




The efficacy of the Emfuleni local municipality procurement system

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DECLARATION

I declare that: **THE EFFICACY OF THE EMFULENI LOCAL MUNICIPALITY PROCUREMENT SYSTEMS** is my own work and that all the sources used or quoted have been indicated and acknowledged by means of complete reference. This work has not be submitted before for any degree or examination at any other university.

THAKGALANG JEFFREY SAPE

DATE

.....

.....

DEDICATION

This study is dedicated to my wife, Okgabile Sape, whose unwavering value for education ignited in me the desire and courage necessary to pursue a master's degree. Her respect and selfless concern for my work has been an enduring example of how to be the best spouse ever.

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This dissertation would not have been completed without my Saviour who gave me the health, strength, zest, and wisdom.

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ACRONYMS AND ABBREVIATIONS

A-G	Auditor-General
ASGISA	Accelerated and Shared Growth Initiative for South Africa
CFO	Chief Financial Officer
CODESA	Congress of Democratic South Africa
COGTA	Co-operative Governance and Traditional Affairs
CoJ	City of Johannesburg (CoJ),
CoT	City of Tshwane and Ekurhuleni.
CPSI	Centre for Public Service Innovation
CSCMP	Council of Supply Chain Management Professionals
DMM	Deputy Municipal Manager
DPLG	Department of Provincial and Local Government
DPSA	Department of Public Service and Administration
DPSA	Department of Public Service and Administration
ELM	Emfuleni local Municipality,
EU	European Union
GCRO	City-Region Observatory
GEAR	Growth Employment and Redistribution strategy
GIMP	Gauteng Integrated Master Plan
GP	Gauteng Province
HR	Human Resources
HRD	Human Resources Development
HRM	Human Resources Management

IDP	Integrated Development Plans
IDP	Integrated Development Planning
JIPS	Joint Initiative and Priority Skills (JIPS), 2006
LDC	Less Developed Countries
LED	Local Economic Development
LGSETA	Local Government Skill and Education Training Authority
LGTS	Local Government Turnaround Strategy
LLM	Lesedi Local Municipality.
MEC	Member of Executive Committee
MES	Monitoring and Evaluation System
MFMA	Municipal Finance Management Act
MLM	Midvaal Local Municipality
MM	Municipal Manager
MMC	Members of the Mayoral Committee
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NHRS	National Human Resources Strategy
NMSL	National Masters Scarce Skills List, 2008
NT	National Treasury
OCG	Office of Government of Commerce
OECD	Organization for Economic Co-operation and Development
PFMA	Public Finance Management Act
PM	Project Management
PMS	Performance Management Systems

PMT	Project Management Techniques.
PP	Procurement Practices
PPPFA	Preferential Procurement Policy Framework Act
PSA	Public Service Act
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
RSA	Republic of South Africa
SA	South Africa
SALGA	South African Local Government Association
SAMDI	South African Management Development Institute
SANEC	South African Netherland Chamber of Business
SAPA	South African Press Association
SAPS	South African Police Services
SCM	Supply Chain Management
SDF	Spatial Development Framework
SDM	Sedibeng District Municipality
SMT	Senior Management Team (SMT) and
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USA	United State of America
VFM	Value for Money
VMC	Vaal Metropolitan Council
WPTPS	White Paper on the Transformation of the Public Services
WPTPSD	Paper on Transformation of Public Service Delivery

ABSTRACT

This study investigated the efficacy of the procurement system at Emfuleni Local Municipality (ELM) in Gauteng Province of South Africa. The study was influenced by procurement researches conducted by the World Bank, UN Commission on International Trade Law (UNCITRAL) and United Nations (UN) General Assembly amongst others in shaping the international procurement landscape. South Africa adopted its procurement reform system in early 1998/1999 financial year to enhance the effective delivery of services in local government. The study adopted a documentary review approach based on qualitative data collection techniques to examine the factors that affect procurement at Emfuleni Local Municipality. Secondary data for this study was collected from scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database available on procurement practices both in the local and international spectrum. Other key government documents such as Statistics South Africa 2017/18 and Auditor General Reports 2016/17/, municipal official documents and records, Integrated Development Plan (IDP), pro-procurement plan, policies, consultancy works and annual reports were examined to establish the efficacy of the procurement system in ELM. Findings from these documents revealed that in the quest to achieve the efficacy on its procurement systems, Emfuleni Local Municipality encountered various obstacles. These include inter alia, lack of adequate skills and knowledge, lack of ethics and good moral conduct of officials, non-compliance with supply chain management policy and regulations. The findings revealed further the lack of proper planning in linking demands to budgets, inadequate and inconsistent risk management in supply chain management, ineffective stakeholders and poor public participation and failure by the municipality to monitor and evaluate procurement and supply chain processes. The implications for this study were that Emfuleni Local municipality needs to recruit qualified people with relevant experience in procurement and supply chain management. There is a need to conduct more training and development workshops to equip the municipal officials with adequate skills that match the dynamic sector of procurement in the process accelerating service provision.

The study recommended the municipality to conduct monitoring and evaluation which is key to red flagging acts of corruption and malpractices in the procurement processes.

CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

The advent of procurement has been widely heralded worldwide since it has been developed into a global norm (Atkinson, 2006; Bouwer et al. 2006 Ambe & Badenhorst-Weiss, 2011a:1100-1115; Dza, Fisher & Gapp, 2013: 49-57; Pautz, Watermeyer & Jacquer, 2003). Public procurement as Arrowsmith (2010:1) observes, refers to the government activity of buying the goods and services needed to perform its functions. Public procurement process could be described as the supply chain system for the acquisition of all necessary goods, works or services by the state and its organs when acting in pursuit of the public interest (Bovis, 1998:11). Procurement as Craythorne (2003:297) observed means the acquisition of goods and services and occurs virtually daily in all spheres of government. The Constitution of the Republic of South Africa (1996) provides for procurement by organs of state in all three spheres of government.

Until recently, governments in both developed and emerging countries were pre-occupied with the distribution and rendering of goods and services to citizens in various communities (Agaba & Shipman, 2007; Arrowsmith, 2010; Jones, 2007; Hunja, 2003; In many developed countries, public procurement has received unprecedented attention in research and academic circles (Mahmood, 2010; Maki, 2007; Ssenoga, 2006; Thai, 2001:9 & OECD, 2007).

Despite an improved interest in procurement as a subject, the conventional view for both academics and practitioners is that procurement aims to increase efficiency in the public sector (Ambe & Badenhorst-Weiss, 2011a:1100-1115; Ambe & Badenhorst-Weiss, 201b:1; Bolton, 2006; Hanks, Davis & Perera, 2008:1-89; Kajumo-Shakantu & Root, 2006; Mkhize, 2004; Smallwood, Ncunzana & Emuze, 2011:64-79). In contrast, the proponents of procurement literature argued that, procurement did not establish itself in academic research and research institutions, that makes it difficult for municipalities such as Emfuleni Local Municipality (ELM) to appreciate the subject and its significance in the delivery of services (Matthews, 2005). The search for academic databases bears little evidence to the fact that, public procurement has penetrated in

theoretical discourse (Mofokeng & Luke, 2014:1; Munzhenzi, 2016:1-8, & Roos & Harpe, 2008:1-47 & Pauw, 2011:1). To this end, therefore; the desire to broaden the academic and theoretical knowledge, motivated the researcher to investigate the efficacy of the procurement system in ELM as the gap is evident in terms of procurement theory and practise (Dza, Fisher & Gapp, 2013: 49 & Matthews, 2005).

Previous scholarly work associate and link procurement activities with organisational goals, management plans and stakeholder expectations (Schapper, Malta & Gilbert, 2006:1-26). Other procurement scholars and academics concur that procurement is the attainment of goods at the best possible total cost of possession in the right quantity and quality at the right time and right place generally via a contract (Ababio, Doorgaresad & Mzini, 2008:10). Until recently, contemporary researchers define procurement as a sequence of activities essential for the suitable acquisition of goods and services (Mofokeng & Luke, 2014:1).

Thai (2001:9) suggests that procurement is one of the major economic activities of government. However, due to the discriminatory and unfair practices in the South African public sector during apartheid, procurement is now being used as a policy tool to deliver goods and services (Bolton, 2006:193). Due to its importance, public procurement operates in an environment of increasingly intense scrutiny in the field of procurement in South Africa. The conceptual analysis of public procurement traces back its roots to the fiduciary obligation by government administrations to deliver goods and infrastructure (Odhiambo & Kamau, 2003). Previous literature shows that empirical and theoretical evidence on procurement is considered to be the main component of any domestic economy (Maki, 2007:6). Reflecting on these benefits and subsequent importance of procurement, many developed and middle income countries have experienced noticeable economic growth and improved standards of living for their citizens (Agaba & Shipman, 2007; Ambe & Badenhorst-Weiss, 2011a:1100-1115; Arrowsmith, 2010; Bouwer et al. 2006; Dza, Fisher & Gapp, 2013: 49-57; Jones, 2007; Hunja, 2003 & OECD, 2007; Mahmood, 2010; Maki, 2007 & Sennoga, 2006).

An extensive body of literature that examined procurement in countries across the globe has indicated that lives of citizens have improved due to effective procurement

practises (Atkinson, 2006; Pautz, Watermeyer & Jacquer, 2003). Worldwide estimates of public spending accounts to 10-30% of the Gross National Products (GNP). In developed economies such as OECD countries, public procurement expenditure presents one-third of total expenditure. It accounts for an average of 14% and more than 10% of the GDP in the European Union (EU) and United States (US), respectively (Dza *et al.*, 2013: 49-57; OECD, 2007).

Although previous studies on procurement reforms are rampant in developed parts of the world such as Europe (Bouwer *et al.*, 2006:1-10); Australia & Schappes, 2003); EU (Arrowsmith, 2010); UN (Jeppensen, 2010); OECD (OECD; 2007:1-75) and some parts of Asia (Jones, 2007) among others in developing African countries it has been less. The developing countries where procurement has been a challenges include (such as Ghana, Tanzania, Uganda and Kenya (Akafia, 2007), Ameyaw, Mensah & Osci-Tutu, 2011:55; Dza *et al.*, 2013; Kwakwezi & Nyeko, 2014; Eyaa & Oluka, 2011; Basheka & Bisanjabusanja, 2010; Basheka, 2009). According to Nkinga (2007) Njeru & Thuo, (2014) these countries have undertaken a number of reforms in their public financial management, particularly their procurement system. Conventional wisdom suggests that although procurement arrangements may vary across government systems, the main divisions of the government have the same important role in achieving the success of the procurement system in place.

The theoretical underpinning of effective procurement system lies in the high level of transparency, accountability and value for money in the application of a procurement budget (Thai, 2001:9). In Africa, maximising efficiency and transparency in the use of public funds is related to the acceptable national procurement system that functions efficiently (Ameyaw, Mensah & Osci-Tutu & 2011:55). For the past few decades, the emergence of procurement system has gained momentum in countries such as India (Arora, Garg & Vaidya, 1991:105-119; Gebauer, Shauw & Zhao, 2003:1-10); Australia (Stein & Hawking, 2003:1-20); Asia (Yang, Lin, Kramwiede, Steckel & Sheu, 2012:49-68); US (Smith & Colby, 2010:143-152); Italy (Ruggeri & Tommasi, 2012:6491-6502).

Some seasoned researchers and academics have linked efficacy with public procurement laws in schools (Umbole & Muturi, 2016:1063-1093); academia (Rakamba, 2013:1-53); procurement management in construction projects and

property (Sundar, 2012:30-48), safety profile (Gupta, Mandowara, Panel & Shelat, 2016:39-47); e-procurement (Gebauer, Shauw & Zhao, 2003:1-10; Hamid, Majid & Rajab, nd:1-6) and preferential public procurement (Beukes, 2011:1-206). Despite the growing popularity of procurement concept in academic and scholarly literature, what is lacking is the influence of this construct in procurement at ELM which currently remains limited and understudied.

Despite numerous merits of procurement, many prior studies in Africa (Ahuja, 2000; Akafia, 2007; Ameyaw, Mensah & Osci-Tutu, 2011:55; Dza et al., 2013; Eyaa & Oluka, 2011; Basheka & Bisanjabusanja, 2010; Basheka, 2009; Hunja, 2003; primarily focus on good governance that increases the efficiency and transparency of procurement systems. Although this plethora of scholarly debate collaborate the importance of procurement reform, as a region Africa is still being affected by various procurement challenges such as incorrect understanding of the procurement law, absence of clear procedures for procurement implementation, deficiency of training for specialists, poor treatment of suppliers' complaints, deprived procurement planning (Kwakwezi & Nyeko, 2014; Nkinga, 2007; Njeru & Thuo, 2014; OECD, 2007:1-75). The socio-economic and political conditions on the ground depict post-colonial Africa as a continent of misery, conflict, disease, poverty, hunger and weak financial systems (Hofisi, 2013:424; Mago & Hofisi, 2014:1440). Due to ineffective procurement systems in many African countries, the procurement function has not yet been given the recognition it deserves (Kakwezi & Nyeko, 2014:1).

To fill a significant void, this research explored various literature sources on procurement to examine the efficacy of the procurement system in one of the municipal contexts in South Africa. The aforementioned empirical studies (Matlhoko, 2014:1-137) and other theoretical viewpoints added insight to the understanding of procurement literature in investigating the efficacy of the procurement system at Emfuleni Local Municipality in the Gauteng Province. The following section presents the problem statement for this study.

1.2 PROBLEM STATEMENT

The Emfuleni Local Municipality' origins maybe traced back to the first democratically elected government in 1994 spanning more than two decades into the new dispensation. This municipality is within Sedibeng District Municipality (SDM) south of the Gauteng Province in South Africa. ELM was created in 2000 out of emerging administrative and political structures of the greater SDM with its administrative arm in Vanderbijlpark. This municipality like all other local municipalities from such a developmental discourse is envisioned to be a developmental city that continuously improves the quality of life in its community. ELM's mission has been devised in line with the provision of public service with a strong commitment to the provision of efficient and effective service delivery. This local sphere of government subscribes to the Batho-Pele principles through responsiveness, discipline, accountability, transparency, respect and honesty. The foregone vision, mission and strategic objectives are basic examples of how a procurement system is fostered in a quest to examine the efficacy and effectiveness of public officials in the procurement system. ELM uses public funds in rendering services hence obligated to procure goods and services in a process that is fair, open, transparent, competitive and cost-effective.

ELM's supply chain management is closely monitored by the provincial government particularly the procurement system. ELM IDP (2015/2016:12) states that, ELM stretches along east and west of Gauteng province and covers a total area of 987, 45 square kilometres) with an estimated population figure of 72 663 in 2011 (Stat SA, 2011) and with total assets of R12 billion as well as a total budget of R6.2 billion, respectively (ELM, IDP, 2015/2016:12). In this context, ELM's political and administrative role has been to consistently render service delivery effectively and efficiently.

The main problem that triggered this study is the persistent service delivery protests mainly caused by mismanagement of public funds ultimately leading to poor service delivery in ELM. Central to mismanagement of public funds lies inefficiency and ineffectiveness in regard to service delivery and a seemingly dysfunctional

procurement system. Subsequently, violent protests become rampant reflecting the dissatisfaction among the ELM's residents (ELM IDP, 2016/2017).

The current state of affairs at ELM management echelons points to the Executive Mayor and MM as well Senior Management Team as equally responsible for ELM's leadership challenges. Two critical senior positions of deputy municipal managers (DMMs) in Basic Services and Finance were left vacant for way too long (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016) and hindered efficacy of the ELM procurement system. In addition to that, the most committed and low level employees suffer a poor senior management support in training and development. The management did not utilise the oversight structure of the ELM's internal audit committee (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016) with regards to the procurement system. ELM management through their actions of malicious compliance to procurement policies flouted the spirit of good governance and frustrated the fairness, openness, transparency, competitiveness and cost-effectiveness that permeate the procurement system (South Africa, 1996; South Africa, 1998; South Africa, 1999; South Africa, 2000, South Africa, 2003). This clearly shows the seriousness of the leadership challenges this municipality is confronted with.

Various laudable Acts, Policies, Procedures and Processes such as the Constitution of South Africa (South Africa, 1996), White Paper on Local Government (South Africa, 1998a), Local Government: Structures Act as amended (South Africa, 1998b; South Africa; 2003c), Public Finance Management Act (South Africa, 1999), Local Government Systems Act as amended (South Africa, 2000; South Africa , 2014) and Municipal Finance Management Act (South Africa, 2003b) among others points to consistency in lack of skills, knowledge and capacity (AG, 2012) in SCM in carrying out their functional responsibility in finance particularly in procurement processes. Consistently, AG Reports (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016) have expressed opinion on conflict of interest, unauthorised, irregular, fruitless and wasteful expenditure as well as misuse of PPP model in awarding tenders. This behaviour undermines competitive tendering arena in the procurement processes. ELM has occasionally been procuring in contravention to its own SCM policy, (AG, 2014; AG, 2015; AG, 2016)

Another setback is the Executive Mayor's failure to prepare, table and approve the Municipality's budget on time (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016). This ultimately caused unnecessary delays due to poor linking of planning with estimated budgets caused by lack of SCM expertise that negates cost-effectiveness leading to inadequate funding (AG, 2013; ELM IDP Process Plan, 2017/2018:6). Inadequate and inconsistency in risk management coupled with poor public participation at ELM is another shortcoming that compromises accountability and is of grave concern. At this local municipality, unjustified deviation and non-compliance to procurement rules and regulations (AG, 2013) go undetected and infringes the procurement system due to lack of monitoring and evaluation. Further observation points that precautionary measures for monitoring and evaluation remained far too limited.

The Auditor-General (AG's) office uncovered consistent misappropriation of public funds through public procurement systems (Madue & Mahwai, 2008:370). Although ELM developed LGTS during the year 2010, this municipality obtained yet another qualified audit opinion for the third year in succession for 2008/2009, 2009/2010 and 2010/2011 financial years (Hlongwane, 2012:4). Despite the availability of legislation regarding the implementation of procurement systems, some SCM officials in ELM despised the set procurement practice for their own malicious and corrupt procuring ways (AG, 2013).

Another shortcoming at this municipality was the underspending on capital expenditure due to the inability of ELM to raise cash flow. Although ELM managed to achieve an unqualified audit report for the financial year 2011/2012 and boasts of 100% spending of the R221 million from the Municipal Infrastructure Grant (MIG) funding for the much needed service delivery project that included the construction of roads, sewer networks, water networks, building of community amenities and facilities (Hlongwane, 2013:3; Mofokeng, 2013:12). Still, no considerable improvements were registered at this local sphere of government.

Above all, it is clear that ELM has administrative leadership challenges, poor political oversight commitment, lack of SCM expertise that negates cost-effectiveness leading to inadequate funding, lack of skills, knowledge and capacity for the SCM staff in

carrying out their functional responsibility. It is evident that ELM is confronted with issues of conflict of interest, unauthorised, irregular, fruitless and wasteful expenditure as well misuse of PPP model in awarding tenders, ineffective stakeholder participation non-compliance to rules and regulations, inconsistencies in risk management and lack of monitoring and evaluation. All these bear remarkable degree of inefficiency and ineffectiveness in the procurement system yet efficiency and effectiveness are central to the efficacy of the procurement. This means that poor efficacy seemed to be the underlying drawback of procurement in the ELM procurement system. Owing to the research deficit in this procurement literature, effective procurement systems have remained unclear and less understood in the ELM context. All these underlying problems depict that procurement systems at ELM failed to provide the most persuasive evidence for its efficacy.

This study poses a very important question: “how effective is the procurement system of Emfuleni Local Municipality? However, to provide answers to this question, the primary goal of this research is to investigate the efficacy of procurement system in the study area. By so doing, this research contributed by adding an academic insight and theoretical knowledge in the procurement literature.

1.3 RESEARCH QUESTIONS

1.3.1 The main research question

The main research question for this study is:

- How effective is the procurement system of ELM?

1.3.2 The secondary questions

The secondary research questions are:

- What is the conceptual framework for procurement?
- To what extent is ELM complying with the legislation pertaining to the procurement process systems?
- What are the key factors affecting the efficacy of ELM’s procurement system?
- What are challenges being experienced by ELM in its procurement system?

1.4 RESEARCH OBJECTIVES

1.5 THE MAIN RESEARCH OBJECTIVE

The primary research objective will be as follows:

- To investigate the efficacy of the ELM's procurement system.

1.5.1 The secondary objectives

The secondary objectives were as follows:

- To explore the conceptual framework for procurement.
- To determine the extent to which ELM complies with the legislation pertaining to the procurement process systems.
- To assess the challenges confronting ELM procurement system.

1.6 THEORETICAL STATEMENT

South Africa is faced with numerous procurement challenges emanating from lack of proper knowledge and skills, non-compliance with SCM challenges, inadequate planning, lack of accountability, fraud and corruption, inadequate monitoring and evaluation, unethical behavior, excessive decentralization of procurement system (Ambe & Badenhorst-Weiss, 2011a:1100-1115; Ambe & Badenhorst-Weiss; Bolton, 2006; Davis & Perera, 2008:1-89; Kajumo-Shakantu & Root, 2006; Hanks Pauw, 2011:1; 201b:1; Mkhize, 2004; Ncunyana & Emuze, 2011:64-79; Roos & Harpe, 2008:1-47; Smallwood; Munzhenzi, 2016:1-8). This as well left a gap which this study needs to fill.

From the previous discussion, the theme of the study is better understood through a theoretical framework. In developing a model it is better to have a framework (Bryde, 2008:800). The theoretical framework underpinning this study is premised on the Resource-based View Theory (RBT). For further justification of the efficacy of the procurement system lies on the RBT and was examined through this perspective. In his pioneering work, Wernerfelt (1984:171) introduced the RBT and realises the firm as a bundle of resources and capabilities that combined development competencies. From the reviewed literature, these two concepts, resources and capabilities constitute

the base for the formation of sustainable competitive advantage. Merrilees, Rundle-Thiele & Lye (2011:368) state that resources can be physical capital resources, organisational capital resources and human capital resources. On the other hand, capabilities refer to the skills a firm needs to take full advantage of its assets, while competencies are defined as sets of observable performance dimensions ranging from individual knowledge, skills, attitudes and behaviours as well as collective team, process and organisational capabilities that are linked to high performance to provide the organisation with sustainable competitive advantage (Way, 2002:765).

Drawing from this, the RBT has been used as the theoretical grounding across different disciplines such as logistics, outsourcing (Ettlie & Sethuraman, 2002; Holcomb & Hitt, 2007:349). Relating RBT to the current study, this research submits that top management expertise and the SCM staff skills, constitute resources and capabilities that when fully exploited can lead to the efficacy of the procurement system at the ELM to improve service delivery.

1.7 RESEARCH SETTING

The Emfuleni Local Municipality traced back its origins to the first democratically elected government in 1994 spanning for more than two decades into the new dispensation. This municipality area has been created in 2000 out of emerging administrative and political structures of the greater Sedibeng District Municipality (SDM) in South Africa. Like all other local municipalities in South Africa, Emfuleni Local Municipality's supply chain management is closely monitored by the provincial government particularly the procurement system. ELM IDP (2015/2016: 12) states that, ELM extends along east and west of Gauteng province and covers a total area of 987, 45 square kilometers) with an estimated population figure of 72 663 in 2011 (Stat SA, 2011) and with total assets of R12 billion as well as a total budget of R6.2 billion, respectively (ELM, IDP, 2015/2016:12). In this context, ELM has the obligation to make sure that service delivery is rendered, effectively and efficiently.

From such a developmental discourse, ELM is envisioned to be a developmental city that continuously improves the quality of life in its community. ELM's mission has thus been devised in line with the provision of a public services with a strong commitment for the provision of efficient and effective service delivery. This local sphere of

government subscribes to the Batho-Pele Principles through Responsiveness, Discipline, Accountability, Transparency, Respect and Honesty. The foregone vision, mission and strategic objectives are basic examples of how procurement system is fostered in a quest to examine the efficacy and effectiveness of public officials in the procurement system. ELM uses public funds in rendering services hence it is required to procure goods and services in a process that is fair, open, transparent, competitive and cost-effective.

