proposed Methodology

The first step involves examining and comparing the elements of a country's public sector procurement system against the defined elements of the tool. There should be a narrative report accompanying the assessment. This could identify specific aspects of variance and the degree of variance from the defined baselines. Users of the baseline indicators system should review the tool and determine if weighting of the various indicators will be useful to the process. The system is designed to enable weighting and scoring, but it is not an essential feature of the system.

2.14.2 Conductors of the assessment

The donor community should assess on reliance on the country system in a recipient country, one of the following three methods for conducting the assessment is recommended:

- a) As a joint assessment by the concerned country and donor(s) active in the country
- b) As a self-assessment by the concerned country, shared with donors
- c) As an external assessment conducted by donor(s) active in the country and shared with the country.

Relationship to the CPAR.

The indicators will become a key element of the existing Country Procurement Assessment Review (CPAR) process. The CPAR process has already been accepted by the broader donor community under the leadership of the Heads of Procurement (HOP) of multilateral development banks. Most of the participants in the HOP group are also participants in the Joint World Bank and OECD/DAC Procurement. The baseline indicators will improve the CPAR process by incorporating the set of agreed baseline indicators; something that has been missing in the past. As most recipient countries have already undergone a procurement assessment, the existing CPARs may serve as a basis of information to conduct an initial desk review using the baseline indicators. This will inform subsequent reviews to focus on key areas in the procurement system to better support any on-going reform efforts.

How often will the baselines be assessed

The initial assessment provides a snapshot of the system at that point in time. This snapshot can be modified continuously as the country's system changes. However, current practice with regard to a full blown assessment is that these only need to be done every 3-5 years or whenever it is known that a significant change has taken place in a country. Donor organizations may wish to initiate an assessment or update to an existing assessment to support the decision making process when updating a country strategy or changing its lending portfolio in a given country.

Who will have access to the results of the assessment?

It is recommended that all donors active in a given country be provided with access to the assessment results regardless of the method used to conduct the assessment. This would avoid multiple reviews by different groups. In each of the options above, the assessment becomes an output which identifies areas where the country system does not meet the commonly agreed baseline. In countries not seeking donor funds,

this output can be used simply to benchmark against the "good practice standards" and support government decision making. In other countries, it could be used to focus and coordinate donor support for an agreed program.

Linking the Baseline Indicators Assessment into the Country Dialog on Public Financial Management

- In a recipient country, the donor organizations and the country counterparts would use the assessment and accompanying narrative to open a dialog on the results. This dialog would contribute to the development of a prioritized and sequenced set of proposed actions that the country should take to address issues.
- Although the discussions regarding the outcome of the baseline process would likely take place initially in the context of those specifically concerned with procurement, it is recognized that developing a sequenced set of actions for the country to pursue would need to be viewed in the much broader context of the public financial management system as a whole to ensure that the final action plan is consistent with the country strategy and that individual actions are mutually supportive and do not drain limited resources and capacity. The procurement baseline indicators are designed to contribute to a broader set of indicators that look at the entire public financial management system.
- As a follow on process, donors would agree individually or as a group, in discussions with the recipient country counterparts, the level of reliance on the country public procurement system they are willing to accept based on current conditions in the country. Ideally, this would be done as a coordinated activity so that all donors would agree to the same acceptance/reliance level (recognizing that some donors may be willing to go beyond the agreed level.) Again, such actions would need to be fully integrated and supportive of the broader process taking place in the country surrounding acceptance and reliance on the country's overall public financial management systems.
- Donors should also agree upon a process for increasing levels of reliance on the country public financial management systems linked to implementation of the prioritized and sequenced action plan.

2.14.3 Performance Measurement

Donors must agree with the recipient country counterparts, upon a system to collect performance data that would enable the country to monitor performance and the impact of changes to the existing system. A framework and methodology for data collection to support monitoring of performance has been developed and includes key minimum data collection requirements needed to monitor performance of the system. In addition, it provides donors with a means of determining the implementation and impact of the prioritized and sequenced action plan. It is on the basis of monitoring actual performance data that donor organizations would increase their level of reliance on the public procurement system. Monitoring of actual performance data may be focused on central government, local governments, and specific sectors or even on individual agencies. The performance measurement methodology was specifically designed to be modified to the demand and could be implemented at several levels to serve various management and monitoring needs.

2.14.4 Capacity Development and Donor Commitment

- A major objective of development of tools for assessment and performance measurement is to further the overall development of capacity within a country. The tools only help to identify strengths and weaknesses in a system. They feed into a decision making process within the country to develop a strategy to address weaknesses and develop and strengthen the system. A sustainable development strategy is dependent upon capacity development.

- Commitment on the part of donors in facilitating achievement of desired outcomes is as critical as commitment and ownership on the part of the client countries to achieving desired outcomes. Such commitment on the part of donors is demonstrated through resourcing and technical assistance to the country to achieve a well defined, sequenced and integrated development strategy.

2.15 MEASURES TO COMBAT CORRUPTION

According to the Green Paper on Public Sector Procurement (1997) public procurement like any other public sector programs are exposed to corruption. In the context of public procurement, corruption usually comprises fraudulent behaviour by persons concerned with the procurement process leading to losses of an organ of State. Usually there is some collusion between the buying and the selling side:

responsible officials on the public procurement side request or are induced to accept favours from tenders or contractors. Such practices are often, but not always, criminal; they are always immoral and improper in terms of good procurement practice. Fraudulent actions are sometimes confined to one side of the procurement transactions such as when tenders collude to 'rig' tenders or when officials misappropriate public property, or assets.

2.15.1 Corrupt actions

The Green Paper further highlights corrupt actions within organ of State as follows:-

- ✚ preparing slanted specifications
- ✚ approving inappropriate tenders
- ✚ tampering with tenders
- ✚ breaching confidentiality
- ✚ taking bribe
- ✚ lax contract administration
- ✚ use of position to obtain a private benefit

2.15.2 Corruption by Suppliers

Corruption actions by suppliers/service providers/contractors may include (Green Paper on Public Sector Procurement, 1997):-

- ✚ collusion
- ✚ influencing the choice of procurement method and technical standards
- ✚ inciting breaks of confidentiality
- ✚ influencing the work of evaluators
- ✚ offering bribes
- ✚ over or under invoicing
- ✚ fast pay action
- ✚ inaccurate disclosure

2.15.3 Preventative Measures of Public Procurement Corruption

To be able to control public procurement corruption the following measures should be followed (Green Paper on Public Sector Procurement, 1997):-

- Establishment of codes of conduct for suppliers/service providers/contractors and procurement officials.
- The publicising of anti-corruption programmes by means of staff training and meetings
- The institution. Of routine check points at the pre-award stage, or post-award stage, on the measurement of performance by contractors or on contract amendments.
- The performance of internal audits on specific items
- The implementation of a whistle-blower system which allows and even encourages officials to inform on each other regarding instances of fraud or misconduct.
- The encouragement of strict observance of procurement regulations, particularly those relating to the documentation of the processes.
- The provision in tender documents for the disqualification of tenders who attempt to influence the award of tenders.
- The deregistration/de-barring of offending suppliers/service providers/contractors from participation in public sector procurement for a period of time
- The provision of opportunities for suppliers/service providers/ contractors to raise objections concerning the status /practices of their competitors.

2.16 MONITORING AFFIRMATIVE PROCUREMENT SYSTEM

The affirmative procurement system that is developed must be subject to constant monitoring and an annual review that identifies problems as well as progress towards the achievement of the identified target (Economic Development Department, 1997:17).

There is a need to assess what constrains and what promotes affirmative procurement (Government Communication and Information System, 2002):-

- Ensuring clarity in and promoting effective use of procurement policies and guidelines, including in subcontracting, to accelerate the process in all dimensions (ownership; HRD; subcontracting)
- The implications of the forthcoming Black Economic Empowerment policy statement will also need to be taken into account
- Steps to align government and parastatal procurement policies would assist the process.

2.16.1 Time frame

The envisaged time horizon for the implementation of the affirmative procurement component of the strategy was of limited duration and would be gradually phased out over, for example, 10 years. The small business development component was to be of a longer, more sustainable nature (Affirmative Procurement Plan, 1997:17).

2.17 ACCOUNTABILITY AND REPORTING

Accountability and reporting involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes. Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability (General Procurement Guidelines of South African Government, 2002: 7).

Within the procurement framework:-

- Heads of departments are accountable to their ministers for the overall management of procurement activities;
- Heads of procurement and senior procurement directors are accountable to heads of departments for various high-level management and co-ordination activities;
- Individual procurement officers are accountable to heads of procurement, and to their clients, for the services they provide; and
- All people exercising procurement functions must have regard to these Guidelines and are accountable to management.

2.18 Research Questions

The following research questions need to be addressed:

- Does tendering and procurement allow SMME'S access to the market in which they are based?
- Does tendering and procurement assist in growing the business and addressing the problems of high unemployment levels?
- Does tendering and procurement ensure the transparency of public procurement transaction between government and community?
- Does tendering procurement encourage companies to employ new technologies to ensure competitive advantage?

2.19 CONCLUSION

This chapter presented a brief overview of the public sector procurement in South Africa. It commenced by defining terms like 'procurement', 'micro enterprise', 'very small enterprise', 'medium enterprise' and 'target labour'. The reason for this was because these were the terms used in this chapter. A brief history of public procurement sector in South Africa prior to 1994 was presented as well as after 1994, which was to ensure a fair and equitable procurement such as to develop small businesses, especially those that are operated by Black enterprises.

As well as putting them in place a programme of affirmative procurement to address the marginalization from economic, political and social power of the previously disadvantaged individuals and sector of society. The small business big role in the economy is because of their job creation. Models for public procurement intervention were presented as well as the method in which procurement system could be evaluated, and methods for combating procurement corruption. The following chapter presents the research design of the study.

CHAPTER 3

RESEARCH METHODOLOGY AND DESIGN

3.1 INTRODUCTION

In this chapter the methods of primary data collection will be examined. The research design and data collection procedures from the Mafikeng Municipality are discussed in detail. The research methods used are based on the nature of the research problem which guides the type of data required. In addition to the data collection methods, the nature of the target population and data analysis including the ethics and limitations of the study are discussed.

3.2 RESEARCH DESIGN

Bickman, Rog and Hendrick (*cited by Blanche, 2006:35*) relate research design as “architectural blue prints” which guide the whole construction of a building. In research, the research design guides the whole research process. According to Mouton (2000:57) research designs are “tailored to address different kinds of questions. When we attempt to classify different types of studies, different design types, it is not surprising that we do so according to the type of questions they are able to answer.” Blanche (2006: 34) describes the research process as shown in a diagram illustrated in Figure 3.1 below.

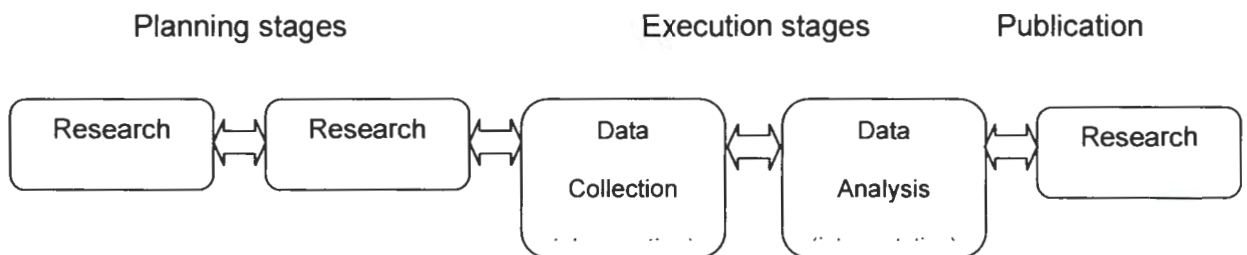


FIGURE: 3. 1 THE RESEARCH PROCESS

In a research design important research descriptors such as time dimension, the method of data collection, unit of analysis and the research environment clearly describe the type of research designs employed for a specific study.

