

**THE PERFORMANCE RECORD OF THE GAUTENG  
SHARED SERVICE CENTRE: A FOCUS ON THE  
EKURHULENI-SEDIBENG HEALTH REGION**

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## ABSTRACT

The procurement of goods and services in South Africa has had a history of being organized haphazardly, and fraught with problems of prices being inflated, goods and services taking longer to be procured, orders for goods and services not followed up, purchases of medical equipments for health facilities were not carried out due to the lack of planning or instructions to ensure that proper procurement procedures were followed, lack of synergy between the provisioning section and clinical support section; which often leads to communication breakdown between the relevant stakeholders.

Government, through the policy-making process has to regulate the rendering of health services in order to unify the fragmented health services at all levels into a comprehensive and integrated National Health System (NHS) in order to reduce disparities and inequities in health service delivery which were created by the legacy of apartheid policies, and to increase improved access and integrated health services. Government intervened through the Gauteng Department of Health by establishing a District Health System as the building block of the National Health System in South Africa. The health district was therefore going to be the vehicle through which comprehensive primary health care services will be rendered.

For the purpose of this study the hypothesis that the Government established the GSSC as a pilot procurement project in Gauteng for the procurement of goods and services, has performed creditably and effectively and justifies the creation of similar institutions in other provinces was constructed. Even though the procurement of goods and services had migrated to the GSSC, problems were still experienced due to the fact that service level agreements were not adhered to, by GSSC and the entities themselves. In pursuance for search of answers for the hypothesis, literature study was used to trace the historical background of the procurement of goods and services prior to 1994 in South Africa, and to analyse the intricacies in the art of policy-making. These were further developed by an empirical study that confirmed policy-making processes in public policy; amongst others.

- The apparent delays in the procurement of good and services, was beginning to become a stumbling block in the rendering of health services.
- The process of the establishment of the Gauteng Shared Service Centre, was a function of interaction between Gauteng Department of Health (GDoH), and involved a number of stakeholders namely: Ekurhuleni-Sedibeng health region, Hospitals and procurement practitioners within Ekurhuleni-Sedibeng health region.
- The centralization of procurement processes to GSSC has not been good enough as an effective tool to minimize the lead time for the procurement of goods for Ekurhuleni-Sedibeng health region.

The study concludes with recommendations for the GSSC, Gauteng Department of Health, and Ekurhuleni-Sedibeng health region for action; and for further research.

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## CHAPTER 1            INTRODUCTION, ORIENTATION AND PROBLEM STATEMENT

**Key words: Community Health Centre; District Health System; decentralisation; fixed facilities; Gauteng Shared Service Centre; supply chain management; clinic; equity.**

### 1.1 ORIENTATION AND PROBLEM STATEMENT

Public policy evaluation is defined as the last stage of the policy process, where those who determined and implemented the policy and those who were affected by the policy attempt to find out if it has really worked. In other words, policy evaluation is an appraisal, an assessment of policy content, implementation, and impact, with a view to ascertain whether policy makes any difference (Hanekom 1992:89). Put differently, public policy evaluation aims at looking for results and corrections to improve the content and objectives of the policy. The evaluation of the impacts that policy implementation had caused is necessary to ascertain whether the action or policy should be continued, terminated, or replaced with an alternative course of action (Doyle 2002:191).

The problem and matter of concern for this study is the disorganisation and chaos experienced prior to the inception of the Gauteng Shared Service Centre. In South Africa the procurement system was regarded as one of the systems that were taking longer than envisaged to provide the relevant goods and services to health institutions, which impacted on the inability of health institutions to provide better health care services, due to the shortage of cleaning materials, medical equipments, and stationery.

As a result of the delays for the procurement of goods and services the Government centralised the procurement of goods and services. This Government-implemented stabilising solution has culminated in mixed feelings among stakeholders (hospitals, district offices, clinics and community health centres). Amongst other reactions there were frustrations when the Gauteng Shared Service Centre was established, due to the restructuring that took place within the Gauteng Provincial Government. Officials were of the opinion that they would be redeployed or become unemployed with the creation of the GSSC.

The delivery of health care services prior to 1994 was governed by two main pieces of legislation, namely the *Health Act No. 63 of 1977* and the *Transvaal Hospital Ordinance No. 14 of 1958*. In terms of these pieces of legislation all three tiers of Government had the responsibility of ensuring service delivery. The provincial administration (of the old Transvaal province) was responsible for all curative and hospital services. The

province was also responsible for the delivery of promotive/preventive services in areas where no local authorities existed.

In 1994 the first democratic South African government committed itself to transform health services at all levels into comprehensive and integrated national health systems. The aim was to reduce racial and geographic disparities and inequities in the health services and to increase accessibility to the public at large. The health services were therefore based on the primary health care principles as enunciated at the World Health Organization's Alma Ata conference in 1978, that defined health "as a state of complete physical, mental, and social well being "and not merely the absence of disease or infirmity". (White Paper: February 2000)

The South African National Department of Health (NDoH) adopted the Primary Health Care (PHC) strategy to deliver health care services to all South Africans. This strategy was "primary health care focused; interactive; outcomes driven; and is striving for high quality health care; and a cost effective integrated service delivery system. A decentralised District Health System based on health districts was therefore established as an effective vehicle for the delivery of a comprehensive primary health care approach". (DOH 2000:Gauteng District Health Services Act No. 8 of 2000)

Gauteng Province is one of the nine provinces in South Africa. The province was in April 2000 demarcated into five operational health regions with 28 health districts. The province had 302 fixed PHC facilities (clinics) and was composed of 26 Community Health Centres (CHCs) and 276 clinics. The clinics were under the leadership of a regional director who had a fundamental role to play and forged a negotiated functional integration of rendering health services that combined local health authorities that provided health services. The province staff and local authority staff had to operate as a team even though it was not an easy task. (Mpama 2002:16).

One of the divisions that were located in the former regional offices to provide support to the regional directors and the health facilities in terms of procuring goods and services was the procurement section. Prior to 1994 the procurement of goods and services was guided by the *Gauteng Provincial Tender Board Act, 1968* (Act No. 86 of 1968) which provided that only the tender board was empowered to procure goods and services for the province and to dispose of movable province property. The board also enjoyed certain powers to conclude agreements, invite offers, determine the manner in which procurement of goods and services would be rendered; and the conditions under which the offers must be made. The board also had the power to inspect and test the supplies and

services offered, to have them re-inspected and re-tested, and amend or cancel the concluded agreements.

The Provisioning Administration Procedure Manual was formulated to guide the departments and also to outline specific actions to be taken in order to procure goods and services. The provisioning administration policy also outlined aspects that needed to be taken into account regarding the storage of items at the stores and also defined the levels of responsibility and accountability.

The *Preferential Procurement Policy Framework 2000* (Act No. 5 of 2000) clearly outlines that the Procurement of goods and services should be enshrined by the *five pillars of procurement*:

- Value for money
- Open and effective competition
- Ethics and fair dealing
- Accounting and responsibility
- Equity

Following the promulgation of the *Preferential Procurement Policy Framework*, Act No.5 of 2000 the Gauteng Shared Services Centre was established by the Executive Council in December 2001, to streamline the procurement of goods and services at all levels within the Gauteng Province, with a vision of providing a centre of excellence with the establishment of the Departmental Acquisition Council (DAC), the Regional Accredited Procurement Units (RAPU), and the District Accredited Procurement Unit (DAPU).

Section 38 of the *Public Finance Management Act* (1 of 1999), set the responsibilities of an Accounting Officers as ensuring that the department has and maintains an appropriate procurement and provisioning system, which is fair, equitable, transparent, competitive, and cost effective. These requirements will be fulfilled by observing the *Five Pillars of Procurement* as approved by the National Cabinet.

The focus of this study is to reflect continuous development in procurement practices, incorporating changing legislative and environmental requirements. The procurement processes was reviewed and updated appropriately in order to accommodate improvements, best practices that are practised internationally.

The Gauteng Shared Service Centre (GSSC) involves bringing together support functions that are frequently duplicated across the eleven GPG Departments, with the aim of providing a better and more efficient service. The GSSC core business is the provision of GPG support in areas such

as human resources, procurement, finance, technology support services and internal audit. The vision of GSSC is to provide a single technological power house for improved service delivery, which will free departments to spend more time performing high-value adding tasks and the GSSC taking over those tasks which were of a repetitive nature.

The GSSC operated as a single department and was based at an independent location under the leadership of a senior executive. The research focuses on efficiency and effectiveness in procurement of goods and services.

The study aims to establish the successes, the limitations and the weaknesses of introducing the centralisation of support functions particularly the procurement function, a year after implementation at the hospitals, district offices in Ekurhuleni-Sedibeng Health Region, and to assess whether the procurement practitioners see any benefit since the implementation of GSSC.

Public policy making does not end with the making of the Act, and neither does it end at implementation. This is because there is always a difference between what the objectives of the policy were and what was really achieved. In other words, policy outputs (what was delivered) and actual policy impacts (results and effects) are often not the same (Hanekom 1992:90). Consequently, policy evaluation has to be undertaken to complete the policy-making cycle.

## **1.2 RESEARCH QUESTIONS**

The following research questions will be probed by the researcher in relation to the problem statement:

- What is policy evaluation?
- To what extent has the procurement system in the health sector been transformed by legislation since 1994?
- What is the rationale for the creation of the Gauteng Shared Service Centre?
- What value has the GSSC added to the procurement system?
- What recommendations can be made for performance improvement of the GSSC?

## **1.3 RESEARCH OBJECTIVES**

Government centralisation of procurement activities through the creation of the GSSC has resulted in reaction which have made this study necessary. The following objectives are being pursued by the study:

- To give a theoretical exposition of what the policy evaluation process entails;
- To examine the historical development of the procurement system in Gauteng with specific reference to factors which led government to introduce the centralisation of procurement within Gauteng Province;
- To review the creation of the Gauteng Shared Service Centre (GSSC) within government policy,
- To critically assess the procurement system with reference to the value added by GSSC and other stakeholders; and
- To propose recommendations for performance improvement of the GSSC, and for further research on the procurement system.

#### **1.4 HYPOTHESIS**

The GSSC as a pilot procurement project in Gauteng has performed creditably and effectively and justifies the creation of similar institutions in other provinces.

#### **1.5 METHODS OF INVESTIGATION**

This research project was undertaken through the utilisation of various techniques which were classified under the qualitative research method. In essence, the researcher planned to obtain answers to the research questions and tested the research hypothesis using the qualitative research method as described by Polit & Hungler (1997:153).

##### **1.5.1 Literature study**

The literature review made use of journals, policy documents, government publications, books, and the Internet as sources for this work. A detailed literature study was undertaken to examine the historical background of the procurement system in South Africa, and to give a theoretical base to the policy-evaluation process in line with the procurement policy. The theoretical framework created was then used as a background for the empirical side of this research.

##### **1.5.2 Data bases**

The researcher consulted the following documents:

- Policy documents
- Public administration journals
- Catalogue of books: North-West University libraries
- Internet
- Databases of University IT-based information

### **1.5.3 Empirical research and design**

The centralisation of procurement systems has been implemented in the South African province of Gauteng as a pilot project by the Government. This means that the procurement systems countrywide by April 2000 were affected by the centralisation of procurement activities. Due to the limited scope of this study as a mini-dissertation, the empirical investigations were carried out in the Ekurhuleni-Sedibeng Health Region which is located in the Gauteng Province. Such a case study approach can contribute to knowledge by providing useful information and data for further research can be generated for other provinces. The research methods described in the sections that follow were applied.

### **1.5.4. Interviews**

Interviews were conducted with relevant officials in the Ekurhuleni-Sedibeng Health Region through the use of structured questionnaires. Respective officials were the deputy director of corporate services (Mr. Dan Nkosi) and the assistant director in charge of procurement in the Ekurhuleni Health District Office (Mr. Koos Dikobe), as well as the deputy director of administration (Mr. Benedict Maoba) who is in charge of procurement at the Sedibeng Health District Office. The objectives of the interviews with senior managers were the following:

- To determine the extent to which legislation has led to the transformation of the procurement system in the health sector since 1994.
- To identify measures that have helped promote effectiveness and efficiency in the procurement system since migration to the GSSC.
- To solicit views on what recommendations can be made for the performance improvement of the GSSC towards the procurement system for Ekurhuleni-Sedibeng Health Region.

Interviews were also conducted with the relevant stakeholders, particularly the clinic managers. These included the chairperson and members of the Regional Accredited Procurement Unit (Dr.Frew Benson), and the chairpersons of the District Accredited Procurement Unit (Mr.Modise Makhudu and Dr. Riana Louw).

Lastly, interviews were conducted with the procurement practitioners at the operational level within Ekurhuleni-Sedibeng health region. The objectives of the interviews with procurement practitioners were the following:

- To find out what their concerns are, concerning the procurement system since its migration to the GSSC.
- To determine the value added to the procurement system at the Ekurhuleni-Sedibeng health region.
- To obtain views and ideas on what can be done to ensure performance improvement of the GSSC system for the Ekurhuleni-Sedibeng Health Region.

## **1.6 OUTLINE OF CHAPTERS**

The structure of the dissertation is as follows:

- Chapter one: orientation and problem statement;
- Chapter two: theoretical exposition of the process of public policy-making;
- Chapter three: A review of health-procurement system in Gauteng Province;
- Chapter four: The GSSC: establishment and performance record;
- Chapter five: findings conclusions and recommendations.

## **CHAPTER 2            THEORETICAL EXPOSITION OF THE PROCESS OF PUBLIC POLICY-MAKING**

### **1.     Introduction**

This chapter is about the theoretical exposition of public policy and evaluation. Definitions of what public policy is and the outcomes and implications of these definitions will be examined. Public policymaking follows a specific pattern. The process of identification, aspects of agenda-setting, policy formulation and presidential assent will be discussed.

Public policy is made to solve a problem identified either by the legislator or a societal group. The solution of resolving the identified problem of the shortage of goods and services is through the process of implementation which is also given attention in this chapter. The theme at this study is policy evaluation which concludes the discussion of the process of public policymaking. Where relevant, the GSSC will be used to illustrate the phases which the GSSC had to go through before the *Preferential Procurement Policy Framework; Act No. 5 of 2000* was promulgated.

### **2.     Definition of public policy**

Public policy broadly defined refer to the relationship of a governmental unit to its environment. Such a definition is as broad as it is unclear: it could encompass almost anything (Anderson 2000:4). Public policy is whatever governments choose to do or not to do (Dye 1992:2).

Professor Richard Rose (Anderson 2000:4) suggests that policy should be considered as “a long series of more-or-less related activities and their consequences for those concerned, rather than a discrete decision. Although somewhat ambiguous, his definition does embody the useful notion that policy is a course or pattern of activity and not simply a decision to do something”.

Political scientist Carl J. Friedrich (Anderson 2000:4) regarded “policy as a proposed course of action of a person, group, or government within a given environment providing obstacles and opportunities which the policy was proposed to utilize and overcome in an effort to reach a goal or realise an objective or a purpose”.

Friedrich (Anderson 2002:4) is one of those who believes to the notion of policy as “a course of action, Friedrich adds the requirement that a policy is directed towards accomplishing some purpose or goal. Although the purpose or goal of government actions may not always be easy to discern, the idea that policy involves purposive behavior seems a necessary part of

its definition. Policy should however, designate what is actually done rather than what is merely proposed in the way of action on some matter”.

## **2.1 Purpose of public policy**

Public policy is a “relatively stable, purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern. This statement focuses on what is actually done instead of what is only or intended, and it differentiates a policy from a decision, which is essentially a specific choice among alternatives”. (Anderson 2000:4)

Public policies are often developed by governmental bodies and officials in order to improve the rendering of service delivery to the population at large. Non-governmental actors and factors may only influence the course of public policy development. The special characteristics of public policies stem from the fact that they are being formulated by what political scientist David Easton (Anderson 2000:4) has called the “authorities in a political system”: elders, paramount chiefs, executives, legislators, judges, administrators, councilors, monarchs, and the like. The “latter” are the stakeholders who play a pivotal role in the course of public policy, engaging in the daily affairs of a political system, as they are recognized by members of the system as carrying the responsibilities for policy matters, and take actions that are accepted as binding, as long as they act within the limits of their roles.

This means, therefore, that in a modern political system public policy does not by and large just happen. Public policies are designed to accomplish specified goals or produce definite results, although these are not always achieved. Proposed policies may be usefully thought of as hypotheses suggesting that specific actions be taken to achieve particular goals (Anderson 2000:4).

The goals of a policy may be somewhat loosely stated and cloudy in content, thus providing a general direction rather than precise targets for its implementation. Those who want action on a problem may have different opinions concerning both what should be done and how it should be done. Ambiguity in language can then become a means for reducing conflict, at least for the moment.

Compromising in order to secure an agreement and to build support may consequently yield to ambiguous phrasing and lack of clarity in the statement of policy goals. Policies consist of courses

or patterns of action taken over time by governmental officials rather than their separate, discrete decisions (Anderson 2000:5).

Such policies consist of courses or patterns of action taken over time by governmental officials rather than their separate, discrete decisions. "A policy includes not only the decision to adopt a law or make a rule on some topic but also subsequent decisions that are intended to enforce or implement the law or rule. For example Industrial health and safety policy in America is shaped not only by the Occupational Safety and Health Act of 1970 but also by a stream of administrative rules and judicial decisions interpreting, elaborating and applying (or not applying) the act to particular situations". (Anderson 2000:5)

## **2.2 Response of public policies to policy demands**

Public policies often emerge in response to policy demands, or claims for action or inaction on some public issue made by other actors, such as private citizens, group representatives or legislators and other public officials upon government officials and agencies. Such demands may range from a general insistence that a municipal government has to do something about traffic congestion to a specific call for the national government to prohibit the theft of pet dogs and cats for sale to medical and scientific research organisations. In other words, some demands call for action whilst others specify the action desired.