1.8 RESEARCH DESIGN AND METHODOLOGY CONSIDERATION

1.8.1 Research design

Webb & Auriacombe (2006:589) define a research design as a plan, a roadmap that allows the researcher to test the validity of his /her hypothesis or answers to his/her questions. As the aim of this research is to investigate the efficacy of the procurement system in Emfuleni Local Municipality (ELM), a qualitative research design was deemed appropriate. An explorative research design has been utilised since this is a new topic which remains unexplored.

Empirical evidence reveals that a qualitative approach is used to promote a deeper understanding of social activities in order to present specific details of a situation (Bloomberg & Volpe, 2012:27; Makhosi & Makhubu, 2016:51; Moyo & Madlopha, 2016:3). In order to understand the efficacy of the procurement system at ELM, careful consideration has been applied regarding research design because the procurement process is a quite complex and multifaceted phenomenon to be quantified into numerical values (Leedy & Ormrod, 2010:94).

1.8.2 Research methodology

Myers (2009:6) defines research as an original investigation undertaken in order to contribute to knowledge and understanding in a particular field. Scientific research can be defined as a systematic, controlled, empirical and critical investigation of propositions about the presumed relationships between various phenomena (Kumar, 2011:8). A research methodology as Kothari (2004:8) observed is a way to systematically solve the research problem. Research methodology can also refer to methods of collecting data in order to comply with the demands of truth, objectivity and

validity during the execution of the research (Brynard and Hanekom, 1997:28). The study followed a qualitative research methodology to investigate the efficacy of the procurement system at Emfuleni Local Municipality. The qualitative methodology provided a picture of a phenomenon with an aim of providing a new insight into a situation (De Vos, Strydom, Fouche & Delpont, 2011). The qualitative research methodology was used in this study in order to understand the dynamics between effectiveness and efficiency on how these two texts influence the efficacy of the ELM's procurement system. Blaxter, Hughes & Tight (2001:168) endorse that, the researcher has to select appropriate research methods that are suitable for the research problem. This study had tried to employ the right methods.

1.9 DATA COLLECTION METHODS

In investigating the efficacy of the procurement system at Emfuleni Local Municipality, data was collected through secondary literature sources. Myer (2009:122) explains that secondary data refers to any data which you have gathered that have been previously published. Documents record what the author of the document wrote at the time. The documents used in this study include scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database available on procurement practices both nationally and internationally. Key government documents such as Stats SA and AG Reports were used to solicit data on procurement. In addition, municipal official documents and records, mainly Integrated Development Plan (IDP), pre-procurement plan, policies, consultancy works and annual reports were examined to establish the efficacy of the procurement system at ELM. Payne and Payne (2004:60) affirm that documentary techniques are used to categorise, investigate, interpret and identify the limitations of physical sources, most commonly written documents, whether in the private or public domain (personal papers, commercial records, or state archives, communications or legislation). Auriacombe (2009:826) reiterated that these data collection methods are designed to help researchers understand the meaning people assign to the social phenomenon and to elucidate the mental processes underlying behaviours.

1.9.1 Literature review

This study adopted a literature review study in order for a researcher to get access to good-quality data that is why an extensive literature on procurement was consulted

(Bryman, Bell, Hirschsohn, Do Santos, Du Toit, Masenge, Van Aardt & Wanger, 2016:268). The review of literature through desktop search was a preferred data collection method employing a content analysis method to understand the efficacy of the procurement system at ELM. The secondary data for this research was collected from the scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database available used to deal with procurement practices both nationally and internationally. Another secondary data was sourced from the key government documents such as Stats SA and A-G Reports. In addition, municipal official documents and records, mainly Integrated Development Plan (IDP), pre-procurement plan, policies, consultancy works and annual reports were used to establish the efficacy of the procurement system in ELM.

1.9.2 Secondary data

The secondary data for this research was collected from the scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database as sources available used to deal with procurement practices both nationally and internationally.

1.9.2.1 Key national government documents

Due to the abundance of literature and time constraints secondary data was utilised as a form of data collection in this study. The secondary sources for this research included scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database available used to deal with procurement practices both nationally and internationally. In an effort to supplement the secondary data collection sources key national government documents consistent with laws and policies such as Stats SA and A-G Reports.

1.9.2.2 Institutional documents

As a way of establishing the efficacy of procurement in ELM, municipal official documents and records, mainly Integrated Development Plan (IDP), for Emfuleni Local Municipality 2017/18, turnaround strategy, pro-poor policy, procurement plan, policies, consultancy works and annual reports were examined to establish the efficacy of the procurement system at ELM.

1.9.3 Texts and materials

In order to investigate the efficacy of the procurement system in ELM, the textual analysis will be used to interpret the review of text and materials from academic and professional literature in procurement. Among others, the text and materials were gathered from sources such as World Bank, UN Commission on International Trade Law (UNCITRAL), United Nations (UN) General Assembly amongst others and these organisations have been at the forefront of shaping the international procurement landscape. Empirical and scholarly literature on effectiveness, efficiency, efficacy, procurement, public procurement and procurement system was analysed.

1.9.4 Legislative Framework

The Acts, policies and official reports on parliamentary debates on sound financial management in procurement were used to solicit literature including SCM policies, deviation, Employment Equity policy and Delegation of Powers and Functions to determine the efficacy of the ELM procurement system.

1.9.5 Strategic documents

The study used strategic documents from government departments in South Africa. ELM strategic documents such as Integrated Development Plan, (IDP), Procurement Plan, Spatial Developmental Framework (SDF), pro-poor strategy, turnaround strategy among others were analysed.

1.10 VALIDITY AND RELIABILITY

The review of literature through desktop search was used as a data collection method employing a content analysis method to understand the efficacy of the procurement system at ELM. This study grounded validity in a correct review of documentary data through the content analysis in order to determine the efficacy of the procurement system at ELM. The reliability of data collected was tested by reviewing documents and peer-reviewed article as well as and coding of common consistent themes. This process entailed putting common themes and constructs to questions into categories that emerged from the review of the literature search. All the leading questions, ambiguous or double-barrelled themes and constructs were not utilised by the researcher to ensure validity and reliability.

1.11 DATA ANALYSIS

Data analysis is the process of breaking down huge quantities of data into smaller manageable portions suitable for analysis (Mouton, 2001:108). Since this study entirely depended on secondary sources content analysis was used for analysing the collected information. Moyo & Madlopha (2016:104) indicated that content analysis was appropriate for analysing secondary data. Hsieh & Shannon (2005:1278) described content analysis as a data analysis technique suitable for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns (Hsieh & Shannon, 2005; Stemler (2001). Neuman (2006:322) defines content analysis as a technique for gathering and analysing the content of text while content refers to words, meanings, pictures, symbols, ideas, themes or any message that can be communicated and text is anything written, visual or spoken that serves as a medium for communication. The main goal of content analysis as Kalof, Dan & Dietz (2008:105) hold is to systematically classify words, phrases, sentences and other units of text into a series of meaningful categories. The main advantage of content analysis is that it provides the researcher with a structured method for quantifying the contents of a qualitative or interpretive text, and does so in a simple, clear and easily repeatable format (McNabb, 2002:414 in Myer, 2009:172). However, content analysis has its own limitations as it contains a built-in-bias of isolated bits of information from their context, thus, the contextual meaning is often lost or at least made problematic. Therefore; in determining the efficacy of procurement in ELM, a content analysis technique was crucial in examining the efficacy of the ELM procurement system.

1.12 DELIMITATION OF THE STUDY

This study was conducted in Emfuleni Local Municipality in Sedibeng Region in Gauteng Province of South Africa. The study examined the efficacy of the procurement system at ELM. This study enriched academic literature and provides an insight into public administration, financial and procurement management body of knowledge.

1.13 ETHICAL CONSIDERATION

Du ploy (2009:109) defines ethics as certain standard according to which a particular community or a particular group agrees to regulate its behaviour. When we speak of

ethics in research we are talking about a set of rules that regulate the way in which one needs to conduct him/her when doing research. Since documentary literature was used to investigate the efficacy of the procurement system at ELM, one must look closely at the ethical implications relevant to this empirical study. The secondary data for this research was collected from the scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database available. The study observed plagiarism which is an academic offense and all collected information from the documents was reported in an honest and truthful manner without any fabrication of data to suit the intended outcome. Stangor (2007:58) reiterates that ethical behaviour in social science includes honesty not only in conducting research but also in reporting it and giving proper credit for ideas. Therefore; the data gathered from documents was strictly used for academic purposes.

1.14 PROPOSED LAYOUT OF THE STUDY

Chapter 1 discussed the introduction and background as well as statement of the problem. The research questions, objectives, hypothesis statement of purpose and conceptual framework were also discussed. This was followed by the research design, methodological consideration, scope, assumptions and ethical consideration for this study. This chapter provided a proposed outline for this research work.

Chapter 2 reviewed the relevant academic literature on procurement in both local and global context. From this theoretical perspective, the systematic literature was reviewed from texts which formed an integral part of this research such as procurement, procurement system and supply chain management (SCM). Amongst these texts, two concepts namely: efficiency and effectiveness were interchangeably used in this study. These concepts built the necessary foundation for this study in investigating the efficacy of the procurement system at ELM.

The legislative prescripts and policy frameworks were used as central points in justifying the efficacy of the procurement system in the municipal settings. This was followed by the cursory review of the literature on procurement reform across the globe, developed and developing countries. In South Africa, the recurring and escalating theme of procurement reform continues to shape and dictate the efficacy of the procurement system at the local government level. This study squarely falls into such terrain.

Chapter 3 formed the basis to investigate the efficacy of the procurement system and ELM is considered as a research setting. As a local sphere of government, this study focused on the ELM's vision, mission and strategic objectives. Furthermore, socio-economic challenges such as the population, household size, poverty, economic growth, employment and education have a bearing on local governance and were also be synthesised. In this chapter, the political-administrative interface is at the heart of the ELM's governance underpinning clusters and departments responsible for the efficacy of the procurement system. The interface was thoroughly looked into for the provision of service delivery.

Chapter 4 discussed the overarching methodology in investigating the efficacy of the procurement system in Emfuleni Local Municipality. As a research setting, ELM was under intense scrutiny to understand the impact of procurement reform on its procurement system. This study followed a qualitative research methodology in order to provide a clear picture of a phenomenon with an aim of providing new insight into ELM procurement system.

A qualitative research data was collected through secondary literature sources from the scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database available used to deal with procurement practices both nationally and internationally. Key government documents such as Stats SA and A-G Reports, municipal official documents and records, mainly Integrated Development Plan (IDP), pro-procurement plan, policies, consultancy works and annual reports were examined to establish the efficacy of the procurement system at ELM.

Chapter 5, content analysis was used to present the secondary data obtained from the relevant literature reviewed to understand the efficacy of the procurement system in ELM. The summaries of the data collected through the literature review were used in the presentation of the research findings.

Chapter 6 was dedicated to the summary of the chapters, research findings, conclusions and recommendations of the study.

1.15 CONCLUSION

This chapter presented the introduction and background of this present study. The chapter discussed the problem statement, questions, objectives, hypothesis statement of purpose and conceptual framework were discussed. Texts and concepts that formed an integral part of this research were also assessed. These concepts and texts build necessary foundation for this study in investigating the efficacy of the procurement system at ELM. A preliminary review of the AG Reports indicated that ELM experienced the lack of compliance with legislation and lack of strategic internal control systems to validate performance management of public officials in the supply chain management department. The overview reflected the lack of strategic leadership and alignment of procurement policies with legislation of the country. This is further marred by the ELM supply chain department from delivering quality services in the local communities. The following chapter discussed the literature related to procurement and its efficacy in the global and local context.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

The preceding chapter outlined the introductory and background of this present study. The present chapter reviewed the relevant academic literature from texts that formed an integral part of this research such as procurement, procurement system and supply chain management (SCM). Amongst these texts, two concepts namely: efficiency and effectiveness were interchangeably used as efficacy stand at the heart of this study. These concepts and texts built a necessary foundation for this study in investigating the efficacy of the procurement system at ELM. The legislative prescripts and policy frameworks were reviewed as central points in justifying the efficacy of the procurement system in the municipal settings. This was followed by the cursory review of the literature on procurement reforms in both developed and developing countries with specific reference to local government in South Africa. In South Africa, the recurring and escalating theme of procurement reforms continues to shape and dictate the efficacy of the procurement system at the local government level. This study squarely falls into such terrain. The following section focused on the introduction of procurement from global context up until its inception in local government in South Africa.

2.2 THE ADVENT OF PROCUREMENT

2.2.1 A global norm

There is abundance of literature on the advent of procurement as a global norm in both developed and developing countries (Agaba & Shipman, 2007; Atkinson, 2006; Ambe & Badenhorst-Weiss, 2011a:1100-1115; Arrowsmith, 2010; Bouwer et al. 2006; Dza, Fisher & Gapp, 2013: 49-57; Jones, 2007; Maki, 2007; Mahmood, 2010; OECD, 2007; Pautz, Watermeyer & Jacquer, 2003; Ssenoga, 2006 & Hunja, 2003).

In developed and developing countries, public procurement has been receiving unprecedented attention in research and academic circles. Many governments in both developed and emerging countries were pre-occupied with the view that procurement is focused on the delivery of consumption of goods and services (Thai, 2001:9). This view is embedded in worldwide estimates of public spending, where 10-30% of the

Gross National Products (GNP) (was focused on the delivery of goods and services to the people (Dza et al., 2013: 49-57).

The international community such as World Bank, UN Commission on International Trade Law (UNCITRAL), and United Nations (UN) General Assembly amongst others have been at the forefront of shaping the international procurement landscape. At the global level in December 1996, a few member countries assent at the United Nations (UN) General Assembly and signed a declaration in the fight against corruption (Lekubu, 2013:127). The Code of Conduct for International Public Officials and the Declaration against Corruption and Bribery International Transactions was formulated to guard against corruption in the procurement landscape (Lekubu, 2013:127). Various heads of states embarked on the eradication of corruption in the procurement system. Drawing on the experiences of the World Bank and the UN Commission on International Trade Law (UNCITRAL) procurement reform package was used as an analytical tool to diagnose the health of the existing [procurement] system (Wialliams-Elegbe, 2016:23; World Bank, 2002).

Nevertheless, the World Bank (2001) argues that, although these commitments are bearing fruits for the procurement system, they are being derailed by a multiplicity of laws, decrees and regulations which constitute a source of concern with risks of overlapping jurisdictions, inconsistent provisions, lack of clarity in policy and procedural requirement procurement process. From this research gap, there is also a need for a more global response covering the procurement landscape. Still, the efficacy of procurement lies at the heart of the global concern. Under these circumstances, the recurring and escalating theme of procurement reform continues to shape and dictate the efficacy of the procurement system at the local government level in South Africa. ELM located in the Gauteng Province in South Africa is a perfect place to test this proposition.

2.2.2 Procurement in developed countries

Research conducted in developed countries showed that, there is widespread interest in procurement reforms as a way of improving the delivery of public goods and services (Agaba & Shipman, 2007; Ambe & Badenhorst-Weiss, 2011a:1100-1115; Arrowsmith, 2010; Jones, 2007; Maki, 2007; Mahmood, 2010; OECD, 2007;

Ssennoga, 2006; Hunja, 2003). This shows that in developed economies such as OECD countries public procurement expenditure presents one-third of total expenditure and an average of 14% and more than 10% of the GDP in the European Union (EU) and United States (US), respectively (Dza et al., 2013: 49-57; OECD, 2007).

Williams-Elegbe (2016:23) asserts that the World Bank procurement system is seen as a model of procurement reform in developing countries (and is also applicable in developed countries. Procurement reform studies are rampant in Europe (Bouwer et al., 2006;1-10); Australia (Callender & Schappes, 2003); EU (Arrowsmith, 2010); UN (Jeppensen, 2010); OECD (OECD; 2007:1-75) and some parts of Asia (Jones, 2007) among others. There are two well-known examples of this reform such as Paris Declaration and the Accra Agenda that sought to revive the procurement reform. (United Nations, 2005 & World Bank, 2008a).

These two commitments were pursued in response to the World Bank procurement. Previous UN and World Bank studies reinforce this point (United Nations, 2005; World Bank, 2008a). In contrast, the proponents of procurement literature argue that public procurement did not establish itself in academic research and research institutions (Matthews, 2005) and Emfuleni Local Municipality is not an exception to this. Dza, Fisher & Gapp (2013:49) argued that there is little research evidence on the notion of public procurement in theoretical literature hence this study finds it necessary to investigate the efficacy of the procurement system in ELM (Matthews, 2005).

2.2.3 Procurement in developing countries

Procurement literature on reforms is increasing in developing countries being followed by a radical change in policy making approach. Knight et al. (2007) observed that the procurement function in many developing countries is transitioned from a clerical non-strategic to an effective socio-economic unit. It should be noted that procurement reforms in developing countries have been championed by international agencies such as World Bank, International Trade Centre, World Trade Organisation (WTO) and UCTAD.

Many studies (Akafia, 2007; Ameyaw, Mensah & Osci-Tutu, 2011:55; Basheka & Bisanjabusanja, 2010; Basheka, 2009; Dza et al., 2013; Eyaa & Oluka, 2011) have shown that, there are World Bank influenced procurement reforms in a number of developing African countries such as Ghana, Tanzania, Uganda and Nairobi. These countries have previously resisted pressures from the World Bank to change their public financial management systems (Kwakwezi & Nyeko, 2014). In most cases, their particular focus was on their procurement system which was a priority area in the delivery of public services (Nkinga, 2007; Njeru & Thuo, 2014). A remarkable feature of this reform in procurement was hampered by the lack of sound fiscal policy and dedicated budgetary cycle which impede on the much-needed growth and infrastructure in the system of procurement (Malcolm, Watermeyer, Jacquet, 2003). The lack of good financial management can hinder government from achieving effective procurement systems that can accelerate service delivery.

The review of literature points out that the application of transparency, accountability and value for money (VFM) during budgeting process is identified as substantive features underpinning effective procurement systems (Agaba & Shipman, 2007; Ambe & Badenhorst-Weiss, 2011a:1100-1115; Maki, 2007). Various countries have been failing to achieve noticeable economic growth due to inconsistencies and corruption associated with public procurement systems (Arrowsmith, 2010; Mahmood, 2010; OECD, 2007; Jones, 2007; Sennoga, 2006; Hunja, 2003). Drawing comparisons from the public procurement systems in developed and developing countries, it can be seen that developing countries still need to address challenges that emanate from corruption, poor financial management in terms of procurement. To realise the benefits of effective procurement, developing countries need to borrow lessons from developed counties that have good leadership and good financial management systems that minimise corruption and utilise resources in a cost-effective manner.

2.2.4 Procurement Reform in Africa

A number of African countries which include Ghana, Tanzania, Uganda and Kenya have undertaken reforms to join the “procurement reform bandwagon” as popularised by the World Bank (Akafia, 2007; Dza et al., 2013; Ameyaw, Mensah & Osci-Tutu, 2011:55). Due to popular demand, the main thrust was achieving efficient procurement that translates to effective service delivery in local governments

(Kwakwezi & Nyeko, 2014; Eyaa & Oluka, 2011). Although the procurement arrangements may vary across government systems, the main divisions of the government have the same important role in achieving the success of the procurement system (Basheka & Bisanjabusanja, 2010; Basheka, 2009; Nkinga, 2007; Njeru & Thuo, 2014). Many countries in Africa have been under immense pressure to maximise efficiency and transparency in the use of public funds in relation to an acceptable national procurement system that functions efficiently (Ameyaw, Mensah & Osci-Tutu, 2011:55). Yet, various developing countries are encountering rapid changes in their public procurement requirements that have not been given adequate recognition in the quest to effectively render services to citizens (Tukuta & Saruchera, 2015).

Africa is host to numerous procurement challenges that include *inter alia* misinterpretation of the procurement laws, the absence of a clear procedure for procurement process, deficiency of specialists training, poor treatment of suppliers' complaints and deprived procurement planning (OECD, 2007:1-75). To fill a significant void, this research adopted an exploratory approach to examine the efficacy of the procurement system in a municipal context with specific reference to Emfuleni Local Municipality in the Gauteng Province of South Africa.

2.2.5 Procurement as a system in the South African context

South Africa adopted its procurement reform system in early 1998/1999 financial year (Akafia, Bentsi-Eahill & Ankomah, 2007:10). This followed procurement reforms by World Bank in many other African counties of which South Africa as a young democracy was still lagging behind. Nevertheless, very few studies in South Africa, are well documented in the literature that has analysed procurement as a system. Numerous previous studies focused on transforming government procurement system preferential procurement, government procurement as a policy tool, good governance in public procurement (Bolton, 2006; Kajumo-Shakantu & Root, 2006; Mkhize, 2004; Smallwood, Ncunyana & Emuze, 2011:64-79; Roos & Harpe, 2008:1-47). Furthermore, these studies focused on sustainable public procurement public procurement and Supply Chain Management procurement practices procurement challenges in South Africa public sector procurement and corruption (Ambe &

Badenhorst-Weiss, 2011a:1100-1115; Ambe & Badenhorst-Weiss, 201b:1; Munzhenzi, 2016:1-8; Hanks, Davis & Perera, 2008:1-89 & Pauw, 2011:1).

Evidence from the existing literature (Ambe, 2006; Ambe & Badenhorst-Weiss, 201b:1; Ambe & Badenhorst-Weiss, 2011a:1100-1115; Ambole & Muturi, 2016) reveals that South Africa just like other African countries has been subjected to the same enormous challenges revealed by procurement scholars and academics. These include a deficiency in knowledge and skills, non-compliance with SCM policy, insufficient planning, the absence of accountability, deception and bribery, insufficient monitoring and evaluation, corrupt behavior and excessive decentralization of procurement system (Beukes, 2011; Migiro & Ambe, 2008; Munzhenzi, 2016:1-8). The worst part is that such daunting challenges have manifested themselves in ELM procurement systems where the efficacy is hard to achieve. Given this scenario, therefore, there is a need for a change in terms of municipal procurement systems which is a step towards effective procurement for improved service provision in communities.

2.2.6 Procurement in South African Local Municipalities

Many studies that focused on procurement at local government levels were conducted in South Africa. Stemedede (2009:1-120) conducted a study in Lejweleputswa Local Municipality that focused on procurement reforms and how local government can transform into an effective service provider through public procurement. Singh, (2010:1-100) conducted his study in Msunduzi District Municipality that focused on poor service delivery in communities due to poor municipal procurement. Similarly, in Sedibeng District Municipality, a study conducted by Motsiri, (2010:1-22) revealed that procurement is still a challenge that requires SCM officials to undergo training which is vital for improving service delivery. Thobane (2011:1-85) conducted a procurement study in the City of Tshwane Metropolitan Municipality where he discovered that there are several irregularities and corruption associated with public procurement systems. The SCM officials abused public funds in the name of procurement. Rantseli, (2014:1-67) undertook a procurement study in Ekurhuleni Metropolitan Municipality where he found out that public officials were manipulating the procurement to give tenders to their friends and relatives leading to segregated community development. Although these studies laid the foundation that provides insight into procurement literature at the

municipal setting level, the majority of these studies did not investigate the efficacy of the procurement system. This has left a gap which is yet to be filled. This means investigation of the efficacy of the procurement system in the local government remains untapped hence this study intends to close such a research gap.

In ELM, the interest in procurement has been significantly increasing in terms of research. This was due to the various service delivery protests that dominated the municipality which created the need for improvement in terms of public procurement systems (Tshabalala, 2009:1-91). The review of the literature has identified a worrying trend which impedes stakeholder participation in public procurement procedures due to corruption and other malpractices associated with such systems in the municipality (Ludidi, 2010:1-116; Moss, 2014:1-116; Moletsane, 2014:1-131). The critical issues drew attention to the limitation of ward committees during public participation (Tshabalala, 2009:1-91, Ludidi, 2014); community participation (Ludidi, 2010:1-116, Sefuli, 2014); community-based organisations (Moss, 2014:1-116); community expectations and perceptions (Moletsane, 2014:1-131) as well as service payment in the ELM's governance (Majikijela, 2009).