3.2.1 THE TIME DIMENSION: According to Bless, Smith and Kagee (2006) there are two types of designs in regards to time.

Cross sectional designs: when a data is collected at the same or particular time, the research design is called cross sectional. In this type of design the researcher understands a topic by collecting a cross section of information relevant to that topic" (Bless, Smith and Kagee, 2006:74). The major drawback of this type of design is that it will not allow the researcher to measure change over time. However "the immediate nature of cross sectional designs as well as the relative ease of data collection, make these designs the most common choice for social scientists" (Bless, Smith and Kagee, 2006:74).

Longitudinal Studies: In this type of design a researcher collects data over time, conducting a broad yearly survey on a particular research problem ((Bless, Smith and Kagee, 2006:74)

This study follows a cross sectional type of design as it gathers information in a specific time period than longitudinal type of study. This method was chosen because the design enables the researcher to collect relevant data in a specific period of time about the advantages and benefits of preferential procurement for SMMEs in Mafikeng Municipality of the North West province. In addition, the immediate natures of cross-sectional designs as well as the relative ease of data collection make these designs a preferable choice in this study. The limited time and budget available for this research is another choice of cross sectional type of designs than longitudinal ones.

3.3 THE METHOD OF DATA COLLECTION

According to Cooper and Schindler (2004) the method of data collection can be either monitoring or interrogation/communication with the respondents. In this study, there is continuous communication between the researcher and the respondents in the data collection process such as questionnaire, observation and interview.

3.3.1 UNITS OF ANALYSIS

The unit of analysis is the person or object from whom the social researcher collects data relevant for a specific study (Bless, Smith and Kagee, 2006). The units of analysis in this research are:

- Individuals: the researcher investigates the conditions, performances and satisfactions of individual from local SMMEs as a result of the preferential procurement act of South Africa.

- Groups: this is when the unit of analysis is more than one person ((Bless, Smith and Kagee, 2006).In this study the members of the one business or SMME can be regarded as a group and their satisfaction and performance is enquired as a group than individual members. As a result, the units of analysis can be individuals and groups.

3.3.2 THE RESEARCH ENVIRONMENT

Cooper and Schindler (2004) describe the research environment as a field setting, laboratory research or simulation. The nature of this research is a field setting as data is collected from Mafikeng local municipality and SMME beneficiaries about the services rendered specifically on preferential procurement.

3.4 RESEARCH METHODOLOGY

According to Henning (2004:2) the decision of using either quantitative or qualitative is guided by the way in which the data is sourced, accessed or gathered and constructed.

Quantitative: quantitative research methodology relies up on and uses various scales (Bless, Smith & Kagee, 2006:44).In a quantitative study the focus will be on control of all the components in the actions and representations of the participants. This means the variables will be controlled and the study will be guided with an acute focus on how variables are related (Henning, 2004:2).

Qualitative: there are some kinds of information that cannot be adequately recorded using quantitative data such as words and sentences recording human experiences, certain meanings and behaviours. Qualitative studies aim for depth rather than quantity of understanding (Henning, 2004:3). Denscombe (2003:231-235) summarises the distinction between quantitative and qualitative research as follows:

- Quantitative research tends to be associated with numbers as the unit of analysis
- Qualitative research tends to be associated with words as the unit of analysis
- Quantitative research tends to be associated with analysis
- Qualitative research tends to be associated with description
- Quantitative research tends to be associated with large scale studies

- Qualitative research tends to be associated with small scale studies
- Quantitative research tends to be associated with specific focus
- Qualitative research tends to be associated with holistic perspective
- Quantitative research tends to be associated with researcher detachment
- Qualitative research tends to be associated with researcher involvement
- Quantitative research tends to be associated with predetermined research design
- Qualitative research tends to be associated with an emergent research design

In this research both the qualitative and quantitative research methods will be employed to establish an effective means of evaluating whether the preferential procurement policy framework has an impact on SMME's within the areas of Mafikeng Local Municipality of the North West Province. This is because the nature of data required includes questionnaires which require respondents to choose predetermined set of scaled responses which can be calculated and interpreted (quantitative). As a result quantitative methods are used in this research.

3.5 POPULATION

Walliman (2008:437) defines a population as a collective term used to describe the total quantity of cases of the type which are the subject of the study." Bless, Smith and Kagee (2006:184), describes population as the complete set of events, people or things to which the research findings are to be applied. Officials and experts involved in the supply chain and procurement services in Mafikeng municipality are the target population of this research..

3.6 SELECTION OF RESPONDENTS

There are many municipalities in the North West province which can be considered as the subject of preferential procurement policy and its benefit for SMMEs. Mafikeng municipality is selected just because of the conveniences as compared to other municipalities. Non probability sampling is used as compared to probability sampling. According to Cooper and Schindler (2004) a properly administered non probability sampling gives better results than probability sampling.

3.7 DATA COLLECTION

The primary data is collected from Mafikeng local municipality. Questionnaire:

According to Denscombe (2003:145) questionnaires are written list of questions designed to collect information which can be used subsequently as data for analysis. The questionnaire in this research comprised of closed questions. Respondents were given possible alternatives to choose from for each question. As it is difficult to list all possible lists in a question, addition alternative of other, please specify is included as a last choice. The closed ended questions will not give respondents freedom to express what they feel about a specific question.

There are more closed ended questions as compared to open ended questions given the simplicity of closed ended questions for administration and analysis. This saves time and cost for the researcher.

Interviews: An interview involves direct personal contact with a participant who is asked to answer questions related to the research problem ((Bless, Smith, Kagee, 2006).

3.8 DATA ANALYSIS

The researcher used a computer software package called Statistical Package for the Social Science, commonly referred to as SPSS. The quantitative part of the questionnaire will be displayed using tables, graphs and charts. In the quantitative type of data, the procedures of data coding, grouping the data and the presentation data are carefully followed.

3.9 ETHICS AND CONFIDENTIALITY

According to Walliman (2008) ethical issues are concerned with the values of honesty and frankness and personal integrity. Ethical issues are also the concern of ethical responsibilities to the subject of research such as consent, confidentiality and courtesy. In the first instance the researcher has made utmost care in the whole research process regarding intellectual ownership, citations and acknowledgement. In the second case, the researcher has followed some procedures of ethics with the respondents such as consent from each respondent and freedom not to participate in the questionnaire or interview. In addition in the questionnaire the use of language

and image has been done with care on some sensitive issues such as age, cultural diversity, disability, gender and sexual orientation (Walliman (2008).

The full and co-operative participation of research subjects cannot be over-emphasized, as the participation or non-participation in the research is influenced by the guarantee that their anonymity will be respected and researcher has to apply acceptable ethical standards at all times. Prior to the distribution the researcher individually approached the research respondents and gave them a letter of intent to conduct research. The researcher also assured the respondents their anonymity and stressed that the research is purely conducted for academic purposes only.

3.10 LIMITATION OF THE STUDY

The findings on preferential procurement policies and their benefit to SMMEs in the Mafikeng local municipality of the North West province cannot represent the whole of municipalities in South African and fails to be generalised. In addition it is difficult to get hold of beneficiaries which were dissatisfied on municipal services. The majority of this data is collected from the service providers side; municipalities and might be biased. It might be difficult to generalise the on the benefit of the preferential act on the basis if this study.

3.11 CONCLUSIONS

This chapter gave a direction for all the description of research design and data collection and all the procedures followed in the research process. The research design, research methodology, target population, ethical measures and limitations of the study have been discussed. In the next chapter research findings and results will be presented .

CHAPTER 4

DATA DISCUSSION

4.1 INTRODUCTION

This chapter discusses the research findings and provides analyses and interpretation of data. The results are displayed in the form of tables and graphs based on the nature of the data. This survey was conducted to investigate the effect of preferential procurement, and tendering on SMME's within the Mafikeng Local Municipality of the North West Province.

It was therefore the focus of this research to raise questions if preferential procurement assist in growing the small business and addressing the problems of high unemployment levels ,economic ownership, women empowerment and other basic needs though transparent public procurement transaction between government and SMMEs.

This chapter starts with a descriptive introduction about the biographical profile of respondents participated in this survey. The next section reflects the core issue of tendering and procurement in Mafikeng Municipality and the services supplied by SMMEs. There are different analysis and interpretations applied such as pie charts, bar graphs and lines. At the end of the analysis, correlation is used to measure the relationship and association of two or more variables in the study.

4.2 RESPONSE RATE

Respondents from Mafikeng local municipality gave their views on different issues of preferential procurement and its contribution for disadvantaged people such as women and SMMEs.

As indicated in the previous chapter, the target population for this study is the Mafikeng local municipality. There are about 900 employees in the Mafikeng municipality. However, the data collection did not include all these number as the municipality indicated specific departments which deal with tendering and procurement process unlike all departments in the municipality. According to this information, questionnaire was distributed to only to finance, income and expenditure departments. According to the current data of the municipality there were 72 employees in the department of finance, income and expenditure. The researcher

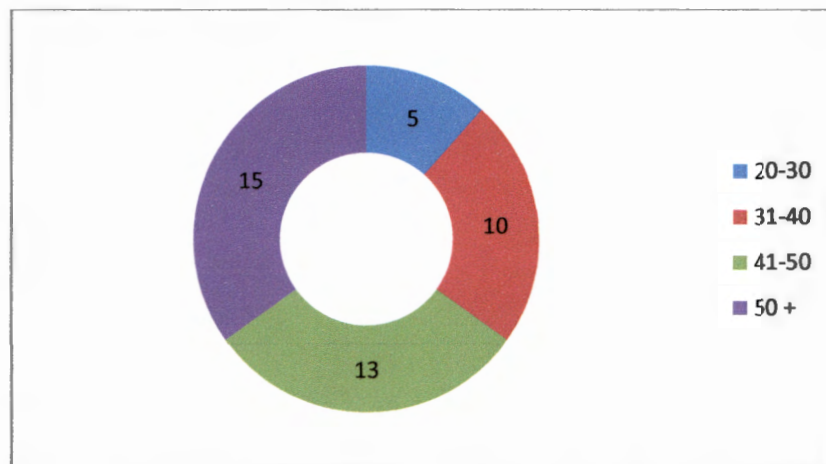
distributed 72 questionnaires and only 43 responded which is a response rate of 60%. This is not an acceptable response rate and it is not representative of the target market.

The student has tried many times in order to achieve an acceptable response rate. The student gave enough time to include employees who were not available during data collection due to vacation and workshops. The student did a close follow up by frequent visits and telephone calls. The research should not be accepted as is but should be replicated to ensure consistency. Data was summarised on a spreadsheet and that the stats were calculated using SPSS. In the following the results are presented and anyone who want to use the results, they first test the results in their organisation before it is used to confirm the results.

4.3 DEMOGRAPHICS

In the following a description of the respondents according to the response collected though the questionnaire will be given. From the entire Mafikeng municipality, the sections which are part of the survey are those sections more related such as finance, procurement, billing and expenditure compared to human resource and other departments in the municipality. A close description of each response is provided in the following sections.