In response to policy demands, public officials make decisions that give content and direction to public policy. These decisions may enact statutes, issue executive orders or edicts, promulgate administrative rules or make judicial interpretations of laws. Thus the decision by Congress in America to enact the Sherman Antitrust Act in 1890 and the 1911 Supreme Court Act ruling that prohibited unreasonable restraints of trade rather than all restraints of trade were policy decisions. Each Act was of major importance in shaping the course of action called antitrust policy. The Sherman Act prohibits monopolisation and attempts to monopolise. Such decisions may be contrasted with the innumerable relatively routine decisions that officials make in the day-to-day application of public policy. The Department of Veterans Affairs for example makes hundreds of thousand decisions every year on veterans' benefits; most however fall within the bounds of settled policy and can be categorised as routine decisions (Anderson 2000:5-6).

### **2.3 Public policy statements**

Policy statements, in turn, are usually formal expressions or articulations of public policy. Among these there are legislative statutes, executive orders and decrees, administrative rules and regulations, and court opinions, as well as statements and speeches by public officials indicating the government's intentions and goals on what will be done to realize policy statements. Policy statements can sometime be notably ambiguous (Anderson 2000:6)

Policy involves what governments must actually do, not just what they intend to do or what officials say they are going to do. If a legislature enacts a law requiring employers to pay no less than a stated minimum wage, but nothing is done to enforce the law, and subsequently little change occurs in the economic behavior, it seems reasonable to contend that public policy actually takes the form of regulating the wages (Anderson 2000:12).

### **2.4 Public policy outputs**

Relevant in public policy is the concept of policy output or the action actually taken in pursuance of policy decisions and statements. This concept focuses on matters such as the amount of taxes collected, miles of highway built, welfare benefits paid, restraints of trade eliminated, traffic fines collected, and foreign-aid projects undertaken (Anderson 2000:6). Often when examining policy outputs, we may find that a policy differs somewhat or even greatly from what policy statements indicate how it should unfold. Policy outputs should be distinguished from policy outcomes, which refer to a policy's societal consequences. For example, do longer prison terms reduce crime rates or not? Does air pollution control programmes improve public health or not? Another policy output which comes to mind is an indication as to whether the centralisation of public procurement to the GSSC has improved the rendering of health services in Gauteng Province.

### **2.5 Public policy can either be positive or negative**

A public policy can either be positive or negative. Some form of overt governmental action may deal with a problem, on which action is demanded (**positive**), or governmental officials may decide to do nothing on some matter on which government involvement was sought (**negative**). In other words, government can follow a laissez faire or hands off policy either generally or on some aspects of economic activity. Such inaction may have major

consequences for a society or some societal groups, as in the 1970s, when the national government decided to cease regulating commercial airline rates and routes in America (Anderson 2000:6). Inaction becomes a public policy when officials decline to act on problems that will have a detrimental negative effect. This choice differs from non action on a matter that has not become a public issue, has not been brought to official attention and has not been considered or debated. A slightly ludicrous example at this is the lack of government action on the havvestry of earthworms: the activity has no seasons and no bag limits (Anderson 2000:7).

Public policy in its positive form is often based on law and is authoritative. Members of the society usually accept as a legitimate fact that taxes must be paid, import controls must be obeyed, and highway speed limits must be complied with, unless one wants to run the risk of fines, jail sentences, or other legally imposed sanctions or disabilities. Thus public policy has an authoritative, legally coercive quality that the policy of private organisations does not have. Indeed, a major characteristic distinguishing government from private organisations is the monopoly over the legitimate use of coercion. Governments can legally incarcerate people; private organizations cannot do that as they will be breaking the law (Anderson 2000:7).

Policy has also been explained as the actions of public managers when they partake in determining ends, choosing means and prioritising. This means that a series of actions take place prior to the policy formulation stage and up to, and including, the eventual implementation of the policy. It can thus be argued that the policy actions taken by public managers are authoritative decisions regarding the articulation of interests and the allocation of resources determining means to an end or, what can be referred to as the politics of the apportionment process.

## **2.6 Evolution of public policy**

Public policy has not been static, because the society's needs have also not been static. Therefore, policy aims should continuously be adapted to changing circumstances, in order to keep pace with a changing environment. After the election of a government of national unity in South Africa during 1994, policies were immediately altered to focus more on the poor, indigenous and undeveloped communities in the country (Cloete & Wissink 2000:90).

Thus the procurement systems had to undergo a process of evolution in order to be able to meet the demands of the public at large. The Gauteng Provincial Government had to repeal the *Gauteng Provincial State Tender Board Act, 1968 (Act No: 86 of 1968)* subject to the provisions of any Act of Parliament on supplies of goods and services for and on behalf of the State.

The procurement of goods and services, which included the hiring or letting of anything and the acquisition or granting of any right for and on behalf of the state and the disposal of movable state property were procured, arranged as well as the disposal of through the board, or in terms of the Public Finance Management Act, No. 01 of 1999 (as amended by Act 29 of 1999) before the State Tender Board was repealed.

However, Cloete & Wissink (2000:11) define public policy in a variety of meanings that has historically been attached to the process of producing policy-relevant knowledge. Dunn (1981:8) points out that etymologically, the term policy comes from Greek, Sanskrit and Latin. The Greek and Sanskrit roots defined policy as referring to the city state. Later the Middle English defined policy as the conducting of public affairs or the administration of government. It is also important to note that the etymological origins of policy are the same as these of two other important concepts: police and politics. Many modern languages such as German and Russian have only one word: 'politik' or 'politika' which refers to both policy and politics.

Hogwood & Gunn (1984:13-19) believe that several applications of the word policy were used in 1983 and discussed the concept in the context of policy as a label for a field of activity that is; economic, social or foreign, as an expression of a general purpose or a desired state of affairs, for example conservative policy in the case of the (1983) British Conservative Manifesto Hogwood & Gunn (1984:13-19); as specific proposals or as decisions of government; as a formal authorisation; as a programme; as output; as outcome; as a theory or model, and as a process. Hogwood & Gunn (1984:23-24) define public policy as a series of patterns of related decisions to which many circumstances and personal, group and organisational influences have contributed.

The policy-making process involves many subprocesses and may extend over a considerable period of time. The aims and purposes underlying a policy are usually identifiable at a relatively early stage

in the process but these may change over time, and in some cases, may be defined only retrospectively.

The outcome of policies requires to be studied and, where appropriate, compared and contrasted with the policy-makers' intentions. Policy often requires an understanding of behavior, especially behavior involving interaction with and among organisational relationships. For a policy to be regarded as a public policy it must, to some degree, have been generated or at least processed within the framework of governmental procedures, influences and organisations (Cloete & Wissink 2000:98).

The acceptance of the *Preferential Procurement Policy Framework (Act No: 05 of 2005)*; had to go through a number of phases before the act was implemented by the institutions. Buy in from the public at large; as well as from civil servants, was also necessary for the implementation to be successful.

For the purpose of this study, the process distinction drawn by Anderson (1994:23) is important, as he prefers the term "policy studies" to designate the study of public policy undertaken to gain greater understanding of political behavior and the governmental process. Anderson (1994:22) quotes Dye (1984:5-7) in order to summarise what is meant by policy studies:

"This involves a description of the content of public policy; the impact of environmental forces on the content of public policy; an analysis of the effect of various institutional arrangements and political processes on public policy; an enquiry into the consequences of various public policies for the political system; and an evaluation of the impact of public policies on society, both in terms of expected and unexpected consequences".

Indeed for the purpose of this study the above-mentioned is correct, because the focus of the study is based on the evaluation of the impact which has been made by the centralisation of the procurement of goods and services, as well as the creation of the GSSC in line with the government procurement policy and also aims to analyse the effect of this new institutional procurement arrangement in order to assess if the GSSC has been able to meet their service level agreements.

## **2.7 Conclusions of public policy**

The concept of public policy tends to have some common ground in terms of its outcomes and implications. Some of the important

conclusions that can be drawn from the definitions of public policy include the following:

Firstly, public policies are purposive and goal oriented. This means that policies are often designed to accomplish specified goals or to produce specific results, although these are not always achieved. This implication is due to the fact that every public policy is formulated because of a problem that was identified in the environment (Anderson 2000:5-6).

Secondly, public policies are processed in government institutions and enacted on by legislatures. These institutions could be at national, provincial and local levels of government. The development of policies in these public institutions follow specific patterns of action such as the receipt of memoranda or petitions by officials and the procedure of processing these through seminars, workshops, green and white papers, legislative debates and presidential assent. These patterns of actions, consequently, are taken over a period of time (Anderson 2000:5-6).

Thirdly, public policies emerge in response to policy demands, or those claims for action or inaction on some public policy issue made by the other actors such as the individual, interest groups, political parties, or even by international organisations. Such demands may vary, depending on the environment they result from, and may vary from demands for improved wages, safe working environments and representativity at the workplace, due to a lack of security at mines to diplomacy towards a particular country (Anderson 2000:5-6).

Fourthly, policy involves what governments actually do, and not just what they intend to do or what officials say they are going to do. Thus at the end of its term of office, the success and effectiveness of a government are measured in terms of the number of roads and hospitals constructed, the extent of the provision of water and electricity, the soundness of constructed diplomacy conducted, the stabilisation of the economy, or the extent of peace and harmony achieved among the population and in labour circles (Anderson 2000:5-6).

Fifthly, public policies are expressed in official documents. These may be acts of legislatures and published in gazettes, in proclamations, regulations, decrees and official pronouncements.

Documentation of policies is necessary for references purposes and in order to avoid ambiguity (Anderson 2000:5-6).

Sixthly, policy is not always conceived and written down, but that is frequently subconsciously accepted and may be unwritten, and an indication that no policy exists in itself, however an indication that policy is often legislated to approach a problem or an issue affecting the society at large (Anderson 2000:5-6).

Finally, public policy is based on law, is authoritative and enforced in courts. In other words public policy affects all citizens in the environment and all must respect their legality. Members of a society usually accept as legitimate facts that taxes must be paid, import controls obeyed, and highway speed limits must be complied with, unless one wants to run the risk of fines, jail sentences, or other legality imposed sanctions (Anderson 2000:5-6).

## 2.8 The policy-making process

The development of policies in public institutions follows specific patterns of actions that cover a period of time. Thus within a period of two years, the development of a specific policy may take the form of marches, petitions, hearings, green papers, debates and a presidential assent (Hanekom 1992:13).

This explanation of public policy may not be adequate as it gives the impression that the art of policymaking ends at the publication of policy. Policy has to be implemented and must be evaluated to determine whether implementation has had the desired effect. Further processes are undertaken at these stages; therefore policy-making is defined as a cyclical process involved in the art of producing public policy, its implementation and evaluation.

On closer inspection of the policy-making function it is apparent that purposelessness activity cannot be tolerated in the public sector, because public activities should be aimed at a clear public goal. The goal should be known to all concerned in order to ensure that their activities are aimed at the goal. **“What must be done** (objectives to be reached), **by whom** (personnel) action will be taken, **which organisational units** (institutions) will be involved, **how** (with what procedures) the action will be taken, **how** the activities will be **financed**, and **who** will **control** the activities undertaken”. (Cloete 1994:104)

Usually government policy is laid in the legislation. However legislation does not provide an explanation of the preceding policy making functions, and usually officials, especially public managers are charged with the preceding functions of public policy making and act as advisors to the political office-bearers on matters pertaining to policy.

Political office bearers (like state ministers) have to accept responsibility for the activities entrusted to them. It can be expected that all decisions regarding the curtailment, expansion or changing of activities should be initiated by them. In practice, the political office bearers have to involve the public officials in the implementation and making policy (Hanekom 1987:27).

The Government can keep its promises only if it has the full support of the public officials and provided that the public officials implement its policy efficiently. Since public managers are experts in specific spheres, a possibility exists that they may influence the political office bearers, unless the latter have already made their own decisions, or unless they are prepared to ignore the advice of their officials.

The policy-makers would normally utilise the preliminary processes which is a crucial phase in public policy making for two main reasons to change the policy agenda setting. Firstly, it determines who influences or controls the policy-making process. Secondly, it determines how stakeholders influence the policy agenda. Thus agenda setting is both substantive and procedural.

An agenda is normally a list of items to be dealt with during the agenda setting meeting. The agenda determines the order in which those items will be discussed. The higher an item is on the agenda, the better the chances that it will be discussed and dealt with immediately.

The lower the item, the greater the chances that discussions of preceding items will take up all the time allocated to the meeting, and that later items will have to be shelved for another meeting. An agenda therefore priorities issues for attention by decision makers. It is therefore quite clear that policy-makers had to ensure that the issue of establishing the GSSC was prioritised accordingly.

## **2.9 Conceptual issues**

Jones (1984:57) correctly describes that agenda-setting, is like perception, aggregation, organisation and representation, and is

about getting problems to the government. The term agenda indicates those issues that require both formal and informal methods and procedures for gaining access and influencing policy processes and substance in government.

Writing on the ecology of policy making, Dubnick & Romzek (1999:197) define the following stages in the public making process:

- Problem Identification
- Problem articulation
- **Agenda Setting**
- Policy formulation
- Policy legitimization
- Programme design and development
- Programme implementation
- Programme evaluation
- Policy assessment
- Policy change

Thus, agenda-setting, in a narrow sense, is preceded by problem identification and the ability of the legislature or pressure groups to articulate those problems before they reach the agenda state. This therefore suggests that not all problems or issues identified or even articulated in public actually reach the agenda-setting stage, they must pass through a pre-screening phase first. Once an issue has been identified as being of sufficient interest or significance to justify policy attention, it forms the focus for further clarification, formulation and restructuring, before the importance of acting on it by the policy system is conveyed to policy-makers.

Policy issues are conflicts or disagreements about the nature and origin of policy problems and consequently imply a difference in the approach to problem solving. Policy problems, on the other hand, are the needs of the public and the non-use of opportunities that may have a detrimental effect on at least one segment of society and may be constructively addressed through public action (Fox & Meyer 1995:97-98).

Policy agenda-setting is therefore in a wider sense a problem identification phase and provides an opportunity to articulate all the problems or issues before they reach the agenda stage (Cloete & Wissink 2000:98).

In problem definition, casual linkages must be established between policy issues that cause problems detrimental to certain issues and

stakeholders. An example of this is the issue posed by a constant shortage of medical equipments in public institutions, which hinders these institutions in being able to render health care services appropriately. Such issues needed to be addressed through deliberate public policy interventions at appropriate levels by the most appropriate party agent (Cloete & Wissink 2000:99).

“This is a typical systems model perspective, which assumes linear casual relationships between policy causes and effects. Models of complex or “chaotic” systems and quantum dynamics deny that these relationships are possible, and assume that non-linear casual linkages are normally very complex and difficult to identify, especially in policy situations related to social science for instance vandalism that need multiprolonged policy programmes as a remedy”. (Cloete & Wissink 2000:99)

“A second very important aspect of problem definition is the way the problem has been structured a need, an opportunity, a challenge or a threat. Each problem-structuring approach has its own influence on the contents and processes of policy programmes designed to solve such a problem”. (Cloete & Wissink 2000:99)

Policy agenda setting is necessary, because of the dynamics relating to issues of policy, and problems that any government faces, normally is a situation of having many issues to resolve and the reality is that the government has insufficient resources to address these problems, which is why policy issues should be prioritized accordingly. However how does government actually prioritise on policy issues and problems? Hogwood & Gunn (1984:73-74) give us insights into this process as set below:

### **2.9.1 Undirected viewing**

“This method involves collecting information with no specific purpose in mind. The government use this method to maintain an up-to-date picture of the political, economic, social and technological currents in society. Central information and intelligence agencies frequently supply ministries with data and statistics about macroeconomic, social and political indicators for no specific reason except to take note of the new developments and different trends in different sectors of the society”. (Cloete & Wissink 2000:99)

### **2.9.2 Conditional viewing**

“This method involves a degree of purpose in searching for or collecting information. The focus is to see how information can either reinforce or reject claims for priority treatment of policy problems. Officials may visit other departments or regions for a specific purpose and use such case studies to motivate or legitimize policy claims”. (Cloete & Wissink 2000:99)

### **2.9.3 Informal search**

This method involves government seeking information more actively. Public managers might be requested to collect a certain type of information. An example for this has to do with the violation of copyrights and the subsequent loss of revenue for both authors and publishers. Inspectors may have to visit tertiary institutions to look for specific cases relating to this issue. As a result of these information searches, tertiary institutions have started to put the issue of copyright on the agenda of faculty boards (Cloete & Wissink 2000:99-100).

### **2.9.4 Formal search**

“This method involves gathering specific information for specific purposes. Formal searches take the form of research assignments, departmental investigations, and commissions of enquiry or task teams”. (Cloete & Wissink 2000:100)

## **2.10 Contextual issues**

Public policy making often takes place in a given situation or context (Dubnick & Romzek 1999:190). With reference to South Africa, Swilling (1992:7) points out that policy is about power and that policy making is equally about restructuring the agenda of social and political life.

Therefore, agenda-setting cannot be studied in isolation from political, economic, social, technological, cultural and global factors. The forces in society that accumulate power determine the direction of the policy agenda. As Swilling aptly puts it: the society can influence the policy agenda by the use of force, but in a democratic

state this is done with money, the media communications and straight patronage (Swilling 1992:7).

In reality some forces in society wield more power than others when agendas are set. Swilling points out that apart from money, communications and the media, ideologies also influence whether issues appear on policy agendas or not. Public policies have developed out of a given socio-political context. Whereas agenda-setting emanated from the same context and is therefore intrinsically linked to the nature of the political landscape. In open and democratic societies the notion of open and equal access to the agenda stage is advocated. In closed and authoritarian states the power to influence the policy agenda is largely, if not exclusively, in the hands of the party bosses or the head of state, in other words of a dictator (Swilling 1992:7).

The same problem would occur in societies that have an unequal distribution of resources. In order to access and ultimately influence the policy agenda one needs information, technology and money. In practice, this leads to a further marginalisation of the poorer sections of society (Swilling 1992:7).