In South African local government, poor performance management has been a hindrance towards achieving an effective procurement system capable of delivering services (Ggiba, 2015:1-117; Mkhumbeni, 2010:1-118; Ngwenya, 2015:1-116). To mitigate the challenge of poor performance management in the procurement systems job training and employee assistance programmes were adopted as part of municipal good governance initiatives (Mampane, 2009; Mosia, 2009:1-116; Mathe, (2013:1-117 & Mukwevho, 2013). The Integrated Development Plan (IDP) was also adopted as a planning tool to address the challenges emanating from public procurement systems (Mahloko, 2014; Van Vuren, 2009:1-113). In addition, the implementation of procurement reforms was hampered by the lack of institutional capacity at the local government level (Mathe, 2013:1-117; Mukwevho, 2013). Due to all these challenges, studies conducted previously failed to investigate the efficacy of the procurement system at local government level which calls for more informed solutions this study intended to provide. The following sections discussed the enabling legislative frameworks that guide the procurement in South Africa.

2.3 LEGISLATIVE PRESCRIPTS AND POLICY FRAMEWORK

The extensive documentary literature reviewed included the legislative requirements and policy framework (Mofokeng & Luke, 2014:1). These enabling legal frameworks and laws are used to control and define a regulated process in procurement rules and regulating social and administrative policies and procedures (Mokeng & Luke, 20140; National Treasury, 2005). The legislative and policy implications of procurement are evaluated and monitored as they expose loopholes that frustrate efficient service delivery (Ababio, Vyas-Doorgapersand & Mzini, 2008:3). The following section reviewed the legislative and policy prescripts governing this study on procurement in South Africa.

2.3.1 Constitution of South Africa Act no 108 of 1996

As the supreme law of the land, the Constitution of South Africa (herein referred to as the Constitution of South Africa, (Act no 108 of 1996) depicted in Table 2.1 below govern the nature of services that citizens are entitled to receive from the government. Section 195 (1) of the Constitution is a point of departure in the deliberations of all the local municipalities in South Africa in terms of service delivery which is the main role of the procurement system.

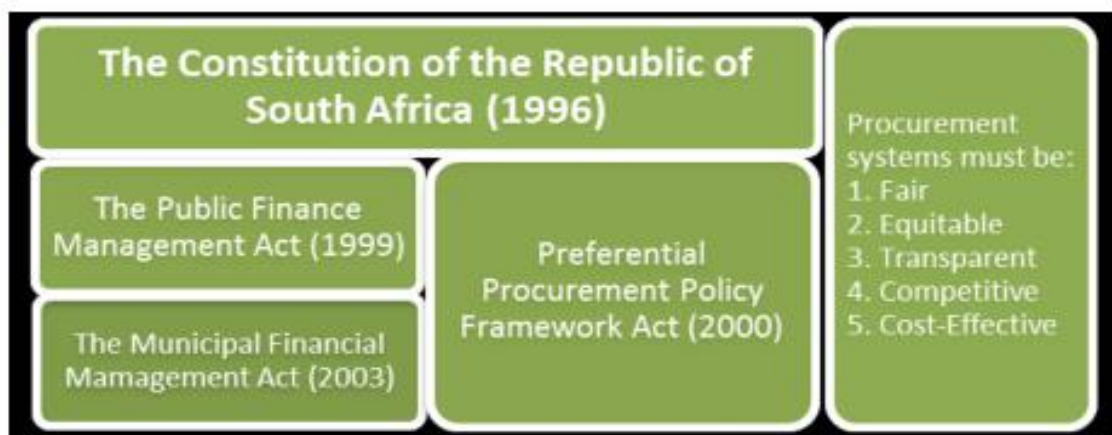


Figure 2-1: Governing framework for Public Procurement in South Africa

Source: Turley & Perera (2014:6)

In Figure 2.1 above, Section 217, subsection (1) reflects that a system of procurement which is fair, equitable, transparent, competitive and cost-effective is held at center stage to all organs of state in national, provincial and local for the acquisition of goods and service.

Table 2-1: Public Procurement objectives in South Africa as per Constitution

Objective		Reference
Primary	Procurement system is to be fair, equitable, transparent, competitive and cost effective.	Section 217 (1)
Secondary	Procurement policy may provide for: a) categories of preference in the allocation of contracts; and b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.	Section 217 (2)

Source: Watermeyer (2011)

Subsection (2) shown in Table 2.1 above authorised preferential procurement while sub-section (3) further confers an obligation for national legislation to prescribe a framework providing for preferential procurement to address the social and economic imbalances of the past. In a quest for a local government that is developmental, effective procurement is of great importance to ensure easy accessibility of government services. For this to happen, it is imperative to investigate the constitutional obligation bestowed on local governance for the efficacy of the procurement system and ELM is no different to this.

2.3.1.1 White Paper on Local Government, 1998

This policy framework spells the *core reason deter* the local government and administration (Thornhill, 2008:497). The recurring theme of this White Paper is developmental local government through the formulation and adoption of the inclusive integrated development plan (IDP) (Maloka & Mashamaite, 2013:96). Tau (2013:186) concurs that the development of South African municipalities takes place for the effective provision of goods and services. In the South African context, this policy bestows a local municipality within its area of jurisdiction with the sole responsibility to conduct integrated development planning (South Africa, 1998). It is further important to note that human, technical and financial assets are necessary for the formation of new structures for local governments (Vyas-Doorgapersad, 2010:45). However, the implementation of this legal framework is negatively affected by the shortage of skills at the local government level. ELM falls in the same category although it has previously initiated various skills development programmes to assist its municipal

officials to exercise good procurement systems that enable eth effective delivery of services.

2.3.1.2 Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)

This legislative framework mandates all municipalities to enhance participatory governance in their area of jurisdiction. As a local sphere of government, local municipalities in South Africa should establish ward committees as a way of encouraging community participation. The participation of community members in issues of municipal governance help creates a healthy environment and human settlements in which all people can lead uplifted and dignified lives (South Africa, 1998b).

Vyas-Doorgapersad & Ababio (2010:416) reiterate that the regulation of the conduct for municipal councillors and ELM councillors is crucial to realise service delivery through an improved procurement structure. The author's argument is premised on the notion that, monitoring of the code of conduct is crucial to avoid any violations through corrupt tendencies hence municipalities can benefit from procurement. Therefore, these assertions triggered the need to investigate the efficacy of the procurement system in this municipality (ELM).

2.3.1.3 The Public Finance Management Act (PMFA), no 1 of 1999 as Amended

The PFMA was enacted in 2000 in South Africa to ensure tighter financial system and control (Esau, 2006:58). This Act of parliament in its section 1, PMFA drew attention to the unauthorised expenditure where the amount to be spent is exceeded by the actual amount budgeted for. The PFMA, therefore, presented an indispensable instrument for financial reforms across three spheres of government (national, provincial and local). Scholarly literature search suggested that the traditional budgeting system has been characterised by exclusive expenditure control measures (Mkhize & Ajam, 2006:761). Nonetheless, the financial management of all three spheres of government remains a challenge (Madue & Mahwai, 2008:359). As one of the local sphere of government, ELM is not excluded from this challenge.

The introduction of PFMA in local sphere was to address the limited knowledge on sound financial management among public officials led to poor procurement strategies (Mkhize & Ajam, 2006:764). Section 38 (1)(a)(i) and 76(4)(c), of the PFMA, emphasised the importance of the constitutional principles, namely fair, equitable, transparent, competitive and cost-effectiveness as a pre-requisite when the National Treasury provided regulations for procurement system under the control of accounting officers or authorities. Section 39 (1) (a) further bestowes effective and appropriate steps to prevent accounting officers from engaging in unauthorised expenditure.

2.3.1.4 Municipal Systems Act (MSA) Act no of 32 of 2000 as amended

This Act of Parliament provided for the universal access to essential services for all inhabitants of a local municipality (South Africa, 2000). This framework uses an IDP as an instrument for accelerating service delivery. Section 16 of the MSA, bestows responsibility to the local municipality to capacitate their local community and ward committees. This Act was amended in 2011 to ensure fair, efficient and transparent municipal administration in South Africa through the professionalisation of the local government (South Africa, 2011). This Act also laid a firm foundation ranging from skills, expertise, competency and qualifications amongst others in appointing municipal executive managers. Bogopa (2013:113) observed that the amendments enabled the government to improve the capacity of municipalities in order to recruit and retain suitably qualified persons with scarce skills. The framework also uses the IDP as a tool to drive local economic development. However, as Madzivhandla & Asha (2012); Manyaka & Madzvhandla (2013:175) observe, the IDP as a tool does not yet yield results since it is clouded by diverse challenges such as financial skill shortage and poor participation. This legislation led to the formulation of a Code of Ethics for public Officials which is meant to guide and advise the work of public officials in the execution of public duties.

2.3.1.5 Municipal Finance Management Act (MFMA), Act No. 56 of 2003)

Just like PFMA, this Act of Parliament presents an indispensable instrument for financial reforms to be done in the municipal context. This Act drew its strength from sound financial management in the municipal environment. Drawing from this Act, its relevance is highlighted by the responsibility conferred on the individual municipal managers. In its Section 80, budget and treasury offices must be established in any local municipality headed by a Chief Financial Officer (CFO) as its accounting officer (South Africa, 2003). Thornhill (2008:504) ascertains that the Municipal Manager (MM) will be advised in financial matters by the CFO who will be administratively in charge of the budget and treasury office (Thornhill, 2008:504).

The MFMA underpins a regulatory framework for supply chain management (SCM) as a tool for procurement reform at the municipal level. At the local government level, this piece of legislation requires each municipality to implement its own SCM policy. Section 112(i) of the MFMA reflects that a system of procurement must be fair, equitable, transparent, competitive and cost-effective in procuring goods and service by a local municipality concerned (South Africa, 1996 & South Africa, 2003).

2.3.1.6 Broad-based Black Economic Empowerment Act, no. 53 of 2003

During the 1990s, empirical evidence revealed that the economic empowerment deals were characterised by limited multiplier effect in transmitting economic empowerment on a large scale (Lindsay, 2015). Following the economic empowerment discourse, the South African government embarked on a broad-based empowerment scheme (First National Bank, 2008:3). This enabling Act promoted a Black Economic Empowerment (BEE) charter and codes of practice that could include qualification criteria for preferential procurement and other economic activities (NT, 2003). This task was even more daunting due to their (BEE charter and codes of practice) implementation. BEE broadly equates economic development and transformation in general, although it is unconvincing due to corruption associated with the Act. BEE was narrowly limited to a set of transactions transferring corporate assets from white to black ownership (Department of Trade & Industry (b), 2008:12). This Act in its Section 1 defined "broad-based black economic empowerment" as the economic

empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies (South Africa, 2003).

2.3.1.7 Prevention and Combatting of Corrupt Activities Act (Act No. 12) of 2004)

This Act is meant to curb corruption and related criminal activities and establishes a register in order to place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts. This Act further reports on certain corrupt transactions including those related to the procurement function.

The local government as the closest sphere to the communities is allowed to extend and develop policies, systems and structures within the ambit of the national regulatory framework. As will be shown in Section 3, the best approach is bestowed on SCM officials in public procurement who are fighting corruption in South African government. The framework helps local government to curb corruption that may exist in public procurement systems.

2.3.1.8 The Auditor-General Act, no. 12 of 1995

This legal framework regulates the activities and the functions of the Auditor-General (AG) of South Africa. Mashamaite (2013:94) points out that the Office of AG is an important mechanism for improving accountability in government. Both section 188 of the Constitution of South Africa 1996 and section 3 (1) of this enabling legislation, shows the powers and duties of the AG (South, 1995; South Africa, 1996). From the internal control perspective, the AG is also empowered by section 3(5)(b)(iii) to investigate and inquire into any matter not limited to the efficiency and effectiveness of internal control and management measures relating to expenditure and revenue of an institution whose accounts are to be audited.

2.3.2 Policy Framework

2.3.2.1 Guide for Accounting Officers; Public Finance Management Act (PFMA) of 2000

The requirements of PMFA set priorities for this *Guide for Accounting Officers* as a critical feature in a set of reforms in the management of government finances. As an element for public sector reform, PMFA shaped the local municipal governance. The rationale behind the formulation of the PMFA is to foster sound financial procurement system as a Guide for Accounting Officers. ELM can implement the PFMA as a strategic step towards improving its procurement systems.

2.3.2.2 The Municipal Finance Management Bill (MFMA) of 2002

The Municipal Finance Management Bill (MFMA) of 2002 states that it is the responsibility of the National Treasury to foster coherent financial management in all organs of state, in all the three spheres (national, provincial & local) of government. This responsibility lies with the accounting officers, accounting authorities and municipal managers to enable them to manage their financial affairs within the parameters laid down by the prescribed norms and standards. Both the PFMA and the MFMA require National Treasury to monitor the compliance of these prescribed norms and standards.

2.3.2.3 Preferential Procurement Policy Framework Regulations (PPPFR) (2001)

During its implementation for evaluating bid process, the PPPFR (2001) permitted the point system. Relevant to this research, this policy shows a preference point system of 80/20 or 90/10 that applies to the awarding of all public procurement tenders as depicted in Table 2.3 below.

Table 2-2: Allocation of preference points as per PPPFA regulations

Tenders under a R1 million (80/20)		Tenders over a R1 million (90/10)	
B-BBEE Status Level of Contributor	Number of Pref Points	B-BBEE Status Level of Contributor	Number of Pref Points
1	20	1	10
2	18	2	9
3	16	3	8
4	12	4	5
5	8	5	4
6	6	6	3
7	5	7	2
8	2	8	1
Non Compliant	0	Non Compliant	0

Source: Porteous & Naude (2012)

Table 2.3 above presented bids valued from R30, 000 to R1 million. In essence, 80 evaluation points are allocated to price and 20 points for the suppliers' preferential procurement compliance with BEE. A contract which values over R1 million, this allocation becomes 90 points for price and 10 points for B-BBEE ratings. Total scores for the price and B-BBEE preference are added to provide an overall score in the bid evaluation process (South Africa, 2001).

2.3.2.4 Preferential Procurement Policy Framework Act (PPPFA), no 5 of 2001

The Constitution of South Africa (1996) provides for the promulgation of the PPPFA which was approved in February 2000. Just like the PMFA and MFMA, this piece of legislation also promoted the process of procurement reforms (Ambe & Badenhorst-Weiss, 2012: 242). As this public sector bidding system unfolds, this Act established a framework for the application of preferences. For the national, provincial and local spheres of the government, all as organs of state are empowered in terms of this Act to implement the preference policy within the framework of the Act. Most importantly, all procurement within the organs of state must use this Act to implement the preferences points system. From this preference points perspective, the PPPFA must promote historically disadvantaged individuals (HDI's) and a broad-ranging set of development objectives by means of allocating preferences points to these various policy objectives (NT, 2003). Ambe (2009) observed further the challenges related to

the deficiencies in practices relating to governance, interpretation and implementation of PPPFA and its associated regulations in South Africa (Ambe, 2009).

2.3.2.5 Regulatory Framework for Supply Chain Management of 2003

Following the need to reform the procurement system in terms of the international best practices, the Parliament of South Africa approved the Regulatory Framework for Supply Chain Management in 2003. This policy framework aims to incorporate individual functions within an organisation into the integrated supply chain, considering the full chain of events from sourcing through to the use and disposal of the product. The National Treasury has been empowered to issue practice notes that address relevant supply chain management matters. Relevant to this study, the view is to ensure that uniform minimum norms and standards for the procurement system prevail. Despite the creation of a procurement system, some SCM officials despised the set procurement practice for their own malicious and corrupt procuring ways which proves that at ELM procurement continues to be undertaken with little regards (AG, 2013).

2.3.2.6 Supply chain management policy

In the search for sound procurement reforms in line with the World Bank's best practice, the South African Cabinet adopted an SCM policy in 2003 that was implemented across all spheres of government. The SCM policy was aimed at implementing an SCM function. At its best, this function would be an integral part of financial management and would conform to international best practices (NT, 2005).

The SCM policy has various objectives within the realm of public governance. These objectives range from promoting uniformity, norms and standards as well as consistency in the application of SCM processes throughout government; facilitate the standardisation and uniform interpretation of government's preferential procurement legislation and policies and complete the cycle of financial management reforms introduced by the PFMA by devolving full responsibility and accountability for SCM related functions, in addition to financial management functions, to accounting officers

and authorities (NT, 2005b). Municipal Systems Act bestows legal and administrative obligation for ELM to craft a Supply Chain Management (SCM) Policy. At best, procurement is critical to the public administration service delivery system and promotes goals which are arguably secondary to the primary goal of procurement to promote social, industrial or environmental policies (Cane, 2004:1)

2.3.2.7 National Treasury (NT) Regulations of 2005

In line with the requirements of the PFMA and MFMA, the National Treasury Regulations finalise the devolution of the supply chain management function to the accounting officers and formalise the integration of various functions into a single supply chain management function. In order to empower the accounting officers, the National Treasury regulations provide for the formulation of Supply Chain Management that is not limited to:

- Defining the various elements of supply chain management such as demand management, acquisition management, logistics management, disposal management, and supply chain management performance.
- Institutionalizing the creation of a supply chain management unit in the office of the Chief Financial Officer;
- Specifying the roles of the accounting officer in the management of the bidding process;
- Providing for processes and procedures in the case of abuse of the supply chain management system within a department; and
- Requiring the National and Provincial Treasury and Municipal Finance Department to establish a system to collect and report on the performance of the supply chain management system within their defined jurisdictions (NT, 2005).

As per the constitutional imperative for the public sector procurement, all the spheres of government in line with the National Treasury ultimately retains the responsibility to develop norms and standards. In terms of the Treasury's legislative and regulatory framework, provinces are left alone to make their own policies and procedures.

2.3.2.8 Monitoring and Evaluation System, 2007

In 2007, the cabinet endorsed into law the Monitoring and Evaluation System that serves as a policy framework for the South African public sector. In this official document, the coordinated monitoring and evaluation of policy and programs were introduced to manage government program improve the management of the public governance (Vyas-Doorgapersand, 2014:72).

In their current form, all spheres of government have been pressured to inevitably apply the monitoring and evaluation process to ensure the provision of service delivery. Following suit in national and provincial government, in particular, the developmental impact through Provincial Growth and Development Plans were used as a barometer. At the local sphere of government, Integrated Development Plans (IDPs) of municipalities were monitored in assessing service delivery (Vyas-Doorgapersand, 2014:74). The quality of performance information premised on the outcomes and impact of the efficient and effective service delivery will also be monitored. Three spheres of government, national, provincial and local municipalities were scrutinised to evaluate their own performance (South Africa, 2007).

2.3.2.9 Local Government Turnaround Strategy (LGTS), 2009

The shift towards the devolution of responsibilities to local municipalities is premised on the provision of public services. As an official municipal document, LGTS was introduced to address such service delivery problems identified in the 2008 State of Local Government Report. Its intended purpose was to instill confidence in the government of the people and improve service delivery (Nkuana, 2013:229).

Nkuana (2013:230) asserts that, the LGTS was meant to improve the performance of local government and the citizenry's standards of living in South Africa. Draai & Oshoniyi (2013:875) proposed a reciprocal relationship between institutional transformation and institutional capacity that is required for a functional and effective local government sphere. It is imperative to note that, within the local sphere of government, the social, economic and material needs are essential in restoring public confidence and faith in government (LGTS, 2009:25).

2.4 SUPPLY CHAIN MANAGEMENT (SCM) IN THE PUBLIC SECTOR

2.4.1 Evolution of Purchasing to Supply Management

The evolution of procurement as a concept emerged during the last decade under diverse context as shown in Figure 2.1 below. Due to its evolution in the public sector, this diversity reflected in the public procurement discourse was associated and linked to the supply chain management, strategic sourcing and supply chain management (SCM) among others.

The latter, SCM emerged and now exist (but has enjoyed an unprecedented interest in the public sector (Naude & Ambe, 2013:13). Due to its popularity, as a field of study SCM cut across various disciplines such as logistics, transport, marketing, organisational behavior, health and education sectors (Migiro & Ambe, 2008; Naude & Ambe, 2013:13).

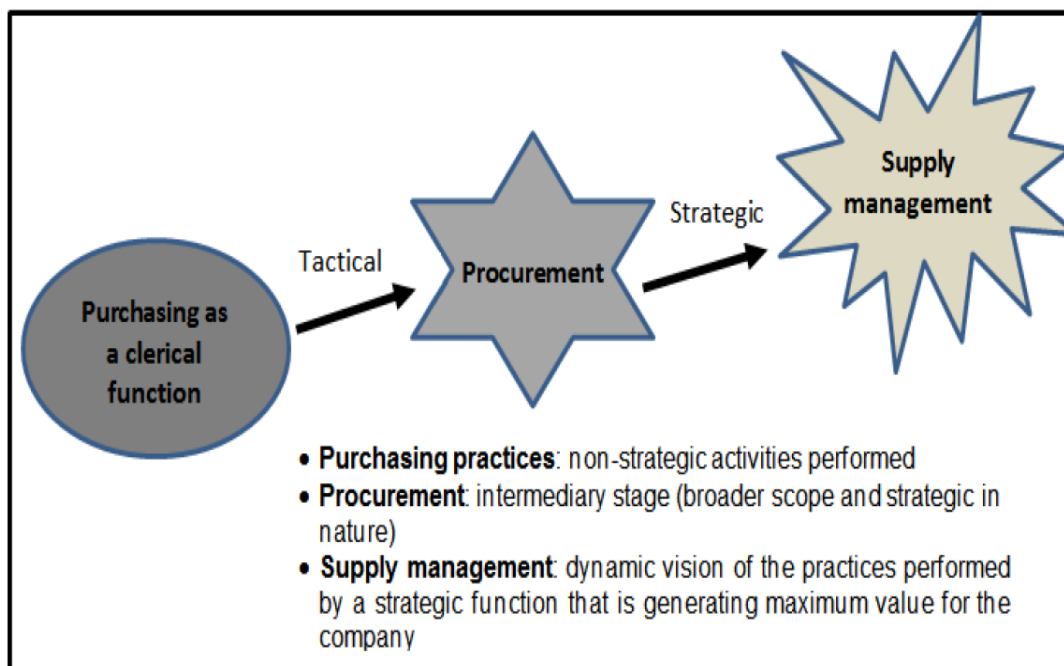


Figure 2-2: The Evolution from Purchasing to Supply Management

Source: Stolle (2008:18)

Reflecting on the growing popularity of the notion of SCM in the public sector, existing literature suggested that this construct has been studied in a wide array of context

including as a concept and extension of logistics (Dumon, 1995; Christopher, 2005); management of upstream and downstream (Christopher, 2005); management and control (Gansler et al., 2004); management philosophy (Hugo et al., 2004); system approach (Leanders & Fearon, 1997); strategy (Ireland & Webb, 2007); and a framework (Naude & Ambe, 2013:13). Although these studies have laid the foundation to provide fresh insight into SCM literature in the public sector, what remains unclear is the applicability of SCM as a framework in the municipality setting.

2.5 Supply Chain Management in Local Government

2.5.1 The norms and standards of Procurement

It is widely recognised that SCM is considered as a framework for procurement in the public sector. Due to its influence, the SCM is the realm of public governance, there are uniform norms and standard of procurement in South Africa. There is SCM literature in the municipal setting, where these prescribed uniform norms and standard of procurement exist (Ambe, 2009; Naude & Ambe, 2013:13; South Africa, 1996; South Africa, 2000; South Africa, 2003):

2.5.1.1 Value for money (VFM)

VFM is considered one of the primary goals of every procurement system (Beukes, 2011:46). However, as Raymond (2008) observed, VFM is also considered as the most important principle in the procurement literature.

Figure 2.3 below reflected that in the public sector, Bauld & McGuinness (2006) commissioned a study on VFM to determine government policies and priorities which are advanced to VFM in order to achieve the best value for the money. As a result, public-private partnership (PPP) model that will be implemented will be subjected to audit (Beukes, 2011:46).

2.5.1.2 Fairness

In its preamble, the Constitution of South Africa (1996) indicated that BEE subscribes to good governance which is characterised by the principle of transparency and fairness (South Africa, 1996).