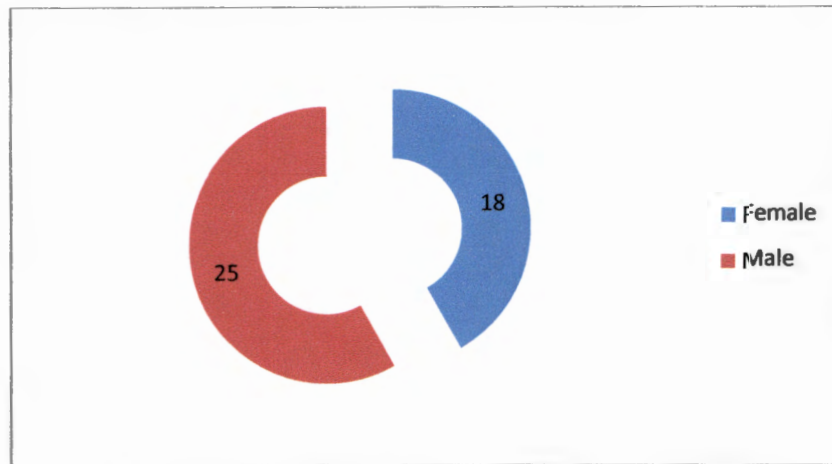
Figure 4.1 Ages of Respondents



From the total 43 respondents, the majority are in the age group of 50 and above followed by 13 in the age group of 41-50. There were only 5 employees in the age group of 20-30. There is no clear evidence why the majority of the employees are in the age group of 50 and above. The researcher did not find any correlation between

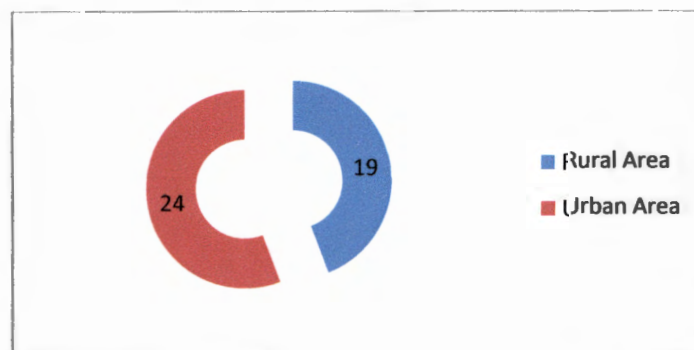
older age and success of procurement employees. This result may not be deliberate mix from the management of the Mafikeng local municipality.

Figure 4.2 Gender



From a total of 43 respondents 25 (58%) were female and the remaining 18 (42%) were male. It seems the Mafikeng municipality specially finance department implementing preferential recruitment in having more number of women compared to men. This high representation of women in the municipality may be due to the nature of work though it is not clear what the duties and responsibilities of the employees differ. This was confirmed by Reddy *et al.* (2003).

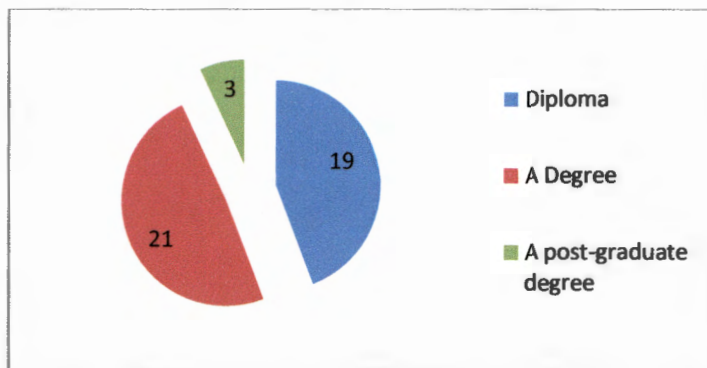
Figure 4.3 Place where respondent grow up



According to Figure 4.3 the number of people from urban areas is slightly bigger (24%) than the rest (19%) who are from the rural areas. The terms urban and rural used as relative terms in this research. This is because the Mafikeng area can be termed as urban compared to other surrounding villages but Mafikeng by itself can be considered as rural in comparison to other cities in South Africa. Apart from this, the procurement policy gives preference to previously disadvantaged people such as

women and people from rural areas. Rural areas have shortages of infrastructure and relevant skill which is also considered as the result of the previous government .Mafikeng and North West in general was a homeland which contributed for many challenges in the region. In the allocation of goods and services to service providers, such issues get attention.

Figure 4.4 Qualifications of respondents



As depicted in Figure 4.4 the majority 21 (49%) have a first degree; 19 (44%) are diploma holders and 3 (7%) hold a post graduate degree. This means the qualifications are scattered across the three qualification levels. This could be due to the nature of skill level required for various responsibilities in many departments of Mafikeng municipality. The employees with highest qualification might be at the top management level while the others with diploma at lower level of the hierarchy. It is easy to see that there are no other qualifications such as Grade 12 or less. This is not because all employees in Mafikeng municipality are having diplomas and higher qualifications. It was because the higher and middle level managers were deliberately selected for this specific research because it is the middle and high management levels who are involved in the procurement procedures.

Figure 4.5 Rank of the respondent

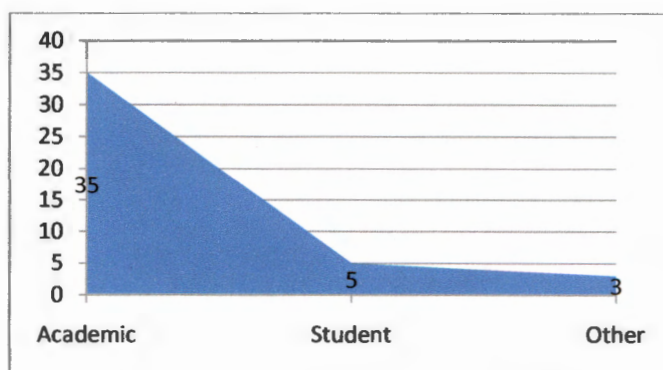
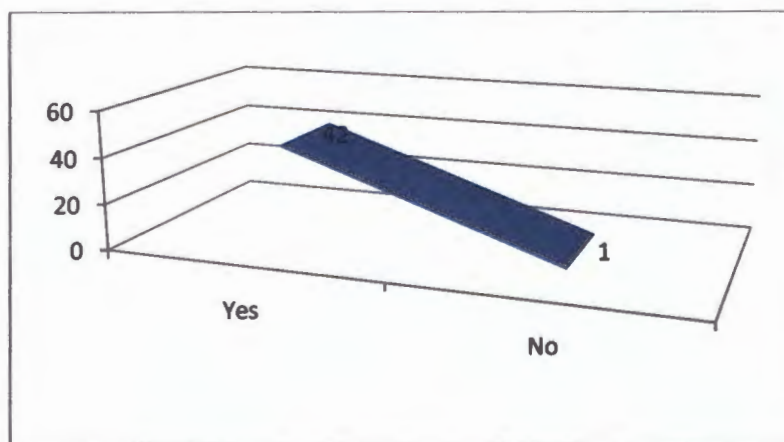


Figure 4.5 reveals that the vast majority of the respondents 35 (81%) are academic and 5 (12%) are students. This distinction was not in indication of the respondents being in the academic profession rather indicating most of them are graduates from universities.

4.4 RESULTS OF INVESTIGATION

In the following sections, respondents were asked on the core of this research such as issues of tendering and procurement. The issues of target beneficiaries such as SMMEs and the impact of the procedures followed on both municipality and beneficiaries is analysed. It is not only the issue of giving preference to SMMEs but it is also whether those SMMEs were capable to provide the required products and services as per the requirement of municipalities or not.

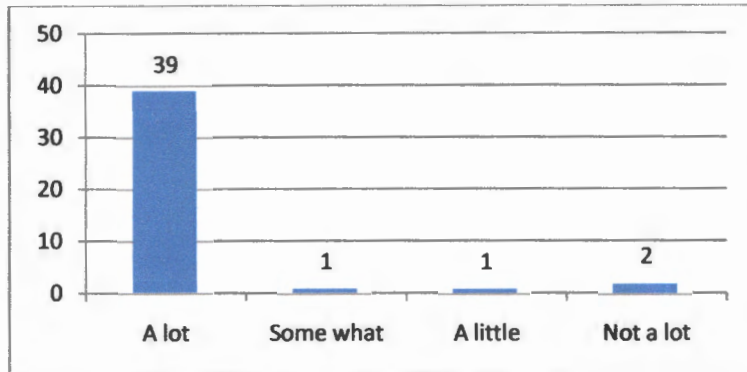
Figure 4.6 Tendering and procurement process based on stratification



The majority 42 (98%) of respondents believe that tendering and procurement should be stratified. According to procurement process there should be stratification (arrangement or classification). This is because the process of stratification confirms whether there is a real need and whether each procurement process is followed accordingly. The arrangement is crucial in cases of making prior arrangement with suppliers in order to meet the demand in time. According to the guidelines of supply chain management for accounting officers, this stratification includes bid specification committee, bid evaluation and adjudication committees. The supply chain guide line further confirms that there is a dire need for generic documentation and contract options that can be adapted to cater for specific industry requirements. Bid documents define the rights, risks and obligations of the parties involved in a contract and define the nature, quantity and quality of goods, services or works to be provided

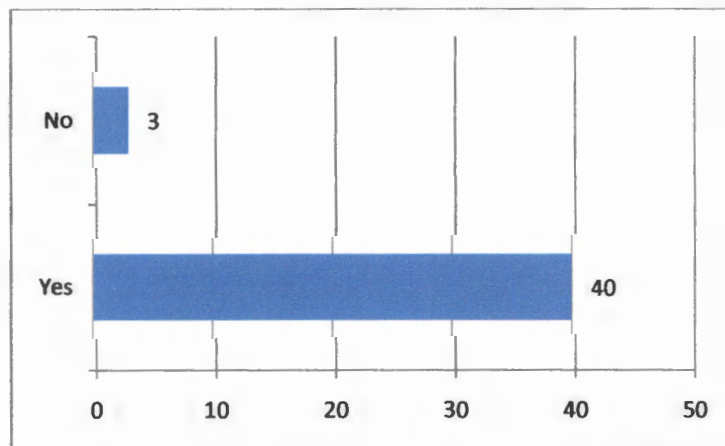
in the performance of the contract. Accordingly, such documentation should be legally and technically correct and should assign risk in an appropriate manner (National Treasury, 2005:35).

Figure 4.7 Size of the company count in tendering and procurement



As indicated in Figure 4.7 almost all respondents 39 (91%) agree on the value of the size of the company in the tendering and procurement process. It is an indication that the size of tendering companies matter a lot. This might be due to strict adherence of Mafikeng municipality to the supply chain and preferential procurement policy. The high emphasis on size might be to give preference to SMMEs as compared to large companies. This might seem negative approach in the process of procurement. However, it has positive results in promoting SMMEs and ensures job creation and poverty alleviation in Mafikeng local municipality. SMMEs may not be able to provide high standard of services as compared to large companies, however with continuous support for SMMEs, it is possible to get improved services with far reaching impact on community as compared to procuring from large companies.