## **2.11 Factors influencing the agenda-setting**

It is quite clear, in practice, that agenda-setting differs from society to society. Despite this, one can make a few generalizations about the factors that influence agenda-setting in government. Hogwood & Gunn (1984:67-68) list the following factors which determine whether or not policy problems appear on the policy agenda:

Firstly, the problem must reach crisis proportions and can no longer be ignored by the government (Grindle & Thomas 1991:73). It is when the continued existence of the problem poses a threat, either to society or the state as a whole. For example, this means that the continued shortage of equipment and medical staff at Natalspruit Hospital and the unrest due to the fact that staff members wanted to expel the Chief Executive Officer of the Natalspruit Hospital; kept the hospital under press spotlight. Government responded by putting a steering committee in place to resolve the issues and to divert crisis proportions (Hogwood & Gunn 1984:67-68).

Further, the competitive nature of the taxi industry in South Africa has led to the death of numerous innocent passengers. This has reached such crisis levels that the government has had to place it high on the agenda of transport ministers throughout the country. This crisis has led to the closure of some of the taxi ranks. This

indicates that government actions facilitated the placing of policy problems high on the policy agenda. This has also resulted in government initiating the recapitalisation of the taxi industry (Hogwood & Gunn 1984:67-68).

Secondly, the policy problem must have devastating effects. Globally, the change in weather patterns and the effects of El Nino have received such a high status on the world agenda that countries cannot ignore this problem. At the end of the 20<sup>th</sup> century, organisations and institutions were confronted with the Y2K problem. This issue was so important that all institutions in South Africa had to ensure that they were Y2K compliant (Hogwood & Gunn 1984:67-68).

Thirdly, policy problems must have an emotive impact, which attracts media attention. Issues of life and death are very often a driving force in agenda-setting. During the month of September and October 1999, more than 80 people died in tragic bus accidents in South Africa. Of these, 26 were British tourists. These accidents were emotive issues, firstly because people's lives were at stake, and secondly because they involved foreign tourists. Radio, television and the print media often publish these emotive issues, which then gain agenda status (Hogwood & Gunn 1984:67-68).

Fourthly, issues that have a wider impact have a better chance of reaching agenda status than low impact issues. During the 1990s the whole world, including South Africa, were faced with a new world epidemic in the form of the HIV virus which eventually causes AIDS. The HIV virus has a devastating impact, both nationally and globally, that was and is felt in almost every facet of human life. Yet another issue that had a wide impact, was the issue around globalisation, which led to the formation of economic partnerships and realignments in order to improve the macro-economic wealth of the African continent.

Fifthly, these issues raise questions about power relationships in societies. Those who have power in society have a greater ability to influence the policy agenda. The elite theory postulates that those with money, knowledge, skills and resources have more leverage and bargaining power as agenda-setters. It is also true that governments tend to listen more attentively to their constituencies and issues raised by them (Hanekom 1987:46).

Sixthly, some issues are fashionable for government to address. These are issues which have symbolic value for the government.

For example, this means that governments often support major sporting events like the Olympics, the Africa Cup of Nations and the Rugby World Cup, because they are fashionable and have symbolic value for the government of the day. Such events provide the hosting countries with worldwide exposure which would stimulate the development of local economies and provide a huge boost for the personal image of political leaders. Recently South Africa hosted the Women's Golf Cup at the Lost City and the whole event received great media coverage throughout the world.

## **2.12 Role players in agenda-setting**

### **2.12.1 Elected political office-bearers**

In a democratic government, elected representatives receive a mandate from the electorate to shape and give content to public policies. This includes the mandate to advance public views on legislative and policy processes. Political leaders often use public speeches, media debates or political campaigns to raise issues and awareness on issues to be implemented. It is therefore imperative for the political office-bearers to mobilise mass support for issues to be implemented successfully. Once the mass baseline support has been established, it does not become difficult to finally address the issues (Cloete & Wissink 2000:102).

### **2.12.2 Appointed officials**

Public managers are both receivers and manufacturers of public policy problems. They have considerable power to determine what goes onto the policy agenda. They use the following criteria in assessing the status of policy problems:

- **Urgency:** Officials determine whether an issue is sufficiently urgent to receive the agenda status (Cloete & Wissink 2000:102).
- **Nature:** Not all problems that are brought to the attention of officials should be in the public domain. Officials determine whether a problem is private or public (Cloete & Wissink 2000:102).
- **Level of agenda:** Once an official has determined that a problem is a public one, he must next decide at which agenda level it belongs. Officials direct a

problem to the strategic, tactic or operational agenda levels (Cloete & Wissink 2000:102).

- **Budgetary Conditions:** Officials will be reluctant to place new issues on the policy agenda if it means transferring money from their approved budgets. However, officials may also put new issues on the agenda as a means of legitimizing budget allocations (Cloete & Wissink 2000:102).
- **Strategic Priorities:** Officials are more likely to process issues which can be linked directly or indirectly to the government's strategic priority areas. It is very likely for government officials to process issues of homelessness, unemployment or access to drinking water, because they can be linked to one of government's priority areas, namely the alleviation of poverty (Cloete & Wissink 2000:102).
- **Internal capacity:** A conservative and bureaucratic response to agenda-setting requires officials to determine they have internal capacity to deal with issues before they place them on the government agenda. This approach argues that officials place issues on the agenda, knowing very well that they do not have internal capacity for dealing with them; such behavior will set them up for failure. It is thus safe to assume that officials will be less determined to process issues on the agenda if these issues will have a negative impact on their career or their performance (Cloete & Wissink 2000:102).
- **Courts of law:** The legal profession's contribution to policy making and agenda-setting goes beyond the narrow interpretation of policy mandates. In their evaluation of policies, they come into direct contact with inherent policy weaknesses. In their judgments, judicial officials draw the attention of both the legislature and the executive to issues for the public agenda. Courts of law therefore play a very significant role in the agenda process (Cloete & Wissink 2000:102).
- **Interest groups:** Pluralism dictates that interest groups have collective strength and the capacity to mobilise for their members at relatively short notice.

Membership of interest groups is dictated by the desire to access the policy agenda. Hypothetically, interest groups exist as long as issues are not formally on the government's agenda or are not receiving priority attention once on the agenda (Cloete & Wissink 2000:102).

Jansson (1994:107) points out that an interest group may start with few resources, but can augment its power-base by building a reputation as a source of information required for policy-making. In South Africa, "interest groups have an increasingly larger role to play in shaping the public agenda, take for instance the Anti-North West interest group at Khutsong that has mobilized against the decision by the government to incorporate Khutsong into the North West province. Defence Minister Mosiuoa "Terror" Lekota and Justice Minister Bridgette Mabandla had to be whisked away by heavily armed police during the outbreak of protest action in Khutsong. The visit to Khutsong area was to ensure that the upcoming local elections will take place accordingly, thus ensuring that residents were not being intimidated by the Anti-North West interest groups". (Ndaba, Pretoria News 2006:20)

Other interest groups have campaigned against the issues of violence abuse against children and women. The South African government has therefore pledged 16 days of activism to make the population aware of the abuse of women and children as well as men.

### **2.13 The media**

The media has the single most dominant impact in shaping public opinion and hence the policy agenda. The media has the advantages of resources, ubiquity and a passive audience, and its ability to reach millions in a relatively short time. Through media, the public at large can be both educated and indoctrinated on policy issues (McInnes-Dittrich 1994:89). Both education and rally to support for issues on the agenda.

However, a policy agenda heavily influenced by media coverage is not necessarily consistent with rational policy making. Weimer & Vining (1992:130) indicates that a media-driven policy agenda discourages the careful evaluation of alternatives. Representatives who take the lead in proposing policy responses are most likely to benefit from the wave of publication created by the media. Despite the criticisms, one cannot ignore the extent to which media

influence the policy agenda. Representatives who take the lead in proposing policy responses are most likely to benefit from the wave of media.

## **2.14 The importance of public participation in the policy process**

### **2.14.1 Conceptual issues**

Community participation in the development of activities can be defined as the involvement of members of a community in development activities in the community in order to influence the outcomes of the policy activities, and to obtain as many benefits as possible from the results of those activities. Acceptable community participation normally takes place in one of the following ways (Cloete & Wissink 2000:104):

Firstly, through the involvement of legitimate, democratically elected political representatives (e.g. town or city councilors or other political representatives at other government levels). They usually get policy mandates in elections or ward constituency meetings, or exercise their discretion as elected representatives of the community. They are also expected to report back to their voters regularly in order to obtain their decisions on behalf of the community, or to seek new mandates (Cloete & Wissink 2000:104).

Secondly, community participation can occur through the involvement of leaders through legitimate organisations in the community which represent different interests and segments in that community (e.g. civic, cultural, religious, welfare, recreational, youth, business and other organisations). Obviously, the more substantial the interests that are represented, the more influential the involvement of the organisation and its leaders. There must also be regular feedback from these leaders to their constituencies in order to legitimise their actions (Cloete & Wissink 2000:104).

Thirdly, community participation can take place through the involvement of individuals or the expression of the opinions of the leaders in the community. Some people can influence prevailing opinions if they are regarded as individuals who can exercise their influence, and are highly respected, irrespective of their position in the community or within the institution. Several influential officials and political office-bearers, particularly from health sector's public procurement were targeted by GSSC and their views were taken into

consideration in order to ensure that the establishment of the GSSC was successful (Cloete & Wissink 2000:105).

Lastly, community participation can be achieved through the direct involvement of ordinary members of the public in mass activities (e.g. attendance at public meetings, participation in protest marches, consumer boycotts and other type of direct mass action). The numbers involved are indicative of the degree of support expressed by the community for the cause concerned (Cloete & Wissink 2000:105).

Community participation can also consist of three different types of involvement, presented below from the least effective to the most effective:

**Ratification**, which refers to approving certain decisions or actions after they have been taken. In fact, this means legitimising decisions or actions after someone else has taken them. It is a very weak form of participation in that it can only demonstrate support but cannot influence the contents of the decision or action concerned (Cloete & Wissink 2000:105).

**Consultation**, which refers to using an audience as a sounding board and eliciting opinions, suggestions, advice or recommendations about an issue before or after a decision is taken unilaterally. When the GSSC was established, consultation sessions were conducted with all officials within Ekurhuleni-Sedibeng Health Region in order to make sure of their buy in, with the idea of the establishment of GSSC. All staff members were frustrated and they aired their frustrations during such sessions. This was an attempt to reach some form of mutual agreement on issues. Thus an opportunity existed to influence decisions through persuasion, bargaining and/or the threat of force of some sort (Cloete & Wissink 2000:105).

**Negotiation**, which refers to direct involvement by parties in discussions leading up to joint decision-making through agreement on policy issues in a peaceful way. Thus the GSSC had to be established in terms of *Preferential Procurement Policy Framework (Act No. 5 of 2000)*. No matter whether institutions wanted to be part of that decision, or whether institutions wanted to oppose that decision, or threaten with force to cause unstable working environments

in order not to implement that decisions, thereon views were no longer going to be accepted because the act was already passed by parliament in order to transform supply chain management in the public sector.

Community participation can be initiated or simulated in two ways during the policy making process:

**Individuals or interest groups** individuals or interest groups working with the community would normally utilise a bottom-up approach in order to mobilise the community at ground level. **Individuals or organisations**, frequently from a higher government authority often from national state departments would often utilize top-down approach in order to get the support from influential political office bearers during the policy-making process.

In order to ensure that the establishment of the GSSC was implemented successfully, the executive managers of the GSSC had to liaise with the former Head of Department of Health (Dr. L. Rispel) through the office of the MEC for Health (Dr. Gwen Ramokgopa) in order to announce meetings with procurement practitioners and managers at the institutional level, to ensure that all institutions were made aware of the forthcoming changes and were able to adapt to changing circumstances, and in order to ensure that service delivery was not compromised.

## **2.15 Policy implementation**

When the adoption phase of a policy has been completed government announce the policy implementation after it has been signed by the President, who can begin to refer to a document called public policy. Policy making, however, does not end when the processes of making the policy become law. The purpose of making the policy, in the first place was to address a problem identified that has been identified. For the purpose of this study the problem was to find out why the public procurement process was taking longer to provide critical goods and services required by health institutions in order for them to be able to render essential health services to the public at large. The policy adopted by parliament therefore takes a new form, and must be implemented.

Public policy implementation has been described as what happens after a bill becomes law (Anderson 2000:201). Further implementation is seen as the final stage of policy making where the intentions, objectives and the course of action selected by the policy maker are put into effect. This is however, also not the end of policy making, but rather a continuation of policy-making by other means, and can be regarded as a declaration of government preferences, mediated by a number of factors (Hanekom 1992:55).

Firstly, policy making also does not end at law-making: the contents of the policies must be implemented to solve a problem on the ground, which in this case is the efficient provision of goods and services by the health institutions. Secondly, policy making continues until the particular problem is solved. This is a deduction which presupposes that implementation must continuously be monitored and evaluated to ensure that problems encountered are corrected. Thirdly, policy implementation involves participants who have to put the law into effect. Public policy implementation can therefore be defined as the transaction of the law into effect through the use of resources and the engagement of participants who have identified the problem.

### **2.15.1 Participants in policy implementation**

Public institutions are created solely for the purpose of promoting good governance. Therefore the actions of the officials managing the institutions should be aimed at the implementation of the policies in accordance with the intentions and aims of, and with the same goodwill as, the policy maker, without prejudice, ill-will, delay or interruption. (Hanekom 1992:56-57); Report (1959:10); Information Bulletin 356/72P; Hansard (1965:col 5548); Brown (1970:97); Jennings (1969:125) and Hansard (1790:cols 4927,5496).

Apart from the public manager who can be regarded as the key functionary in the implementation of public policies, specific public institutions are also actively involved in the implementation of public policy. The implementation of public policies involves a number of participants:

**The Legislators** the primary policy makers can also implement policies. The more detailed the legislation passed by parliament, is the less discretion that is left for executive institutions and officials to implement. Implementation is affected, for example the moment American parliament

decides to recognise Communist China instead of Taiwanese China.

**The courts of law** Policy could further be implemented by the judiciary in the law-enforcement process. Laws that relate to crime, divorce and bankruptcy are implemented by the courts through their interpretation of statutes, administrative rules and regulations, as well as by their review of administrative decisions in cases brought to them (Anderson 2000:209).

**Public officials** The bulk of policy implementations are often undertaken by public officials and administrative agencies. Officials collect taxes, operate the postal system, prisons and schools, regulate banks and utility companies, construct and maintain streets and highways, inspect food, meat, water and medicines to ensure their safety and provide medical benefits and services, including the procurement of various goods and services to promote health for a better life for the people of South Africa. Public officials perform most of the day-to-day work of government: their actions affect the citizens more regularly and directly than those of other implementation participants (Anderson 2000:205).

**Interest groups** Groups who influenced the formulation of a particular policy may also influence its successful or unsuccessful implementation. Interest groups may be co-opted to assist policy implementation in advisory or even in leadership capacities. This could be achieved through meetings in small communities, with civics, women's, religious, or ratepayer's associations (Reddy 1992:69). Furthermore community institutions can be employed in the administration of government programmes at the central and local levels. Examples of this are: reserve police forces, voluntary traffic workers who report offences to traffic authorities, or voluntary associations who endeavour to prevent littering (Hanekom 1992:58).

Many government programmes are often carried out in substantial part through contracts with private companies. At the national level, defence and nuclear programmes are well known examples. At provincial and local government contracts with private companies for the construction of highways and streets, and for the supply of electricity, water and housing are examples. The power to grant or deny

contracts includes an obvious element of control (Anderson 2000:237). Policy implementation as a human phenomenon has inherent problems.

### **2.15.2 Problems in policy implementation**

One of the features of public policy is that it is an anticipated solution to a problem. In other words policy, is made for the future; new and unanticipated problems may be encountered during implementation. Furthermore, public policies are sometimes, framed in general terms, because of the lack of time, information or expertise and the formulation of the details of the policies for implementation purposes is left to the implementers, who may substitute their views for those of the policy maker (Hanekom 1992:61).

Problems prevalent with policy implementation in South Africa are included as the following according to (Doyle 2002:185): there are few incentives for public managers to correctly implement policies. In other words, there is no link to the performance management system of the department between the output of the work performed and compensation. Many skilled public employees have been lost, leaving many unproductive employees in public institutions. The rationalization of the public service has been carried out in an uncoordinated, fragmented and ad hoc manner. Another problem experienced with policy implementation is the lack of consultation amongst stakeholders and sometimes little transparency to the public at large.

### **2.16 Requirements for successful policy implementation**

Public policy implementation needs to succeed if the identified problem is to be taken care of, and to improve living standards of fellow South Africans. The following are some of the basic requirements that can help sustain successful policy implementation (Johnson, *in* Doyle 2002:188-189; Hanekom 1992:59-60):

The policy to be implemented should be translated in a language that is understood correctly by everyone. The public officials who have to implement the policy could have contributed towards the initiation of the policy. Their views and biases should not be disregarded, although the intentions of the policy-maker should always take precedence.

Policies are usually written in a legal language, and officials, especially if they have no legal training, they may experience difficulties in translating them into everyday language which the public can understand. The translation of the policy should identify with the objectives of the policy, the definition of the policy issue to be addressed or resolved by the policy, should be clear and avoid any unintended conflicts or new problems arising during translation of the policy.

The *Preferential Procurement Framework (Act, No.05 of 2000)* was translated by the Gauteng Department of Health with Circular No.6 of 2005, in order to ensure that unintended conflicts are avoided and that all procurement practitioners; and senior manager within the health sector had the same understanding of the policy. Sufficient resources should be available to implement any new policy. Thus the provision of the required funds, materials and personnel and equipments to government institutions from national to lower tiers of government in order to ensure proper execution could enhance policy implementation.

Policy should be implemented as an orchestrated effort by the policy implemented. Legislators, public officials, courts of law, interest groups and the public should act together to ensure successful implementation. Important aspects to consider in this regard should be communication and co-operation among all parties, and delegation of authority to all units involved in the implementation of the policy.

An instrument of implementation is the provision of services, either directly or indirectly, or by means of contracting out or by the creation of parastatals to supplement government activities. It is worthy to note that a number of municipalities have contracted out services such as water, electricity and refuse collection to private companies and parastatals.

A conducive socio-economic environment is an essential component to successful public policy implementation. The economic circumstances of a country directly influence the availability of resources needed to implement the policy. The social circumstances further, influence the way in which a community perceives the policy. Where a country has a high unemployment and poverty rate, any policy increases job creation. The creation of the GSSC has created job opportunities for South Africans and has provided an environment which challenges their thinking in order to come up with ways of improving service delivery.