In analysing the latter, Beukes (2011:124) insisted that SCM officials must dispense their discretion in a fair, responsible and honest way in the bidding process. In doing so in line with the SCM discourse as depicted in Figure 2.3 below, all parties are required to comply with the highest ethical standards to promote; mutual trust and respect and an environment where business can be conducted in a fair and reasonable manner with integrity.

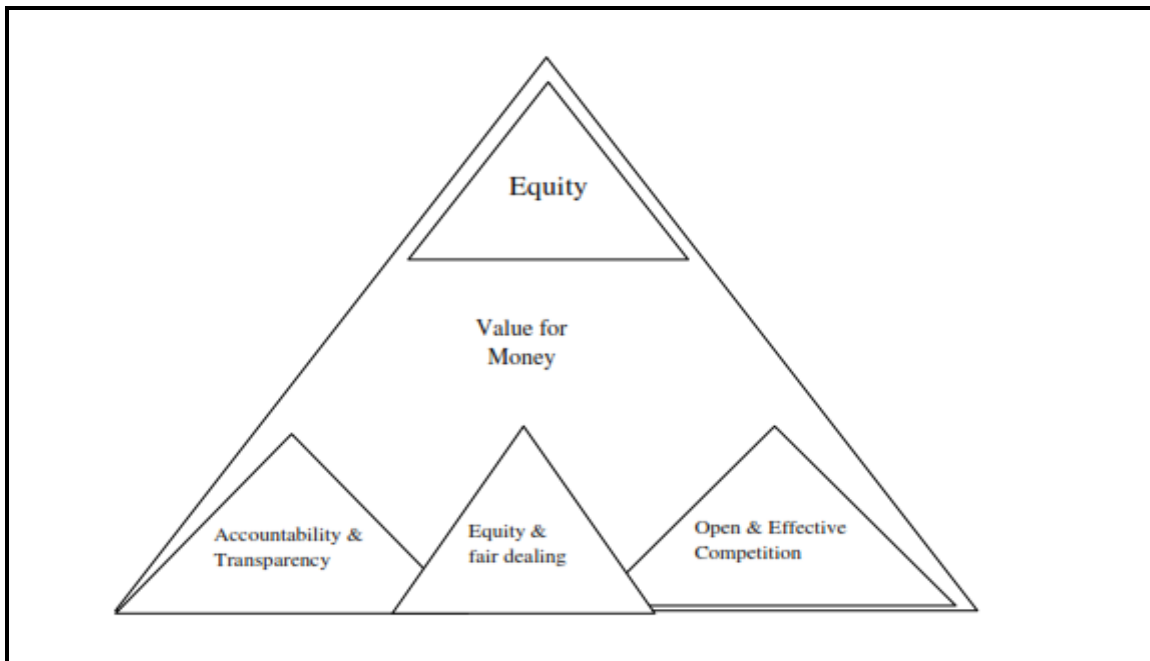


Figure 2-3: Pillars of good public procurement

Source: Mlinga (2006)

Considering the aforementioned promotion of the highest ethical standards, Beukes (2011:8) concurs that the public officials always compromised its implementation.

2.5.1.3 Transparency

The Constitution of South Africa (1996) as a supreme law of the land dictates that transparency and accountability must be adhered to during the tendering process. Considering the former (transparency) as per the constitutional imperative, MFMA within local sphere of governance also promote transparency and accountability in the municipal setting (Mashamaite, 2013:92). Figure 2.3 above within Organisations for

Economic Cooperation and Development (OECD) countries, transparency is important for ensuring accountability and minimizing corruption. In many countries, the adequate level of transparency to ensure fair and equal treatment of providers and integrity in public procurement is a cause of concern (OECD, 2007:11). Due to unprecedented attention in developed and developing countries, government procurement is one area where corruption is rampant. Transparency requires governments to adhere to higher standards of conduct by ensuring that conduct will be open to scrutiny (Smith-Deighton, 2004). Beukes (2011:124) cautioned that this principle of fairness has always been undermined and this is in contrary to the section 217 of the Constitution of South Africa.

2.5.1.4 Competition

Documentary evidence points out that competition is also one of the principles of SCM in procuring goods and services in the public sector (South Africa, 1996; South Africa, 2003; Raymond, 2008; Webb, 2000:7). Raymond (2008) explained that competition is the means by which most goods and services are procured as reflected in Figure 3.2 above. Webb (2000:7) reveals that competition requires a framework of procurement laws, policies, practices and procedures that are transparent and readily accessible to all parties and be open in the procurement process. Against this background, public competitive bidding is the means by which most goods and services are procured. However, some SCM officials' behaviour in local municipalities negates fair competition in the bidding process as they engage in corrupt tendencies.

2.5.1.5 Cost-effectiveness

The South African legislative and policy framework, a system of procurement must be fair, equitable, transparent, competitive and cost-effective in procuring goods and service (South Africa, 1996; South Africa, 2003). The latter, cost-effective in procurement as shown in Figure 2.3 above depends on a specialist's skills to ensure that buying requirements are reliably determined, appropriate contract strategies are developed, contracts are well managed and opportunities are seized to secure the best deals at the right time and at the right price. The importance of drawing up accurate and realistic strategic plans cannot be overestimated. At times there is an absence of coherent plans which is a challenge facing many local municipalities.

2.5.1.6 Ethics

Kasim (2016:119) defines procurement ethics as a set of principles of public procurement as reflected in Figure 2.3. High ethical conduct is a prerequisite for being upheld by the majority of purchasing professionals and the same logic also lies within the SCM officials at the ELM. Besides, some do not even know what is expected of them (Atkinson, 2003). Furthermore, if ethics are not observed and the workforce is not adequately educated in such matters, this may lead to serious consequences, including breach of codes of conduct (Naude & Ambe, 2013:13). All government officials associated with procurement, particularly those dealing directly with suppliers or potential suppliers, are required to, recognise and deal with conflicts of interest. Ethics ensure that SCM officials do not compromise the standing of the state through accepting gifts or hospitality which is tantamount to fraud and corruption in the public sector (Webb, 2000:6).

2.5.2 The components of SCM

The acquisition of goods and services in the public administration discourse, is underpinned by various components of SCM described below (Ambe, 2009; Ambe & Badenhorst-Weiss, 2012; Beukes, 2011).

2.5.2.1 Demand management

The concept of demand management was defined differently by different procurement scholars. Ambe & Badenhorst-Weiss (2012:11005) consider this notion as an identification of a need assessment (demand) which precedes the implementation of SCM whereas Ambe (2009:429) view it as the first element of SCM. Ambe (2009:429) reiterates further that, in order to fulfill the needs identified during the strategic planning process, the total needs assessment should be undertaken. This is whereby the requesting department is required to accurately specify its procurement needs (Pienaar & Vogt, 2012:200). This can be enabled by the use of an IDP which is a tool used to identify local priorities in order to drive local economic development (South Africa, 1996 South Africa, 2000; South Africa, 2003). The IDP creates a groundwork for demand management as shown in Figure 2.4 below. During the IDP process,

demand management is utilised to identify the local needs and priorities (Ambe & Badenhorst-Weiss, 2012:11005). In procurement landscape, demand management ensures that resources are delivered at the correct time, price and place and that the quantity and quality satisfy the needs (Ambe & Badenhorst-Weiss, 2012:11005).

2.5.2.2 Acquisition management

Ambe & Badenhorst-Weiss (2012:11005) define acquisition management as the management of procurement. As Reflected in Figure 2.4 above, Beukes (2011:30) insisted that in the management of procurement, the acquisition of goods and services is of paramount importance. Ambe (2009:429) affirms that such a process is not limited to the evaluation bids (comprise of bid committees; consult register for defaulters; range of procurement systems; establishment of total cost of ownership of assets; bid adjudication; appointment of consultants amongst others (Ambe, 2009).

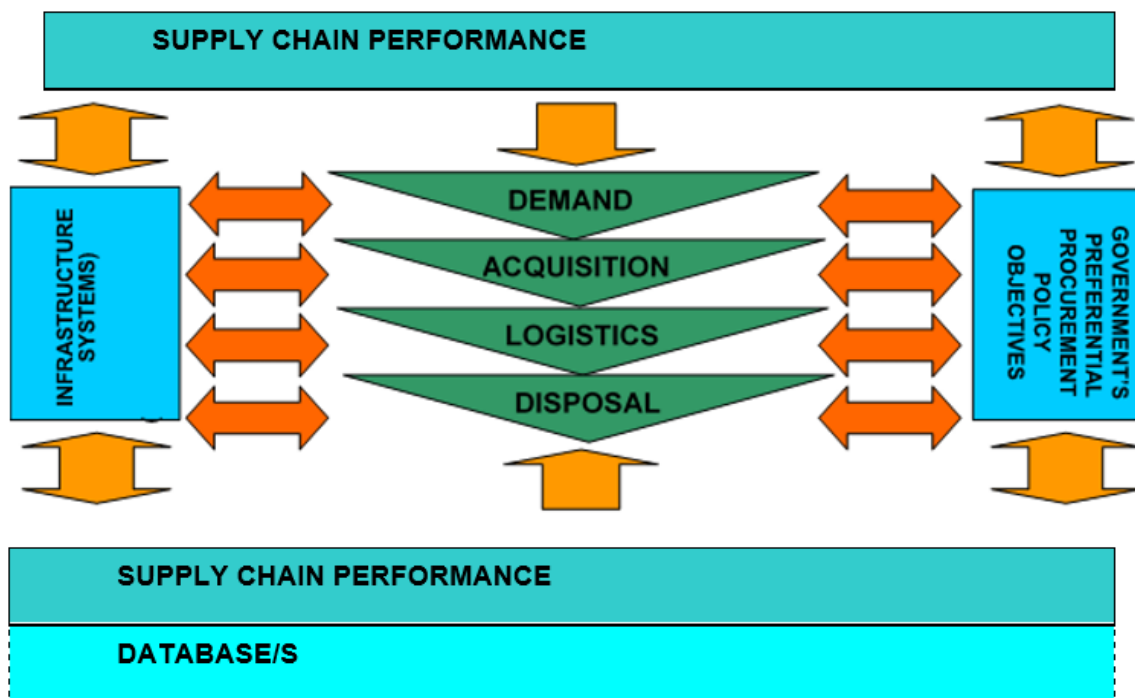


Figure 2-4: Government's SCM Model

Source: National Treasury (2004:10)

In turn, it requires that every acquisition fulfills a specific need (Pienaar & Vogt, 2012: 198).

2.5.2.3 Logistics management

In the acquisition process, logistics management is another aspect used in the procurement processes as one of the components of SCM as depicted in Figure 2.4 above. However, the narrative of local government institutional responsibility is to bring efficient procurement systems that cannot be separated from the logistics management in the procuring goods and services. In public procurement systems, logistics is referred to as the process of strategically managing the acquisition, movement and storage of materials (inventory) through the organisation and its marketing channel (Ambe & Badenhorst-Weiss, 2012:11006; Migiro & Ambe, 2008:233). The applicability of logistics management unfolds as strategically managed acquisition, movement and storage of materials; cost fulfillment of orders; ensure effective flow of goods, services and related information from the point of origin to the point of consumption. Through this, efficacy is required for logistics customer value (Ambe & Badenhorst-Weiss, 2012:11006; De Villiers et al., 2017:7; Migiro & Ambe, 2008:233).

2.5.2.4 Disposal management

Disposal management depicted in Figure 2.4 above is another component of SCM. Disposal management is an SCM component viewed as the leasing away of assets that are no longer needed, including unserviceable, redundant or obsolete assets. The disposal management pragmatic objective gives effect to the consideration of old planning, the creation of a database of redundant material, inspecting material for potential reuse, determining a disposal strategy and executing the physical disposal process (South Africa, 2004).

2.5.2.5 Performance management

It is widely recognised that external suppliers procuring goods and services on behalf of government must meet and exceeds the institutions' expectations (Ababio, Vyas-Doorgeparsand & Mzini, 2008:10). Both Figure 2.4 and 2.5 indicated that Supply chain performance means monitoring progress undertaken in a retrospective analysis to determine whether the processes have been followed and if the desired objectives have been achieved.

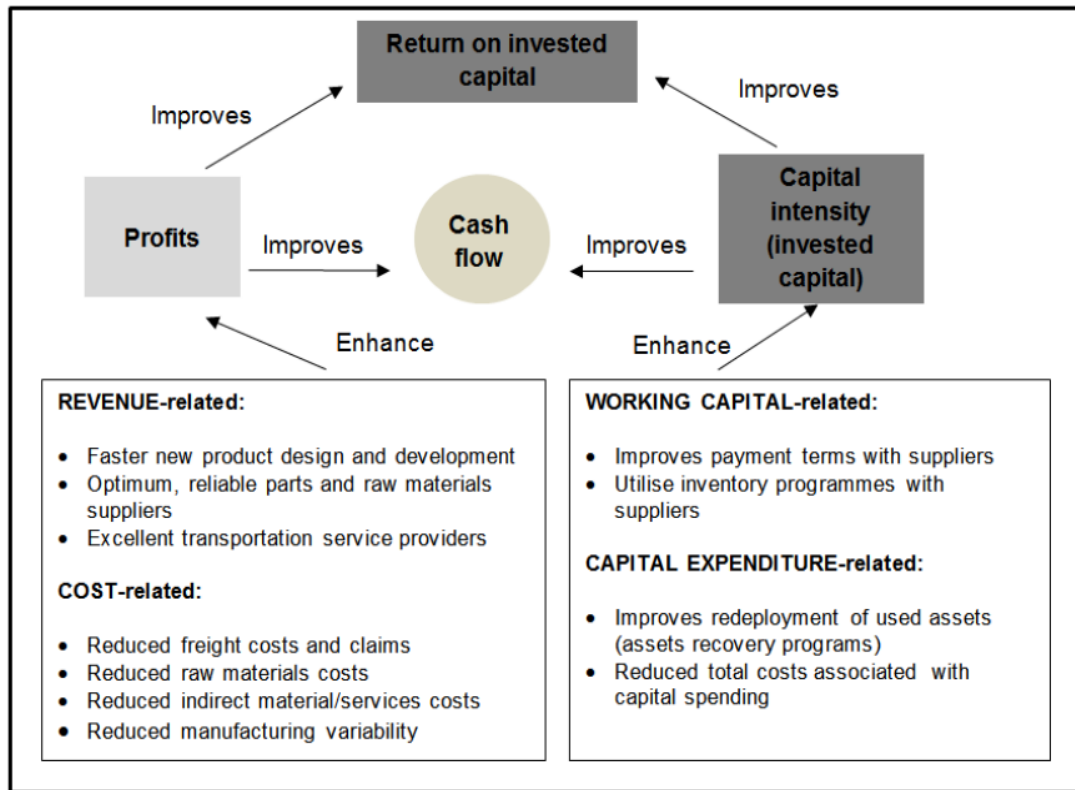


Figure 2-5: Performance improvement framework

Source: Rudzki & Trent (2011:6)

This should be done to track record those suppliers and their efficiency (Ababio *et al.*, 2008). In a similar way, customer service received and the quality of goods supplied are considered as two most commonly used measures in supplier performance measuring system (Pienaar, 2011:196). At the local sphere of government, Integrated Development Plans (IDPs) of municipalities are monitored when assessing service delivery (Vyas-Doorgapersand, 2014:74. The quality of performance information is premised on the outcomes and impact of the efficient and effective service delivery will also be monitored. The usage of the National Treasury template for measuring performance is deemed important. Unfortunately, the AG is misled by the gross performance report by municipal officials exposing on the poor service delivery radar (Bogopa, 2013:115).

2.5.2.6 Risk management

Risk management is also considered as an important factor of the SCM components as shown in Figure 2.4 above. Moller (2012:39) admits that risk management is the management of supply chain risks through coordination among the supply chain partners. Risk management as a field of study is growing at a fast pace (Ambe, 2009; Moller, 2012:39). Risk management is an unintended or unexpected outcome of a decision; make provision for identifying, consider and avoid risk as well as provision for adequate cover for residual risks (Ambe, 2009). The most recurring theme here is that it is crucial for finance managers to compile risk management plan in order to handle risks in their procurement management (Ababio *et al.*, 2008:12).

Ambe (2009:431) asserts that avoiding risk and the provision for adequate cover for residual risks lies squarely with the management. The SCM aims to add value at each stage of the process from the demand for goods or services to their acquisition, managing the logistics process and finally, after use, to their disposal. In doing so, it addresses deficiencies in current practice related to procurement, contract management, inventory and asset control and obsolescence planning (Ambe, 2009:428).

2.5.3 The benefits and challenges

2.5.3.1 The benefits of procurement

There are salient benefits associated with procurement as a framework. These salient benefits are inventory reduction, cost reduction and improved service delivery. Added to this credence in procurement literature are a number of clear benefits to the public sector for effective management and controlling SCM. Some of the clear benefits include better risk allocation, greater visibility, greater opportunities for innovation, better-defined requirements, and improved ability to identify risks or bottlenecks and better quality.

Given this background, the effective use of the supply chain systems contributes to the wider agenda of improving efficiency and value for money in the public sector's commercial activities. This can also promoting competition, not just at first tier supplier

level, but across the wider supply. Through its developmental role, ELM as a local sphere of government is required to improve service delivery within its area of jurisdiction. What remains unclear is how effective procurement can be used to enhance service delivery at ELM. The controversy surrounding procurement and its effectiveness triggered the need to conduct this research.

2.5.3.2 The challenges impeding procurement

2.5.3.2.1 Lack of proper knowledge, skills and capacity

Ambole & Muturi (2016:1084) claim that the implementation of procurement reforms has been common in developed and developing countries. Recent procurement literature reviewed suggested that the formal training and procurement policies are key aspects that influence the efficacy of public procurement. Other scholarly literature suggested that sound procurement has to be a professional job (OECD-DAC, 2006). Beukes (2011:14) argues that the majority of municipalities in South Africa have shown that officials in SCM are not adequately trained to execute their jobs hence the lack of capacity in requisite project management and financial management. Lekubu (2013:128) affirms that local government in South Africa is underperforming due to a shortage of skills. Bogopa (2013:113-114) contends that skill shortages, lack of expertise and incompetencies as well as inadequate qualifications hinder SCM officials in senior positions to carry out their functional responsibilities in various departments. Although the overwhelming majority of the SCM officials have undergone skills training and development through workshops on SCM, there is still a noticeable deficiency in the applicability of knowledge on proper implementation of SCM processes and procedures (Ambe, 2006; Migiro & Ambe, 2008:241).

2.5.3.2.2 Ethics and conflict of interest

The non-disclosure of financial interests by senior public officials harm the integrity of their departments and could cause conflicts of interest (Lekubu, 2013:129). The competitive bidding arena is undermined by supply chain officials conflicted with self-interest. This practice sees unscrupulous suppliers landing government contracts and thereafter failing to perform, resulting in more losses and limited economic investment. The reality is that the public procurement environment is facing serious challenges

such as malpractices which undermine the proper application of the procurement systems. Beukes (2011:13) argues that, that the consequence of not declaring interest shows an unfair advantage over technical knowledge and undermines the fair and competitive tendering process.

2.5.3.2.3 Non-compliance with SCM policy and regulations

Notwithstanding that World Bank has influenced procurement reforms involving laws and regulations, the major obstacle, however, had been inadequate regulatory compliance (Ambole & Muturi, 2016:1070). The AGSA founded out that, the ability for proper record keeping was also undermined by procurement officials; which compromises the accountability as documents were not submitted for auditing (AGSA, 2011).

The SCM policy requires each government entity to adhere to developed and implement a customized SCM policy. Therefore, non-compliance with SCM policy and regulations leads to poor efficiency and effectiveness. This can be attributed to lack of requisite SCM skills and competencies as well as the absence of a stricter regulatory culture. Previous extensive literature noted that non-compliance to SCM policy was due to lack of skills, capacity and knowledge of the workforce to fully implement SCM across various spheres of government (Ambe & Badenhorst-Weiss, 2011b; Matthee, 2006 & Van Zyl, 2006).

Inadequate planning and linking demand to the budget an abundance of literature in public procurement pointed out that, procurement reform has been at the centre stage across the globe. Substantive literature indicated that inadequate planning is another major challenge affecting SCM implementation across municipal departments in South Africa. The improper planning and linking demand to budget impede the procurement system implementation (Ambe & Badenhorst-Weiss, 2011a).

A worrying trend identified in previous literature shows the lack of capacity to adequately plan (budget) particularly the projection or estimate of revenue (Balkaran, 2013:62). Many municipalities in South Africa are unable to manage budgets of their projects and leaving budgets unspent while projects are uncompleted (Public

Protector Report, 2011:23). However, many government entities are still faced with the challenges of in-proper planning and linking demand to budget. This may be attributed to limited skills and capacity and that training and workshops are vital for successful implementation of SCM (Ambe and Badenhorst-Weiss, 2011b).

2.5.3.2.4 Inadequate and inconsistency to risk management/irregularities in SCM

The proponents of public administration claim that risk management and the lack of internal control environment are barriers affecting effective procurement. The implementation of risk mitigation procedures can be averted through the effective utilisation of SCM policy and procedure. The manipulation of procurement systems due to fraud and corruption and other administrative malpractices affect the effective delivery of services in municipalities in South Africa. The lack of understanding regarding the concept of SCM and its inextricable link to long-term quality service delivery, human capital development and associated socio-economic growth may be the root cause of problems beleaguering SCM in government (Boateng, 2008). In contrast, proponents of public administration argued that procurement systems cannot function properly and deliver much-needed growth and infrastructure unless backed by sound fiscal policy and dedicated budgetary cycle (Malcolm, Watermeyer, Jacquet, 2003).

2.5.3.2.5 Stakeholders' involvement

In South Africa, each municipality is required by legislation to identify its stakeholders to support local government procurement systems (Nkuna, 2013:69). However, this stakeholder involvement in the local government sphere is shaped by the notion of emancipatory governance. The moral foundation bestowed on local government is to establish a consultative forum attuned to the demands of the citizenry in fulfilling the developmental role of the local government (South Africa, 2000). In procurement discourse relevant to this research, this means stakeholders such as civil society organisations should be part of the procurement process.

2.5.3.2.6 Inadequate monitoring and evaluation of SCM

Monitoring of procurement should be a continuous process so that obstacles towards achieving intended objectives should be identified and mitigated (Mlinga, 2011). Strong monitoring and evaluation systems provide the means to compile and integrate this valuable information into the policy cycle, thus providing the basis for sound governance and accountable public policies (Acevedo *et al.*, 2010).

The monitoring and evaluation of procurement systems determine the efficiency and effectiveness of the whole supply chain management process. The lack of monitoring and evaluation culture in a municipality leads to a poorly controlled environment and the government entities are placed in a difficult position to give effect to or implement SCM as required by the policy.

2.6 CONCLUSION

In this chapter relevant academic literature that formed an integral part of this research such as public procurement, procurement system and supply chain management (SCM) in the procurement landscape was reviewed. Documentary analysis was used which involved concepts and texts that build necessary foundation for the deep investigation of the efficacy of the procurement system at ELM. Furthermore, legislative prescripts and policy frameworks were also reviewed in order to justify the efficacy of the procurement system in the municipal settings. A cursory review of the literature on procurement reform in developed and developing countries in general inclusive of South African local municipalities, in particular, were scrutinised. Tapping from the literature on procurement reform reviewed globally, this study has observed that both developed and developing countries continue to shape and dictate the efficacy of the procurement system at the local government level. The following chapter provided an overview of the study area.

CHAPTER 3: AN OVERVIEW OF THE STUDY AREA

3.1 INTRODUCTION

The previous chapter reviewed relevant literature in the procurement landscape. From this theoretical perspective, the systematic literature was reviewed from concepts that formed an integral part of this research such as procurement, procurement system and supply chain management (SCM). These concepts that build necessary foundation for this study are deeply rooted and premised on the Resource-based View Theory (RBT) towards investigating the efficacy of the procurement system at ELM.

Chapter 3 formed the basis for investigating the efficacy of the procurement system and ELM is considered as a research setting. As a local sphere of government, this study focused on the ELM's vision, mission and strategic objectives. Furthermore, the socio-economic challenges such as the population, household size, poverty, economic growth, employment and education have a bearing on local governance and were also synthesised. In this chapter, the political-administrative linkage at the heart of the ELM's governance underpinning clusters and departments responsible for the efficacy of the procurement system was thoroughly looked into for the provision of service delivery.