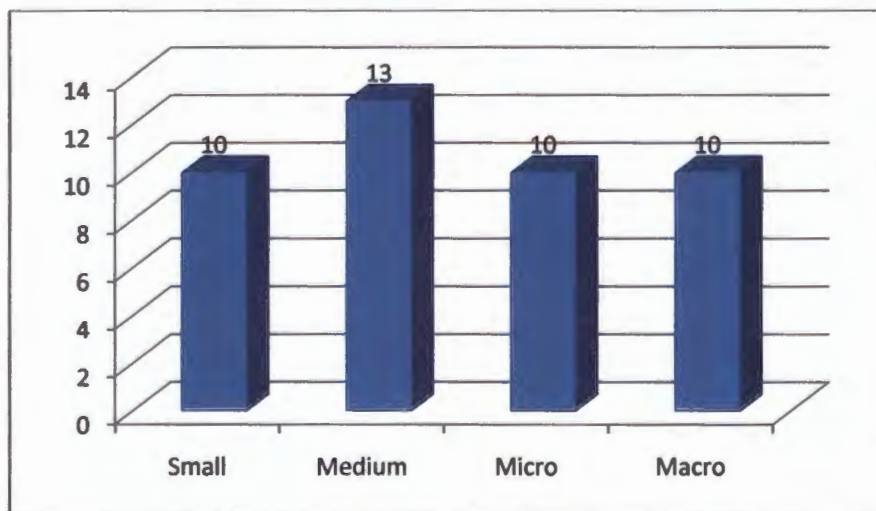
Figure 4.8 SMMEs cater for tendering and procurement in all aspects of supply chain management



The result in Figure 4.8 may be due to the high preference given to SMMEs in Mafikeng municipality as shown in Figure 4.7 previously. According to the results, 40 (93%) agree that SMMEs does cater for tendering and procurement in all aspects of supply chain management. It is a good indication that there is no product or service which SMMEs cannot cater. This is in favour of the procurement policy of giving preference to SMMEs. This high positive impact might be as a result of the municipality adherence to the preferential procurement policy.

According to the Preferential Procurement Act, Act No. 53 of 2003, accounting officers are required to compile accredited prospective providers to be used to procure requirements through written or verbal quotation and formal written price quotations. The listing criteria for prospective providers include local businesses in the municipality area, promoting Small, Medium and Micro Enterprises and promoting black economic empowerment. However, the Act provides room to find other service providers in cases when there are no suitable providers in a local municipality. In such conditions, accounting officers are required to record the reasons for procuring from other service providers not listed as service providers.

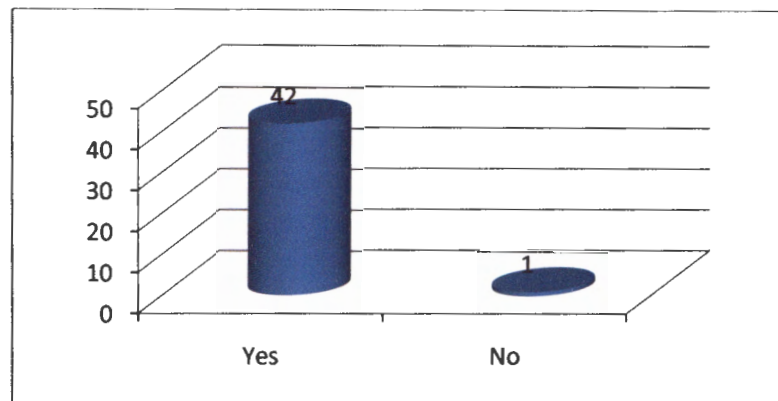
Figure 4.9 Type of company do you think may be successful in the tender process at Mafikeng Local Municipality



According to Figure 4.9 the result seems an even distribution of the tendering process for SMMEs and large enterprises in Mafikeng local municipality. However, the summation of the SMMEs represent 33 (77%) of the total distribution. This is an indication that still SMMEs take the highest priority. Irrespective of whether micro, medium or small, respondents have indicated clearly that the emphasis is on SMMEs according to the preferential procurement policy. However it seems strange that

10(23%) of respondents believe that macro enterprises can be successful in the tendering process of Mafikeng Local Municipality. One could imagine such answers from respondents in some cases where SMMEs don't have the capacity and skill mix to provide to municipalities and in those cases macro enterprises might be considered. According to this response, it is difficult to conclude it is always SMMEs considered in the tendering process of Mafikeng Municipality. This probably might be true for other municipalities as well.

Figure 4.10 SMMEs supply the services and goods tendered and procured for in the past



Respondents were requested to respond if SMMEs supply the services and goods tendered and procured for in the past. Except one respondent, all agreed in the supply of services and goods tendered in the past in the Mafikeng local municipality.

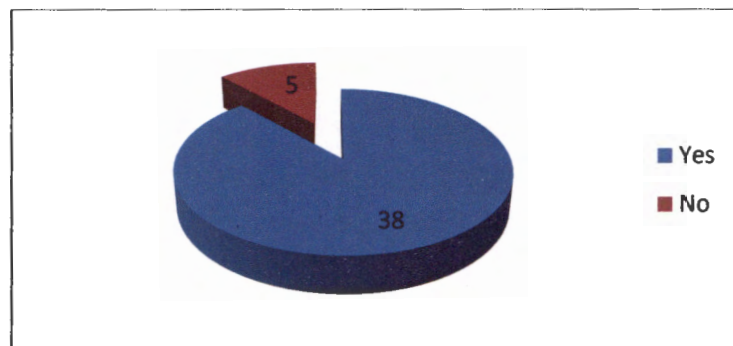
The spread is so skewed favouring SMMEs in delivering goods and services. This is an indication that respondents in Mafikeng local municipality have confidence in SMMEs in supplying goods and services tendered and procured for. This confidence may be due to frequent tenders and services supplied. Municipalities and SMMEs are customers to each other and it may not be difficult to give a true picture to one another. It is very difficult to think that such responses might come from employees who may not know who are tendering for the goods and services in municipalities. It is also difficult to assume may be some employees do not have good understanding of SMMEs.

The Supply Chain Management Guide line (2005:34) describes that unsolicited bids can be considered and received outside a normal bidding process. In cases where a municipality decides to consider unsolicited bid, the decisions of that specific municipality should be public and reasons given as to why the bid should not be open

to other competitors. In addition there should be an explanation about the potential benefits for the municipality where it is accepted as unsolicited bid. The adjudication committee can consider unsolicited bid and may award the bid.

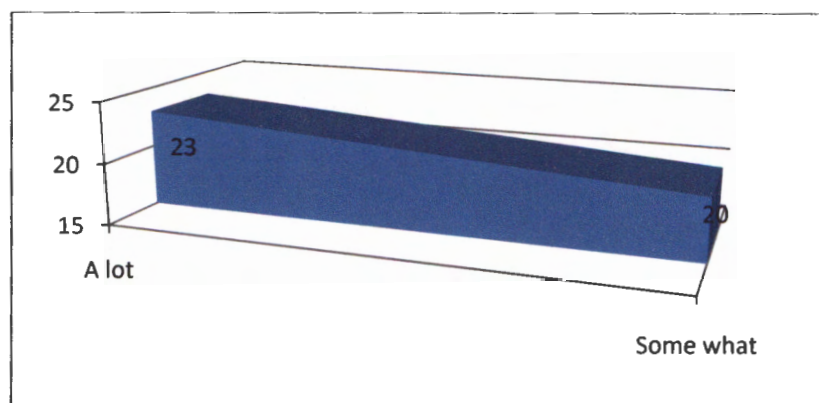
This is a clear indication that there are some goods and services which may not be catered by local SMMEs. In some cases unsolicited bids can be awarded to other services providers with valid reasons and benefits for both the municipality and the local community

Figure 4.11 Successful tenders help your Municipality to grow



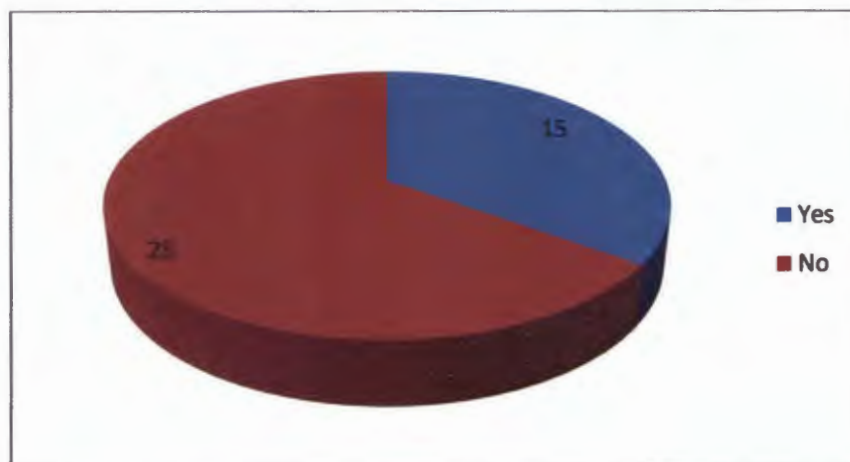
As depicted in Figure 4.11, the vast majority 38(88%) of respondents agree that successful tenders contribute to the success or growth of municipalities. This is an indication that the impact is for both municipalities and SMMEs. According to the frame work and structure of municipalities, the growth of municipalities is measured in service delivery to the community such as water, electricity, sewerage, road and related services. The satisfaction of the community is the growth of municipalities. The success of service providers such as SMMEs in building or maintaining good roads for instance is a success for the municipality.

Figure 4.12 Municipality negatively impacted upon when you were not successful in the tender process



The other question posed to participants was about the negative impact to municipalities when they are not successful in the tender process. The result is almost balanced with 23 (53%) agree to have a lot of negative impact on municipalities. None of the participants answered “a little” or “not a lot” as part of the alternatives given for participants on the negative impact to municipalities. This is an indication that participants believe that when one tenderer is not successful, it impacts the municipality negatively. However, according to the procurement and supply chain management theories, there is no much support for this argument. When one tenderer is not successful, it is an indication that it was given to another supplier who can supply goods and services in a better way. The only way municipalities might be affected negatively is if service providers from another area and municipality are chosen for a specific job due to better competitiveness. In this case the money earned as a result of the services might be invested some where unlike if suppliers were from the same municipality.

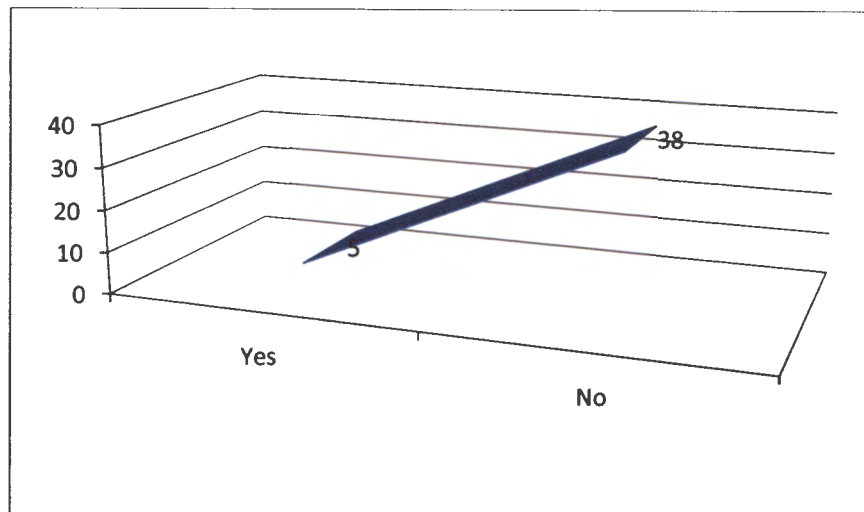
Figure 4.13 Tender processes force you to sort out problems in your Municipality



As indicated in Figure 4.13 above, the majority 28 (65%) disagreed in the tender process forcing to solve problems in their municipality. According to the Municipality Finance Management Act 56(2003), municipalities should appoint three tender committee members. These are bid specification committee, bid evaluation committee and bid adjudication committee. Each committee forces bidders to meet requirements according to the set standards.