## 2.17 Public policy evaluation

Policy analysis is an attempt to measure the cost and benefit of policy alternatives and to evaluate the efficacy of existing policies (Goldwin 1980:39, in Hanekom 1992:65). Put differently, policy analysis is an attempt to provide policy makers with policy relevant information to determine how to act regarding a particular matter, with a view to improve the policy and ultimately the well-being of society (Hanekom 1992:65-66). The evaluation of the impacts that a policy implementation has caused is necessary to ascertain whether the action or policy should be discontinued, terminated, or replaced with an alternative course of action (Doyle 2002:191).

Cloete (*in* Doyle 2002:191) provides further reasons for policy evaluation. Policies should be evaluated in order for public officials to learn lessons from the policy, project, or a programme for future review, design or implementation strategies, in order to provide political and financial accountability and also to advocate policy causes more effectively.

Policy evaluation also refers to the use of a policy-analytic research method or technique to measure performance programmes so that the continuous change in activities can be determined with a view to improving effectiveness, especially the impact and the conditions that are supposed to change. They further refer to the systematic measurement of performance in terms of specific policies, guidelines and procedures; to passing judgments on others and assessing blame or praise; to the use of research techniques to measure the performance of a specific programme in particular the programmes that impact on the conditions it seeks to modify for the purpose of changing the operation of the programme so as to improve its effectiveness at changing its objectives (Fox & Meyer 1995:45).

Consequently, policy evaluation has to be undertaken in order to complete the policy-making cycle. Policy evaluation may be undertaken by policy-makers, policy implementers or by the target groups. Evaluation can be carried out by specialists from the field of public administration, economics, sociology, law, journalism and politics, or by university lecturers or consultants, including researchers (Hanekom 1992:91-92). Policy evaluation is often regarded as the final stage of the policy process, where those who determined the policy, the parliament and all other departments and those who are affected by the policy, the various procurement practitioners at the various health institutions within Gauteng

Province had attempted to find out if the implementation of the GSSC is really working in providing goods and services within the agreed upon service level agreement.

Policy evaluation is therefore an appraisal, an assessment of the policy content, implementation and the evaluation of the impact, with a view to ascertaining whether did the establishment of the GSSC brought about any difference or improvement in the process of procuring goods and services (Hanekom 1992:89).

### **2.17.1 Process of policy evaluation**

Policy evaluation can either be done before a public policy is implemented, during its implementation, or after its implementation. In order to carry out a policy analysis and to enhance the quality of policy analysis, various models can be utilised. These models are either of a descriptive or of a prescriptive nature. The descriptive model includes the functional process model, the elite model which analyzes the role of the elite, and they are solely responsible for policy decisions for the masses. Policy decisions made by the elite flow downward to the population at large and are executed by the bureaucracy (Cloete & Wissink 2000:33). The group model analyses the influence of interest groups on policy makers. The systems model analyzes the interaction between inputs, conversion, output, and feedback, "the demands enter the (political) system as inputs and through the political process such as political debates, cabinet memoranda, proposals, counterproposals, consensus and decision and until agreement is finally reached on the policy or output to be made". (Cloete & Wissink 2000:39) Lastly the institutional model, which is concerned with the relationship between the institutions concerned with policy making and policy implementation.

Prescriptive models include the rational comprehensive model, where the idea is that all possible information pertaining to a particular matter should be taken into account; the incremental model, which has as its point of departure that under normal conditions existing policies are usually only marginally changed; and the mixed scanning model, which is a combination of the rational, comprehensive and incremental models (Hanekom 1992: 74-87).

### **2.17.2 Pre-implementation evaluation**

Pre-implementation evaluation involves a study of the policy content, which is carried out before the policy is implemented. Specific questions may have to be posed by policy makers, implementers and by target groups should include: A feasibility study needs to be undertaken in order to ensure that all the necessary logistics are in place to implement the policy. Other factors to be included in the feasibility study include the political, social, economic and cultural impact of the policy to be implemented (Hanekom 1992:91-92).

Another critical question to be asked is the impact of the new policy on executive institutions and the society at large. It should investigate whether they could associate with the policy? The resources required in order for the policy to be implemented are very crucial and another important question to ask is whether, the policy can actually work or at least alleviate the problems we are currently trying to resolve (Hanekom 1992:91-92).

Another important question is an indication of time. The success of the government is often measured by the implementation of policies within a reasonable period of time. The purpose of pre-implementation evaluation is to improve the policy content, to close gaps and loopholes that can cause policy failure, and to rectify these problems or to avoid or minimise costs and mistakes (Hanekom 1992:91-92).

### **2.17.3 Post-implementation evaluation**

A post-implementation evaluation is often conducted with the different phases of a policy are being undertaken, when the implementation is encountering problems, or when the policy is completed. During the post-implementation phase, the representativeness of the clients that have been receiving the services of the policy being implemented and it is very important at this phase for the society to indicate if the policy is satisfying their needs. Another aspect to look at is the efficiency, which includes the cost involved in order to achieve the outcome. The equity aspects look at ensuring that whatever benefits, which were intended with the implementation of a new policy, are equally distributed. It is often taken for granted that during the implementation phase

the desired objectives of a policy would be achieved, and that particular interest group would be satisfied with the decision through decision taken by public officials. It is further important to look at the appropriateness of the policy as well as its adequacy.

## **2.18 Policy evaluation problems**

Policy evaluation is an intellectual, research exercise, and like all such projects, evaluation can also encounter problems. Such problems include a number of dynamics according to Anderson (2000:227-282):

### **➤ Uncertainty over policy goals**

In certain circumstance the goals of a policy may not be clear. The support of various groups is needed to secure policy adoption: it is usually necessary to demonstrate the policy goals to persons and groups with differing interest and diverse values. As such, it may not be easy to determine the real goal of a policy.

### **➤ Diffuse policy impacts**

Policy actions may affect groups other than those at whom the policy is specifically directed. A welfare programme such as low cost-housing or pensions may affect not only the poor but also others such as taxpayers, public officials, and low-income earners who are not receiving welfare benefits. Taxpayers may grumble that they are being squeezed too much for welfare benefits. The low-cost housing may be owned, not by the targeted poor people, but the rich in society.

### **➤ Difficulty in data acquisition**

A shortage of accurate and relevant statistical data and other information may handicap a policy evaluation. An economist in policy evaluation may predict how a tax act will affect economic activity, but suitable data to indicate its actual impacts on the economy may be hard to find. Similarly, correct information may not be available on which recipients of a housing programme will be capable of paying off subsidies.

### **➤ Official resistance**

Evaluation involves reporting findings and making judgments on the merits of policy. Departmental and programme officials will be alert to the possible political consequences of evaluation. If the results

do not come out right, from their perspective, or worse, if the results are negative and come to the attention of decision-makers, their programme, influence, or careers may be thrown into jeopardy. Consequently programme officials may discourage or refuse to co-operate with evaluation studies and may refuse access to data or keep incomplete records.

➤ **Insufficient planning**

Insufficient planning for and monitoring of the compilation baseline or culmination data results in complete databases with incomplete information, which may lead to inaccurate findings and conclusions (Hogwood & Gunn 1984:226).

➤ **Evaluation may be politically sensitive**

Evaluation results may sometimes be politically or otherwise sensitive and evaluation may therefore not be undertaken superficially or partially. At times evaluation may therefore be carried out in a biased way (Hogwood & Gunn 1984:227).

➤ **Insufficient resources and time frames**

The difficulties one frequently encounters when trying to achieve all policy objectives sometimes create the initial impression of different degrees of policy failure. Insufficient resources for evaluation also sometimes prevent policy evaluation from being done well or not at all. Tight time-frames that do not allow sufficient time for thorough evaluations also result in the evaluations not being done.

➤ **Unacceptable evaluation results**

Evaluation results are sometimes unacceptable because they are too academic and not practical enough, too technical and therefore incomprehensible to decision-makers, too ambiguous and therefore not very useful, too late for specific purposes and therefore regarded as useless or too critical of decision-makers or managers and therefore not wanted.

The record of policy evaluation in the South African public sector and elsewhere is not good (Rist 1995: xvi). The only type of evaluation normally undertaken was an ongoing performance assessment during the lifetime of policy projects to ensure that budgets or contract periods were not exceeded for financial management reasons. Formative and summative assessments were rarely undertaken.

Recently there has been a change in this regard. International donors and investors in developing countries have become increasingly concerned about the wastage of their donations and investments, and have started to demand improved systematic project and programme assessments that are then linked to policy review and revised future funding. This has significantly increased the importance of systematic policy assessments in the public sector throughout the world, and in South Africa.

In developed states, policy evaluation is a more established phenomenon, although utilisation of evaluation results in policy making is more tenuous (Rist 1995: xvi). Howlett & Ramesh (1995:178) aptly remark that "policy evaluation, like other stages of the policy cycle, is an inherently political exercise and must be recognized as such".

The quality of the evaluation policy outcomes can, however be, improved by devoting attention to and applying some flexibility in the inclusion of certain criteria (Hanekom 1992:96). Relevance ensures that the information obtained is relevant to the issue being evaluated and that will be useful to policy-makers. The significance of new information should always be stated.

Validity often determines the real outcomes of the policy and not what are believed to be the outcomes in order to provide usable and understandable information. Reliability of the information should be obtained by precise methods. Objectivity of the report conclusions in a complete and unbiased manner, indicating the conclusions reached by other evaluators. Timelines for the supply of information timeously for decision-making purposes.

## **2.19 Conclusion**

Policy evaluation marks the end of the policy-making cycle: it is an intellectual exercise and is necessary in order to advise policy-makers to correct problems and make adjustments in the policy making process. Policy evaluation can, however, be a complicated, lengthy and expensive process, but does not have to be, depending on the evaluation objectives and scope. Despite the frequent conceptual and practical complications that occur during policy evaluations or assessments, it is clear that in order to maximize the impact of a policy project or programme, one has to determine the results of the project or programme in question as accurately as possible. This can be done through a systematic policy evaluation or assessment. The willingness

and commitment of policy researchers to influence decision-makers, during policy making will have to undertake the policy evaluation project seriously in order to determine the scope, depth, nature and effect of the policy being evaluated in order to make informed researches about the development of future policies.

Once the evaluation results are clear, they should be written up and summarised in a user-friendly fashion that will persuade policy-makers of their validity and usefulness, and will ensure a maximum positive impact on future policy processes. Standard academic jargon and reports are totally inappropriate for this purpose. The communication of the evaluation findings is crucial for its success (Hogwood & Gunn 1984:237; Posavac & Carey 1980: Chapters 11 and 12). Hendricks & Handley (1990:109) indicates that reports should display startling facts that will make people to sit up and think, and that the reports should always be to the point.

Each written report should be confined to one trenchant issue. If the report is complex, the results should be presented in several brief reports instead in one comprehensive report. The report should contain a short and executive summary to make it easier for senior managers to peruse the report at ease.

Chapter 3 focuses on the procurement of goods and services prior 1994 in South Africa, the procurement reform process in Southern Africa and the role players in the structures active in public procurement.

## **CHAPTER 3 OVERVIEW OF HEALTH PROCUREMENT SYSTEM AT THE GAUTENG PROVINCE**

### **3.1 Introduction**

The chapter aims to discuss the overview of the health procurement systems at Ekurhuleni-Sedibeng Health District in the Gauteng Province prior to 1994. It begins with a review of what may be deemed a substandard procurement system. Thereafter there is an analysis of various tender procedures; namely, the tender board practices such as requirement forms, general and term contracts, updating of contracts, breach of contracts, tender procedures in respect of goods and services, standing provincial tender boards, adjudication of tenders and departmental control committees, including the official's involvement in the adjudication of tenders.

The chapter further discusses the following areas of procurement: such as the procurement reform process in South Africa; the Green Paper on Public Sector Procurement Reform; the health care delivery practices which have to be improved, due to the legacy of apartheid policies in South Africa which resulted in inequitable access to health care. The chapter ends with a remark that the government since 1994 has committed itself to ensuring that health services should be more accessible to all South Africans irrespective of colour, creed or beliefs.

### **3.2 Procurement of goods and services prior to 1994 in South Africa**

Government structures prior to 1994 were created and organised in an oppressive manner that was not conducive to promoting health for all citizens of South Africa. Thus the role of government after 1994 was not only to govern people but also to render specific services to the people. The government is involved in the provision of health for a better life through ensuring that the necessary equipment and medicines were procured within reasonable timelines. This position is enshrined in the *Constitution of the Republic of South Africa*, in section 152 (1) (b) of the constitution that specifically states that one of the objectives of government is to ensure that the provision of services to communities are improved and sustained.

The national government took a decision that in order to maximise the utilisation of resources and to improve the procurement of goods and services, the GSSC was created in order to improve the rendering of health services to the inhabitants of the Gauteng Province (Du Toit et al, 1998:8).

### **3.3 Substandard health procurement systems**

The system that was utilised for the procurement of goods and services in the erstwhile Transvaal was chaotic in a sense that goods and services often took longer to be procured; and on many occasions the ordering of goods was not properly followed up. There was a mixture of physical and systematic chaos in place and that system made it impossible for health institutions to render proper health care services to the public at large. The execution of plans or instructions was often supposed to be controlled and regulated in order to ensure that the plans were carried out in accordance with the laid down standards and objectives as indicated in the provisioning procedure manual and strategic objectives of the Gauteng Department of Health. However, on many occasions the link in the management chain broke, and there was no synergy in the performance of tasks within the provisioning sections and other clinical support sections; and it was not possible to effectively execute management tasks in their entirety there was no proper planning between the provisioning section and clinical section regarding the procurement of medical equipment. The procurement section had to respond to ad hoc requirements of the region and on several occasions goods or services would be required as urgent and it was questionable as to whether components were not communicating their needs to the provisioning section on time (Radel & Reynders, 1985:256).

Each public entity had to operate within the framework of the State Tender Board Act, and at a rate at which requisitions would disappear, get lost, and at times could not be traced at all. The disappearance of documents clearly indicated that the procurement of goods and services was not taking place efficiently. The delay of the procurement of goods and services affected the economy of the country, because the state was not spending the funds allocated for that particular financial year; allocated funds for major projects were not spent, and were hoarded until the end of the financial year. In this way fiscal dumping would take place in order to ensure that funds were spent before the end of the financial year. The economy of the country was not boosted because funds were not circulated within the business sector, particularly within small and medium enterprises. A lack of control was prevalent within the state organs, and basic management principles were not implemented and monitored. After a policy has been formulated to guide departmental action, basic operating procedures must be developed to implement the policy. A procedure outlining in detail the specific actions to be taken yet deadlines, control and monitoring was lacking (Dobler, Lee and Burt 1990:604).

The public sector officials in Ekurhuleni-Sedibeng health region often took longer to process requisitions for the procurement of goods or services for a number of reasons, such as lack of initiative and proper planning. The

long duration of processing government requisitions for goods and services was a norm, and officials often took longer than necessary to procure the services. The hierarchical process of getting authorisation for the procurement of goods and services often took longer than a month in the public sector. If senior managers or a senior official was not on duty for particular days, the orders would have to wait for that official to come back either from a seminar or workshop before any processing of the requisitions could be done, even if other officials were appointed in writing to authorise the purchase of goods and services. Some of the officials were afraid to be responsible or they would be instructed not to authorise any procurement of goods and services. The red tape at times was necessary as a control measure, but usually created major delays for the purchasing of goods and services. The purchasing of materials that managers needed to develop required departmental procedures that would facilitate the accomplishment of tasks with minimum effort and red tape (Provisioning Administration Procedure Manual, 1994:2).

#### **3.4. Purpose of the State Tender Board**

The State Tender Board Act was authorised, in terms of Article 4 of the *State Tender Board Act 1968, (Act 86 of 1968)*, to procure supplies and services on behalf of the State, to hire (in or out) anything, to procure or loan any right for or on behalf of the state and to alienate any movable property. This authority was extended in accordance with Regulation 2 of the State Tender Board Regulations, issued by the Minister of State Expenditure in accordance with Article 13 of the Act, "whereby supplies and services for or on behalf of the State, the hiring (in or out) of anything, any right for or on behalf of the State and movable State property, may only be procured, arranged, loaned or alienated through the Board." (Provisioning Administration Procedure Manual, 1994:32)

The purpose of the State Tender Board was to ensure that there was proper co-ordination and control of the procurement of goods and services prior to 1994, including the disposal of movable State property. "The obligation of the State Tender Board with regard to the expenditure of public funds, purchases, as well as the sale of movable and immovable State property was to ensure that all transactions were handled in the best interest of, and to the greatest advantage of the State, and under competitive circumstances. The tender procedures were strictly prescribed to allow suppliers the opportunity to compete for the supply of goods and services to the State" (Provisioning Administration Procedure Manual:6).

In order to be able to execute these primary powers, the State Tender Board, in accordance with Article 4(1) (a) to (h), was given certain powers, such as to enter into agreements, to request tender proposals, to determine the manner of, and conditions attached to proposals, and to

inspect or test or have inspected or tested, goods offered/supplied or services offered or rendered (Provisioning Administration Procedure Manual, 1994:32).

The objectives of the State Tender Board in government institutions were to maintain laid down (prescribed) quality standards, where possible to bring about standardisation in order to avoid duplication and wastage, and to provide products and services on a continuous basis.

In order to execute this purchasing function in such a way that the primary function of the State departments (e.g. Health, Defence, Education) and government institutions were supported in the rendering of their core business; to strive towards reductions and saving in cost; and to obtain the highest value for governments funds expended; the State Tender Board had to purchase at the lowest possible unit price by making use of free competition (Provisioning Administration Procedure Manual, 1994:32).