3.2 GAUTENG PROVINCE: AT GLANCE

Studies conducted in various provinces of South Africa showed that procurement is fast gaining momentum at local government level (Motsiri, 2010:1-22; Stemedede, 2009:1-120; Singh, 2010:1-100; Thobane, 2011:1-85; Rantseli, 2014:1-67). Figure 3.1 below depicts Gauteng which Emfuleni Local Municipality (ELM) located at the economic powerhouse of this country. This province covers an area of 18 179 km² in size. The Gauteng Integrated Master Plan (2013:12) has identified this province as the smallest province in South Africa. Provincial statistics has estimated that this province is home to over 11 million residents (The City-Region Observatory (GCRO), 2011). From 2001 to 2013, as the Census (2011) revealed, Gauteng had a population of 36.3% which shows a significant growth. However, this rapid growth in population has mounted pressure on service delivery as the procurement of goods and services in the entire province became difficult (ELM LED Strategy, 2015:4; Stats SA, 2011).

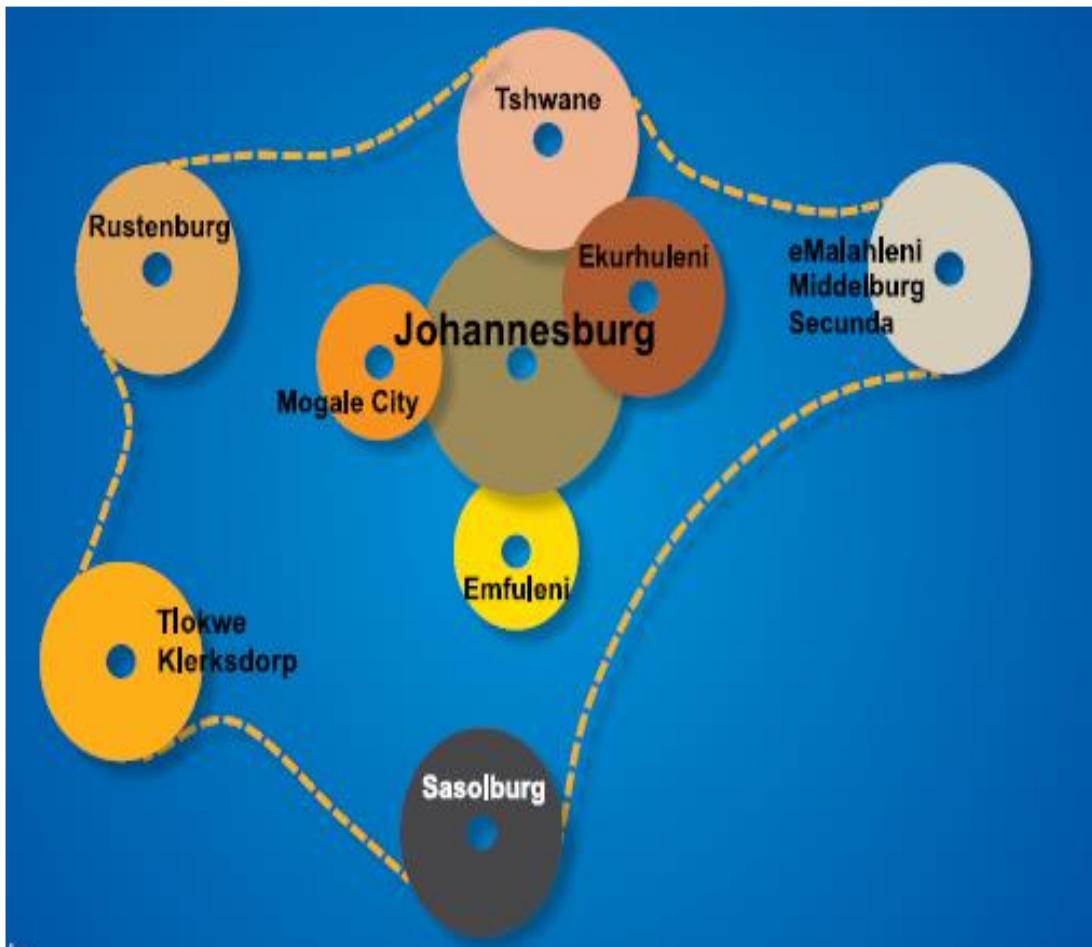


Figure 3-1: The Gauteng Regions

Source: Gauteng Integrated Transport Master Plan (GITMP) (2013:21)

In the Post-1994 era, the Gauteng Province features a diverse range of different metropolises, districts each with a number of local municipalities. Amongst the metropolis in this province, are the City of Johannesburg (CoJ), The City of Tshwane and Ekurhuleni while Sedibeng and West Rand comprised the Gauteng's district municipalities. Looking briefly at these district municipalities in Figure 3.1 above, there is clear evidence of seven (7) local municipalities in these urban settings. Van Oselen (2012:1) observed that three falls under the Sedibeng District Municipality (SDM) in the Vaal.

3.3 SEDIBENG DISTRICT MUNICIPALITY (SDM) Context

In South Africa, in Gauteng Province lies Sedibeng District Municipality (SDM) south of Johannesburg. As one of the district municipalities in the Gauteng Province, SDM is a category C district municipality (Mzini, 2015:533). Looking briefly at these district municipalities, there is clear evidence of seven (7) local municipalities in these urban settings. Van Oselen (2012:1) observed that three namely, Emfuleni, Midvaal and Lesedi Local Municipalities fall under the Sedibeng District Municipality (SDM) in the Vaal shown in Appendix A attached (Mzini, 2015:533; Van Oselen, 2012).

3.3.1 SDM'S Vision, Mission and Core Values

3.3.1.1 SDM's Vision

The White Paper on Transformation of Public Service (1995) states that, the public sector needs managers who does not only have organisational and technical skills, but also the vision and leadership skills to formulate innovate policies. Given this view, the SDM's vision as shown in Appendix A attached embedded in: Building towards a developmental Metropolitan River City of choice.

3.3.1.2 Mission Statement

To promote and sustain Integrated Service Delivery that enhances and Support the municipality to achieve growth and development for its community.

3.3.1.3 Strategic objectives

- To promote efficient and effective Integrated Services that addresses the socioeconomic and environmental development imperatives of the Region;
- To Implement Prudent and Cost-effective Financial Management and Sustainability;
- To ensure Good Governance and sound management practices; and
- To ensure effective Service Delivery.

3.3.1.4 Core Values

These values are based on an inclusive of all Batho Pele Principles; integrity, transparency, accountability, service excellence, trust and honesty.

Table 3-1: SDM Total Population

SDM TOTAL POPULATION				
Local Municipality	2003	2008	2013	Average Annual Growth
Emfuleni LM	656,000	688,000	732,000	1,10%
Midvaal LM	70,800	84,900	101,000	3,61%
Lesedi LM	75,900	90,600	110,000	3,74%
SDM	802,801	863,803	942,470	1,62%

Source: NLM IDP (2015/2016:34)

Madzivhandila & Dlamini (2016:609) state that unemployment is ranked amongst the top socio-economic problems in many African countries. The municipality has an estimated population of 916 484 people (Statistics South Africa, 2011). Giving credence to the vision, mission, strategic objectives and core value in the across the SDM reflected in Appendix A attached and Table 3.1 above, there are previous studies that focused on procurement literature in the district and metropolitan municipalities in South Africa along the Sedibeng District Municipality (Motsiri, 2010); Tshwane Metropolitan Municipality (Thobane, 2011), Ekurhuleni Metropolitan Municipality (Rantseli, 2014), amongst the others. Although these studies have laid the foundation for providing fresh insights into procurement literature in the district and metropolitan setting, the majority of these studies did not investigate the effectiveness of the procurement system. This has left a huge gap which is yet to be filled. This means investigation of the efficacy of the procurement system in the district and municipalities remains largely untapped. This study intends to close such research gap by providing alternative propositions on how procurement should be conducted in ELM.

3.4 AN OVERVIEW OF EMFULENI LOCAL MUNICIPALITY (ELM)

3.4.1 Establishment and land area

The Emfuleni Local Municipality (ELM) traces back its origins to the first democratically elected government in 1994 spanning more than two decades. This municipal area has been created in 2000 out of the emerging administrative and political structures of the greater Sedibeng District Municipality (SDM) in South Africa. Irrespective of the emerging administrative and political structure, the challenge is poor implementation of procurement procedures hence the search for efficacy in its procurement system.

ELM is located in the SDM's area and it is the locus of this research. Figure 3.2 indicates that ELM has become a tourist destination associated with other forms of economic development. Figure 3.2 below illustrated that this municipality covers an area of 987.45 km² with total assets of R12 billion as well as a total budget of R6.2 billion, respectively (ELM, IDP, 2015/2016:12). Yet, this budget is not linked to the strategic objectives of this municipality.

3.4.2 The ELM's Mission, Vision

3.4.2.1 The Vision

Mbecke (2016:16) points out that South Africa is the only country committed to the construction of a developmental state. From such a developmental discourse, ELM is envisioned to become a developmental city that continuously improves the quality of life of its communities.

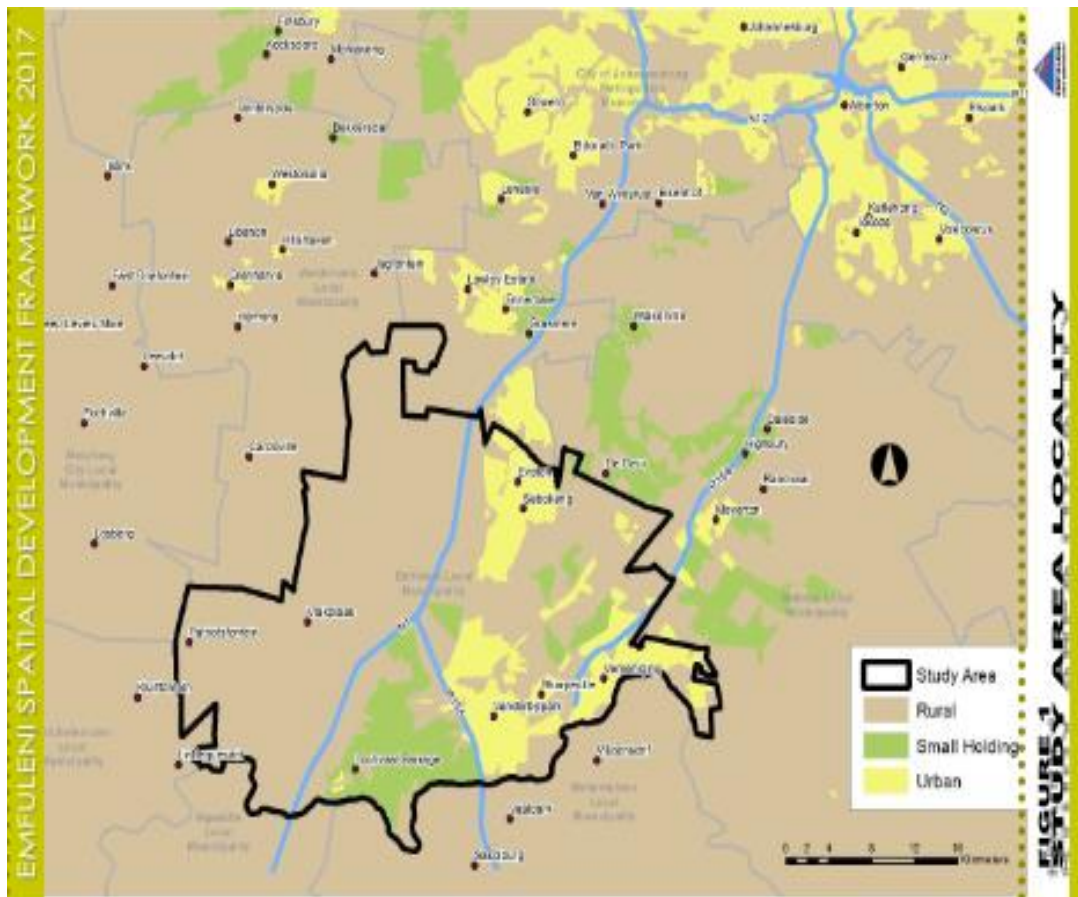


Figure 3-2: The study area: ELM

Source: ELM's Spatial Development Framework (SDF) (2011:13)

3.4.2.2 The Mission

As the locus for this research study, ELM's mission has thus been devised in line with the strong commitment for the provision of efficient and effective public services. As a developing state, South Africa, has been experiencing leadership and governance challenges as public officials often fail to exercise accountability and respond to the needs of citizens in local municipalities (Mgwebi, 2010).

3.4.2.3 Motto

“Vaal River City, the Cradle of Human Rights”

3.4.2.4 Values

Subscribe to Batho-Pele Principles as well as being responsive, disciplined accountable, transparent, respectful and honest.

The foregone vision, mission and strategic objectives are basic examples of how much procurement systems are fostered and values, yet public officials become trapped in theft, bribe and embezzlement within this local municipality.

Against this background information of the ELM, research related to this local municipality has been increasing. Tshabalala (2009) lamented that for more than a decade, there is a dearth of studies focusing on public participation, community participation, community-based organisations, community expectations and perceptions, performance management and performance management systems (Ludidi, 2010; Moletsane, 2014; Mkhumbeni, 2010; Moss, 2014; Ngwenya, 2015).

Furthermore, procurement was found to be missing in the following; on the job training (Mampane, 2009); employee assistance program (Mosia, 2009); balanced scorecard (Ggiba, 2015), institutional capacity (Mathe, 2013); Local Economic Development (LED) (Van Vuureen, 2009). From these empirical studies, the efficacy of the procurement system was not extensively addressed in ELM. As a result of this research deficit in this procurement literature, effective procurement systems have remained unclear and less understood in the ELM context.

3.4.3 The socio-economic factors

In pursuance of the vision, mission and strategic objectives of the ELM, South Africa faces many socio-economic challenges such as poverty, growing inequality, low level of education, lack of skills, a high rate of unemployment and the HIV/AIDS pandemic among others (Arko-Achemfour, 2012:121). In order to test this proposition, there are general socio-economic factors from ELM which have been identified. These include population, poverty, economic growth, employment and education amongst others which will be discussed as follows:

3.4.3.1 Population

To give credit to this research approach, credible evidence suggested that ELM's population differs significantly from other major cities (Stats SA, 2011).

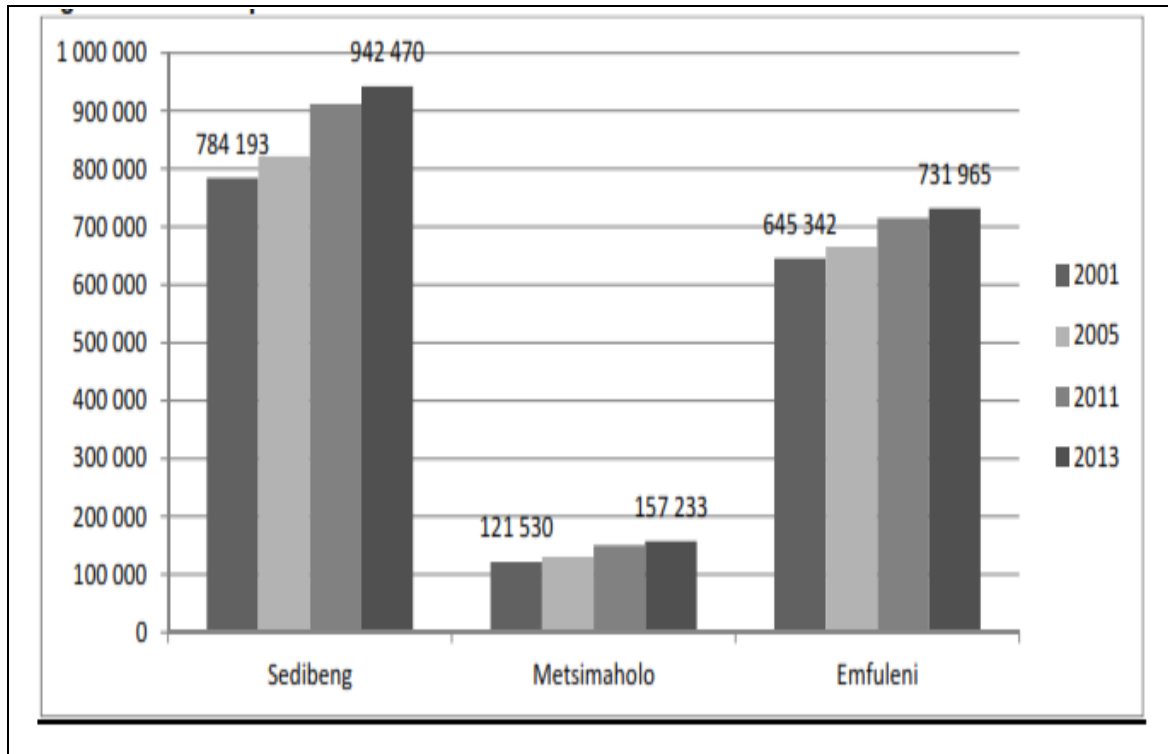


Figure 3-3: The ELM's Population

Source: ELM LED Strategy (2015)

In Table 3.1 across SDM, ELM's population constituted 82% of the SDM population. In this local municipality, approximately 82% of this population consists of a mixture of blacks, coloured, Indians, whites and Asians. In both Table 3.1 and Figure 3.3 above, the evidence from the census data of 2011 reveals that while Gauteng, SDM and Metsimaholo Local Municipality (MLM) experience growth in population ELM showed the lowest (Stats SA, 2011). Yet, these population figures showed a negative bearing on the provision of goods and services within the jurisdictional area of the ELM. Tapping from these statistics, there was a need to investigate the efficacy of the ELM's procurement system to ensure the effective provision of goods and services to the people.

3.4.3.2 The Number of Households

Another socio-economic challenge in this local municipality is the size of the household.

Table 3-2: The Number of Households

Year	Group	Gauteng	Sedibeng DM	Metsimaholo LM	Emfuleni LM
2001	African	2 070 774	171 679	27 921	145 441
	White	700 222	47 887	7 576	34 645
	Coloured	79 950	2 215	151	1 828
	Asian	63 447	1 797	100	1 585
	Total	2 914 393	223 578	35 748	183 499
Year	Group	Gauteng	Sedibeng DM	Metsimaholo LM	Emfuleni LM
2010	African	2 966 186	230 070	36 429	188 122
	White	673 248	45 238	8 634	28 615
	Coloured	113 440	3 243	285	2 452
	Asian	92 953	2 206	200	1 735
	Total	3 845 827	280 757	45 548	220 924
Year	Group	Gauteng	Sedibeng DM	Metsimaholo LM	Emfuleni LM
2011	African	3 052 004	235 057	37 436	191 391
	White	669 391	44 967	8 904	27 959
	Coloured	115 955	3 320	292	2 485
	Asian	95 272	2 216	197	1 708
	Total	3 932 622	285 560	46 829	223 543
Year	Group	Gauteng	Sedibeng DM	Metsimaholo LM	Emfuleni LM
2013	African	3 254 264	248 814	40 213	201 178
	White	655 331	45 862	9 701	27 786
	Coloured	120 944	3 367	344	2 478
	Asian	99 897	2 262	222	1 693
	Total	4 130 436	300 305	50 480	233 135

Source: ELM LED Strategy (2015:7)

In 2013, the Sedibeng District Municipality experienced a decreased average in household size from 3.4 to 3.1 persons per household in 2013 (SDM, 2015:37). Table 3.2 above illustrated that the average household size in ELM is the largest compared to other local municipalities in the District.

3.4.3.3 Poverty

Since 1994, the post-apartheid South Africa institutionalised reforms towards the socio-economic development aimed at alleviating poverty and unemployment (Mzini, 2012:94). Mohlapamaswi, Sebola & Mathebula (2015:628) concur that, the South African government support poverty alleviation initiatives on a sustainable basis guided by ethics and principles for ensuring adherence and accountability (Mzini,

2012:100). In essence, unemployment is both a cause and a result of poverty situation in which people find themselves in (Mohlapamaswi, Sebola & Mathebula, 2015:628).

Table 3-3: Number of people living in poverty: 2001-2013

Year	Group	Gauteng	Sedibeng DM	Metsimaholo LM	Emfuleni LM
2001	African	2 491 265	287 410	42 647	244 861
	White	60 067	5 811	962	3 725
	coloured	86 894	3 608	156	2 728
	Asian	22 499	734	0	635
	Total	2 660 725	297 563	43 765	251 949
2011	African	3 464 839	318 459	50 077	264 004
	White	66 785	5 197	770	2 822
	coloured	115 096	3 975	246	2 932
	Asian	47 935	1 185	7	866
	Total	3 694 655	328 816	51 100	270 624
2013	African	3 882 283	352 791	56 674	291 982
	White	66 916	4 906	823	2 513
	coloured	122 588	4 164	293	3 028
	Asian	46 612	1 075	14	740
	Total	4 118 399	362 936	57 804	298 263

Source: ELM LED Strategy (2015:12)

Mzini (2012:94) maintains that, under these circumstances, poverty is still rampant in South African communities. The local sphere of government, such as ELM is required to play a very important role in alleviating poverty through local economic development initiatives. Table 3.3 shows that from 2001 to 2013, the number of residents who live in abject poverty has increased. Yet, a similar trend can be witnessed in many ELM's townships such as Sebokeng, Sharpeville and Bophelong (ELM IDP, 2016/2017).

3.4.3.4 Economic Growth

As one of Africa's growing economic hub, South Africa has the largest economy on the continent (Chigudu, 2015:647). The country attained independence at the pinnacle of high unemployment, impoverishment and homelessness (Mohlapamaswi, Sebola & Mathebula, 2015:623). South Africa is seen by most African countries as both a hub for economic activity and a unifier (Mohlapamaswi, Sebola & Mathebula, 2015:620).

Table 3-4: Gross Domestic Product (GDP) as a % of the annual real group

Area	2000	2005	2010	2013
Gauteng	5.7	5.4	3.4	2.2
Sedibeng DM	-0.1	4.6	5.1	-0.3
Metsimaholo LM	8.7	10.3	6.8	2.2
Emfuleni LM	-0.5	4.2	4.8	-0.5

Source: LED Strategy (2015:27)

Since the advent of democracy in 1994, the South African government was faced with a host of challenges inherited from the previous apartheid regime. These challenges manifested themselves in contemporary local government where service delivery is still a challenge leading to socio-economic disparities in communities (Thai, 2001). Despite some improvements in the South African general economic systems, Gauteng Province, in particular, ELM is at the most difficult and most skeptical in terms of the economic growth as shown in Table 3.4 above. ELM's residents have registered sincere concerns over underdevelopment in this area. Compared to the rest of SDM, this area (ELM) is both politically and economically underdeveloped (Mofokeng, 2013).

3.4.3.5 Employment

In Africa, unemployment is ranked high among the most pressing socio-economic problems (Sharma, 2013). In South Africa, employment is one of the factors that are inter alia determine whether people are secured in terms of the fixed amount of income or not (Guylani, Talukdar & Jack, 2009).