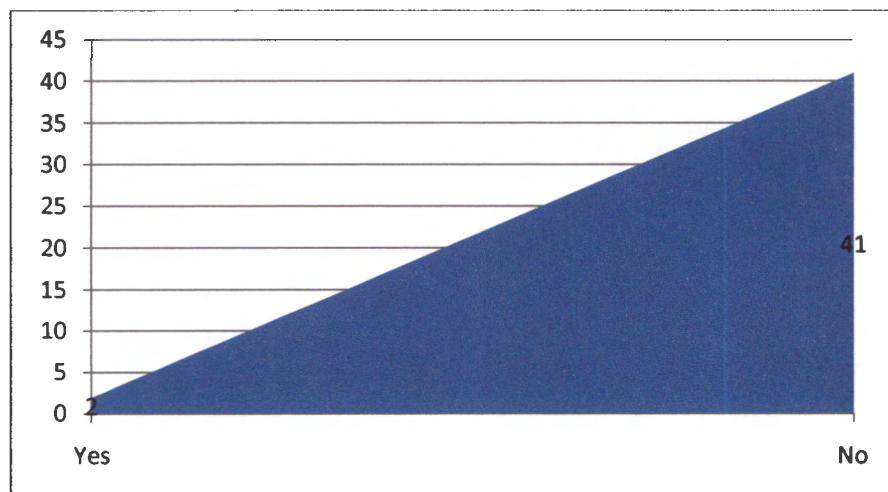
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Figure 4.14 Tender and procurement process help you in employing more local people



As indicated in Figure 4.14 the majority 38(88%) do not agree in the whole tendering and procurement process contributing for job creation for local people. One of the objectives of preferential procurement in municipalities is to create jobs for local communities and empower people. However according to the results respondents do not believe in the contribution of the procurement process for job creation. In the previous sections respondents have witnessed the preference given to SMMEs for goods and services. However, the contribution of that in employing more people seems limited as per the results depicted above

Figure 4.15 Tender and procurement process at your workplace is transparent enough



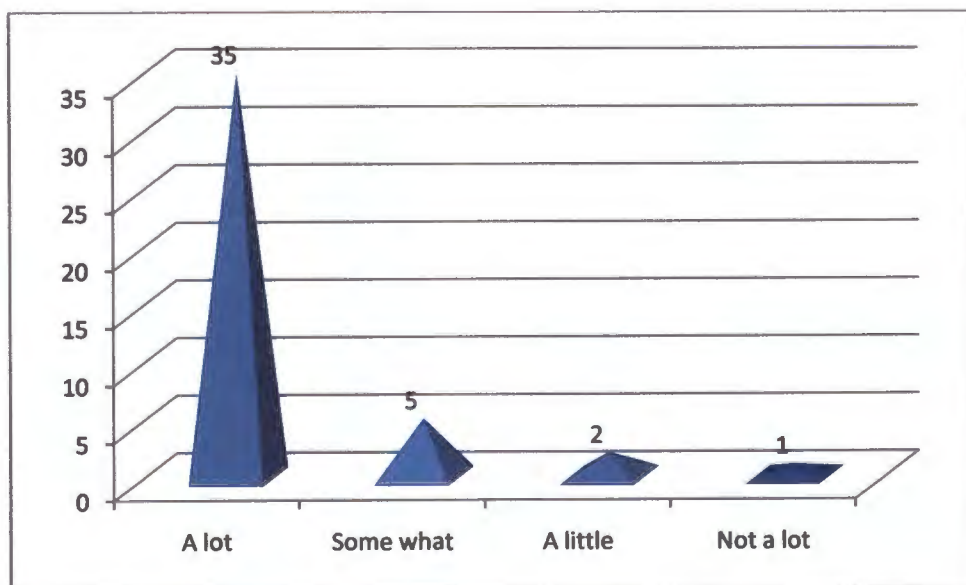
Participants were requested whether they think the tender and procurement process in their work place is transparent. As the result in Figure 4.15 indicated majority of 41

(95%) do not think the tendering process is transparent. This is in line with the fraud and non irregular procedures where municipalities are facing in many parts of South Africa. The results revealed that Mafikeng Municipality is not an exception from such challenges. This result may not be just negative impression by participants' rather irregularities witnessed by employees in the tendering and procurement procedures.

According to the Supply Chain Management Guide Line (2005:47) the issues of transparency include cases such as opening of bids, handling of late bids and confidentiality. The time for the bid opening should be the same as for the deadline for receipt of bids and should be announced together with the place for bid opening in the invitation to bid. The municipality should open all bids at the stipulated time and place. Bids should be opened in public and bidders should be allowed to be present. In cases of late tenders, bids received after the time stipulated should not be considered and be returned unopened immediately.

In regards to confidentiality, after public opening of bids, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards should not be disclosed to bidders or other reasons not officially concerned with the process, until the successful bidder is notified of the award.

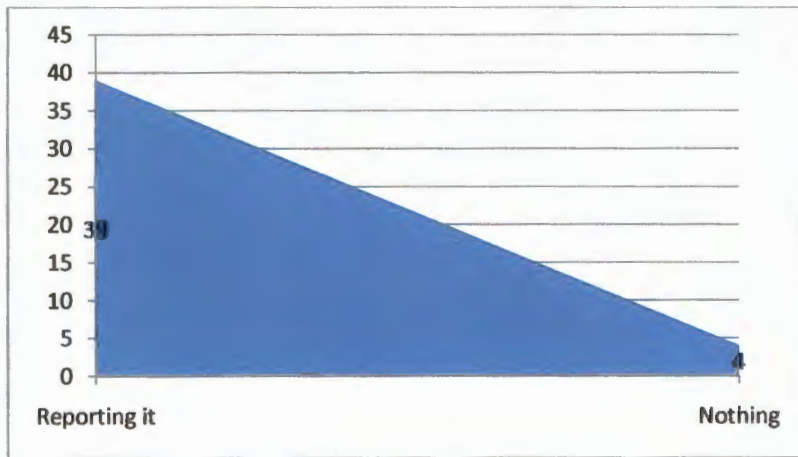
Figure 4.16 How well must the transparency be



Participants were further requested to give the degree of transparency as a follow up to the above question. As the results reveal the majority 35 (81%) agree to have a lot of transparency. This group indicate that if there is transparency it should be fair and

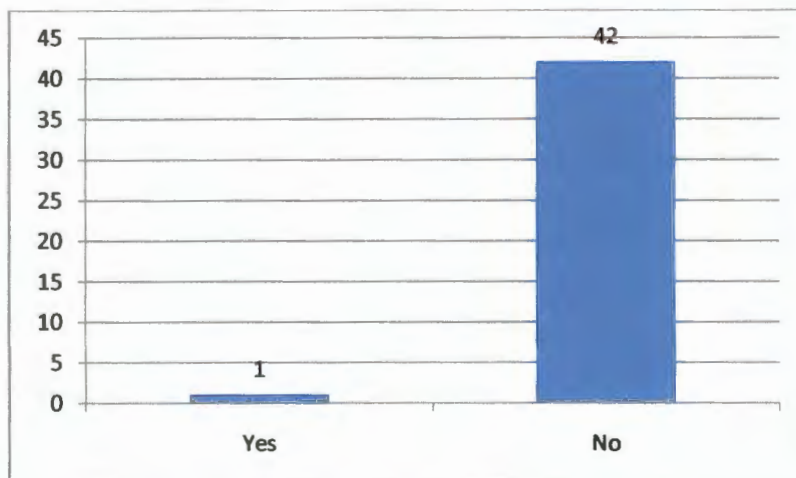
open to the highest possible degree. In contrast to this, there are others who believe the transparency to be somewhat; a little and even not a lot.

Figure 4.17 If the tender process is under suspicion



This is a question for participants to understand their action if they are aware that the tender process is under suspicion. The majority of participants 39(91%) answered as they report to the relevant bodies. According to supply chain and procurement policies, the reporting of any tendering suspicion can be done through the management channel. If there is not much trust among employees, there is also a toll free number for reporting suspicion. This may not mean however that every employee does such reporting. It is very sensitive and difficult at times.

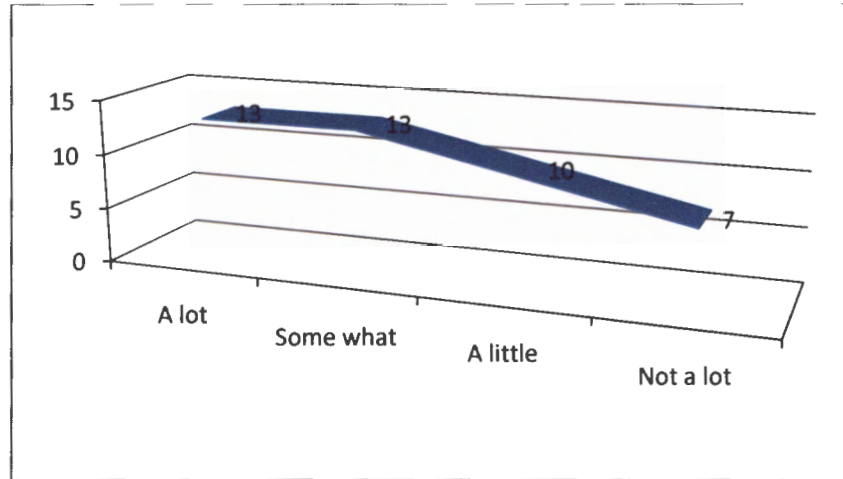
Figure 4.18 tender process forces you to employ new technology



As indicated in Figure 4.17 above, one participant believes that the tender process forces them to employ new technology while the other forty two do not believe for employing new technology. The tender process might change according to some

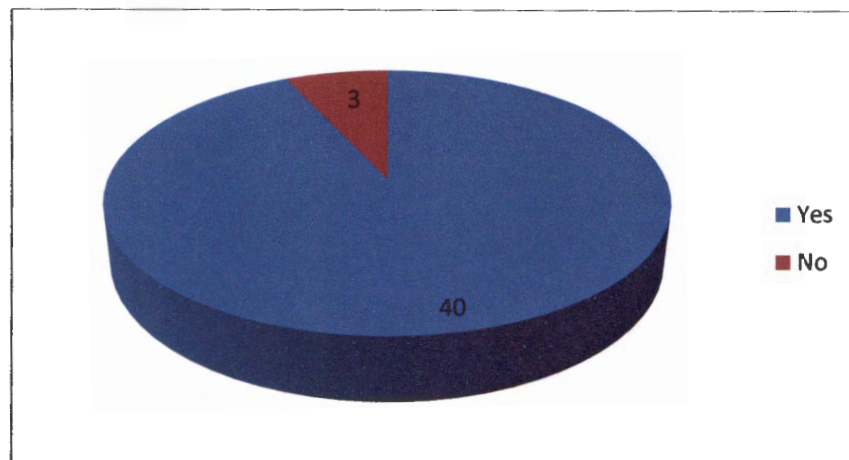
factors such as the nature and complexity of the tender process. It is dependent on the type of goods and services required the number of participants for a particular tender and the monetary value of the tender.

Figure 4.19 Getting Competitive advantages by using technology



Participants were asked as a follow up question if they got any competitive advantage by using technology in the tendering process. The result is nearly evenly distributed. This may be due to the fact that the impact of technology on a specific tender might be a lot, somewhat, a little or not a lot depending on the nature of the goods and services required such as complexity, size and type of audience reached. In some instances where technology is not much employed, one may hardly see the competitive advantage of using technology. In other instances where technology such as internet is used to reach suppliers in different regions, advertising and other costs related to the tendering process might be less for municipalities.