#### **3.4.1 Requirement forms**

Before the State Tender Board could finalise any contract, it was necessary to determine the needs of a department. Departments had to submit their needs to the State Tender Board by means of a requirement form. Requirement forms were made available to state departments by the State Tender Board, which arranged contracts depending on the quality of the information given on these forms. Requirement forms were made available to sub offices by their respective procurement section from the Head Office at the Bank of Lisbon. Due dates were often shown on each form. The forms therefore had to be completed and returned as soon as possible after their receipt. The instructions on the forms were to be carefully scrutinised and actioned accordingly by the procurement sectional heads at the sub offices. All requirement forms had to be verified and countersigned by the relevant senior stores official, and were then signed by the head of office at Ekurhuleni Health District Office, before being routed to the Head Office at the Bank of Lisbon via the correct channels. The requirement forms were not properly managed by head office, and in a number of instances new requirements required by health institutions were not budgeted for and services or equipments were postponed until the next financial year (Provisioning Administration Procedure Manual, 1994:33,34).

#### **3.4.2 Late submissions**

Late submissions of requirement forms resulted in financial implications for the responsible official, in that any additional or

avoidable expenditure which was incurred by the State, can be recovered from the official responsible for wasteful expenditure. The quantities on the form which were submitted late could consequently not be included in the global estimates, and a contract could therefore not be arranged for the relevant department. In such a case, if additional costs had to be incurred when arranging a contract, or if the required item to be purchased was in excess of the contract price, the additional expense had to be recovered from the responsible official. Late submissions resulted in the equipments or services being procured outside a contract, which was costly for the state, particularly if the product or services were required urgently by health institutions (Provisioning Administration Procedure Manual, 1994:34).

### **3.4.3 General contracts**

The State Tender Board had to arrange contracts for a considerable variety of goods and services. The purpose of these contracts was to provide departments with a standing authority for the procurement of goods and services. The general contracts were valid for a pre-determined period, and on expiry thereof, according to circumstances and requirements, the period contracts were often renewed. Each contract was allocated a permanent number, followed by an indication of the year/years in respect of which the contract was valid (term contracts), e.g. Contract 131 of 1981/82. This number was *ipso facto* the authority number for purchases in accordance with the particular contract. General contracts arranged by the State Tender Board were based on the supply of the type of goods/services which would satisfy departmental requirements in general. Accordingly, the State Tender Board consulted with the respective department in respect of the nature and extent of their requirements, in order to arrange contracts that would satisfy the needs of the state department. There was no proper consultation with health facilities when general contracts were renewed, which resulted in a situation whereby the State Tender Board would have to amend the general contract because the needs of health facilities were not satisfied by a new general contract (Provisioning Administration Procedure Manual, 1994:36).

### **3.4.4 Term contracts**

In cases where term contracts could not be arranged in time, the State Tender Board would normally take the necessary steps to arrange for the extension of existing contracts. However should it happen that a contract could not be arranged/finalised in time, due

to delayed or unforeseen circumstances, the State Tender Board had to grant a standing delegation that in such a case, orders could be placed in accordance with the expired contract, subject to the following conditions: Firstly, there should be confirmation that the details in respect of the new contract were not available and approval to procure from the expired contract was to be telephonically obtained from the head office/headquarters. Secondly, the contractor had to agree to execute the contract at the contract price. However, if the contractor was not prepared to supply at the old contract price, the item was to be procured in accordance with normal procurement procedures. The normal procurement procedure often took longer than a term contract and the goods and services were often costly for the state (Provisioning Administration Procedure Manual, 1994:42).

#### **3.4.5 Updating contracts**

Contracts were often essential for the procurement of goods and services the manner of updating contracts was of utmost importance. There was a procedure that needed to be taken into consideration. Contracts that were received from the head office (Provisioning Administration) were made available to regional and sub-offices. In spite of the wide range of contracts that were available, only contracts which were relevant to a particular regional or sub-office were distributed by the head office. All contracts were to be properly filed in numerical sequence, with a labeled file cover used for each separate contract. The permanent number of the contract, with an indication of the type of goods/services provided in such a contract, was to be clearly reflected on the outside cover of the file.

Current contracts and the immediately preceding contracts were kept in the file cover, and all other (previous) contracts were filed separately. The reasons for keeping immediately preceding contract was due to the fact that it was policy to issue contracts in one of the then two official languages in turns, that is, one year in English, the next in Afrikaans. Pages that were amended were sometimes only partially amended and care was therefore taken to ensure that pages containing paragraphs which were still valid were not disposed of. Amendments that were received from the head office had to be properly noted on contracts. Copies could under no circumstances be requested from the State Tender Board. All inquiries in this regard were to be forwarded to the head office/headquarters via the regional offices. New contracts and notices of amendments, or additions, were often addressed to the head of procurement, and were noted on a folio sheet, which was

to be stapled to the fly-leaf of the file cover, as when such amendments were received. The amendments were therefore entered in the applicable section of the contract, with a reference to the number of the amendment slip. Only contracts which were regularly utilised were updated in this manner. The head office did not inform health facilities and regional offices of new contracts that were awarded for particular items, and that resulted in health facilities procuring from outside the contracts. This exercise often resulted in overexpenditure and the companies taking the state to court because of a breach of contract (Provisioning Administration Procedure Manual, 1994:43).

#### **3.4.6 Exemptions**

When a general contract did not make provision for the supply of particular goods or the rendering of particular services, such goods /services were obtained in accordance to the General Tender Board Exemption. When using this exemption facility, there were limitations which needed to be followed. There had to be absolute certainty that a requirement/service could not be obtained in terms of the general contract. Where possible, local tenders/quotations were also invited for the required item/service. The lowest offer that complied with the requirements (highest in the case of sales), which represented the best value for the state, was to be accepted.

The official who was delegated with the power to authorise expenditure needed to ensure, and also to certify on the requisition document, that the lowest offer (or only offer) that complied with requirements and which represented the best value for the State had to be accepted. The reference number of the "Tender Board Exemption" was to be endorsed with all relevant documents, as the authority for the procurement of the goods/services. It was also imperative that no single order placed in accordance with the exemption was to exceed the delegated amount. The abuse or misuse of the privilege of the Tender Board Exemption was regarded in a very serious light, and could lead to the exemption being withdrawn from the relevant organisation, and to the offending person(s) being held accountable (Provisioning Administration Procedure Manual, 1994:43,44).

#### **3.4.7 User procedures**

Purchases were to be effected strictly in accordance with existing contracts. Unauthorised purchasing outside of the contract constituted a breach of contract and officials responsible for such a breach of contract had to be held accountable for any claims which

may have been instituted by the relevant supplier. Only when the goods and services required for a specific purpose, and the goods/services available in a contract were not suitable, alternative authority/procedure could be obtained for the procurement of such goods. Such action had to be accounted for in the prescribed manner. If, in the opinion of the State an emergency existed, or the supplier was situated too far from the place where the requirement existed, or if the supplier's services were not readily available when required by state departments, the State reserved the right to, at any time, procure small quantities or emergency services outside of the contract, to the best advantage of the State. However, head office approval had to be obtained before the above-mentioned action could be implemented.

The transit clerks therefore had to ensure the items delivered ex-contract complied with all contract specifications and conditions. If the items did not comply with the conditions of the contract, the accounting section had to take the matter with the supplier immediately. The costs involved in the return of such items were to be paid for by the supplier's account. This implied therefore that no element of the contract, that is quality, price, and delivery period may be altered without the approval of the body that had arranged the contract. The Head Office had to keep the State Tender Board informed in terms of deliveries of goods and services ex-contract which were considered inferior or unsuitable, on the basis of quality against price. Users had to keep Head Office informed in respect of such occurrences, and where possible the relevant vouchers and samples had to be provided.

When a contract provided for the delivery of an item in a minimum quantity, and such quantity was more than what was actually required, two or more written quotation/tenders had to be obtained to purchase the required items outside of the contract, and were to be submitted to head office/headquarters together with the requisition. The reason for deviating from the contract had to be stated on the requisition (Provisioning Administration Procedure Manual, 1994:37,38).

#### **3.4.8 Breach of contract**

Suppliers had to be instructed, by registered letter, to effect the execution of the order. The supplier had to be notified that, should the order not be executed within a reasonable period of 30 days from the date of the letter, the matter would be referred to head office for further action. In situations when the matter was referred

to head office for further action, the following particulars had to be provided: the official order number, contract number, contract item number, description of the item, quantity ordered, date of order, and the delivery time according to the contract. In the event of items purchased elsewhere, for the supplier's account, such an order form, on invoice requisitions had to be submitted to the head office, and the Head Office would therefore arrange for the recovery of any monies due by the supplier (Provisioning Administration Procedure Manual, 1994:38,39).

#### **3.4.9 Tender Procedures in respect of goods/services**

The tender invitations had to include the full particulars of the tender. The closing date and hour had to be clearly indicated. A list of tenders that had been invited, had to be conspicuously displayed at the relevant tender receiving office, in accordance with the State Tender Board's General Delegations. The office where the tender invitation was displayed, in the case of a public building they had to be requested in writing to stamp the notice with their official date stamp on the first day that the notice was displayed, as well as on the day that the notice was removed from the notice board. Tenders were kept in a fireproof safe until the closing date and hour and would only be opened by the Tender Committee in public.

The state was under no obligation to accept only the lowest or highest tender. Should such a tender not be recommended, the reasons were entered into the tender register, which was signed by the Chairman of the Committee, for submission to the Tender Board. If the amount exceeded the relevant Committee's delegation, reasons for the recommendation of non-acceptance had to be furnished in the covering letter to the head office. The successful tender had to be notified in writing that his/her tender had been accepted, and unsuccessful tenderers had to be notified accordingly (Provisioning Administration Procedure Manual, 1994:40).

The State Tender Board had been operating in terms of different acts of parliament since 1968, the days of the Union of South Africa. The act of parliament that regulated the functioning of the State Tender Board, was the *State Tender Board Act, 1968 known as the Act of 1968*. The Act provided for the establishment of a State Tender Board, which had to make provisions for the creation of provincial tender boards, had to define their functions and had to provide advice for incidental matters.

In terms of the Act, and as further amplified in the regulations that were promulgated by the Minister of Finance at that time, the State Tender Board, and only the State Tender Board, had the powers to procure supplies and services for the national state department. The term State referred to in the Act covers all national governments departments of the Republic of South Africa, including all their directorates, divisions and branches, as defined in the Civil Service Act and which fell under the direct control of the Treasury. However, provincial governments accepted their own acts that regulated the procurement of goods and services by their own provincial departments. The following powers, inter alia, were vested in the State Tender Board in terms of regulations: To issue directives to government departments with regard to the procurement process in the public sector; to invite experts or technical advisors when necessary; to approve *ex post facto requests* on any action of a government department; under specific circumstances, resolve that no offer from the person concerned should be considered during such period as the Board may stipulate; and lastly to rescind any restrictions (SCOPA, 2002:27).

The preamble of Act 86 of 1968 provided for the regulation of the procurement of supplies and services, the disposal of movable property, the hiring or letting of anything, or the acquisition or granting of any right for, or on behalf of the state. The Act further made provision for the establishment of a State Tender Board describing the composition and functions of the board, committees of the board and the delegation of powers. Further, the expenditure and administrative work of the board needed to be clearly understood. It was therefore important that public officials involved in the tendering and provisioning administration process should know and understand the content of this Act, and its implications in order to perform their duties effectively (Visser & Erasmus 2002:147).

### **3.5 Standing provincial tender boards**

In terms of section 187 of the Interim Constitution of 1993, a tender board had to be established in each province. Each provincial tender board was responsible for the procurement of goods and services on behalf of the various provincial departments in their own province. The provincial tender board for the Gauteng Department of Health was located at the central office, occupying offices at the Bank of Lisbon, Corner Sauer and Market Streets. The provincial tender boards were autonomous and they were at liberty to implement legislation regarding procurement for the provincial departments. Tender board acts were adopted and members of the boards had to be officially appointed. In practice that meant that there

were effectively nine different procurement systems that were being applied. Although the provinces used the documentations that were issued by the State Tender Board as a basis to determine their own systems, there were major changes that were accepted by the provincial tender boards. For example, the Free State and Gauteng provinces accepted the preference systems that benefited suppliers located in their own provinces. Such diversity of systems impacted negatively upon the ability of newcomers to the system, mostly small businesses and the previously disadvantaged individuals to access the tendering system. In order to ensure a measure of compatibility in the procurement process, the government envisaged that an Office of Procurement Affairs would be established. Such an office would therefore formulate and advise on procurement policies, ensure uniformity in national procurement policy, and monitor procurement procedures applied by procurement offices. The office would therefore effectively regulate the process in terms of which a large portion of the national budget would be spent obtaining goods and services for state departments. Such an idea culminated in the formation of the GSSC (SCOPA 2002:3).

The Board often met on a weekly basis, it was acknowledged by the Board that there could be given circumstances where the process to satisfy the requirements of departments had to be finalised before the next scheduled meeting of the Board. The Board therefore established a committee delegated to consider motivated cases, up to an unlimited amount, and cases that were considered so urgent that they could not be delayed until the next meeting of the Board. It was also standard practice that urgent submissions by departments, which were relatively uncomplicated and not too bulky, had to be distributed and then finalised at the meetings of the Board (SCOPA 2002:9).

Departments could also motivate that standing powers be delegated to them for their repetitive needs or that *ad hoc* approval be granted to deviate from the prescribed tendering process. Substantial powers were therefore delegated to departments and measures were put in place to accommodate their urgent needs (SCOPA 2002:9).

### **3.5.1 Adjudication of tenders**

Tenders were adjudicated on a comparative basis, in cases of equal tenders such tenders were referred, via the normal service channels, to the State Tender State Board for a decision. In respect of purchases of items which were not available on contract, or which had been authorised by delegation, only written tenders/quotations up to the delegated amount could be considered and approved by the Committee. Intended purchases which exceeded the authorised delegated amount were referred via the

normal channels, together with any quotations received, to that level which had the necessary delegated powers to consider that amount, or reject that offer. Any purchase which was not budgeted for, irrespective of whether the goods/services were available on contract or not, had to be sent to the head office to the (relevant programme manager) via the normal service channels, to Head Office (relevant programme manager) for the necessary approval. Particulars regarding to the indispensability of the items(s), as well as the reasons why the expense had not been foreseen, needed to be provided as per service letter (Provisioning Administration Procedure Manual, 1994:45-46).

### **3.5.2 Departmental control committee (head office)**

In terms of Chapter X of the Treasury Instructions, a departmental control committee had to be formed in order to exercise control over State expenditure in a department, and also to advise the department's accounting officer. The committee was elected from officials nominated by the accounting officer, and its function was to authorize expenditure which was not directly related to the line function, or to make recommendations in cases where expenditure had not been budgeted for by the departments (Provisioning Administration Procedure Manual, 1994:46).

### **3.5.3 Official involvement in the adjudication of tenders**

In order to ensure that tenderers were not prejudiced as a result of a State official's involvement in the adjudication of tenders, and to ensure absolute clarity, the following procedures were strictly complied with when tenders were adjudicated. Firstly, the allocation of contracts for the rendering of services was handled in accordance with the State Tender Board instructions contained in the ST36 Conditions, the State Tender Board User's Manual: Instructions to Departments in respect of Procurement, dated 1<sup>st</sup> April 1993 (ST37), and the Specific General State Tender Board Delegations. Secondly, tenders were to be invited in accordance with the instructions finalised by the various tender committees established in accordance with the Provisioning Administration Procedure Manual. Officials who were involved in making of recommendations with regard to tenders were to withdraw themselves should it appear that they had any involvement with the tenderer. Such involvement could result in accusations of undue influence (Provisioning Administration Procedure Manual, 1994:46).

The activities of the tender committees also necessitated that at the commencement of each tender committee meeting, the chairman

needed to ask if any committee member had any interest with any tenderer whose tender(s) were to be adjudicated. If it happened that any member, the chairman included, should declare their involvement with a tenderer, on grounds such as family relationship, such members had to withdraw from the proceedings with regard to the specific case. Any other involvement which might be declared was to be tested by the committee against the criterion of prejudice and should any involvement be questionable in any way, the relevant member had to withdraw himself from the proceedings with regard to the specific case (Provisioning Administration Procedure Manual, 1994:46,47).

Officials involved in the adjudication of tenders were to ensure that procedures were complied with. If procedures were not complied with, or should evidence exist that any official was prejudiced towards or against any tenderer, such conduct was regarded in a very serious light and action was taken against offenders, strictly in accordance with Article 19 of the Government Service Act, Act 111 of 1984 Provisioning Administration Procedure Manual, 1994:46,47).

Accounting officers had to certify annually that all involved with the provisions of supplies and services, were familiar with delegated powers and conditions and that these were correctly applied. It was therefore important for accounting officers to indicate which control measures were instituted in respect of transactions concluded under delegated powers (Provisioning Administration Procedure Manual, 1994:46,47).

### **3.6 Health care delivery practices**

The government of South Africa developed a framework for socio-economic development in its Reconstruction and Development Programme (RDP). The RDP set out the broad principles for development in all key areas and sectors required to effectively address the various problems facing the majority of the people of South Africa in the immediate post-apartheid era. Among the major challenges facing the nation were the health care delivery system. The legacy of apartheid policies in South Africa had created a fragmented health system with racially based services, which resulted in inequitable access to health care. Health services were largely curative and hospital based with little importance placed on primary health care or public health.

In 1994, the first democratic South African government committed itself to transforming the health sector in order to unify the fragmented health

services at all levels into a comprehensive and integrated national health system (NHS). This was done in order to reduce racial and geographic disparities and inequities in the health service and to increase access to improved and integrated health service (White Paper: February 2000). These services would therefore be based on primary health care principles as enunciated at the World Health Organization Alma Ata Conference in 1978. The Alma Ata Conference regarded health and importance of equity as an important component for health services. There was a need to start inviting community participation in decision-making, to start thinking about health problems in a multi-sectoral approach, to ensure the adoption and use of appropriate technology, and lastly to ensure that the promotion of a healthy lifestyle was emphasised in communities, as primary health care was about preventing diseases at all cost (White Paper: February 2000).

The Declaration of Alma Alta also listed essential primary health care services, which needed to be focused on by the Gauteng Department of Health. One of the activities was ensuring that prevailing health problems were brought to the attention of the public at large. The department of health had to ensure that proper logistics, staff and medical equipments were in place to promote proper eating habits. They further had to ensure that they provided food supply and proper nutrition programmes to the public (White Paper: February 2000).