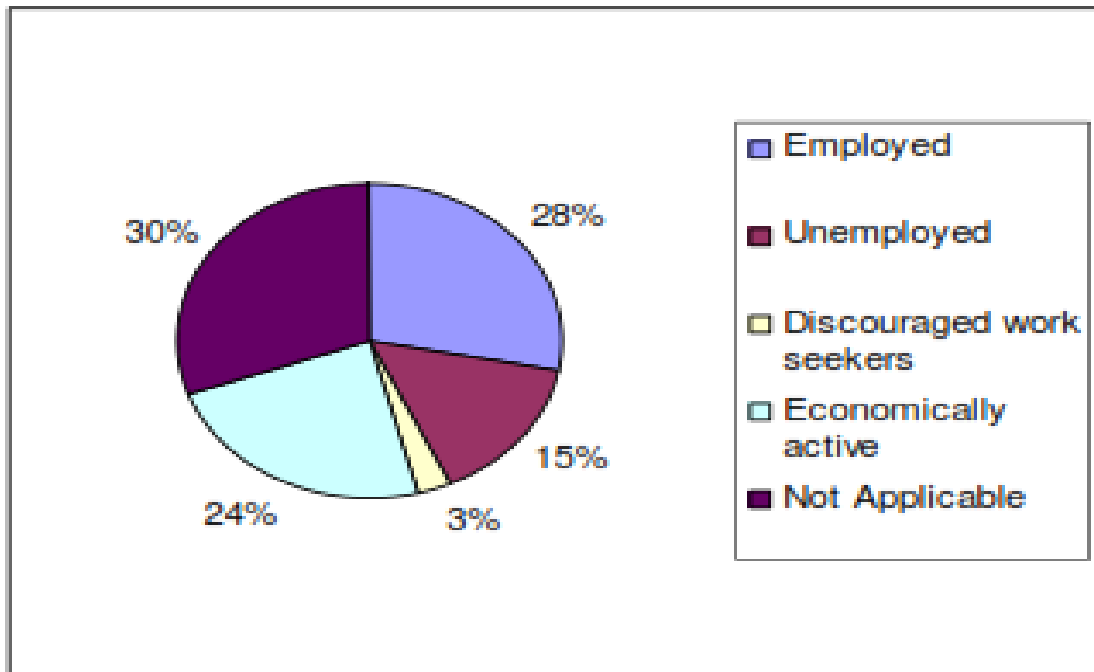


Figure 3-4: ELM's Employment Status

Source: Stat SA, Census, 2011

The above pie chart shows a trend that has regressed due to South Africans willingness to engage in a self-employment venture. However, 26.4% of South Africans remain unemployed in the quarter of the year 2015 (Mohlapiamaswi, Sebola & Mathebula, 2015:628).

Despite this ample evidence unemployment still blamed for most social ills in the South African society and perceived as a cause of concern at the ELM (Arko-Achemfour, 2012:122; Guylani, Talukdar & Jack, 2009 & Sharma, 2013). Evidently, in Figure 3.4 above, 30% of the ELM's residents remained unemployed and this affects the non-payment of municipal services in South Africa and ELM is not excluded (ELM IDP, 2017/18: 25; Mavhungu, 2011:15). Figure 3.5 below depicts that community services, manufacturing, trade, and finance are key economic factors to alleviate unemployment in the ELM area.

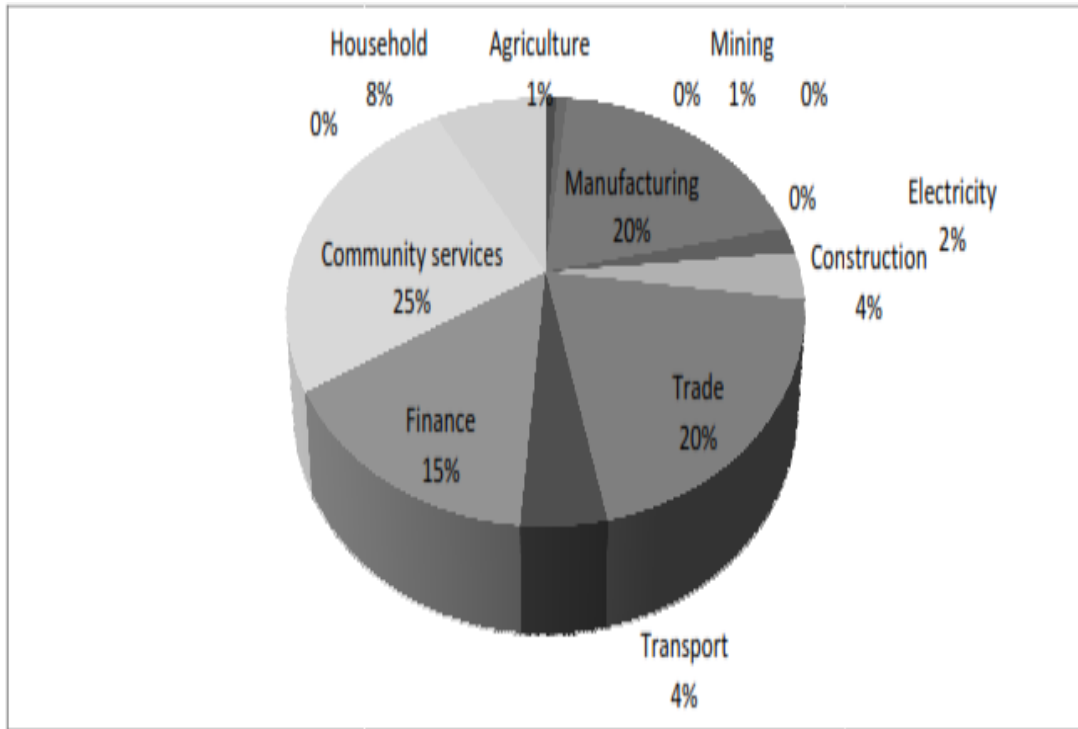


Figure 3-5: Percentage of the employment sector in ELM

Source: LED Strategy (2015:38)

The Municipal Manager (MM) and the councillors of ELM are under pressure to take immediate action against unemployment as this can trigger community unrest and forms of violence. The lack of unemployment in ELM's has in the past caused violent protests that culminated into intimidations of municipal officials and theft in the surrounding business centres.

3.4.3.6 Education

The current South African education system has not yet promoted independent thinking, creativity, risk taking abilities. This translated to poor procurement in local government as the newly employed procurement officers are not well capacitated to enhance efficiency in the service delivery programmes (Ganescu, 2014).

In order to achieve modernisation, ELM has undertaken measures to mitigate high illiteracy as shown in Figure 3.6 below. However, an Executive Mayor cautioned that the government cannot go alone in the battle against this scourge (Mofokeng,

2013:12). High illiteracy levels have seen delays in the budgeting and procurement processes of the municipality (AG, 2013).

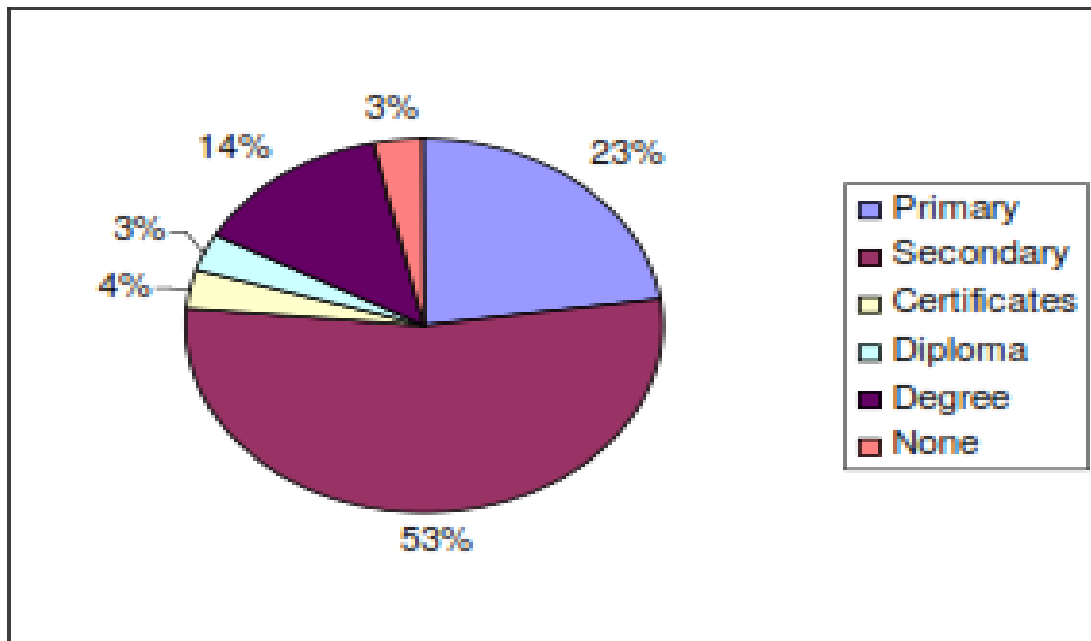


Figure 3-6: Education Level in ELM

Source: Stat SA, Census, 2011

This shortage of skills in ELM and lack of knowledge on procurement rules and regulations led to poor review of the financial statement and performance information prior to submission for audit (AG, 2012).

3.5 POLITICAL- ADMINISTRATIVE GOVERNANCE AT ELM

The departure point here is the political and administrative structures within the study area depicted in Figure 3.8 below. The emergence of the political-administrative nexus gives insight to the local government leadership that consists of the municipal council and elected officials (Siegel, 2010:141). This insight necessitates the key strategies for the efficacy in the procurement system at ELM.

3.5.1 Political Governance

3.5.1.1 Municipal Council

Section 18 of Municipal Structures Act (2000) provided for the formation of the municipal council which consisted of representatives of different political parties on a proportional basis or a combination of proportional representation and a system of ward representation. This Act also provides for the full term of the Council. The Municipal Finance Management Act (MFMA) of (2003) recognises the municipal council as the highest authority in the municipality; the council's power is strengthened by significant powers of approval and oversight vested in it by provincial and national government departments.

A number of councillors, determined by the MEC for Local Government, may be designated as full-time. These councillors consist of the Executive Mayor, Speaker and Members of the Mayoral Committee (South Africa, 2000). From a political viewpoint, these councillors are considered as the cadre of leadership for a municipality.

3.5.2 Executive Mayor

ELM is headed by a Council which in turn elects the Executive Mayor. In line with the South African laws, the Office of the Executive Mayor is established within the legal prescript. Figure 3.9 above shows that the Executive Mayor remains at the political apex of the ELM (ELM IDP, 205/2016:41). In a mayoral executive system, the municipal council delegates executive powers and duties to an individual councillor, the executive mayor (Salga, 2006: 13).

Furthermore, the Speaker of the ELM has to mobilise the community to participate in the IDP process (ELM IDP, 2017/2018). The Executive Mayor is assisted by the Speaker and the Mayoral Committee empowered by the municipal council to manage the affairs of the ELM. The Executive Mayor, therefore, has an overarching strategic and political responsibility. The key element of the executive model is that the executive power is vested in the Executive Mayor, delegated by the Council, and his power is assigned by legislation.

3.5.2.1 Mayoral Committee

The Executive Mayor is also the first citizen of the District and attends ceremonial functions. Under the stewardship of the Executive Mayor is the mayoral committee. Particular focus will be the Executive Mayors, Speakers and Members of the Mayoral Committee as political leadership in the study area. The turbulent course of ELM's politics is complicated with a deficiency in leadership which renders the ELMS' procurement system inefficient and ineffective.

3.5.2.2 Council Committees:

The Council is responsible for all the decisions made in a municipality, but it may delegate specific functions to committees as provided in Section 80 Part 5: of the Municipal Structures Act, 1998. Chief among these committees reflected in Figure 3.7 above is the audit committee in the South African local government arena (Motubatse, 2016:1). The audit committee can be seen as a key component and indicator of good governance (Motubatse, 2016). In South African municipalities, the performance of these committees is not uniform. Some municipalities have strong committees while others are struggling, burdened with politically connected committee members that lack financial expertise, and inappropriate appointments and poor recruitment processes. For instance, the AG Report of (2012) showed that, the Municipal Manager of ELM did not fully utilise the oversight structure of the ELM's Audit Committee. This weaknesses can had an adverse effect on the procurement systems of the municipality.

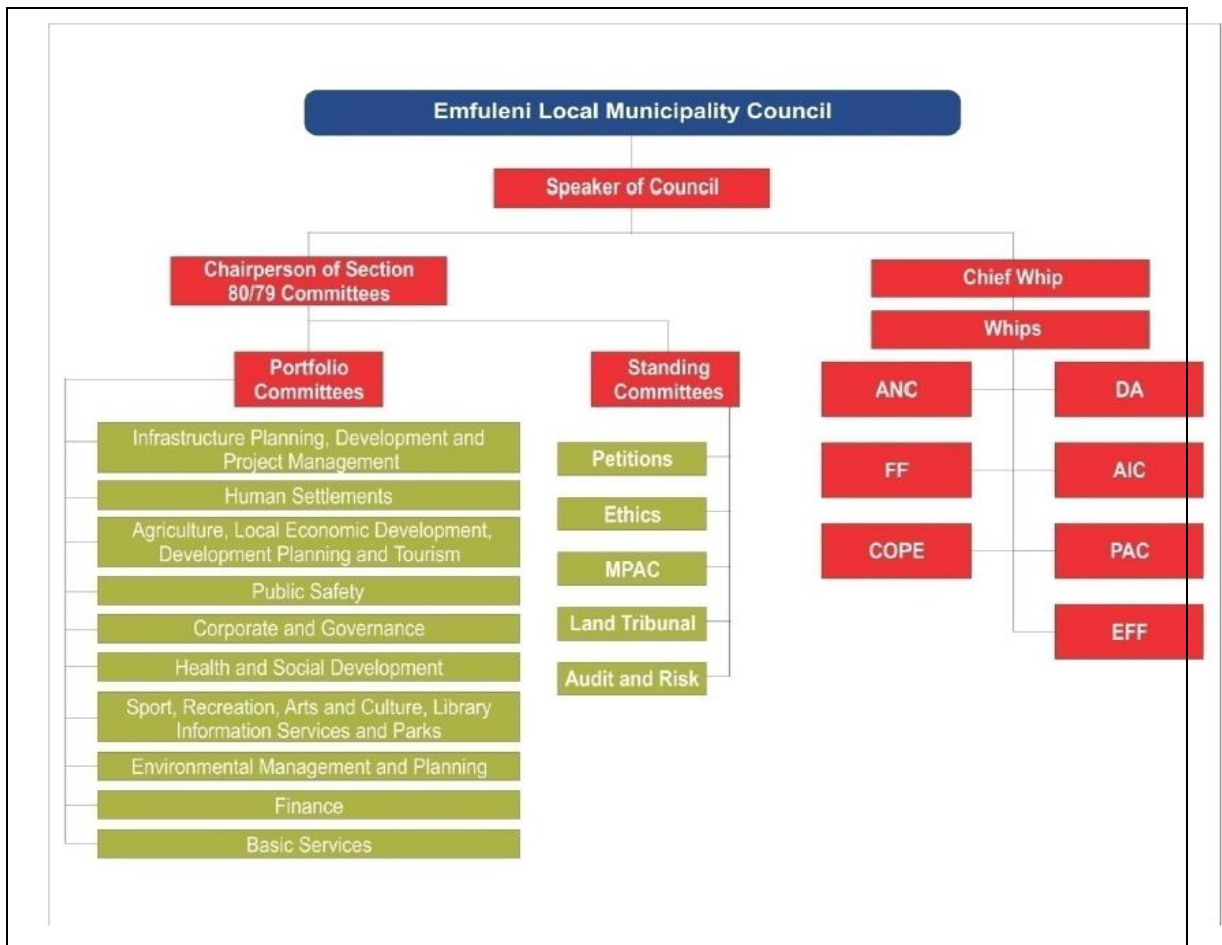


Figure 3-7: Council Committees

Source: ELM Final IDP (2017/2018:56)

3.5.3 Administrative Governance

3.5.3.1 Municipal Manager (MM)

Public administration scholars such as Van Baalen, Schutte & Von Leipzig (2015) indicated that, the MM position requires multiple skills, accountability and leadership. By virtue of the power vested on the Executive Mayor, the Municipal Systems Act (2000) calls for the Executive Mayor in consultation with the Municipal Council to appoint an MM who becomes the head of the administration and also an accounting officer for the municipality (South Africa, 2003). Section 54 A (1) of the Municipal Systems Act (No. 7 of 2011) as amended compels Municipal Councils to appoint a MM only if they have skills, expertise, competencies and qualifications. Giroux & McLelland (2003) and Zhang (2014) opined that municipal managers are required to

serve two masters, one political and the other administrative. These authors argue that their roles are thus influenced by political dynamics and they are expected to take responsibility for policy implementation (Giroux, & McLelland, 2003; Zhang, 2014). Thornhill (2012:137) argued that 66% of the municipal managers have less than two (2) years' experience in their posts.

Siegel (2010) argues that, at the administrative level, MMs are expected to exercise leadership over the full range of their control. Nelson & Svara (2015:51) argue that, the role of a municipal manager has been largely invisible, despite performing an active role, in the municipal administration (Siegel, 2010). Balkaran (2013:60) observed that qualification and experience of municipal managers is another matter of concern. Nonetheless, procurement systems at ELM, continue to be undervalued and underperformed due to poor administrative capacity.

3.5.3.2 Section 57 employees

The Executive Manager is a person to be appointed by the municipal council in consultation with the municipal manager. The role of an executive manager is to directly account for the municipal manager in terms of service delivery actions taken (Section 57 of the Municipal Systems Act, 2000). The ELM's governance system is constituted around the acceptance that policy ownership and control is a non-negotiable responsibility of the local municipality, whereas operational delivery could be provided by clusters through directorates, departments and divisions.

As the administrative head and the accounting officer, the MM serves as the implementation arm of the political leadership of the ELM in improving the sustainable livelihood of the ELM's residents regarding progress and service delivery by the various clusters and departments (ELM IDP, 2015/2016). The MM and the other executive managers from Finance, Economic Development Planning and Housing, Basic Services, Public Safety and Community Development, Corporate Services, Infrastructure Planning, Development & Project Management constituted the Senior Management Team responsible for the administrative leadership of the ELM.

In the ELM's highest echelons, there is indeed a grave concern of the MM and the Executive Mayor as the leadership of this municipality is equally responsible for the financial leadership of this area. However, the challenge is rooted in the leadership style and management (Schmidt, 2010:18). Another drawback at ELM is the lack of senior management support for training and development of the low-level staff. Another barrier is the unwillingness of senior management to apply sanctions against errant officials. This hinders the efficacy of the procurement system in the study area.

3.5.3.3 Clusters and Department

The legislative prescripts grant the Municipal Manager (MM) to oversee the central administrative functions of ELM and are supported by a team of Section 57 employees (The Municipal Systems Act, 2000). The MM is empowered to appoint managers as Deputy Municipal Managers (DMMs) (South Africa, 2000). At ELM, these DMMs are directly responsible and empowered as the accounting officers for various clusters varies from Finance, Economic Development Planning and Housing, Basic Services, Public Safety and Community Development, Corporate Services, to Infrastructure Planning, Development & Project Management. For this study, Chief Financial Officer (CFO) as the executive manager accountable to the MM will form part of this research inquiry.

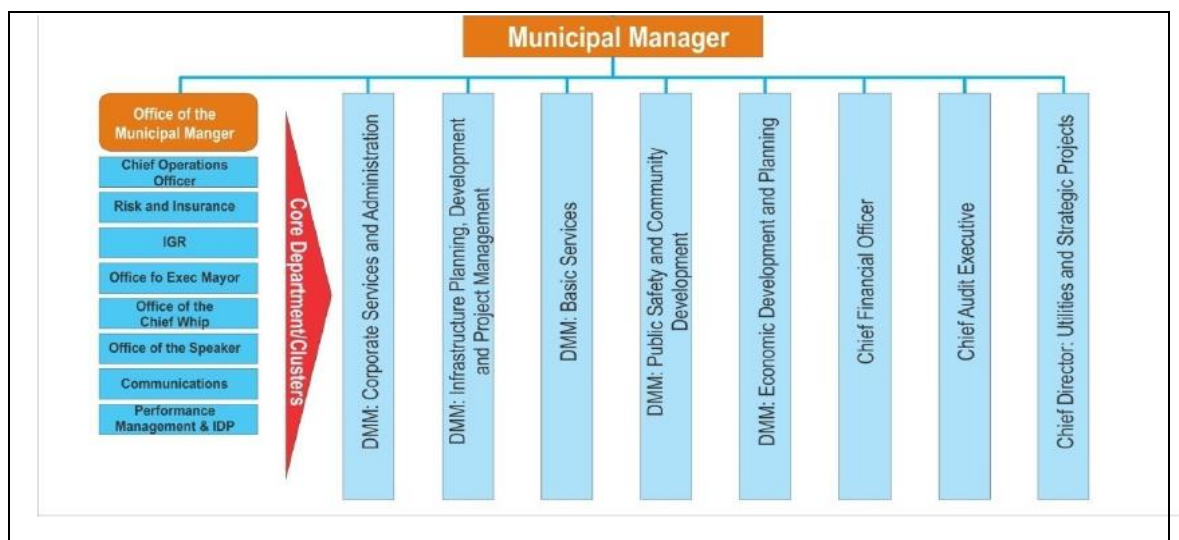


Figure 3-8: ELM Clusters

Source: ELM Final IDP, 2017/2018:54)

The ELM Final IDP (2017/2018:4) confirmed that there are 2 816 employees inclusive of temporary workers and councillors. From this workforce, 38 of them are people with disabilities which translated into 1.4 % while women account for 1% of the SMT (ELM Final IDP, 2017/2018).

3.6 FINANCE CLUSTER

The Chief Financial Officer (CFO) is at the helm of the Finance Cluster in ELM. As the accounting officer, he/she must ensure that budget preparation, control and the distribution of funds are in accordance with the prescribed guidelines and strategic goals (Borman, 2008:26). The drawback, however, is the lack of knowledge, skills and understanding of recognised procurement principles and knowledge of the procurement laws and regulations.

Section 39(1(a) of the PFMA cautioned that accounting officers of the departments must take effective and appropriate steps to prevent unauthorised expenditure (South Africa, 1999). In ELM, the central implementation agency is the Department of Finance. The Finance cluster is the core of municipal procurement systems as it releases funds meant for development projects.

3.6.1 The Functions and roles

In ELM, the finance department is responsible for ensuring the effective use of municipal resources. The department is further charged with maintaining full and proper records of the financial affairs of the municipality in accordance with any prescribed norms and standards and develop and implement effective revenue collection systems consistent with section 95 of the MSA and the municipality. Following the functions and roles of the Finance Department, the respective accounting officers, namely, MM, CFO and SCM Manager at ELM are expected to exercise their administrative oversight regarding financial and performance reporting of the procurement process.

3.6.2 Departments

In an attempt to increase the implementation of procurement policy, the Finance department in ELM is bestowed with functions and roles in its various clusters. At the

administrative level in the Finance department are the following departments: Finance Department, Budget Office, Revenue Management, Financial Control, Debt Management, Expenditure, Rates and Taxes and Supply Chain Management. The Supply Chain Management department forms the basis of this study towards investigating the efficacy of the procurement system at ELM. The finance department is the central implementation agency whilst the SCM monitors and enforces compliance. The SCM department in ELM suffers from poor senior management and it lacks support in training and development of the low-level procurement officers and specialists.

3.6.3 ELM Procurement Policy

The Municipal Systems Act requires ELM to develop a Supply Chain Management policy with legal and administrative obligation. As per policy framework, procurement is central to the government service delivery system and promotes aims which are arguably secondary to the primary aim of procurement which is using procurement to promote social, industrial or environmental policies (South Africa, 2000; Cane, 2004). Despite the existence of such a uniform system of procurement, some SCM officials despise it for their own manipulative processes.

3.7 CONCLUSION

This chapter focused on procurement in the context of ELM. Various issues such as political and administrative governance, the lack of effective leadership were assessed to see how they influence infrastructural projects and procurement malpractices in the municipality. The discussion of the literature revealed that ELM is experiencing ineffective leadership that has seen poor service delivery in communities. The chapter further unpacked the overview of the ELM which formed the basis to investigate the efficacy of the procurement system and ELM considered as a research setting. This municipality provides an excellent illustration of the interplay between the population, household size, poverty, economic growth, unemployment and education as socio-economic challenges to understand the efficacy of the procurement system in the study area. At the core of this chapter, the political-administrative linkage lying at the heart of ELM's governance underpinning clusters and departments responsible for

effective procurement system will be provided for the provision of service delivery. The following chapter focused on the methodology used in this study.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

The previous chapter explored the efficacy of the procurement system using ELM as a research setting. The chapter reviewed the vision, mission and strategic objectives of ELM. The political-administrative linkage rests at the heart of ELM's governance underpinning clusters and departments responsible for the efficacy of the procurement system has been under intense scrutiny for the provision of service delivery. This chapter discusses the methodology used for investigating the efficacy of the procurement system in Emfuleni Local Municipality. As a research setting, ELM was under intense scrutiny to understand the impact of procurement reform on its procurement system. This chapter followed a qualitative research methodology in order to provide a clear picture of a phenomenon with an aim of providing new insight into ELM procurement system. This chapter discussed the research design, the data collection techniques and data analysis techniques. It also discussed and motivated the validity of the instruments used to collect the data and ethical issues which needs to be taken into account in the study.