Figure 4.20 Place any stress upon your resource



According to Figure 4.19, the majority 40(93%) of participants agree that the tendering process place a stress on their resource. When municipalities want to acquire goods and services from suppliers, the process followed in order to get the required goods and services droplets resources. Resources are employed from the correct demand identification, advertising and acquiring processes. Some procedures are even very expensive than the actual goods and services required and it is advised to be careful according to supply chain policies in the Public Finance Management Act.

4.5 MEASURES OF ASSOCIATION

In this section the correlation of different variables will be discussed. Correlation often measured as a correlation coefficient indicates the strength and direction of a linear relationship between two random variables.

Correlation coefficients can range from -1.00 to +1.00. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 represents a lack of correlation.

There are commonly accepted correlation ranges as given below:

- *Small effect:* 0.1 to 0.3
- *Medium effect* 0.3 to 0.5
- *Large effect* 0.5 to 1

For the purpose of this study, correlations that are above the absolute value of 0.5 will be considered to show a strong relationship. The p-value is the probability that the current result would have been found if the correlation coefficient would have been zero. Table 4.1 represents correlation analysis in this study. All the interpretations and discussions are based on correlation data given below are based on Table 4.1

Table 4.1 Correlation

	Age	Gender	Area	Qualification	Status	Qu 1	Qu 2	Qu 3	Qu 4	Qu 5	Qu 6	Qu 7	Qu 8	Qu 9	Qu 10
Age Pearson Correlation	1	-.795**	-.793**	.014	-.706**	.169	-.554**	-.508**	.892**	-.083	-.672**	-.804**	-.328	.876**	.672**

	Sig. (2-tailed)		.00	.00	.929	.00	.27	.00	.00	.00	.59	.00	.00	.03	.00	.00
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Gender	Pearson Correlation	-.795**	1	.953**	-.308*	.360*	-.191	.242	.221	-.836**	.047	.293	.790**	-.053	-.592**	-.293
	Sig. (2-tailed)	.000		.000	.044	.018	.220	.119	.154	.000	.763	.056	.000	.737	.000	.056
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Area	Pearson Correlation	-.793**	.953**	1	-.323*	.378*	-.182	.253	.232	-.852**	.036	.308*	.829**	-.055	-.621**	-.308*
	Sig. (2-tailed)	.000	.000		.034	.012	.243	.101	.134	.000	.817	.045	.000	.725	.000	.045
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qualification	Pearson Correlation	.014	-.308*	-.323*	1	.527**	.059	.741**	.795**	-.190	.364**	.501*	-.337**	.427**	.090	-.504**
	Sig. (2-tailed)	.929	.044	.034		.000	.708	.000	.000	.220	.017	.000	.030	.000	.566	.000
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Status	Pearson Correlation	-.706**	.360*	.378*	.527**	1	-.069	.849**	.832**	-.601**	.286	.849**	.456**	.653**	-.609**	-.849**
	Sig. (2-tailed)	.000	.018	.012	.000		.661	.000	.000	.000	.063	.000	.000	.000	.000	.000
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu 1	Pearson Correlation	.169	-.191	-.182	.059	-.069	1	-.046	.042	.218	.699**	-.056	-.151	.010	.113	.056
	Sig. (2-tailed)	.277	.220	.243	.708	.661		.769	.788	.160	.000	.721	.335	.949	.471	.721
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu2	Pearson Correlation	-.554**	.242	.253	.741**	.849**	-.046	1	.960**	-.403**	.407**	.823**	.306*	.438**	-.408**	-.823**
	Sig. (2-tailed)	.000	.119	.101	.000	.000	.769		.000	.000	.000	.000	.046	.000	.000	.000
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu3	Pearson Correlation	-.508**	.221	.232	.795**	.832**	-.042	.960**	1	-.370*	.373*	.755**	.280	.402**	-.374*	-.755**
	Sig. (2-tailed)	.001	.154	.134	.000	.000	.780	.000		.015	.014	.000	.069	.008	.013	.000
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43

Qu4	Pearson Correlation	.892**	-.836**	-.852**	.190	-.601**	.218	-.403**	-.370*	1	.007	-.489**	-.847**	-.272	.763**	.489**
	Sig. (2-tailed)	.000	.000	.000	.222	.000	.160	.007	.015		.964	.001	.000	.077	.000	.001
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu5	Pearson Correlation	-.083	-.047	-.036	.363*	.286	.699**	.407**	.373*	.007	1	.264	.005	.169	-.070	-.264
	Sig. (2-tailed)	.595	.763	.817	.017	.063	.000	.007	.014	.964		.087	.974	.278	.655	.087
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu6	Pearson Correlation	-.672**	.293	.308*	.504*	.849**	-.056	.823**	.755**	-.489**	.264	1	.371*	.532**	-.496**	1.000*
	Sig. (2-tailed)	.000	.056	.045	.001	.000	.721	.000	.000	.001	.087		.014	.000	.001	.000
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu7	Pearson Correlation	-.804**	.790**	.829**	-.331*	.456**	-.151	.306*	.280	-.847**	.005	.371*	1	-.002	-.749**	-.371*
	Sig. (2-tailed)	.000	.000	.000	.030	.002	.335	.046	.069	.000	.974	.014		.992	.000	.014
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu8	Pearson Correlation	-.328*	-.053	-.055	.427*	.653**	.010	.438**	.402**	-.272	.169	.532**	-.002	1	-.390**	-.532**
	Sig. (2-tailed)	.032	.737	.725	.004	.000	.949	.003	.008	.077	.278	.002	.992		.010	.000
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu9	Pearson Correlation	.876**	-.592**	-.621**	.090	-.609**	.113	-.408**	.374*	.763**	-.070	-.496**	-.749**	-.390**	1	.496**
	Sig. (2-tailed)	.000	.000	.000	.566	.000	.471	.007	.013	.000	.655	.001	.000	.010		.001
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu10	Pearson Correlation	.672**	-.293	.308*	.504*	.849**	.056	.823**	.755**	.489**	-.264	1.000*	.371*	.532**	-.496**	1
	Sig. (2-tailed)	.000	.056	.045	.001	.000	.721	.000	.000	.001	.087	.000	.014	.000	.001	
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu11	Pearson Correlation	.409**	-.179	.187	.641*	.671**	.034	-.880**	.806**	.298	-.476**	-.609**	-.226	-.324*	.302*	.609**
	Sig. (2-tailed)	.006	.252	.229	.000	.000	.828	.000	.000	.052	.001	.000	.145	.034	.049	.000
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43

	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu1	Pearson	-	.34	.36	.562	.97	-	.88	.85	-	.40	.83	.43	.62	-
2	Correlation	.681	.33	.30	.562	.979	-.065	.881	.854	-.572	.409	.838	.434	.621	-.579
	Sig. (2-tailed)	.000	.025	.018	.000	.000	.677	.000	.000	.000	.006	.000	.004	.000	.000
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu1	Pearson	-	.25	.27	.627	.83	-	.93	.85	-	.30	.88	.32	.47	-
3	Correlation	.594	.259	.272	.627	.833	-.049	.933	.855	-.432	.309	.883	.328	.470	-.438
	Sig. (2-tailed)	.000	.094	.078	.000	.000	.753	.000	.000	.004	.043	.000	.032	.001	.003
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu1	Pearson	.28	-	-	-	.02	-	-	.20	-	-	-	-	.21	.42
4	Correlation	.286	-.125	-.131	-.448	.029	-.469	-.614	.208	-.699	-.425	-.158	-.226	.211	.425
	Sig. (2-tailed)	.063	.425	.403	.003	.002	.880	.000	.180	.000	.004	.312	.145	.175	.004
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu1	Pearson	.89	-	-	.203	-	.25	-	.92	.05	-	-	-	.77	.43
5	Correlation	.892	-.883	-.864	.203	-.528	.254	-.354	.928	.051	-.430	-.807	-.200	.776	.430
	Sig. (2-tailed)	.000	.000	.000	.192	.000	.100	.024	.030	.006	.744	.000	.199	.000	.004
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu1	Pearson	-	.22	.23	.795	.83	-	.96	1.0	-	.37	.75	.28	.40	-
6	Correlation	.508	.221	.232	.795	.832	-.042	.960	1.00	-.370	.373	.755	.280	.402	-.374
	Sig. (2-tailed)	.001	.154	.134	.000	.000	.788	.000	.000	.015	.014	.009	.068	.008	.013
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43
Qu1	Pearson	-	.83	.81	-	.52	-	.35	.32	-	-	.42	.77	.22	-
7	Correlation	.900	.831	.816	-.182	.525	-.287	.352	.323	-.906	-.075	.427	.774	.220	-.764
	Sig. (2-tailed)	.000	.000	.000	.244	.000	.062	.021	.035	.000	.630	.004	.000	.156	.000
	N	43	43	43	43	43	43	43	43	43	43	43	43	43	43

		Qu1 1	Qu1 2	Qu1 3	Qu1 4	Qu1 5	Qu1 6	Qu1 7
Age	Pearson Correlation	.409*	-.681*	-.594*	.286	.892*	-.508*	-.900*
	Sig. (2- tailed)	.006	.000	.000	.063	.000	.001	.000
	N	43	43	43	43	43	43	43
Gender	Pearson Correlation	-.179	.343*	.259	-.125	-.883*	.221	.831*
	Sig. (2- tailed)	.252	.025	.094	.425	.000	.154	.000
	N	43	43	43	43	43	43	43
Area	Pearson Correlation	-.187	.360*	.272	-.131	-.864*	.232	.816*
	Sig. (2- tailed)	.229	.018	.078	.403	.000	.134	.000
	N	43	43	43	43	43	43	43
Qualification	Pearson Correlation	-.641*	.562*	.627*	-.448*	.203	.795*	-.182
	Sig. (2- tailed)	.000	.000	.000	.003	.192	.000	.244
	N	43	43	43	43	43	43	43
Status	Pearson Correlation	-.671*	.979*	.833*	-.469*	-.528*	.832*	.525*
	Sig. (2- tailed)	.000	.000	.000	.002	.000	.000	.000
	N	43	43	43	43	43	43	43
Qu 1	Pearson Correlation	.034	-.065	-.049	.024	.254	-.042	-.287
	Sig. (2- tailed)	.828	.677	.753	.880	.100	.788	.062
	N	43	43	43	43	43	43	43
Qu2	Pearson Correlation	-.880*	.881*	.933*	-.614*	-.354*	.960*	.352*
	Sig. (2- tailed)	.000	.000	.000	.000	.020	.000	.021
	N	43	43	43	43	43	43	43
Qu3	Pearson Correlation	-.806*	.854*	.855*	-.563*	-.325*	1.000	.323*
	Sig. (2- tailed)	.000	.000	.000	.000	.034	.000	.035
	N	43	43	43	43	43	43	43
Qu4	Pearson Correlation	.298	-.572*	-.432*	.208	.928*	-.370*	-.906*
	Sig. (2- tailed)	.052	.000	.004	.180	.000	.015	.000
	N	43	43	43	43	43	43	43