Even though the adequate supply of safe water and basic sanitation was basically not the core concern of the department of health; the fact that diseases are spread through drinking water. The department of health had to mobilise outreach programmes in order to reduce case of maternal and child health care through the provision of essential drugs (White Paper: February 2000).

### **3.6.1 Objectives of the Gauteng Department of Health**

The Gauteng Department of Health always aimed to promote and protect the health of its people, especially those most vulnerable to illness and injury. Through innovative leadership, the Gauteng Department of Health strived to provide quality health services. The department had been challenged to ensure that a caring climate existed for its service users. The greatest positive challenge was further to ensure that the masses would benefit from public monies by ensuring that proper guidelines and procedures were introduced in procurement systems. In order to vigorously challenge the existing disparities, the Gauteng Department of Health had to forge partnerships with other stakeholders that were active in the promotion of health activities. The department had always been

challenged to provide excellent training for health workers (White Paper: February 2000).

The work of the Gauteng Department of Health has been reflected in the enhanced well being of staff and clients, the social and economic development of the province and a more just society. Therefore in order to be in line with the National Public Sector Transformation policy framework and the National Department of Health, the Gauteng Department of Health had committed itself to a decentralised health management system. The establishment of a District Health System as the building block of the National Health System in South Africa was an expression of commitment. The health district was going to be a vehicle through which comprehensive primary health care services would be delivered. A well functioning health district would bring health care managers and communities together to ensure the sustained improvement in the health status of the population through the provision of equitable, efficient, high quality, acceptable, appropriate and affordable health care (White Paper: February 2000).

### **3.6.2 Decentralised health care system**

The White Paper on the delivery of Primary Health Care Services through a District Health System provided a clearly policy framework for the establishment of a district health system in Gauteng. The challenges faced with in effecting the decentralisation of responsibilities and financial resources for the provision of primary health care from both the Province and Local Authorities were difficult decisions which had to be taken by both the province and local authorities. Whereas the political imperative for the decentralisation of health services was clear, its implementation was complex. Numerous national, provincial and local government processes took place since 1994 culminating in a two-day workshop in November 1998 whereby a Declaration of Intent was signed by the Gauteng MEC for Health and Local Government. This declaration was a consolidation of the views of the representatives of the Gauteng Department of Health and Local Authorities. The district health policy was an attempt by government to redefine the responsibilities and obligations of the Gauteng Province in partnership with local authorities for the provision of primary health care to all citizens. The district health policy also set out the underlying operational principles, the structures involved in the provision of health care, and the actual care that the people of Gauteng can expect to receive within the District Health System (White Paper: February 2000).

The district health system was introduced in Southern Africa for a number of reasons. For South Africans there was a need for a plan to implement health services which addressed the needs of every part of South Africa. In the past, health care was provided to people that attended clinics or outpatient departments it was not really known whether the services reached everyone.

Primary health care has, since 1994, been provided by a number of different health departments. In many areas local authorities and the provincial health department have provided different bits and pieces of health care. For instance a child brought to a clinic because often had to go to another clinic or come on another day to get vaccination due to the fact that immunisation vaccines were either out of stock or because immunisation services were not rendered on that particular day. This led to inefficiencies in terms of service delivery and a health service that could not meet the needs of the people and which was in need of an integration of services (White Paper: February 2000).

Decisions about health care in Gauteng districts were made by managers at national or provincial level. The higher level managers appointed and dismissed local staff, the money for health was to be spent, and planned for the new services. The department needed to create a system in which a local person – who would know local issues and needs best, would start to participate over local outreach projects and would be informed about their budget and to take part when important decisions were taken by the health workers.

People who receive health care often had little to say over the services provided to them. They had no real way of expressing their dissatisfaction, of helping to plan or to implement better services. There was a need to involve local people in various aspects of the planning and provision of health services. Like many parts of civil service, large complex bureaucracies have been developed in health service management and administration. Lots of papers were generated and lots of meetings were held, but there were no clear indicators to show how much was actually done to improve the quality of care for ordinary citizens.

### **3.6.3 District health system**

In 2000, the National Department of Health promulgated the *Gauteng District Health Service Act*, (Act No. 8 of 2000). The purpose of the Act was to prevent the fragmentation of health services in the Gauteng Province. According to this Act, the

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The entire framework had introduced new energy and commitment to public servants with the introduction of more customer focused ways of working. The procurement reform process for the government of South Africa meant the reduction of unnecessary delays in the procurement of goods and services, and the release of resources including the redirection of resources to areas of greatest need within the context of financial constraints and the fulfillment of now being able to compete with the private sector (White Paper Transformation: 1997).

### **3.7.1 Legal and Regulatory Framework**

The procurement reform process for which the World Bank contributed financial assistance began in 1995. The government recognized that legislation following a white paper on procurement would be required in order to operationalize all procurement reform policy proposals. As a result it was recognized that procurement policy which could be implemented within the ambit of existing legislation, was required to serve as the interim policy until such time as the reform process had run its course. A 10 Point (Interim Strategies) Plan was adopted by the then Cabinet of National Unity during November 1995. A ten points of this plan, encompassed strategies designed to impact positively on the participation of tendering system of small, medium and micro enterprises within the ambit of existing legislation, with emphasis being placed on the disadvantaged and marginalized sectors, and with a focus on employment creation (CPAR, 2003:1).

The procurement reform process further accelerated through the implementation of the *Public Finance Management Act (Act 1 of 1999)*, and specifically section 38 (1)(iii) thereof, which compelled accounting officers to establish and maintain an appropriate procurement and provisioning system which was fair, equitable, transparent, competitive and cost-effective. It was therefore obvious that there were discrepancies between the PFMA and the contents of the various tender boards acts. The implementation of the PFMA created an ideal situation to expedite public sector procurement reform and to align the procurement systems with the purpose of the PFMA. Government had to implement a number of changes to the way procurement was done at national level and, in the process removed the procurement of the departments from the jurisdiction of the tender boards and placed the responsibility for those decisions, including the underlying procedures, with the individual heads of departments (Reform of the Government Procurement System:2001). Government was moving its public service towards a more business focused environment, where within a given set of resources, heads of departments would have the flexibility to

manage their organizations in order to achieve set outputs against which performance would be measured. Procurement was one input towards the achievement of outputs and outcomes needed to be measured, because in most organizations money spent on procurement was the highest outlay after human resources (Reform of the Government Procurement System: 2001). It meant, therefore, that procurement had to be subjected to a much closer examination in order to determine the degree to which its inputs contributed directly to the desired outputs and outcomes (effectiveness) and also to indicate how procurement could be done in a better way to achieve internal cost saving (efficiency).

Proper and successful government procurement rested upon certain core principles of behavior and those principles were incorporated into the Government's General Procurement Guidelines which were issued by the Minister of Finance (Reform of the Government Procurement System:2001). These guidelines served as the central framework within which all departments had to operate within the ambit of the Five Pillars of Public Procurement. These Guidelines were issued by the Government not only as a prescription of standards of behavior, ethics, and accountability which was required of its public service, but also as a statement of the Government's commitment to a procurement system which would enable the emergence of sustainable small, medium and micro businesses which would add to the common wealth of the country and the achievement of enhanced economic and social well-being of all South Africans (Reform of the Government Procurement System:2001). These guidelines were therefore regarded as a minimum set of standards which were supplemented by the individual Accounting Officer's Procurement Procedures issued under the general authority contained in the *Public Finance Management Act, 1999*. These guidelines therefore addressed the following principles during the process of procuring for goods and services:

### **3.7.2 Value for Money**

The principle of value for money would be an essential test against which a department would justify a procurement outcome. Price alone was often not a reliable indicator and departments would not necessarily obtain the best value for money by accepting the lowest price offer that meet mandatory requirements. Best value for money meant the best available outcome when all relevant cost and benefits over the procurement cycle were considered (Pauw et al, 2002:248).

The procurement function itself needed to provide value for money and had to be carried out in a cost-effective way. Procurement organisations, whether centrally located or devolved into individual departments needed to start avoiding unnecessary costs and delays for themselves or suppliers. The organisations also needed to monitor the supply arrangements and had to reconsider them if they cease to provide the expected benefits and had to ensure a continuous improvement in the efficiency of internal processes and systems (Visser & Erasmus, 2002:150-152).

### **3.7.3 Open and effective competition**

This principle required the implementation of framework procurement laws, policies, practices, and procedures that were transparent, and which would be readily accessible to all parties. The encouragement of effective competition through procurement methods suited to market circumstances; and the observance of the provisions of the Preferential Policy Framework Act. It therefore meant that departments needed to apply effort and research to get the best possible outcome from the market, by ensuring that potential suppliers had reasonable access to procurement opportunities and that available opportunities were brought to their attention in the Government Tender Bulletin (Reform of the Government Procurement System, 2001:02). Minimum interaction between the suppliers and public officials should be limited in order not to advantage one supplier over the other through the provision of specific information. Departments therefore had to ensure that during the information session all the terms of reference are exhausted and the project manager would be present to assist with any required information by the suppliers. Tender information session dates, and tender documents needed to be provided in time to suppliers in order to enable them to bid and to ensure that bias and favoritism are eliminated. The costs of bidding for opportunities should not deter competent suppliers; and costs incurred in promoting competition should at least be commensurate with the benefits received (Reform of the Government Procurement System, 2001:2).

### **3.7.4 Ethics and fair dealing**

The procurement reform process had to instill the impetus of ensuring that during the procurement process all parties complied with ethical standards so that they could deal with each other on a basis of mutual trust and respect, and could conduct business in a fair and reasonable manner with integrity. All government staff associated with procurement, particularly those dealing directly with

suppliers or potential suppliers, had to recognise and deal with conflicts of interest or the potential thereof, and had to learn to deal with suppliers even-handedly (Reform of the Government Procurement System, 2001:2). To ensure that they did not compromise the standing of the state through the acceptance of gifts or hospitality. Staff members had to begin to be scrupulous in their use of public property and to provide all assistance in the elimination of fraud and corruption (Reform of the Government Procurement System, 2001:2).

### **3.7.5 Accountability and Reporting**

Accountability is involved in ensuring that staff members and organisations begin to be answerable for their plans, actions and outcomes. This therefore means that the secrecy which was previously in existence within state departments, had to be replaced by openness and transparency in administration, and by external scrutiny through public reporting, which is an essential element of accountability (Reform of the Government Procurement System, 2001:03). Within the procurement framework, heads of department had to be accountable to their ministers for the overall management of procurement activities. Heads of procurement and senior procurement directors therefore had to be accountable to heads of departments for various high level management decisions and for the co-ordination of activities. Individual procurement officers also began to be accountable to heads of procurement, and to their clients, for the services they provided. Further people exercising procurement functions had to regard these guidelines and had to be accountable to management (Reform of the Government Procurement System, 2001:3).

### **3.7.6 Equity**

The fifth principle, which is a vital cornerstone of public sector procurement in South Africa, particularly since the Preferential Procurement Policy Framework was established in order to harness the economic imbalances of the past regime. This pillar indicates that Government is committed to economic growth by implementing measures to support industry generally, and especially to advance the development of SMMEs and HDIs in accordance with the RPD, SMMEs and HDIs needed to play a bigger role in the economy. Greater participation in the economy and more diversified representivity of blacks and gender in respect of ownership was very essential. The government enacted the *Preferential Procurement Policy Framework Act, (Act: 5 of 2000) (PPFA)* as the foundation on which all procurement activities were to be based.

The Act aimed to advance the development of SMMEs and HDIs; to promote women and physically handicapped persons; to create new jobs; and also to promote local enterprises in specific provinces, in a particular region, in a specific local authority and particularly the rural areas in support of locally manufactured proudly "South African Products". It was therefore essential that this pillar should underpin the Reform of the Government Procurement System (Reform of the Government Procurement System, 2001:4).

### **3.8 The Green Paper on Public Sector Procurement Reform**

The Green paper on Public Sector Procurement Reform in South Africa was approved by Cabinet and published in April 1997, in order to recognise that public sector procurement could be used as a tool by government to achieve economic ideals, including certain socio-economic objectives. This Paper also recognised that an effective and efficient procurement system would permit organs of state to improve the quality and quantity of services rendered. In order to achieve this, institutional and economic reform were therefore deemed necessary within two broad themes, achieving good governance in procurement and achieving socio-economic objectives in procurement (Policy Strategy, 2003:11).

Institutional reform needed to take place in order to promote an effective procurement system, as well as to achieve value for money and world-class procurement systems. The structure/processes envisaged for the new system had to have specified elements. Each department would have a head of procurement (HOP). This may or may not be the Chief Financial Officer, but the general approach would be such that the CFO and HOP would be the same post. Departmental procurement would be expected to take place through accredited departmental procurement units (Reform of the Government Procurement System, 2001: Internal Memorandum). The Ekurhuleni-Sedibeng Health District formed the Regional Accredited Procurement Unit (RAPU), through which departmental procurement for goods and services above R30,000 up to R200,000 took place. Each case with a contract period of less than 24-months could also be concluded by the Regional Accredited Procurement Unit. However for the procurement of goods and services below R30,000, each regional district office had to establish the Departmental Accredited Procurement Unit (DAPU), through which departmental procurement for goods and services were submitted to the committee for decision making and to identify if the requisitions were actually essential in order for the users to be productive when rendering their duties. Cases above R200,000 were sent to the Departmental Acquisition Council for adjudication, including cases with a contract period over 24-months (Circular Letter No. 46 of 2002: Page 6-10).

The procurement reform initiatives were given further impetus in November 2000, when the reports on Opportunities for reform in government of Procurement in South Africa were presented before the Cabinet. The Cabinet endorsed the thrust of the report and indicated that the Minister of Finance, in consultation with other relevant Ministers, should address the details where necessary (Policy Strategy 2003:11).

In order to assist the National Treasury in guiding a more uniform implementation approach, a Joint Country Procurement Assessment Review (CPAR) was conducted during 2001/2002 with the World Bank. The CPAR revealed a number of issues that needed to be addressed, and these issues were related to governance aspects of the procurement and the interpretation and implementation of the Preferential Procurement Policy Framework Act, and its associated regulations (Policy Strategy 2003:12).

### **3.9 Governance issues**

The governance issues that were vigorously amended involved the promulgation of a single national legislative framework in terms of section 76(4) (c) of the PFMA and 106(1) (d) of the MFMA to guide uniformity in procurement in the different spheres of government. The inefficient procurement and provisioning practices in government were overhauled and fully integrated within financial management processes in government in order to conform to internationally acceptable best practices. The norms and standards in the promotion of uniformity for the management of bids, involved bid documentation, advertising, receipt and adjudication procedures for the bidding process of tenders (Policy Strategy 2003:3).

#### **3.9.1 Implementation of the PPPFA and related regulations**

In 1994, following the first democratic election in the Republic of South Africa, the South African government adopted the Reconstruction and Development Programme (RDP), which was a comprehensive socio-economic policy instrument aimed at eradicating the legacy of apartheid, which had left South Africa with an economy which was inwardly focused and distorted by inequities, inefficiencies and underdeveloped resources and markets (ANC1994:2). Procurement strategies to address the primary socio-economic concerns, namely redressing skewed business ownership patterns arising from the previous political dispensation to reduce the levels of poverty to the public at large. South Africa, like many other African states not only had an economy which was predominantly in the hands of one population group but also had to face challenges presented by liberalisation and globalisation which were compounded by its isolation due to

former policies of apartheid (CPAR, 2003:39). The government of the day, therefore, decided to provide access to markets for small businesses and to increase the market share of those businesses which were owned, managed or controlled by blacks. The government also addressed the impediments to effective and profitable participation of such businesses through government procurement and the empowering of such beneficiaries through supply-side interventions (CPAR, 2003:40).

In terms of Section 217 (2) of the *Constitution of the Republic of South Africa* (Act 108 of 1996) the Preferential Procurement Policy was enacted. This was the Preferential Procurement Framework (Act 5 of 2000), which provided for the implementation of a procurement policy that catered for categories of preference in the allocation of contracts, and the protection or advancement of persons, or categories of persons who had been, disadvantaged by unfair discrimination under apartheid. In terms of this Act section 217, (3) indicated that national legislation should prescribe a framework to implement this policy.

As a result, the *Preferential Procurement Policy Framework Act* (Act 5 of 2000) was passed in February 2000. The Preferential Procurement Policy Framework Act, (hereafter called the PPPFA) set out the basic procedural requirements for implementing South Africa's preferential procurement policy and established a basis for determining disadvantage by unfair discrimination (race, gender, and disability), and also provided a wide range of goals which had to be pursued (programmes set out in the White Paper on Reconstruction and Development). The Act further established that goals should be measurable, quantifiable, and monitored for compliance. The framework, in accordance with the proposals which were set out in the Green Paper on Public Sector Procurement Reform in South Africa required that the preferential procurement policy provided for in the Constitution that state organs needed to begin to adjudicate tenders solely by means of allocating preferences in the adjudication criteria and such excluded all other forms of preferencing such as, qualification criteria, preferences at the short listing stage, or offering back.

### **3.9.2 Promoting equity in procurement**

The PPPFA gives effect to section 271(3) of the Constitution, by providing a framework for the implementation of the procurement policy. The Act required that any organ of state needed to determine its preferential procurement policy and to implement the policy within the legislated framework. The framework determined

that a preference point system would have to be followed. In terms of section 2(1) of the PPPFA an organ of state had to determine and implement the preferential procurement policy within a prescribed framework. A maximum of 10 points may be allocated for specific goals in terms of contracts with a monetary (or rand) value above a prescribed amount, provided that the lowest acceptable tender scored 90 points for the price (Pauw et al, 2002:242-243).

Any specific goal for which a point may be awarded must be clearly specified in the tender invitation, and must be measurable, quantifiable, and monitored for compliance.

On the other hand a maximum of 20 points may be allocated for specific goals in terms of contracts with a monetary value equal to or below a prescribed amount, provided that the lowest price acceptable tender scores 80 points for price. Any other acceptable tenders of a higher price must score fewer points on a *pro rata* basis.