4.2 RESEARCH SETTING

The Emfuleni Local Municipality traced back its origins to the first democratically elected government in 1994 spanning for more than two decades into the new dispensation. This municipality area was created in 2000 out of emerging administrative and political structures of the greater Sedibeng District Municipality (SDM) in South Africa. Like all other local municipalities in South Africa, Emfuleni Local Municipality's supply chain management is closely monitored by the provincial government particularly the procurement system. The ELM extends along east and west of Gauteng province and covers a total area of 987, 45 square kilometers (ELM IDP, 2015/2016: 12) with an estimated population figure of 72 663 in 2011 (Stat SA, 2011). It has total assets of R12 billion as well as a total budget of R6.2 billion, respectively (ELM, IDP, 2015/2016:12). In this context, ELM has the obligation to make sure that service delivery is rendered, effectively and efficiently in local communities under its jurisdiction.

From such developmental discourse, ELM was envisioned to be a developmental City that continuously improves the quality of life in its community. ELM's mission has thus been devised in line with the provision of a public service with a strong commitment for the provision of efficient and effective service delivery. This local sphere of government subscribes to *Batho-Pele* Principles through Responsiveness, Discipline, Accountability, Transparency, Respect and Honesty. The foregone vision, mission and strategic objectives are basic examples of how procurement system is fostered in a quest for the efficacy and effectiveness of the procurement system. ELM uses public funds in rendering service hence it is required to procure goods and services in a process that is fair, open, transparent, competitive and cost-effective.

4.3 RESEARCH DESIGN AND METHODOLOGY CONSIDERATION

4.3.1 Research design

Webb & Auriacombe (2006:589) define a research design as a plan, a roadmap that allows the researcher to test the validity of his /her hypothesis or answers to his/her questions. This study employed the case study research design as the aim of this research is to investigate the efficacy of the procurement system in Emfuleni Local Municipality (ELM), a qualitative research design was deemed appropriate. In order to understand the efficacy of the procurement system at ELM, careful consideration has been applied regarding research design because the procurement process is a quite complex and multifaceted phenomenon to be quantified into numerical values (Leedy & Ormrod, 2010:94). As this topic is new and remained unexplored an explorative research design is applied to investigate the efficacy of ELM's procurement system.

4.4 DATA COLLECTION METHODS

In investigating the efficacy of the procurement system at Emfuleni Local Municipality, data was collected through secondary literature sources. Myer (2009:122) explains that secondary data refers to any data which you have gathered that have been previously published. Documents record what the author of the document wrote at the time. The documents used in this study include scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database available on

procurement practices both nationally and internationally. Key government documents such as Stats SA and AG Reports were used to solicit data on procurement. In addition, municipal official documents and records, mainly Integrated Development Plan (IDP), pre-procurement plan, policies, consultancy works and annual reports were examined to establish the efficacy of the procurement system at ELM. Payne and Payne (2004:60) affirm that documentary techniques are used to categorise, investigate, interpret and identify the limitations of physical sources, most commonly written documents, whether in the private or public domain (personal papers, commercial records, or state archives, communications or legislation). Auriacombe (2009:826) reiterated that these data collection methods are designed to help researchers understand the meaning people assign to the social phenomenon and to elucidate the mental processes underlying behaviors. Having persued the secondary sources the researcher deemed them fit for purpose since data from municipal documents could be validated by AG reports and other sources external to the municipality.

4.4.1 Literature review

In order for the researcher to get access to good-quality data, extensive literature was used (Bryman, Bell, Hirschsohn, Do Santos, Du Toit, Masenge, Van Aardt & Wanger, and 2016:268). The review of literature through desktop search was a preferred data collection method employing a content analysis method to understand the efficacy of the procurement system at ELM.

4.4.2 Key national government documents

Due to the abundance of literature and time constraints secondary data was utilised as a form of data collection in this study. The secondary data for this research retrieved from sources included scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database available used to deal with procurement practices both nationally and internationally. In an effort to supplement the secondary data collection sources key national government documents consistent with laws and policies such as Stats SA and A-G Reports.

4.4.2.1 Institutional documents

As a way of establishing the efficacy of procurement in ELM, municipal official documents and records, mainly Integrated Development Plan (IDP), for Emfuleni Local Municipality 2017/18, turnaround strategy, pro-poor policy, procurement plan, policies, consultancy works and annual reports were examined to establish the efficacy of the procurement system at ELM.

4.4.3 Texts and materials

In order to investigate the efficacy of the procurement system in ELM, the textual analysis used to interpret the review of text and materials from academic and professional literature in procurement. Among others, the text and materials were gathered from sources such as World Bank, UN Commission on International Trade Law (UNCITRAL), United Nations (UN) General Assembly amongst others and these organisations have been at the forefront of shaping the international procurement landscape. Empirical and scholarly literature on effectiveness, efficiency, efficacy, procurement, public procurement and procurement system was analysed.

4.4.4 Legislative Framework

The Acts, policies and official reports on parliamentary debates on sound financial management in procurement were used to solicit literature including SCM policies, deviation, Employment Equity policy and Delegation of Powers and Functions to determine the efficacy of the ELM procurement system.

4.4.5 Strategic documents

The study used strategic documents from government departments in South Africa. ELM strategic documents such as Integrated Development Plan, (IDP), Procurement Plan, Spatial Developmental Framework (SDF), pro-poor strategy, turnaround strategy among others were analysed.

4.5 TRUSTWORTHINESS OF DOCUMENTS

Credibility, Transferability, Dependability and Conformability

In qualitative studies the use of documents as data collection techniques raises controversy as their credibility, trustworthiness, transferability and conformability need to be assessed Lincoln (in de Vos et al. 2011:419-421). The aforementioned four principles have been tested in this study as it examines the efficacy of procurement in ELM.

Credibility shows an alternative to internal validity. This study tested the credibility of documents by employing official documents that have reliable information used by the government in planning processes.

Transferability can be used as an alternative to external validity or generalizability. In qualitative studies, researchers are encouraged to provide a detailed portrait of the setting in which the research is conducted. In this research, the aim is to give readers enough information for them to judge the applicability of the findings to other settings.

Dependability represents an alternative to reliability. The use of documents showed reliability reflected in a way that it provided an audit trail (the documentation of data, methods and decisions about the research) which was laid for external scrutiny.

Conformability is regarded sometimes as the final construct. Conformability in this study was achieved by adopting the traditional concept of objectivity which was well captured (De Vos *et al.*, 2011). When using documents in research these four principles are fundamental in every qualitative study hence they have been used in this study.

4.6 DATA ANALYSIS

Data analysis is the process of breaking down huge quantities of data into smaller manageable portions suitable for analysis (Mouton, 2001:108). Since this study entirely depended on secondary sources content analysis was used for analysing the collected information. Moyo & Madlopha (2016:104) indicated that content analysis was appropriate for analysing secondary data. Hsieh & Shannon (2005:1278) described content analysis as a data analysis technique suitable for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns (Hsieh & Shannon, 2005; Stemler (2001). Neuman (2006:322) defines content analysis as a technique for gathering and analysing the content of text while content refers to words, meanings, pictures, symbols, ideas, themes or any message that can be communicated and text is anything written, visual or spoken that serves as a medium for communication. The main goal of content analysis as Kalof, Dan and Dietz (2008:105) hold is to systematically classify words, phrases, sentences and other units of text into a series of meaningful categories. The main advantage of content analysis is that it provides the researcher with a structured method for quantifying the contents of a qualitative or interpretive text, and does so in a simple, clear and easily repeatable format (McNabb, 2002:414 in Myer, 2009:172). However, content analysis has its own limitations as it contains a built-in-bias of isolated bits of information from their context, thus, the contextual meaning is often lost or at least made problematic. Therefore; in determining the efficacy of procurement in ELM, a content analysis technique was crucial in examining the efficacy of the ELM procurement system.

4.7 DELIMITATION OF THE STUDY

This study was conducted in Emfuleni Local Municipality in Sedibeng Region in Gauteng Province of South Africa. The study examined the efficacy of the procurement system at ELM. This study enriched academic literature and provides an insight into public administration, financial and procurement management body of knowledge.

4.8 ETHICAL CONSIDERATION

Du ploy (2009:109) defines ethics as certain standard according to which a particular community or a particular group agrees to regulate its behaviour. When we speak of ethics in research we are talking about a set of rules that regulate the way in which one needs to conduct him/her when doing research. Since documentary literature was used to investigate the efficacy of the procurement system at ELM, one must look closely at the ethical implications relevant to this empirical study. The secondary data for this research was collected from the scholarly books, journals, publications, conference papers, legislation, newspapers and electronic database available. The study observed plagiarism which is an academic offense and all collected information from the documents was reported in an honest and truthful manner without any fabrication of data to suit the intended outcome. Stangor (2007:58) reiterates that ethical behaviour in social science includes honesty not only in conducting research but also in reporting it and giving proper credit for ideas. Therefore; the data gathered from documents was strictly used for academic purposes.

4.9 CONCLUSION

The chapter provided a detailed explanation of the research methodology used in investigating the efficacy of the procurement system in Emfuleni Local Municipality. As a research setting, ELM was under intense scrutiny in order to understand the impact of procurement reform on its procurement system. This study followed a qualitative research methodology to adequately provide a clear picture of a phenomenon aiming to provide a new insight into ELM situation. The following chapter discussed and presented data from documents using content analysis techniques.

5.1 INTRODUCTION

The previous chapter focused on the methodology used in investigating the efficacy of the procurement system in Emfuleni Local Municipality (ELM). This study followed a qualitative research methodology in order to provide a clear picture of a phenomenon with an aim of providing a new insight into a situation. This chapter presented data collected from documents in a qualitative manner. Content analysis was used to present the data which was arranged in themes following the flow of the research objectives.

5.2 A SYSTEMATIC REVIEW OF DOCUMENTS

The World Bank, UN Commission on International Trade Law (UNCITRAL) and United Nations (UN) General Assembly amongst others have shaped the international procurement landscape (Atkinson, 2006; Pautz, Watermeyer & Jacquer, 2003). In developed and developing countries including South Africa, a similar pattern of procurement reform is also evident (Agaba & Shipman, 2007; Arrowsmith, 2010; Bouwer et al. 2006; Jones, 2007; Mahmood, 2010; OECD, 2007; Maki, 2007; Ssenoga, 2006 & Hunja, 2003). This observation confirms the reality that procurement package is an analytical tool to diagnose the health of the procurement system (Wialliams-Elegbe, 2016:23; World Bank, 2002).

Given the intensity of the procurement reform in developed and developing countries, documentary data revealed that the recurring and escalating theme of the procurement reform continues to shape and dictate the efficacy of the procurement system at the local government level (Dza, Fisher & Gapp, 2013: 49-57). In South African context, Emfuleni Local Municipality (ELM) is not an exception to this procurement reform as it has undertaken several measures to revamp its procurement system. In spite of the previous literature, the findings of this research inquiry are peculiar due to the efficacy of procurement that has proven to be a global problem. The implications of the poorly enforced regulations are evident in South African local municipalities and ELM is no exception to this global problem. This situation can best

be understood by the diverse and enormous challenges and constraints impeding procurement system. The analysis of the extract literature follows subsequently.

5.3 A CURSORY LITERATURE REVIEWED: ELM's CONTEXT

This study adopted a qualitative approach in investigating the efficacy of the procurement system in Emfuleni Local Municipality and in achieving its aim. Extract secondary data has been obtained through a search for literature on procurement as a data collection tool. Precisely, this was also aimed at establishing what is known and what is still to be known about the efficacy of the procurement system in local governance? These questions also provoke the main question for this study: *“What is the efficacy of the ELM's procurement system”?*

In soliciting answers from the abovementioned main research question, extensive documentary literature points to an array of factors which constitute obstacles and impediments in the efficacy of the procurement system in the local government. This observed phenomenon warrants empirical inquiry considering the efficacy of the procurement system in the local sphere of governance.

5.4 PRESENTATION AND DISCUSSION OF FINDINGS OF THE STUDY

The extensive review of documents has shown various obstacles that incapacitate ELM to conduct effective procurement systems as a way of improving service delivery in communities. The result drawn from reviewed literature has been presented in themes using the content analysis technique. This study wants to focus on six critical factors that emerged as issues directly hindering procurement discourse. In exploring these issues, this study draws on knowledge, skills and capacity, ethics and conflict of interest, non-compliance to Supply Chain Management (SCM) policy and regulations, planning and linking demand to budget, risk management, stakeholders' forum as well as monitoring and evaluation. During content analysis, the emergence of these factors forms part of the integral inquiry in investigating the efficacy of the procurement system in Emfuleni Local Municipality. Through an extensive review of the literature, the interpretation of the secondary data revealed that these themes and constructs are factors to be analysed and discussed. These underlying factors are warranted as follows

5.4 The extent to which ELM complies with the legislation pertaining to the procurement process systems.

Globally, both developed and developing countries, international organisations, treaties and protocols have set a scene for procurement reforms (Beukes, 2011:14; Lekubu, 2013:128). The rationale behind procurement reforms is to review laws and regulations pertaining to procurement in public and private entities (Bogopa, 2013:113-114). Ideally, the ELM leadership was supposed to be championing this cause but as findings reflected, failed to comply with the procurement and SCM regulations in the awarding of tenders.

5.4.1 Constitution of South Africa, Act no 108 of 1996

As the supreme law of the land, the Constitution of South Africa (herein referred to as the Constitution of South Africa, (Act no 108 of 1996) in its Section 195 (1) is a point of departure in the deliberations of all the local municipalities in South Africa in terms of service delivery which is the main role of the procurement system in addressing socio-economic challenges. Yet, a similar pattern of poverty is prevalent in ELM townships such as Sebokeng, Sharpeville and Bophelong (ELM IDP, 2016/2017) since this municipal area is both politically and economically underdeveloped (Mofokeng, 2013)

Section 217, subsection (1) reflects that a system of procurement which is fair, equitable, transparent, competitive and cost-effective is pivotal to all organs of state in national, provincial and local for the acquisition of goods and services. Repeatedly, same pattern of Audit Reports (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016) have expressed opinion on conflict of interest, unauthorised, irregular, fruitless and wasteful expenditure as well misuse of PPP model in awarding tenders. This behaviour undermines open, fair, transparent, competitive and cost-effective tendering process in the procurement discourse which is in contrast with the constitutional prescript.

5.4.2 White Paper on Local Government, 1998

In pursuance with the constitutional principle, White Paper on Local Government, 1998 articulated that developmental local government through the formulation and adoption of the inclusive integrated development plan (IDP) (Maloka & Mashamaite, 2013:96). This process premised on the community participation as local government is committed to work with community and its partners. Other dimension and worrying trend in ELM is stakeholder participation which seemed to be ineffective and is a cause of grave concern. Furthermore, the Speaker of the ELM has evidently failed to mobilise the community to participate in the IDP process (ELM IDP, 2017/2018) which contravenes the White Paper on Local Government.

5.4.3 Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)

This legislative framework mandates all municipalities to enhance participatory governance in their area of jurisdictions. As local spheres of governments, local municipalities in South Africa should establish ward committees as a way of encouraging community participation. The participation of community members in issues of municipal governance help creates a healthy environment and human settlements in which all people can lead uplifted and dignified lives (South Africa, 1998b).

The amendment of this Act mandates the ELM's Council to develop mechanism for community participation. At ELM community participation seemed ineffective and defeats the purpose of this piece of legislation.

5.4.4 The Public Finance Management Act (PFMA), no 1 of 1999 as Amended

The PFMA was enacted in 2000 in South Africa to ensure tighter financial system and control (Esau, 2006:58). This Act of parliament in its Section 1, PMFA drew attention to the unauthorised expenditure where the amount to be spent is exceeded by the actual amount budgeted for. Similar pattern of Audit Reports (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016) have expressed an opinion on unauthorised, irregular, fruitless and wasteful expenditure which negates the intended purpose of this Act of parliament.

Section 38 (1)(a)(i) and 76(4)(c), of the PFMA, emphasised the importance of the constitutional principles, namely fair, equitable, transparent, competitive and cost-effectiveness as a pre-requisite when the National Treasury provided regulations for procurement system under the control of accounting officers or authorities. Section 39 (1) (a) further bestows effective and appropriate steps to prevent accounting officers from engaging in unauthorised expenditures. The current state of affair at ELM contravenes Section 38, 39 and 76(4) (c) due to lack of skills, knowledge, capacity (AG, 2012) for the SCM staff in carrying out their functional responsibility.

5.4.5 Municipal Systems Act (MSA) Act no of 32 of 2000 as amended

This Act of Parliament provided the universal access to essential services for all inhabitants of a local municipality (South Africa, 2000). This framework uses an IDP as an instrument for accelerating service delivery. Section 16 of the MSA, bestows responsibility to the local municipality to capacitate their local community and ward committees. In ELM, to some extent the flaws are due to ineffective stakeholder participation while Section 83(1) requires MM and CFO to meet competency levels.

This Act was amended in 2011 to ensure fair, efficient and transparent municipal administration in South Africa through the professionalisation of the local government (South Africa, 2011). This Act also laid a firm foundation ranging from skills, expertise, competency and qualifications amongst others in appointing municipal executive managers.

In ELM, to a certain extent flaws are due to ineffective stakeholder participation, unauthorised, irregular and wasteful expenditure coupled with administration leadership challenges, poor political oversight commitment, lack of skills, knowledge, capacity for the SCM staff in carrying out their functional responsibility. ELM's mismanagement of administrative processes flouted the spirit of good governance and frustrated the fairness, openness, transparency, competitiveness and cost-effectiveness that permeate the sound procurement system (South Africa, 1996; South Africa, 1998; South Africa, 1999; South Africa, 2000, South Africa, 2003). This shows that this local municipality is confronted with administrative leadership challenges and poor political oversight commitment. Evidently, two critical senior positions of deputy municipal managers (DMMs) in Basic Services and Finance are

left vacant for too long (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016) and that hinders efficacy of the procurement system. Furthermore, the committed and honest low level staffs suffer poor senior management support and commitment in training and development.

5.4.6 Municipal Finance Management Act (MFMA), Act No. 56 of 2003)

Just like PFMA, this Act of Parliament presents an indispensable instrument for financial reforms to be done in the municipal context. This Act drew its strength from sound financial management in the municipal environment. Drawing from this Act, its relevance is highlighted by the responsibility conferred on the individual municipal managers.

In its Section 80, budget and treasury offices must be established in any local municipality headed by a Chief Financial Officer (CFO) as its accounting officer (South Africa, 2003). Furthermore, this Act calls for prevention of irregular and wasteful expenditure (Section 32), establishment of Audit Committee (Section 166) and Audit Unit (Section 165), competency levels for MM and CFO (Section 83(1)). At ELM irregular and wasteful expenditure is still prevalent. The ELM's leadership did not utilise the oversight structure of their Internal Audit Committee (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016). Similar pattern of Audit Reports (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016) expressed an opinion on conflict of interest, unauthorised, irregular, fruitless and wasteful expenditure as well misuse of PPP model in awarding tenders.

Sections 52(d) articulates on Executive Mayor's failure to prepare table and approve the municipality's budget on time as raised by AG (Section 131). Another setback is the Executive Mayor's failure to prepare, table and approve the ELM's budget on time (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016). This has caused unnecessary delay due to poor linking of planning with estimated budgets (AG, 2013; ELM IDP Process Plan, 2017/2018:6) often caused by lack of SCM expertise that negates cost-effectiveness leading to inadequate funding.

5.4.6.1 Supply chain management policy

In the search for sound procurement reforms in line with the World Bank's best practice, the South African Cabinet adopted an SCM policy in 2003 that was implemented across all spheres of government. The SCM policy was aimed at implementing an SCM function. At its best, this function would be an integral part of financial management and would conform to international best practices (NT, 2005).

The findings from strategic documents revealed that issues regarding non-compliance in ELM emanated from the poor adherence to the SCM policy and regulations. This was further attributed to lack of the requisite SCM skills and competencies as well as the absence of a stricter regulatory culture. The findings from the AG report (2013) showed a consistent pattern of non-compliance to SCM policy was due to financial statements submitted for auditing which were not prepared in all material respect lack of skills, capacity and knowledge of the workforce to be able to fully implement SCM across various spheres of government (Van Zyl, 2006; Matthee, 2006; Ambe & Badenhorst-Weiss, 2011b). In ELM despite the creation of such a uniform system of procurement, some SCM officials were maliciously failing to comply with the ELM SCM policy.

5.5 CHALLENGES CONFRONTING THE EMFULENI MUNICIPALITY PROCUREMENT SYSTEM

5.5.1 Lack of proper knowledge, skills and capacity

Findings from ELM procurement documents have shown that formal training and procurement policies are key aspects that greatly influence the efficacy of public procurement (Ambole & Muturi, 2016:1084). In ELM, there is a strong commitment to providing effective and efficient service delivery to the communities in such local municipalities. This assertion is informed by an advanced level of proper knowledge, skills and capacity (IFAC, 2014:24). Prior literature evidence has pointed that adequate capacity in the form of appropriate structures with fully skilled and professional Supply Chain Management (SCM) personnel is a key success to Supply Chain Policy implementation Ambe, 2006; Migiro & Ambe, 2008:241). From the

analysis of data, the previous financial year's delivery of service at ELM proved otherwise as compounded by skills shortage in procurement sector (ELM Annual Report 2016/17).

The findings from performance documents for ELM revealed further that, the leadership disputes at ELM between the Executive Mayor and Municipal Manager (MM) as political and administrative leaders of this municipality negatively affected public procurement systems. Findings from the AG's revealed that the management at ELM is confronted with leadership challenges at the highest management echelon due to non-filling of two critical senior positions of Deputy Municipal Managers (MMs) (A-G, 2012; A-G, 2013; A-G, 2014; A-G, 2015; A-G, 2016). The findings reflected further that, this pattern has sparked more problems in various municipal departments such as Basic Services and Revenue Collection. In turn, this lack of knowledge, skills and capacity hinders efficacy in procurement system at ELM.

Documentary evidence pointed to further weaknesses in the SCM in ELM. For example, officials were not adequately trained for the job, lack of capacity in requisite project management and financial skills, understaffing, lack of expertise and competencies as well as inadequate qualifications for SCM officials in senior positions (Beukes, 2011:14; Lekubu, 2013:128; Bogopa, 2013:113-114). These empirical results make the shortage of skills, knowledge and capacity not only a South African problem but a global problem too. Another drawback at ELM as indicated in the Annual Report (2017) is the lack of senior management support in developing and capacitating the low-level SCM staff.

5.5.2 Ethics and conflict of interest

Findings from ELM strategic documents have shown an increased non-disclosure of financial interests by senior public servants which harms the integrity of their departments and potentially cause a conflict of interest (Lekubu, 2013:129). Evidence from the SCM reports indicated that in awarding of tenders, ELM officials are allegedly found to be engaging in nepotism and irregular awarding of tenders (A-G, 2012; A-G, 2013; A-G, 2014; A-G, 2015; A-G, 2016). The same A-G report identified a high degree of procurement malpractices in this local municipality which attests to poorly enforced policy and regulations with regard to SCM.

The findings from ELM Annual Report have revealed further a worrying concern during the awarding of tenders and in the implementation of Public-Private Partnerships (PPPs) as part of procurement processes. The procurement system in ELM has been marred by corruption where non-meritorious suppliers were landing huge government contracts and thereafter failing to deliver, resulting in unintended fruitless and wasteful expenditure.

The analysis of documents revealed further that ELM used to award tenders under the mask of PPPs and the pretense of skills transfer. Both the AG and the South African Municipal Workers Union (SAMWU) raised serious concerns about this practice, and the former, A-G considered this procurement practice as contrary to its intended purpose (A-G, 2012; A-G, 2013; A-G, 2014; A-G, 2015; A-G, 2016). On the other hand, the union insisted that this practice reduces jobs in the ELM. The previous audit reports showed a recurring pattern of conflict of interest in ELM which compromises the quality of service delivery. This is in contrary with Naude & Kuye's (2005) view that PPPs intended purpose is to provide the people with services in a cost-effective and efficient manner (Naude & Kuye, 2005:624). The reality in ELM is that the public procurement environment is facing challenges of malpractices which undermine the proper implementation of the procurement policy. Findings from documents revealed that the failure of senior management to apply sanctions against errant officials affect the efficacy of the procurement system in ELM.