	N	43	43	43	43	43	43	43
Qu5	Pearson Correlation	-.476*	.409*	.309*	-.699*	.051	.373*	-.075
	Sig. (2-tailed)	.001	.006	.043	.000	.746	.014	.630
	N	43	43	43	43	43	43	43
Qu6	Pearson Correlation	-.609*	.838*	.883*	-.425*	-.430*	.755*	.427*
	Sig. (2-tailed)	.000	.000	.000	.004	.004	.000	.004
	N	43	43	43	43	43	43	43
Qu7	Pearson Correlation	-.226	.434*	.328*	-.158	-.807*	.280	.774*
	Sig. (2-tailed)	.145	.004	.032	.312	.000	.069	.000
	N	43	43	43	43	43	43	43
Qu8	Pearson Correlation	-.324*	.621*	.470*	-.226	-.200	.402*	.220
	Sig. (2-tailed)	.034	.000	.001	.145	.199	.008	.156
	N	43	43	43	43	43	43	43
Qu9	Pearson Correlation	.302*	-.579*	-.438*	.211	.776*	-.374*	-.764*
	Sig. (2-tailed)	.049	.000	.003	.175	.000	.013	.000
	N	43	43	43	43	43	43	43
Qu10	Pearson Correlation	.609*	-.838*	-.883*	.425*	.430*	-.755*	-.427*
	Sig. (2-tailed)	.000	.000	.000	.004	.004	.000	.004
	N	43	43	43	43	43	43	43
Qu11	Pearson Correlation	1	-.745*	-.690*	.699*	.262	-.806*	-.260
	Sig. (2-tailed)		.000	.000	.000	.090	.000	.092
	N	43	43	43	43	43	43	43
Qu12	Pearson Correlation	-.745*	1	.837*	-.637*	-.503*	.854*	.499*
	Sig. (2-tailed)	.000		.000	.000	.001	.000	.001
	N	43	43	43	43	43	43	43
Qu13	Pearson Correlation	-.690*	.837*	1	-.482*	-.380*	.855*	.377*
	Sig. (2-tailed)	.000	.000		.001	.012	.000	.013
	N	43	43	43	43	43	43	43

Qu14	Pearson Correlation	.699*	-.637*	-.482*	1	.183	-.563*	-.182
	Sig. (2-tailed)	.000	.000	.001		.240	.000	.243
	N	43	43	43	43	43	43	43
Qu15	Pearson Correlation	.262	-.503*	-.380*	.183	1	-.325*	-.962*
	Sig. (2-tailed)	.090	.001	.012	.240		.034	.000
	N	43	43	43	43	43	43	43
Qu16	Pearson Correlation	-.806*	.854*	.855*	-.563*	-.325*	1	.323*
	Sig. (2-tailed)	.000	.000	.000	.000	.034		.035
	N	43	43	43	43	43	43	43
Qu17	Pearson Correlation	-.260	.499*	.377*	-.182	-.962*	.323*	1
	Sig. (2-tailed)	.092	.001	.013	.243	.000	.035	
	N	43	43	43	43	43	43	43

The correlation between age and qualification of respondents is 89%, a positive and strong correlation. According to criteria as set above, those correlations that are above the absolute value of 0.5 shows a strong value of relationship. The p- value is 0.000 which is less than 0.05. The correlation is therefore statistically significant since it is less than 0.05. This suggests that age has significant impact on qualification.

The correlation between age and type of company is 87%, a positive and strong relationship. According to criteria set above, those correlations that are above the absolute value of 0.5 are considered to show a strong relationship. The correlation is significant since the p value is 0.000 which is less than 0.05. This suggests that age is a determinant factor in the type of company which is successful in the tender process at Mafikeng local municipality.

The correlation between age and the ability of SMMEs to supply goods and services tendered is 67%, a positive and strong correlation between the two variables. According to set a criteria above, those correlations that are above 0.5 are considered to show a strong relationship. The correlation is statistically significant since the p- vale 0.000 is less than 0.05. This suggests that age is determinant factor whether SMMEs are able to supply goods and services tendered.

The correlation between gender and place where respondents grow up is 95%, a positive and strong correlation between the two variables. According to criteria as set above, those correlations that are above absolute value of 0.5 are considered to show a strong relationship. The correlation is statistically significant since the p-value (0.000) is less than 0.05. This suggests that gender has significant impact on the place where respondents grow up.

The correlation between gender and size of company tendered in Mafikeng municipality is 79%, which is a positive and strong relationship between the two variables. According to criteria set above, those correlations that are above absolute value of 0.5 are considered to show a strong relationship. The correlation is significant since the p-value shown is 0.000 is less than 0.05. This suggests that gender is a determinant factor in the size of the company tendered. The correlation between area where respondents grow up and the size of company tendered is 82%, a positive and strong relationship between the two variables. According to criteria as set above, those correlations that are above the absolute value of 0.5 are considered to show a strong relationship. The correlation is statistically significant since the p-value (0.000) is less than 0.05. This suggests that gender is a determinant factor in the size of the company to count in the tendering process. The mix of gender in the size of a company determines the success in the tender process.

The correlation between qualification and status is 52%, a positive relationship between the two variables. According to the criteria set above, those correlations that are above the absolute value of 0.5 show a strong relationship. The correlation is statistically significant since the p-value (0.000) is less than 0.05. This suggests that the qualification in Mafikeng Local Municipality has a significant impact on the status of employees.

The correlation between qualification and stratification is 50%, a positive relationship between the two variables. According to the criteria set above, those correlations that are above the absolute value of 0.5 show a strong relationship. The correlation is not statistically significant since the p-value (0.70) is more than 0.05. This suggests that the qualification in Mafikeng Local Municipality is not determinant of tendering and procurement based on stratification.

The correlation between status and stratification is 84.9%, a positive and strong relationship between the two variables. According to the criteria set above, those

correlations that are above the absolute value of 0.5 show a strong relationship. The correlation is statistically significant since the p-value (0.000) is less than 0.05. This suggests that the status is a determinant factor in tender and procurement in the Mafikeng local municipality.

The correlation between status and aspect of supply is 65.3%, a positive and strong relationship between the two variables. According to the criteria set above, those correlations that are above the absolute value of 0.5 show a strong relationship. The correlation is statistically significant since the p-value (0.000) is less than 0.05. This suggests that status is a determinant factor whether SMMEs can supply the services and goods tendered and procured in Mafikeng Municipality.

The correlation between successful tenders and non successful tenders' impact is 60.9%, a positive and strong relationship between the two variables. According to the criteria set above, those correlations that are above the absolute value of 0.5 show a strong relationship. The correlation is statistically significant since the p-value (0.00) is less than 0.05. This suggests that the success or failure of tenders has a positive or negative impact on the municipality's performance.

4.6 CONCLUSION

In this chapter detailed results of the research have been provided. The results have been displayed in the form of tables, pie charts and graphs. A correlation analysis has been also provided to see the relationships between main variables in this study.

The results revealed that in Mafikeng local municipality SMMEs get preference in the tendering and procurement process as compared to macro enterprises. There is a strong belief that SMMEs are capable of providing all goods and services in municipalities. The analysis of the results also revealed that age, gender, qualification, area and size of company are determinants in the tendering and procurement process of the Mafikeng local municipality. On the other side, there is no significant difference between qualification and stratification in the tendering and procurement process.

The next chapter presents the recommendations as per the results displayed in this chapter. The recommendations and conclusion will add value in the existing literature in the field of supply chain management and procurement policies. Further research areas are also suggested as an indication of gaps in this field of study.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

In the previous chapter the results have been discussed based on the responses from participants.

The purpose of this research is to investigate the effect of preferential procurement, and tendering on SMME's within the Mafikeng Local Municipality of the North West Province. The role of preferential procurement in promoting and empowering SMMEs in Mafikeng local municipality is not well known. The level of the empowerment of women and previously disadvantaged individuals as a result of the preferential procurement policy is not well known.

This chapter consolidates the finding of the research according to the research objectives and research questions. The findings are addressed per research question. Conclusion of the study and further research are also recommended.

5.2 SUMMARY OF THE STUDY

In the National Treasury of the Republic of South Africa, there is a separate section of supply chain management office which oversees the overall procurement policy and implementation of preferential procurement throughout the country. There are structures down to provincial and district offices on the implementation of the preferential procurement policy. However, it is not well known how each municipality such as Mafikeng Municipality implemented according to the policy.

This research was aimed to determine how SMMEs, women and previously disadvantaged individuals got preference in the whole supply chain management procedure.

The study revealed that the Mafikeng Local Municipality give high preference to SMMEs and women in procurement goods and services. There is a high confidence on SMMEs to supply goods and services as the expectation of the municipalities. As indicated in Figure 4.10, 98% of respondents confirmed that SMMEs supplied for goods and services in the past. According to the results, in Mafikeng local municipality 93% of the respondents believe SMMEs cater for all aspects of supply.

In addition in the tendering and procurement process, SMMEs get preference as 91% agreed that size of the business tendering is very crucial. This is an indication that in Mafikeng local municipality, there is special preference to SMMEs.

5.3 RESPONSE TO RESEARCH QUESTIONS

The main findings of this research in relation to each research question will be discussed. Discussions relating to each question will also be provided.

- Does preferential procurement assist in growing the small business and addressing the problems of high unemployment levels?

As indicated in Figure 4.7 almost all respondents 39 (91%) agree on the value of the size of the company in the tendering and procurement process. It is a clear indication that size of tendering companies matter a lot. This might be due to strict adherence of Mafikeng municipality to the supply chain and preferential procurement policy. The high emphasis on size might be to give preference to SMMEs as compared to large companies. This might seem negative approach in the process of procurement. However, it has positive results in promoting SMMEs and ensures job creation and poverty alleviation in Mafikeng Local Municipality. SMMEs may not be able to provide high standard of services as compared to large companies, however with continuous support for SMMEs, it is possible to get improved services with far reaching impact on community as compared to procuring from large companies.

As indicated in Figure 4.14 the majority 38 (88%) do not agree in the whole tendering and procurement process contributing for job creation for local people. One of the objectives of preferential procurement in municipalities is to create jobs for local communities and empower people. However according to the results respondents do not believe in the contribution of the procurement process for job creation. In the previous sections respondents have witnessed the preference given to SMMEs for goods and services. However, the contribution of that in employing more people seems limited as per the results depicted above.

It seems conflicting in believing on SMMEs as goods and services providers for municipalities and still not believing in their contribution for job creation. The responses indicate the preferential procurement applied in selecting SMMEs for goods and services required in the Mafikeng municipality. The same respondents are not sure if the preferential given to SMMEs really contributed to address all the

problems such as issues of unemployment. It is an indication that there is no guarantee for the problems to be solved if SMMEs are given the preference in the procurement and tendering process in municipalities. The issues of unemployment might be subject to many variables in the Mafikeng municipality. For SMMEs to grow and create jobs other variables such as access to finance, marketing and skill interventions from business support agencies might be also important. Therefore, the preferences given to SMMEs do not mean all the problems such as unemployment are solved.

- Does preferential procurement amongst SMME's address issues of economic ownership, career opportunities, Black Economic Empowerment and women empowerment?

According to the results, 40 (93%) agree that SMMEs cater for tendering and procurement in all aspects of supply chain management while the remaining 3(7%) do not agree on the statement of catering for every aspect. It is a good indication that there is no product or service which SMMEs cannot cater. This might tell SMMEs are benefited in Mafikeng local municipality. However, it is not clear to quantify the impact on economic development, career opportunities and empowerment of women.

- Does preferential procurement ensure the transparency of public procurement transaction between government and SMME's?

As the result in Figure 4.15 indicated, only 2 (5%) agree on the transparency of the tendering and procurement process. The remaining majority of 41 (95%) do not think the tendering process is transparent. This is in line with the fraud and non irregular procedures where municipalities are facing in many parts of South Africa. The results revealed that Mafikeng municipality is not an exception from such challenges. This result may not be just negative impression by participants' rather actual irregularities witnessed by employees in the tendering and procurement procedures.

- Does preferential procurement encourage SMME's to employ new technologies to ensure competitive advantage?

There is a high consensus among participants that preferential procurement does not encourage SMMEs to employ new technology. From the total 43 responses, only one respondent was using new technology while the remaining forty two are not

employing new technology at all. The use of new technology is dependent on factors such as type of services required, the complexity and size.