The calculation, using a prescribed formula, is based on the tender prices in relation to the lowest acceptable tender. The contract is then awarded to the tender scoring the highest points, unless the objective criteria should justify otherwise. Any contracts awarded on false information may be cancelled at the sole discretion of the organ of the state without prejudice to any other remedies that the institution may have (Visser & Erasmus, 2002:150).

The legislation in actual fact redefines value for money in terms of a balance between commercial factors and social development objectives. It rewards with adjudication points for those bidders that have characteristics that satisfy policy objectives (direct preferences) or who offer to embrace specific goals in relation to a contract direct participation (CPAR, 2003:41).

### **3.10 Policy interventions**

According to Ms Lydia Bici (Deputy Director General: Policy, Department of Public Works) "the new procurement policy has provided a basis for monitoring and reporting and provided a measure for evaluation of procurement procedures. The policy intervention of the Preferential Procurement Policy Framework Act enforced the preference point system and departments had to implement their socio economic objectives including black economic empowerment in order to correct the imbalances of the past. The policy also recognised other policy interventions

programme, contractor incubation, skills development and the role of women in the economy” (Towards a new procurement policy for South Africa-CSIR, 2006: Page 1).

Most importantly, however, the policy had entrenched a Code of Conduct for both the staff of the government and the suppliers. The policy recognizes the constitutional principles of fair, equitable and transparency through the establishment of the Supplier Register, in order to create a dispensation that will provide for balance that provides the basis for simplifying our procurement operation and accelerating the standards of behavior, ethics and accountability for the public service in order to limit favouritism (Towards a new procurement policy for South Africa-CSIR, 2006: Page 1).

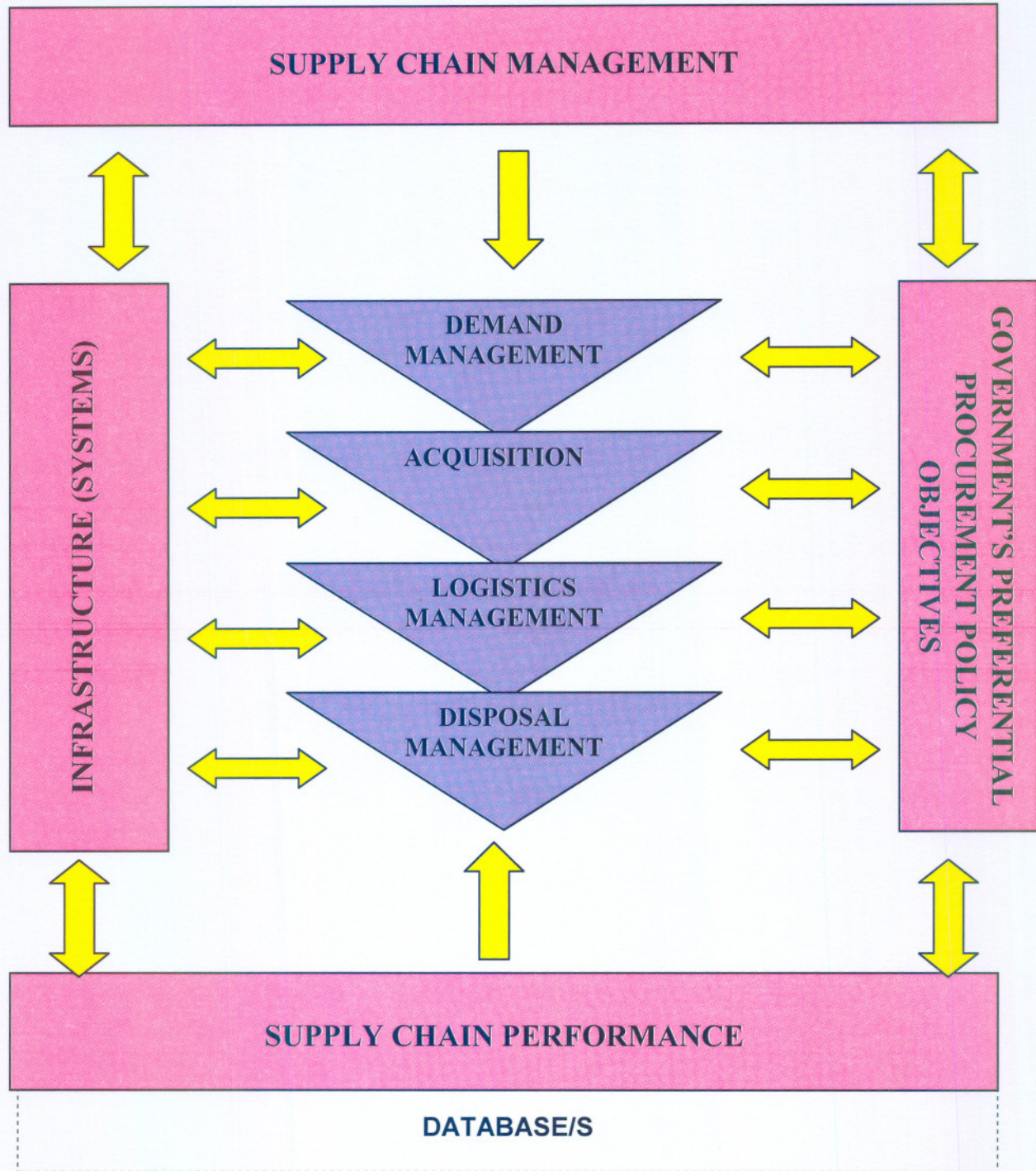
The policy also calls for the adoption of a procurement information system as a tool and the establishment of an approved database of suppliers to measure performance, and evaluation of compliance to policy provisions. Compliance is extremely important in this policy in order to prevent litigation, and also to stamp out fraud and corruption. “This policy has been about compliance only, however the procurement policy really aimed at providing strategically focused procurement operation, that provides the framework for continued overall business performance as the key economy in South Africa” Says Ms Bici (Towards a new procurement policy for South Africa – CSIR, 2006: Page 1)

### **3.10.1 Integrated supply chain management function**

The introduction of an integrated supply chain management function was intended to address the division between the outdated procurement and provisioning processes in government that had caused the present system to be inefficient in its method of procurement, contract management, inventory and asset management. The supply chain management system was introduced as an integral part of financial management that seeks to introduce internationally acceptable best practices principles, whilst at the same time addressing the government’s preferential procurement policy objectives (Pauw et al, 2002:229).

The introduction of an integrated supply chain management was crucial for the overhauling of the procurement process. The diagram below (Fig. 3.1) indicates that value during the procurement process is added at every stage of the process of the policy strategy document. The procurement process links to government’s budgetary planning process, but will also strongly focuses on the outcome of actual expenditure in respect of goods and services (Policy Strategy 2003: 20).

**Fig. 3.1 Elements of the Supply Chain Management processes**



Source: Policy Strategy Guide Uniformity in Procurement Reform Processes in Government (07/04/2003)

### **3.10.2 Role-players and structures in Public Procurement**

As in the case of budget control (financial control), various institutions and persons are involved in the total administration of stores, with regard to state funds and the procurement of goods and services. The controlling bodies are: Parliament, The Standing Committee on Public Accounts, The Auditor-General, the Minister of Finance and the Treasury, The Regional Accredited Procurement Unit and the Office of the Chief Director:Ekurhuleni-Sedibeng Health Region, play an important role for the procurement of goods and services for the clinics within the region and hospitals. Within departments, it is the Accounting Officer who is responsible and accountable for state funds expended during the procurement of goods ad services in his/her department. The role of each institution/functionary with regard to the application and control of the supply chain management is discussed in the sections that follow:

#### **3.10.3 Parliament**

Parliament, representing the supreme legislative authority, exercises legislative control over the national budget, and votes funds to make possible the delivery of government services. The Auditor-General must audit the financial statements and reports of the departments and submit the reports to the relevant minister and treasury. The reports will have to indicate the acceptability of deviations from the budget and the extent to which predetermined objectives were achieved. During the reporting of the Auditor-General, the Standing Committee on Public Accounts discusses the report of the Auditor-General and submits its recommendations to parliament. (Visser & Erasmus: 1997:145). As such, Parliament is authorised to draft legislation for the Republic, also financial legislation and policies. It can therefore be stated that Parliament occupies the highest level of financial authority, since the executive authority (ministers and public institutions) can only function after being authorized to spend money by the legislative authority. From a functional perspective, Parliament is responsible for piloting legislation concerning public finance, by specifying the revenue and expenditure as well as the ways in which moneys are collected, banked, spent and control over financial transactions is exercised. As such, Parliament is accountable to the citizens of the country for the effective control and utilisation of public funds, which, by implication, includes procurement and the safeguarding of stock and assets (Provisioning Administration, 2002:37-38).

### **3.10.4 Cabinet**

It is important to indicate that although the Cabinet is an executive committee, it is the axis on which the parliamentary system of government turns. In terms of section 91 of the *Constitution of the Republic of South Africa, Act 108 of 1996*, the Cabinet consists of the President, as head of the Cabinet, a Deputy President and the Ministers. Each minister who serves in the Cabinet acts as executive authority of the legislative authority or national sphere of government. It is therefore important to distinguish between the decision-making or legislative functions and the executive functions of Cabinet. On the one hand, members can introduce bills for consideration by Parliament according to their areas of responsibility, which implies that they are part of the national legislature. It is therefore stated in section 73(2) of the Constitution that "only the Cabinet member responsible for national financial matters (Minister of Finance) may introduce a money bill in the national legislature (National Assembly)". On the other hand, Cabinet members also serve as the highest level of executive authority, since they have to execute the legislative policies of government, which includes fiscal and financial (procurement) policies (Visser & Erasmus: 1997:69).

### **3.10.5 Standing Committee on Public Accounts (SCOPA)**

The aim of the SCOPA is to promote effective and efficient financial management of, and the accountability for all matters pertaining to public finance. To this end the SCOPA exercises a rigorous oversight to ensure maximum value for each tax paid. SCOPA is therefore committed to strengthening the qualitative aspects of its investigative work by developing areas of financial management weakness and under-performance (Provisioning Administration, 2002:39).

It is the task of SCOPA to influence improvements in financial management more assertively and correctly. In practice it is SCOPA's responsibility to process all the Auditor-General's reports tabled in the National Assembly and to allocate these to one of its work-groups. These working-groups normally comment on the key issues of financial management that are recorded in the public sector. The working-groups provides a bigger picture of the state's financial management in the public sector. Based on the key issues raised, the SCOPA normally monitors progress and motivate for further action through the National Treasury (Provisioning Administration, 2002:40).

Individual audit committees are consulted regarding these key areas of concern. In this regard the SCOPA would undertake investigations concerning the misuse of material sums of public finance; and upon completion and sometimes depending on the findings the report of the investigation will be passed on to the National Treasury and which ever other department/s are concerned for their attention. Where areas of concern seem to be serious and far-reaching, a report will be issued and a debate in the National Assembly be requested (Provisioning Administration, 2002:40).

One of the pivotal roles of the SCOPA was to actively promote the successful implementation of the Public Finance Management Act and the accompanying Treasury Regulations. Each provincial legislature has its own standing committee on public accounts and its functions were similar to that of the SCOPA. (Provisioning Administration, 2002:40)

### **3.10.6 Minister of Finance**

The Public Finance Management Act (01 of 1999) (PFMA), as amended by Act 29 of 1999, allows the Minister of Finance to issue regulations regarding the public official's handling of state funds, goods, and property (Erasmus & Visser: 1997:146). The Minister of Finance, as the head of the National Treasury, decides on policy and takes decisions on behalf of the Treasury, except those decisions taken as a result of a delegation or instruction in terms of section 10 of the Act. There is also a provincial treasury for each province, established in terms of section 17 of the PFMA, consisting of the following representatives: The MEC for finance in the province, who is the head of the provincial treasury; and the provincial department responsible for financial matters in the province. A provincial treasury has the following functions and powers in terms of section 18 of the PFMA: The provincial treasury plays an instrumental role because the treasury must prepare the provincial budget; exercise control over the implementation of the provincial budget, promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and provincial public entities and ensure that its fiscal policies do not materially and unreasonably prejudice national economic policies (Provisioning Administration, 2002:41).

To be able to perform these functions the provincial treasury has the following responsibilities and obligations: The provincial treasury prepares provincial budgets; issues provincial treasury instructions not consistent with the PFMA; enforces this Act and any prescribed national and provincial departments, ensures that norms and standards, including any prescribed standards of generally recognized accounting practice and uniform classification systems in provincial departments, must comply with the Annual Division Act, monitors and also assesses the implementation of that Act in provincial public entities, monitors and assess the implementation in provincial public entities of national and provincial norms and standards. The provincial treasuries also have to exercise control over the implementation of the provincial budget; to promote and enforce transparency including effective management in respect of provincial departments and provincial entities (Pauw et al, 2002:49).

The National Treasury department has to assist the provincial departments and provincial entities in building their capacity for effective, efficient and transparent financial management and investigate any system of financial management and internal control applied by a provincial department or a provincial public entity. The National Treasury department has to intervene by taking appropriate steps, which may include the withholding of funds, to address a serious or persistent material breach of this Act by a provincial department or a provincial public entity. The provincial treasury may do anything that is necessary to fulfil its responsibilities effectively (Provisioning Administration, 2002:41).

The National Treasury is the central controlling body which ensures that departments execute the decisions taken by parliament and SCOPA. In order to achieve this, the National Treasury issues regulations aimed at establishing and implementing sound financial principles and systems. It also exercises control over public finances by analysing each department's budget (Visser & Erasmus: 1997:146).

### **3.10.7 Auditor-General**

In terms of section 108 of the *Constitution of South Africa, Act 108 of 1996*, the Auditor-General must audit and report on the accounts, financial statements and financial management of all national and provincial government and administrations. As such, the Auditor-General may audit and report on the accounts, financial statements and financial management of any institution funded from the National or a Provincial Revenue Fund. This also includes any

institution that is authorized by law to receive money for a public purpose. The Auditor-General must submit audit reports to any legislature that has direct interest in the audit and to any other authority prescribed by national legislation. These reports must be made public. In terms of section 189 of the Constitution the Auditor-General must be appointed for a fixed, non-renewable term of office between five and ten years (Provisioning Administration, 2002:44).

The Auditor-General would therefore ensure that the annual report and audited statements must fairly present the state of affairs of the department, its business, its performance against predetermined objectives and its financial position as at the end of the financial year concerned. The report must also include particulars of material losses through criminal conduct, and any unauthorised expenditure, irregular expenditure and wasteful expenditure that occurred during the financial year. What is imperative is the indication of disciplinary steps taken as a result of such losses, any materials losses recovered or written off; and any other matters that may be prescribed (Pauw et al, 2002:358).

### **3.11 Competitive appointment of consultants**

It is necessary that certain minimum requirements of quality and efficiency be achieved when consultants are appointed for the procurement of professional services. It is also necessary to ensure that advice that is being solicited and unbiased; that it is, being delivered by consultant/s acting independently from any affiliation, economic or otherwise which may cause conflicts from any affiliation, economic or otherwise may cause conflicts between the consultant's interests and those of the government. It is also necessary to impose measures to ensure that assignments to consultants are executed in such a way that ethical principles of the relevant consultancy profession were are at all times. The appointment of consultants relates to procurement in the form of providing knowledge and skills which could not be obtained from the internal procurement staff. Government also supports the principle of subcontracting in its supply chain management activities and should be encouraged as a means of furthering its preferential procurement policy objectives (Policy Strategy 2003: 30).

#### **3.11.1 Norms and standards of supply chain management**

The Public Finance Management Act, was promulgated in order to establish policy parameters in terms of section 76(4) (c) of the PFMA and section 106(1)(d) of the MFMA, for the repealing of the existing tender board legislation and with, therefore, prescribed

minimum norms and standards for the supply chain management practices in government. The regulatory framework empowered the National Treasury to facilitate the arranging of certain transversally used term contracts in instances where it might be beneficial from a value for money perspective and/or in achieving government's preferential procurement policy objectives (Policy Strategy 2003:5).

The regulatory framework started to ensure that minimum reporting requirements for accounting officers/authorities empowered the National Treasury to monitor compliance to minimum norms and standards and policy outcomes so as to regularly report progress to Cabinet. Uniformity in supply chain management practices would also be promoted in bid and contract documentation and standards of bid policies and procedures (Policy Strategy 2003:6).

In order to enforce the regulatory framework the National Treasury issued a number of practice notes in terms of the framework to guide uniformity in practices and procedures in the different spheres of government, whilst provincial treasurers and municipal managers further issued practice notes in a cascading fashion in order to guide the more detailed implementation of the supply chain management functions (Policy Strategy 2003:6).

In addressing the deficiencies associated with the current PPPFA and its associated regulations, the government recognised that amendments to the Act and regulations would be necessary, particularly in respect of the need to more effectively achieve the government's Black Economic Empowerment policy objectives. This aspect was addressed as an integral part of the process associated with the promulgation of the Broad Based Black Economic empowerment Bill and implementing the principles and philosophies contained in the supporting document strategy (Policy Strategy 2003:6).

Capacity building included the instruction that state departments had to establish supply chain management units in the relevant CFO structures; and the establishment of clear lines of authority and accountability and the performance criteria for minimizing risk, quicker and more efficient sourcing including better asset and inventory management (Policy Strategy 2003:6-7).

### **3.12 Conclusion**

In this chapter an overview of the health procurement system in Gauteng Province has been presented. The procurement of goods and services

prior to 1994 operated within the framework of the State Tender Board Act. The purpose of the Act was to ensure that there was proper coordination and control of the procurement of goods and services, including the disposing of movable state property.

The State Tender Board utilised requirement forms before they could finalise the term contracts and general contracts including the updating of contracts for departments. The main role of the State Tender Board was to ensure that procedures in respect of the procurement of goods and services were followed.

The State Tender Board had established Standing Provincial Tender Boards in each province. In 1994 the first democratic South African Government committed itself to transform the health sector in order to unify the health services which were fragmented. In 2000 the National Department of Health promulgated the *Gauteng District Health Service Act*, (Act No. 8 of 2000). The purpose of the Act was to prevent any further fragmentation of health services in the Gauteng Province.