5.5.3 Inadequate planning and linking demand to the budget

Findings from ELM strategic documents have shown that there was poor planning which saw a poor linkage between demand and the budget. This had a bearing on procurement. By linking IDP with Public Protector, the emphasis is firmly on identifying the procurement needs with points of service delivery supplemented by the annual budgets. An analysis of multiple reports shows that ELM has an asset value equated to R12 billion while a total budget for 2016/2017 financial year amounted to R6.3 billion rand. Besides, this budget is not linked to the strategic objectives of this municipality (A-G, 2013; ELM Final IDP, 2017/2018). This view is consistent with some scholars who argued that improper planning and linking demand to budget is

detrimental to the local government procurement systems (Ambe & Badenhorst-Weiss, 2011a).

The review of documents further indicated that ELM's population differs significantly from other major cities (Stats SA, 2011). There is a worrying trend identified in previous literature in the lack of capacity to adequately plan, (budget) particularly the projection or estimate of revenue (Balkaran, 2013:62). In turn, this hampered the prioritisation of need in the compilation of the municipal IDP. These views were arguably based on ELM reports that many municipalities in South Africa are unable to manage budgets of their projects and leaving budgets unspent while projects are incomplete (Public Protector Report, 2011:23). Municipalities such as ELM are failing to adhere to good practices of budget management although Chapter 4 and Section 21 (1) of the Municipal Systems Act (2000) require the Mayor of a municipality to prepare, table and approve the annual budget through a consultative process.

The ELM IDP Process Plan (2017/2018:6) ascertains that there was poor alignment between the IDP and ELM procurement plan. This led to poor public procurement which saw poor service delivery in communities. The evidence reflected further that in ELM delays in procurement are often caused by lack of understanding and misalignment in participatory budgeting process (AG, 2013). This is further attributed to high illiteracy level caused by lack of knowledge, skills and procurement expertise resulting in poor implementation of rules and regulations. The AG report (2012) confirms that owing to this deficiency, the financial statement and performance information for ELM was not reviewed prior to submission for audit. A study by Ambe and Badenhorst-Weiss (2011b) affirm that many government entities are still faced with the challenge of in-proper planning and linking demand to budget. These authors attributed the above situation to limited skills and capacity, acknowledged that training and workshop were vital for successful implementation of SCM (Ambe and Badenhorst-Weiss, 2011b). Secondary evidence showed that in ELM, there is inadequate planning and linking demand to the budget which is a trending pattern across local municipalities in South Africa.

5.5.4 Inadequate and inconsistent risk management irregularities in SCM

The review of ELM Annual Report (2017/18) revealed that risk management is a major challenge associated with lack of internal control measures in ELM. The prevalence of poor control measures emanates from the poor implementation of risk mitigation procedures that enable the effective utilisation of SCM policy and procedure. Evidence from ELM IDP Review (2017/18) revealed the lack of application of stringent internal control measures, which result in corruption and systems manipulation of the entire procurement process. These findings were corroborated by a study conducted by Zitha and Mathebula (2015:21) which revealed that administrative malpractices which include the unethical conduct of procurement officials go along with corruption, bribery, fraud and nepotism within government entities paralyse supply chain processes.

A cross-examination of extract procurement literature (A-G, 2013/2014; Ambole & Muturi, 2016:1084; Ambe, 2006; IFAC, 2014:24; Migiro & Ambe, 2008:241; OECD-DAC, 2006) uncover emerging risk factors that may impede sound supply chain management in ELM. This analysis was informed by lack of considerable improvement and shortcomings registered by the lack of knowledge, skills and capacity, ethics and conflicted interest, non-compliance to Supply Chain Management (SCM) policy and regulations (Ambole & Muturi, 2016:1070; South Africa, 2003; A-G, 2010-2011; A-G, 2011-2012; A-G, 2012-2013; A-G, 2013-2014; A-G, 2014-2015; Van Zyl, 2006; Matthee, 2006; Ambe & Badenhorst-Weiss, 2011b).

5.5.5 The lack of Stakeholders' involvement

The review of ELM IDP Review (2017/18) showed that the implementation of procurement policy was constrained by lack of stakeholder involvement. These findings concur with a study conducted by Nkuna (2013:69) which indicated that each municipality has to identify its stakeholders which are in relation to common stakeholder categories of municipalities. However, this stakeholder involvement in the local government is shaped by the notion of emancipatory governance. As enshrined in Section 16 of the Municipal Systems Act (Act no 32 of 2000), local communities are required to participate in the affairs of the municipality. This Act bestowed the moral foundation on local government to establish a consultation forum attuned to the

demands of the citizenry in fulfilling the developmental role of the local government (South Africa, 2000). At the helm of ELM is the elect Executive Mayor assisted by the Speaker. The latter, Speaker of the Council, must also mobilise the community to participate in the IDP process (ELM IDP Process Plan, 2017/2018:9).

The evidence from documents shows that in ELM there is a need for stakeholders such civil society organisations, donors and business people among others to be part of the procurement process. The turbulent course of ELM's politics is quite complex due to the composition of those at the helm and cadres deployees. Literature attested to the notion that citizen participation of local government issues is of paramount importance to service delivery (A-G, 2013/2014; Lekubu, 2013:129; Naude & Kuye, 2005:624).

The extensive review of official documents revealed that audit committees have been seen as key components and indicators of good governance (Motubatse, 2016). In South African municipalities, as the AG Report (2016) revealed, the performance of these committees is not uniformly effective. Some municipalities have strong committees while others are struggling, burdened with politically connected committee members that lack financial expertise, inappropriate appointments and poor recruitment processes. Findings from the AG Report (2017) revealed that, the Municipal Manager of ELM did not fully utilize the oversight structure of the ELM's Audit Committee. It should be noted from this claim that, the lack of stakeholders' forum and participation continually exposes ELM as a non-performing entity which can fuels tensions and service delivery protests.

5.5.6 Inadequate monitoring and evaluation of SCM

Findings from the Annual Report (2016/17) reflected that ELM failed to execute proper procurement procedures due to poor monitoring and evaluation. The ELM officials failed to recognise that, monitoring and evaluation of procurement processes should be done is a continuously so that obstacles towards achieving intended objectives are identified and mitigated (Mlinga, 2011). These findings corroborate well with a study conducted by Acevedo *et al.*, (2010) which revealed that strong monitoring and evaluation systems provide the means to compile and integrate this valuable

information into the policy cycle, thus providing the basis for sound governance and accountable public policies.

Findings from the reviewed strategic documents in ELM showed that the respective accounting officers, namely, MM, CFO and SCM Manager at ELM did not exercise their vested administrative oversight regarding financial and performance reporting of the procurement process (AG Report for ELM Municipality, 2017). In their study Mazibuko and Fourie (2017:109) supported the findings when they argued that the manifestation of unethical procurement practices will, therefore, relate to uncompetitive bidding, inadequate contract management, and the awarding of bids to employees and their family members, non-disclosure by suppliers, no supporting documents for procurement awards, using incorrect preferential point systems and thresholds, and acceptance of fewer than three quotations. Mkhize & Ajam (2006:769) indicated that performance measurement is developed (Mkhize & Ajam, 206:769) and as the planning process unfolds, multiple legislative requirement points that the procurement needs are developed into Key Performance Areas (KPA's) and Key Performance Indicators (KPI's).

The former KPA's, are linked to Service Delivery and Implementation Plans (SDBIP's) with detailed monthly revenue and expenditure (South Africa, 2000; South Africa, 2003). The state of affairs at ELM is that the Executive Mayor has shown an inability to prepare, table and approve the ELM's budget as well as to submit financial statement and documents for auditing. From an administrative viewpoint, ELM implementation agency, Supply Chain and Budget which falls in the Finance Cluster failed to monitor and enforce compliance, submit monthly, quarterly and annual statements to measure progress in budgeting (A-G, 2013 & A-G, 2015).

5.5.7 Leadership and Management Challenges

The discussion of findings showed that at the highest management echelon of ELM there were challenges of leadership as due two critical senior positions, Deputy Municipal Managers, Basic Services and Revenue departments were not filled leading to poor service delivery. Another drawback at ELM was the lack of senior management support in training and development of the low-level SCM staff. Previous

literature confirmed that ELM is confronted with leadership challenges in various areas not limited to the skills shortage in Supply Chain Management, Finance, Human Resources (HR) and project management (Bogopa, 2013; Koma, 2010:118). Besides, the previous scholarly concerns raised that an underlying similar pattern of a lack of knowledge, skills and capacity is hindering the efficacy in procurement system at ELM.

This pattern exerts immense pressure on the Municipal Manager and the Executive Mayor to appoint officials on key strategic positions. As respective accounting officers for their departments, MM, CFO and SCM managers, a strong commitment coupled with an advanced level of high knowledge, skills and capacity are required in carrying out their functional responsibilities, (Bogopa, 2013; IFAC, 2014:24; South Africa, 2000). This assertion supports that adequate capacity in the form of appropriate structures with fully skilled and professional Supply Chain Management (SCM) personnel is key success to proper SCM policy implementation (Ambe, 2006; Migiro & Ambe, 2008:241).

5.6 CONCLUSION

The chapter presented and analysed data based on the secondary data sources such as strategic documents from ELM on procurement, AG Reports and other relevant literature on the efficacy of procurement and supply chain Management. Content analysis was used to present the findings in order to understand the efficacy of the procurement system in ELM. Findings from ELM performance documents (2017) revealed that ELM is affected by the severe skills shortage, poor budget implementation, leadership disputes, lack of ethical conduct and lack of monitoring and evaluation of procurement systems which impact negatively on the broader supply chain management and public procurement process. The following chapter provided a summary of the data, findings, recommendations and conclusions that were drawn from the findings on of the efficacy of the ELM procurement system.

CHAPTER 6: CHAPTER 6 SUMMARY, FINDINGS, RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

The previous chapter employed the content analysis technique to present results from the literature reviewed to understand the efficacy of the procurement system in ELM. The main aim of the study was to examine the efficacy of the procurement system in Emfuleni Local Municipality. The data for this study was collected from official documents such as the Annual Reports 2016/17, Auditor General Report, IDP Review of 2017/18, strategic documents, and key literature sources among others of the Emfuleni Local Municipality. The content analysis technique was used to present the data. This chapter discussed the summary of the major findings in this study and it presented recommendation ELM can adopt to improve its procurement and supply chain management systems.

6.2 SUMMARY OF FINDINGS

This section provides a summary of findings based on the analysis of data.

6.2.1 Lack of adequate skills, knowledge and capacity

Based on the analysis of findings the study observed that ELM did not have procurement officials who have adequate knowledge, skills and capacity, to drive public procurement in the supply chain management processes. Many SCM officials in ELM lack the necessary skills to enhance procurement due to limited training. This has a negative bearing on service delivery as the procurement systems were marred with several irregularities that involve the manipulation of supply chain management processes due to corruption.

6.2.1 Ethics and conflict of interest

The analysis of the results on ethics and conflict of interest revealed that in the awarding of tenders, ELM officials were allegedly found to have practiced nepotism and preferential treatment accorded to their families and friends, bribery and collusion

with suppliers was rampant and competitive bidding arena undermined by supply chain officials conflicted with self-interest. Given the conflict of interest at ELM, a number of qualified audit reports can support this view where ELM officials were conflicted with private interests (A-G, 2011-2012; A-G, 2012-2013; A-G, 2013-2014). This does not rule out the possibility that the competitive bidding arena is undermined by supply chain officials conflicted with self-interest in the study area. This behaviour must be deterred and this view is confirmed by the SCM Policy which prohibits the award of tenders to persons that are close family members (South Africa, 2003).

6.2.2 Non-compliance with SCM Acts, Policy and Regulations

In an attempt to investigate the non-compliance within the SCM Acts, Policy and Regulations, the analysis of data, confirms that the efficacy of the ELM procurement system is affected and complicated through customised SCM policy. The SCM policy requires user departments (procuring) to engage in developing and implementing a customized SCM policy.

Various laudable Acts, Policies, Procedures and Processes not limited to the Constitution of South Africa (South Africa, 1996), White Paper on Local Government (South Africa, 1998a), Local Government: Structures Act as amended (South Africa, 1998b; South Africa; 2003a), Public Finance Management Act (South Africa, 1999), Local Government Systems Act as amended (South Africa, 2000; South Africa , 2014) and Municipal Finance Management Act (South Africa, 2003b) among others reveal a repeated pattern of lack of skills, knowledge, capacity (AG, 2012) for the SCM staff in carrying their functional responsibility. This undermines the ELM's procurement system. A similar pattern of Audit Reports (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016) have expressed an opinion on conflict of interest, unauthorised, irregular, fruitless and wasteful expenditure as well misuse of PPP model in awarding tenders. This behaviour undermines competitive tendering processes in the procurement discourse. ELM also acted in contravention of its own SCM policy with regard to procuring goods and services. This negatively impacts and defeats its own procurement system.

The failure by Executive Mayor's to prepare, table and approve the ELM's budget on time (AG, 2012; AG, 2013; AG, 2014; AG, 2015; AG, 2016) caused unnecessary delays due to poor linking of planning and estimated budgets (AG, 2013; ELM IDP Process Plan, 2017/2018:6) often caused by lack of SCM expertise that negates cost-effectiveness leading to inadequate funding. Inadequate and inconsistency in risk management at ELM is another shortcoming that compromises accountability. Another dimension and worrying trend in ELM is stakeholder participation which seemed to be ineffective and is of grave concern. In this local municipality, unjustified deviation, non-compliance with rules and regulations (AG, 2013) go undetected and infringes on the procurement system due to poor monitoring and evaluation. Further observation points that precautionary measures for monitoring and evaluation remained far too limited.

At ELM, issues regarding non-compliance with SCM policy and regulations can be attributed to the lack of requisite SCM skills and competencies and weak regulatory culture. The analysis of findings revealed that, the SCM officials in ELM despised the prescribed Acts, Policy and Regulations due to their desire to maintain status quo.

6.2.2.1 Unauthorised, irregular, fruitless and wasteful expenditure

The analysis of results revealed several weaknesses in ELM such as unauthorised, irregular, fruitless and wasteful expenditure in procuring goods and services, inappropriate record keeping, failing to meet submission deadlines for annual financial statements and reports for auditing and failure to disclose particulars of non-compliance.

6.2.3 Linking planning and demand to the budget

In linking planning and demand to the budget, documentary data drawn from the literature indicated that ELM was affected by problems such as the tabling of budgets. Document evidence revealed that, budgets were not linked to the strategic objectives of this municipality, inadequate planning and linking demand to budget, failure by the Executive Mayor to prepare, table and approve the ELM budget in time, lack of capacity to adequately plan (budget) particularly the projection or estimate of revenue,

inability to manage budgets of their projects and leaving budgets unspent while projects are incomplete and delays in procurement often caused by lack of procurement expertise.

6.2.4 Inadequate and inconsistent risk management irregularities in SCM

The analyses of qualitative evidence showed inadequate and inconsistent risk management/irregularities in SCM at ELM. The analysis of documents indicated that there were no improvements registered in, knowledge acquisition, requisite skills and capacity in procurement, finance and project management, senior management support in training and development of the low-level SCM staff. Furthermore, evidence showed that, the failure by senior management to apply sanctions against errant officials and non-compliance with legislative and policy prescripts in the sound procurement system. Additionally, ELM failed to link planning to demand budget and the strategic objectives. Documentary evidence showed that, the Executive Mayor of ELM, failed to prepare, table and approve the budget in time due to lack of stakeholders' participation.

The discussion of findings indicated that ELM has inadequate and inconsistent risk management practices that impact negatively on the procurement systems. Evidence showed that there was no considerable improvement in knowledge, skills capacity, ethics, conflict of interest, non-compliance to Supply Chain Management (SCM) policy and regulations, inadequate and inconsistency risk management, lack of stakeholders' forum as well as lack of monitoring and evaluation. The implementation of risk mitigation procedures can be averted through the effective utilisation of SCM policy and procedure (Smart Procurement, 2011).

6.2.5 Stakeholders' forum

The study revealed there was lack of stakeholders' participation in ELM IDP processes which had a negative bearing on procurement systems. The study found out that, the lack of stakeholder's participation, local populace and lack of community

participation in IDP process were major hindrances that could have affected the capacity of ELM into conducting effective procurement processes. The analyses of findings revealed that ELM audit committee participation was ineffective as there was lack of oversight on this committee. The discussion further revealed the lack of financial expertise, the inappropriate appointment of audit committee members and poor recruitment process. The findings showed that the mechanisms for stakeholders' participation were not fully supported at ELM due to limited stakeholders' participation.

6.2.6 Monitoring and evaluation of SCM processes

The monitoring and evaluation of SCM showed lack of administrative oversight. The discussion of findings showed that the municipal manager (MM), chief financial officer (CFO) and supply chain manager (SCM) failed to exercise their administrative oversight regarding financial and performance reporting of the procurement process. Also, as implementing agencies that are charged with supply chain and budget in the finance cluster failed to monitor and enforce compliance which led to ELM's failure to submit monthly, quarterly and annual reports for progress assessment. The analyses of findings showed the lack of monitoring in the procurement systems. It is imperative to note that, inadequate monitoring and evaluation was linked to the absence of poor control measures.

6.3 CONCLUSIONS OF THE STUDY

This research has contested that, knowledge, skills capacity, ethics, conflict of interest, non-compliance to Supply Chain Management policy and regulations, planning and linking demand to the budget, risk management, stakeholders' forum as well as monitoring and evaluation are indispensable themes and constructs for the efficacy of the procurement system in order to improve service delivery at the Emfuleni Local Municipality (ELM).

Although some ELM cadre of leadership and SCM officials seemed conflicted with private interests when awarding tenders, this study also concluded with a view to disapprove that family members are appointed to the municipal positions and receive contracts, preferential treatment accorded to family and friends of officials and competitive bidding arena undermined by supply chain officials conflicted with self-

interest. The ELM's both senior management and SCM officials need to be proactive in improving the efficacy of the procurement system to counter the negativity of being conflicted with self-interest when awarding tenders due to malicious compliance.

The research concluded further that non-compliance to SCM policy and regulations, missing link between planning and demand to the budget as well as inadequate and inconsistency to risk management have highly compromised ELM's financial standings for quite a remarkable time now. This research also concluded that statutory requirement and policy frameworks in SCM must be vigorously implemented rather than waiting for irregularities in legislative, policies, processes and procedures in procurement and SCM discourse. Extract evidence comprises disregard of the ELM community participation, the ineffective oversight role of the audit committee as well as inability to monitor and enforce compliance, failed submission of statements and reports in measuring progress in service delivery.

The conclusion drawn reflects that knowledge, skills capacity, ethics, conflict of interest, non-compliance to Supply Chain Management policy and regulations, planning and linking demand to budget, risk management, stakeholders' forum as well as monitoring and evaluation indeed have the potential to improve the efficacy of the procurement system in the study area.

6.4 PRACTICAL IMPLICATIONS

The unique requirement of the current study hinges on the knowledge, skills capacity, ethics, conflict of interest, non-compliance to supply chain management policy and regulations, planning and linking demand to budget, risk management, stakeholders' forum as well as monitoring and evaluation. These factors informed the current study in a quest for the efficacy of the procurement system.

The practical implication of this study is that it replenishes knowledge and academic insight in the realm of the public administration discourse with specific reference to sound procurement system within the municipal context. The current study informs and guides policy makers, researchers, academics, and development and management practitioners across the globe on how good procurement strategies can be achieved. From the policy implications, this research improved the efficacy of the

procurement system of the Emfuleni Local Municipality. By implementing the provided recommendations, communities in ELM can benefit from quality service delivery based on sound procurement systems.

6.5 FUTURE RESEARCH STUDY

This study makes a significant contribution to the field of academics and to the community at large. Future studies may be conducted using data from other provinces in South Africa. Perhaps, future studies should not be limited to South Africa but rather internationally for comparison.

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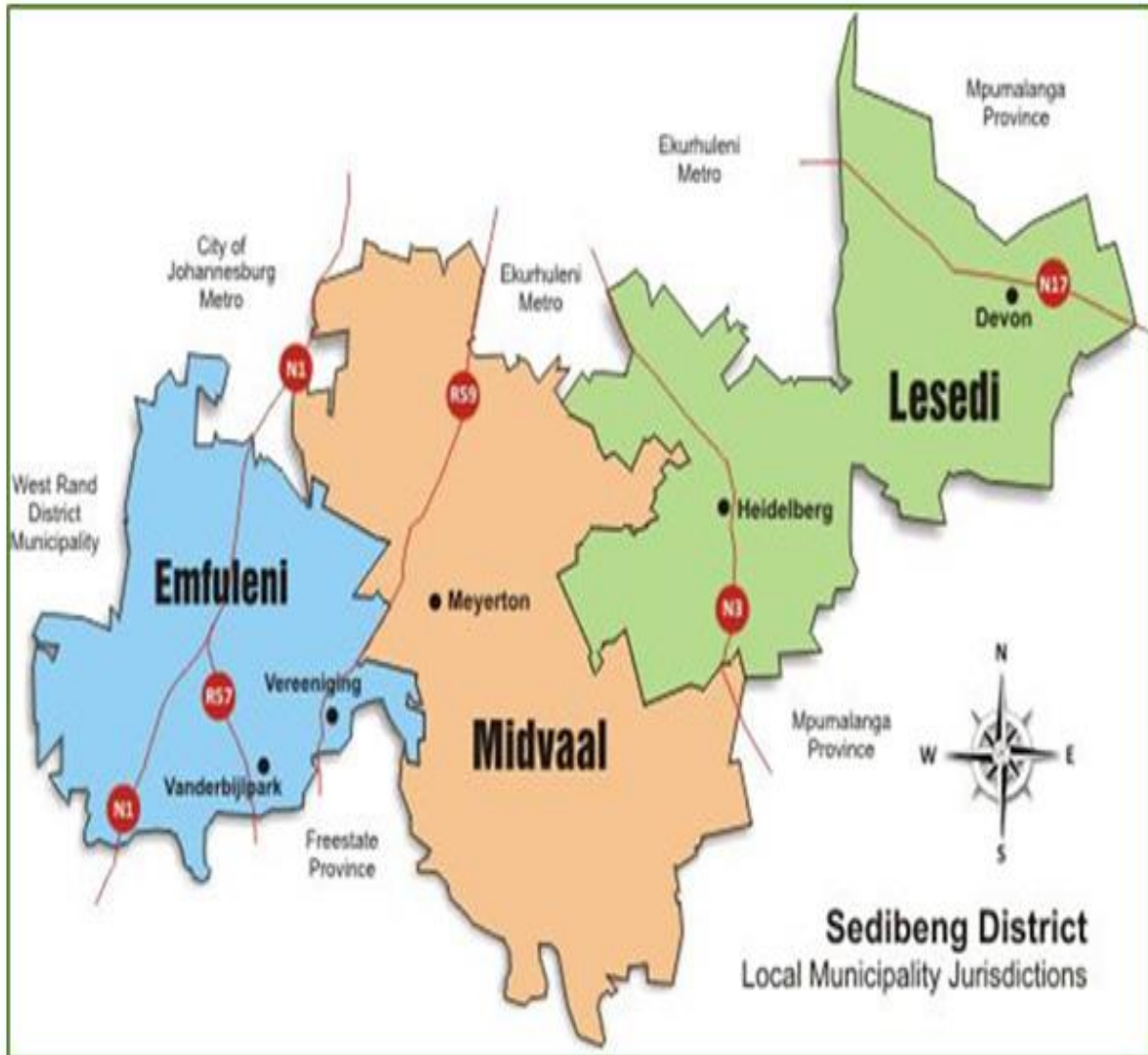
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APPENDIX

Appendix A: The Sedibeng District Municipality



Source: Gauteng Integrated Transport Master Plan (GITMP) (2013:21)