According to the results SMMEs in Mafikeng municipality do not use new technology. This might be due to the nature and size of the SMMEs operating in the region. It is commonly believed that applying new technologies assists in creating new jobs. Technology based SMMEs contribute more to job creation. This does not seem the case in Mafikeng municipality.

5.4 LIMITATIONS

This research has been limited to the Mafikeng local municipality in the North West province of South Africa and it may not be generalisable to other municipalities in the country.

5.5 FUTURE RESEARCH

This study recommends the following for further research:

- The cost of acquiring goods and services in municipalities
- Role of municipalities in empowering women
- Skill gaps in SMMEs as service providers for municipalities

5.6 CONCLUSION

According to the Policy for Local Economic Development (1999:39), the aims of targeted procurement include but not limited to stimulating the growth and development of SMMEs and local resources; empower specific population groups/sectors of society; increase the volume of work available to the poor; encourage the use of employment-intensive practices and technologies.

Local procurement is aimed in contributing to the growth of local SMMEs which invest locally and benefit the local municipality or local community. The growth of local SMMEs revitalizes local communities unlike other service providers which supply a service and invest in other places. The policy encourages retaining goods and services for local suppliers and SMMEs as the benefit is retained to the local community in many ways.

The policy is also targeted in empowering specific group of people such as black, women and disabled. This might include other previously disadvantaged individuals

(PDIs).By specifying certain groups of people or society; it is aimed to benefit specially the poor by creating jobs.

In summary to the procurement process to Mafikeng municipality, 91% of respondents favour SMMEs as compared to macro enterprises in the procurement process in Mafikeng local municipality. This seems in line with the Supply Chain Management guideline (2005) of giving preference to SMMEs as compared to macro enterprises. This empowers local SMMEs and creates jobs for local community. According to the results, the issue of selecting SMMEs as service providers is not only because of the Supply Chain management guide from the national treasury, but also satisfaction of the services rendered from SMMEs. As a result, the majority 93% of respondents agree that SMMEs cater for tendering and procurement in all aspects of supply chain management.

This research has pointed out that there is preferential procurement applied in Mafikeng Municipality according to the supply chain management policy in South Africa. However, that does not mean preferential procurement has assisted in growing small business and addresses the problems of high unemployment. The preferential procurement given to SMMEs does not mean as well that there was economic ownership, Black Economic Empowerment and women empowerment. The issues of unemployment, economic ownership and total economic empowerment are more probably the result of other variables not necessarily only preferential procurement.

In regards to transparency, only 5% of respondents agree on the transparency of the tendering and procurement process while the remaining majority 95%, do not think the tendering process is transparent.

Kalawe (2007) argues that procurement is one of the most effective tools to advance black economic empowerment and massive job creation. In the past few years, procurement from Black empowerment companies has become a major focus. It gives emerging black enterprises and community-based cooperatives massive opportunities to grow their production and become competitive and efficient. These principles of procurement are implemented with various degrees in the Mafikeng local municipality as shown in the results.

5.7 RECOMMENDATIONS

In order to ensure that procurement meets its intended goals, the government has made sure that policies should be formulated in order to provide guidelines to empower the previously disadvantaged individuals and SMMEs. It is a matter of government policy that small enterprises (SMMEs) and historically disadvantaged individuals (HIDs) should play a bigger role in the economy.

In Mafikeng local municipality the procedures of procurement and tendering are implemented according to the preferential policy of supply chain management. Small, Medium and Micro Enterprises get preference to cater for all goods and services. However, the impact of this preference of SMMEs in solving some challenges of unemployment, poverty alleviation and economic growth in general is not well known. In this regard Mafikeng municipality should follow up the impact of the preferential procurement on SMMEs themselves and the community at large.

In terms of the Municipal Finance Management Act, Offices and National Treasury Supply chain management guidelines for Accounting offices of municipalities and municipalities entities, the Accounting Officer is responsible for the establishment of an appropriate demand management system in order to ensure that the resources required by the organisation support its operational commitments and its strategic goals as outlined in the strategic plan (integrated Development plan).

One of the critical areas to be covered in order to ensure effective, efficient and economical SCM is the development of a municipal procurement plan. The plan is an extremely useful tool in assisting municipalities in defining their SCM needs, aligned to the municipality's IDP and identifying likely future requirements for goods and services. The Plan should be for a minimum of one year, but preferably aligned to the IDP three year period. This is especially in the case of capital projects requiring the issuing of bids for multi-year projects, as well as in order to obtain cost savings through longer-term goods contracts (limited to a three-year period in terms of the MFMA).

In Municipalities, Accounting officers are in charge to get the best services for communities. In order to achieve these objectives, an Accounting Officer is required to compile a list of accredited prospective providers or suppliers to be used to procure requirements through written or verbal quotations and formal written quotations. In line with this the AO must ensure that the list is utilised effectively to

promote the objective of the preferential procurement regulations as well as the BBBEE Act which is often forgotten.

According to the findings, one of the challenges in the municipal procurement procedures is keeping uniformity and transparency. In order to ensure uniformity such as in the bidding processes, Accounting Officers are required to base bid invitations and contracts entered into with suppliers /contractors on the General conditions of contract (GCC) issued by National Treasury. The GCC was prepared, in consultation with the State Attorney, for use in all sphere of government. Where additional conditions are required or any variation is necessary to the GCC, special conditional of contract (SCC) should be compiled. In addition each and every process should be open and transparent to all people involved in the procurement process and bidders as well.

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APPENDIX I

FOR OFFICE USE ONLY: Respondent Code: _____

VOLUNTARY QUESTIONNAIRE FOR TENDERERS

“When it is legitimate to tender or not.”

Graduate School

NWU

Researcher R Gaepe

Supervisor: Prof S Lubbe

Note to the respondent

- We need your help to understand how people view the tendering and procurement process at Mafikeng Local Municipality
- Although we would like you to help us, you do not have to take part in this survey.
- If you do not want to take part, just hand in the blank questionnaire at the end of the survey session.
- What you say in this questionnaire will remain private and confidential. No one will be able to trace your opinions back to you as a person.

The questionnaire has four parts:

Part 1 asks permission to use your responses for academic research.

Part 2 asks general personal particulars like your age, gender and home language.

Part 3 asks about tendering

How to complete the questionnaire

1. Please answer the questions as truthfully as you can. Also, please be sure to read and follow the directions for each part. If you do not follow the directions, it will make it harder for us to do our project.
2. We are only asking you about things that you and your fellow researchers should feel comfortable telling us about. If you don't feel comfortable answering a question, you can indicate that you do not want to answer it. For those questions that you do answer, your responses will be kept confidential.
3. You can mark each response by making a tick or a cross, or encircling each appropriate response with a PEN (not a pencil), or by filling in the required words or numbers.

Thank you very much for filling in this questionnaire.

<p>Part 1: Permission to use my responses for academic research I hereby give permission that my responses may be used for research purposes provided that my identity is not revealed in the published records of the research.</p> <p>Initials and surname _____ Postal address: _____</p> <p>Postal code: _____</p> <p>Contact numbers: Home: _____ Cell: _____</p>
--

No.	PART 2: GENERAL PERSONAL PARTICULARS <i>Please tell us a little about yourself</i> Please mark only ONE option per question below.	12	What type of company do you think may be successful in the tender process at Mafikeng Local Municipality? <input type="checkbox"/> Small <input type="checkbox"/> Medium <input type="checkbox"/> Micro <input type="checkbox"/> Macro
1.	Is tendering and procurement process based on stratification? <input type="checkbox"/> Yes <input type="checkbox"/> No	13	Did SMMEs supply the services and goods tendered and procured for in the past? <input type="checkbox"/> Yes <input type="checkbox"/> No
2.	Does the size of the company count in tendering and procurement? <input type="checkbox"/> A lot <input type="checkbox"/> Some what <input type="checkbox"/> A little <input type="checkbox"/> Not a lot	14	Did successful tenders help your Municipality to grow? <input type="checkbox"/> Yes <input type="checkbox"/> No
3.	Can SMMEs cater for tendering and procurement in all aspects of supply chain management? <input type="checkbox"/> Yes <input type="checkbox"/> No	15	Were your Municipality negatively impacted upon when you were not successful in the tender process? <input type="checkbox"/> A lot <input type="checkbox"/> Some what <input type="checkbox"/> A little <input type="checkbox"/> Not a lot
4.	What type of company do you think may be successful in the tender process at Mafikeng Local Municipality <input type="checkbox"/> Small <input type="checkbox"/> Medium <input type="checkbox"/> Micro <input type="checkbox"/> Macro	16	Were your Municipality positively impacted upon when you are successful in the tender process? <input type="checkbox"/> A lot <input type="checkbox"/> Some what <input type="checkbox"/> A little <input type="checkbox"/> Not a lot
5.	I am _____ years old. <input type="checkbox"/> 20-30 <input type="checkbox"/> 31-40 <input type="checkbox"/> 41-50 <input type="checkbox"/> Over 50	17	Did the tender process force you to sort out problems in your Municipality <input type="checkbox"/> Yes <input type="checkbox"/> No
6.	I am a: <input type="checkbox"/> Female <input type="checkbox"/> Male.	18.	Did the tender and procurement process help you in employing more local people? <input type="checkbox"/> Yes <input type="checkbox"/> No
7.	I grew up in: <input type="checkbox"/> A rural area <input type="checkbox"/> An urban area	19	Do you think the tender and procurement process at your workplace is transparent enough? <input type="checkbox"/> Yes <input type="checkbox"/> No

9.	I have: <input type="checkbox"/> Grade 12 <input type="checkbox"/> a diploma <input type="checkbox"/> a degree <input type="checkbox"/> a post-graduate degree	20	How well must the transparency be? <input type="checkbox"/> A lot <input type="checkbox"/> Some what <input type="checkbox"/> A little <input type="checkbox"/> Not a lot
10.	I am: <input type="checkbox"/> African <input type="checkbox"/> Coloured <input type="checkbox"/> Indian <input type="checkbox"/> Oriental <input type="checkbox"/> White <input type="checkbox"/> a member of another ethnic group	21	What would you do if the tender process is under suspicion? <input type="checkbox"/> Report it <input type="checkbox"/> Nothing
11.	I am: <input type="checkbox"/> Academic <input type="checkbox"/> Student <input type="checkbox"/> Other	22	Did the tender process force you to employ new technology <input type="checkbox"/> Yes <input type="checkbox"/> No
23	Did you get competitive advantage by using this technology? <input type="checkbox"/> A lot <input type="checkbox"/> Some what <input type="checkbox"/> A little <input type="checkbox"/> Not a lot	24	Did it place any stress upon your resource? <input type="checkbox"/> Yes <input type="checkbox"/> No
25	Did you get competitive advantage by using this technology? <input type="checkbox"/> A lot <input type="checkbox"/> Some what <input type="checkbox"/> A little <input type="checkbox"/> Not a lot		

P.O. Box 1649

Mafikeng

2745

Dear Respondent

I am an employee at Ratlou Local Municipality of the North West Province and currently completing the research component of a Masters in Business Administration (MBA) with the North West University (NWU).

Towards this end, I would really appreciate your input in tendering and procurement process at Mafikeng Local Municipality. I have attached a questionnaire which will assist me in collecting the required data.

May I request for your assistance in the following:

1) Please complete the questionnaire to the best of your ability and;

The questionnaire will not take more than 15 minutes to fill in. The closing date is the 20th of January 2011.

Thanking you in advance for your contribution in this regard.

Kind Regards,

Mrs R Gaepe

Prof Sam Lubbe

lubbesi@unisa.ac.za