Apart from the implementation of the decentralised District Health System, the Government of National Unity in 1994 was challenged by the transformation of the procurement system of goods and services. The procurement reform process in South Africa entailed the implementation of the *Preferential Procurement Policy Framework Act*, (Act No. 5 of 2000) which was made possible by the Gauteng Provincial Government. In November 2001 the Executive Council promulgated that the Gauteng Shared Service Centre (GSSC) be established as the 12<sup>th</sup> department of the Gauteng Provincial Government. The repeal of the Provincial Tender Board in March 2002 and the subsequent replacement of the *Gauteng Tender Board Act, 1994* by the Procurement Policy Framework as from the 1<sup>st</sup> April 2002 required that all departments in Gauteng established Departmental Acquisition Councils (DAC) which was located at central office and the Departmental Accredited Procurement Unit (DAPU) which was located at institutional level. Given the size and the complexity of the *Gauteng Province*, the decentralisation approach that was adopted by the Gauteng Department of Health (GDOH) necessitated the need for Ekurhuleni-Sedibeng Health District Offices to establish decentralised accredited procurement units (APU).

The Green Paper on Public Sector Procurement Reform process in South Africa recognized that public sector procurement could also be used as a tool to achieve economic ideals and socio-economic objectives. The paper also recognised the effective and efficient procurement systems that would enable organs of state to improve the quality of services rendered. The Preferential Procurement Policy Framework Act was promulgated to give effect to section 217(3) of the Constitution by providing a framework

for the implementation of the procurement policy contemplated in section 217(2) of the Constitution. In terms of section 2(1) of the Act an organ of state must determine and implement its own preferential procurement policy within a prescribed framework.

A number of role players within the procurement policy were identified regarding budget controls (financial control). The various institutions and persons involved in the administration of state funds discussed in the chapter included: Parliament, which represented the supreme legislative authority; the Standing Committee on Public Accounts, which aims to promote effective and efficient financial administration; and the Minister of Finance assisted by the Public Finance Management Act (01 of 1999), as amended by Act 29 of 1999, which allows the minister to issue regulations regarding a public official's handling of state funds. The Cabinet, which is an executive committee, is the axis on which the South African parliamentary system of government turns, including the Auditor-General, who must audit and report on the accounts and financial statements of all national and provincial government, including procurement practitioners and senior managers in public entities.

Chapter 4 will discuss the establishment and performance record of GSSC.

## **CHAPTER 4            THE GSSC: ESTABLISHMENT AND PERFORMANCE RECORD**

### **4.1 Introduction**

The chapter discusses the establishment of the Gauteng Shared Service Centre and its performance record. The establishment of the Centre is discussed, including its purpose, vision, mission and values. Also discussed is the governance structure of the GSSC, its organisational structure, the relationships with the business unit and the departments, and the customer service model.

The chapter also gives a description of Ekurhuleni-Sedibeng Health Region, which is subdivided into Ekurhuleni District Health Services and Sedibeng District Health Services, including a number of clinics providing health services respectively to the two districts. A description is given of the type of services offered by the two districts. A brief indication of how services have been affected since migration to the GSSC is provided, and the future challenges facing each district in terms of service delivery.

The organogram for Ekurhuleni-Sedibeng Health Region is sketched in order to provide a picture of the officials responsible for a number of services offered for both districts. The performance record of the GSSC as sketched from the financial year 2002-2003 until 2004-2005 has been discussed, indicating the GSSC's achievements, frustrations and lessons learnt.

### **4.2 Establishment of Gauteng Shared Service Centre**

The 1994 democratic elections brought complex challenges for various government departments such as transformation, ending social backlogs on outstanding orders for the purchase of goods and services, and the delivery of cost-effective services to the general public (Professional Management Review, 2000:67-68). The Gauteng Provincial Government (GPG) embarked on a long-standing innovation to change the face of its support services into a world class institution driven by efficiency and quality service delivery. The GPG implemented a service-sharing concept called the Shared Service Centre (SSC) whose main objective was to improve effectiveness and quality of support services by bringing together functions that are frequently duplicated and inconsistent across GPG departments. The SSC aimed to provide the enterprise with cost-effective and efficient transversal support services. According to SSC project manager Cecil Maswanganyi, the SSC was championed in the Gauteng Provincial Treasury, headed by MEC for Finance and Economic Affairs, Jabu Moleketi, who was also the chairperson of the SSC steering

committee comprising all heads of departments (Professional Management Review, 2000:67-68).

Gauteng Premier Mbazima Shilowa was the sponsor of the SSC, which was established as a public entity within the GPG. The GPG therefore implemented the SSC with the support of its business partner PriceWaterhouseCoopers in a consortium with Ebony Management Consulting, ABD&T, Argil Consulting and Nokusa Consulting. "Through the SSC we will ensure that departments focus on their core business and that they deliver quality service to the citizens of Gauteng." (Maswanganyi, in Professional Management Review, 2000:67-68)

The SSC's strategic intent was to deliver a world-class reference site with the best of breed practices, processes and systems that provide enterprise wide-support services for the public sector; and the provision of the best service at the right time and at the right place in order to reduce the costs of providing support services. This will allow the province to focus on economic growth opportunities and on improving the quality of social services delivery (Professional Management Review, 2000:67-68).

The SSC focused on delivering customer satisfaction using the benefits of centralisation, such as economies of scale, and standardisation. Maswanganyi indicated that unlike central functions where the corporate function determines the nature and level of service to be provided, the SSC was managed through service level agreements (SLAs) whereby the SSC had to establish relationships between departments and the SSC (Professional Management Review, 2000:67-68). Departments therefore entered into service level agreements with the SSC and these agreements outlined the responsibilities of the respective parties, their deliverables, as well as service key delivery performance indicators. SLAs included a dispute resolution mechanism, as well (Professional Management Review, 2000:67-68).

The SSC operated as a freestanding business, based at an independent location at 75 Fox Street and promised tangible and intangible benefits to the GPG. Some of the tangible benefits included expenditure reduction, increased productivity, leveraged technology, economies of scale, and improved span of control. Intangible benefits included enhanced customer services, standardised processes and pooled resources, one organisational approach a (one enterprise-approach), improved accuracy and consistency of information, and best leverage of learning curves.

The uniform standards that already existed in government in terms of procurement and provisioning common systems were already in use in the form of Financial Management System (FMS) and Persal. By putting renewed focus and effort on these issues, it would be possible to pull

resources together, leveraging on technology and the usage of e-commerce and could be achieved through integrated systems such as Enterprise Resource Planning Systems (ERP). The GSSC would be able to create economies of scale, and effective utilization of term contracts and the tender process. The process of sharing expertise enhanced services, particularly in that the shared service environment moved beyond the notion of efficiency and effectiveness to one of value (GPG – SCC Project Management Office, 2000:2).

January 2001 marked the beginning of the Gauteng Audit Services (GAS) Unit within the Shared Services Centre (SSC). The GAS team, comprising 60 members from the 11 GPG Departments, met for the first time as a team during a team building session held at Aloe Ridge in January 2001. Amongst the exciting activities that took place at the team building session was a speech by the SSC Project Executive and MEC for Finance and Economic Affairs, Jabu Moleketi. He said that the GAS team should lead by example, as it was the first team to operate in the SSC. This means that the GAS team would have to initiate responsibility and accountability to create an institution that is counted amongst the best in the world. Moleketi challenged the GAS team to inculcate an SSC culture that would complement good governance, strive for service excellence and promote customer responsiveness (SSCP, January – March 2001:1).

The Gauteng Shared Service Centre (GSSC) was promulgated as the 12<sup>th</sup> department of the Gauteng Provincial Government in November 2001. It represents the GPG's vision of having a world-class internal support service unit driven by efficiency and a focus on the delivery of service. The GSSC provides internal support services to the 11 GPG Departments in areas of finance, human resources, procurement, and technology support services (gscg.gpg.gov.za:1).

The GSSC's core focus is on providing customer satisfaction using the benefits of centralisation such as economies of scale, standardisation and the provision of a single-edge technological base for improved service delivery. This department was set up with a view to free up the line departments to spend more time performing higher value-adding tasks that would improve service delivery in their respective departments (gscg.gpg.gov.za:1).

The Gauteng Shared Service Centre was a project that was scheduled for completion and gearing up for full commercial operation during the financial years 2002/03 and 2003/04. The operating model was presented to the relevant stakeholders, which included the provincial executive, heads of department, and the affected staff. The information about the establishment of the GSSC was also shared with the labour unions at the Gauteng Provincial Bargaining Council. Unfortunately, many of the labour

unions did not share the vision that led to the establishment of the shared service centre (gscg.gpg.gov.za:1).

A lot of time and energy was spent preparing employees for the processes leading up to the migration to the GSSC. Many workshops were held all over the province to give employees an opportunity to engage with the detailed design, to also ask questions, and to give their inputs on the process. Despite many efforts to engage with the unions on the establishment of the GSSC (Gauteng Shared Service Centre) very little was achieved over a long period of time negotiating.

The GSSC started as a project; however as years passed the GSSC was transformed from project status to operational mode. Chief executive officers were appointed and a significant number of staff members migrated to the GSSC during the financial year 2003/04. The plan was to have the shared service centre fully operational by July 2003. The building and the entire related infrastructure were ready to accommodate the staff across the province transferred to begin their duties at the GSSC and the staff was transferred to the GSSC on a staggered basis as from September 2002 (gscg.gpg.gov.za:1).

The GSSC Centre project team comprising consultants and many GSSC employees transferred from various department assisted with the basic design of the remaining line structures within departments and their various sites. The project team had to spend two months at each site preparing each site for site migration and one month thereafter to assist with post-migration stabilization (gscg.gpg.gov.za:1).

### **4.3 Purpose of GSSC**

The GSSC was established to optimise the productive use of scarce resources within the province, whilst improving the focus of the management in all the departments, paying attention to the core Government services they provide and ensuring that internal support functions were provided in a professional manner that reduced duplication, and improved the allocation of funds between the core and support functions (gscg.gpg.gov.za:1-2).

The GSSC had centralised support functions that were frequently duplicated across the 11 departments of the Gauteng Provincial Government; by operating along best practice business principles and benchmarking them against national and international performance standards. The Gauteng Shared Service ensured that business support services will be delivered to the Departments effectively and efficiently (gscg.gpg.gov.za:2).

The main deliverables of the GSSC were to standardize the procurement processes in order to ensure satisfactory delivery of goods and services to the Gauteng Provincial Government departments, and to support good governance by building a purchasing organization that was based on team work and performance flexible yet aligned to processes that were socially driven by value for money and customer satisfaction. The GSSC utilised up-to-date and reliable systems in order to facilitate the procurement of goods and services via strategic sourcing and shared supply chain optimisation; thus ensuring that procurement officials set new trends in the field of socially responsible public sector procurement.

#### **4.3.1 Vision of GSSC**

The vision for the creation of GSSC was to improve the quality of service in the public sector by providing province-wide, cost-effective and efficient transversal services which will be achieved by being customer and process focused, utilizing leading-edge technologies, through implementing quality standards and performance measures; and consolidating limited high-level functional expertise into centres of excellence.

#### **4.3.2 Mission of GSSC**

To deliver a world-class reference site with the best of breed practices, procedures and systems in order to provide province wide support services to the public sector.

#### **4.3.3 Values of GSSC**

In order for the GSSC to make a difference within the public service centre, it had to be driven by key values. These key values have therefore formed a basis for the existence of GSSC such as being customer focused in order to meet the needs of the officials who are at various health institutions within the Gauteng province. The second value was performance; driven in other words, the GSSC had to be the best. The third value emphasises that the GSSC was open to experience new ways of doing things and that it was open for suggestions in order to improve service delivery. Last is the team effort value, which embraced working together as a team to achieve more.

#### **4.4 Procurement Services**

In order to advance along the path of developing best procurement service, the following interventions were introduced within the GSSC. Firstly, the implementation of a single point of contact with the departments/entities reduces the procurement lead times and ensures that they get the right product/service at the right place at the right price. Secondly, implementation of service-oriented and customer-focused culture ensured accountability by signing service level agreements between the GSSC and the departments/entities supported by regular monitoring and reporting. Thirdly, replacing manual and often laborious processes with automated, streamlined processes using the SAP R/3 system as the platform that enabled entities to process the requests efficiently. Fourthly, discouraging paper creation driven by meaningless rules, developed the capacity amongst the procurement staff to make procurement decisions driven by an understanding of what needs to be achieved and what controls are essential to ensure such achievement without allowing space for embezzlement and fraud. Fifthly, improved process efficiency by standardising and simplifying the process improved the controls and clarified roles and responsibilities. Lastly, the active encouragement of entities to manage their demand management and planning within the various departments/entities and to be able to follow up their order immediately.

#### **4.5 Structure of GSSC**

##### **4.5.1 Governance Structure of GSSC**

The structure of the GSSC was based on the various levels within the GPG that comprised the executive committee, which was sponsored by the Premier, and three MECs, including the MEC for finance and economic affairs (as chairperson). This committee was the main sponsor of the project and provided strategic guidance. The second level of the steering committee was headed by the MEC for Finance and Economic Affairs and was made up of the Director General, project/leader manager, and HODs for the following departments: education, health, finance, agriculture, housing, transport and treasury (GPG Shared Service Project Management Office, 2000:9).

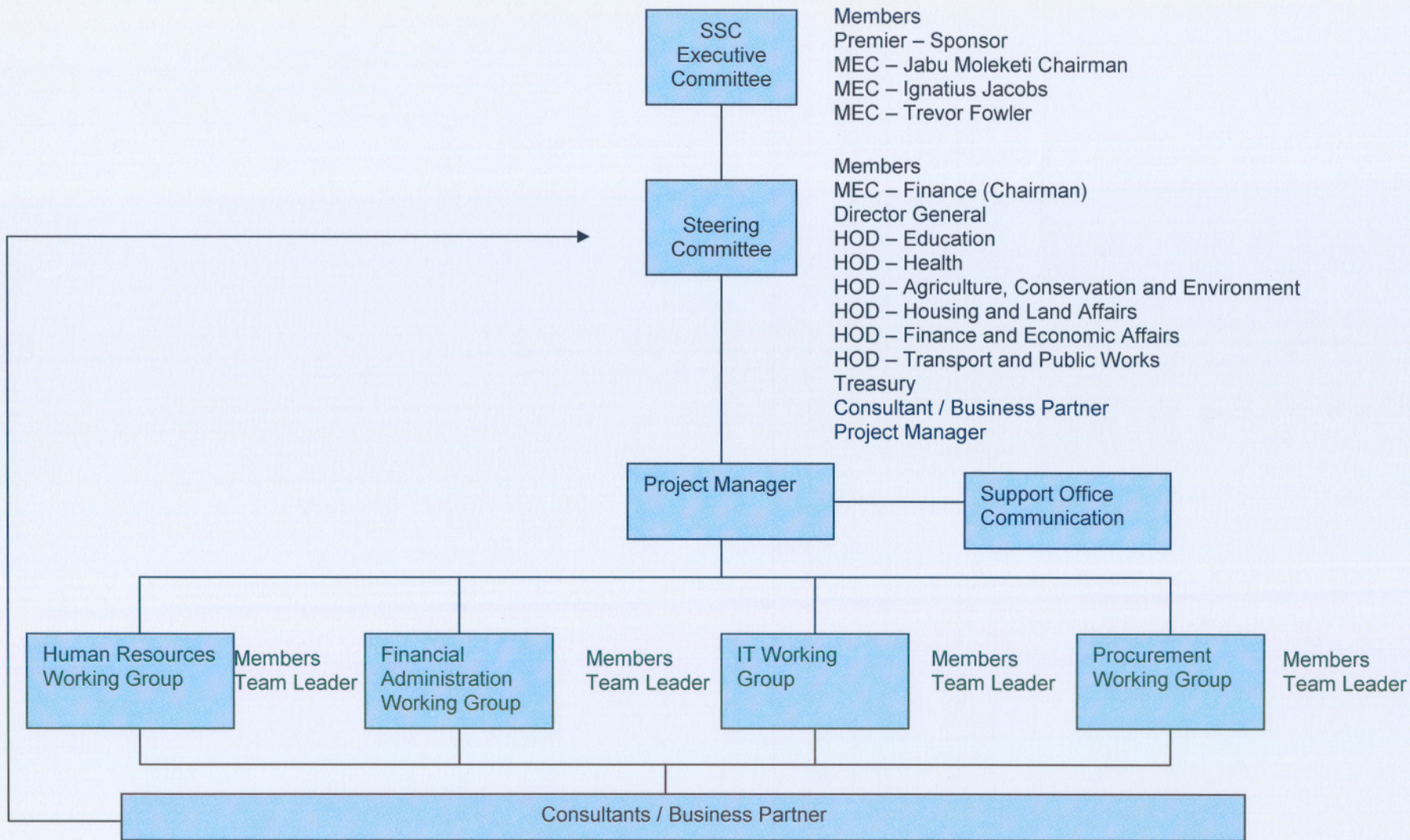
The third level was the project team, which was headed by the project leader/manager, whose functional work was to provide leadership to the functional groups. The functional groups were subdivided into the following functions, human resources, financial administration, information technology, and procurement; group leaders were supported by specialist teams who headed these

functional groups. Once the business partner/consultants were appointed they had to work with the project team to implement the shared service centre. The consultants were also represented on the steering committee (GPG Shared Service Centre Project Management Office, 2000:9).

The governance structure of the project is illustrated in Figure 4.1 and was made up of the Executive Committee, the Steering Committee, and the Project Manager. The role of the Executive Committee was to sponsor the initiative and provide strategic guidance. The committee was sponsored by the Premier and made up of three MECs, including the MEC for Finance and Economic Affairs as the chairperson. The role of the steering committee was decision making on implementation and resolution of issues. The committee was headed by the MEC for Finance and Economic Affairs and was made up of the Project Manager, Director General and six Heads of Department (GPG Shared Service Centre Project Management Office, 2000:10).

The Departmental Council's role was to provide advice and input in the four areas of service provided by the GPG SSC. Each Departmental Council was headed by the functional work group leader and made up of the departmental business relations managers for each functional work group. The role of the Project Team was day-to-day direction and control of work in the Gauteng Shared Service Centre. The Project Team was headed by the Project Manager and the functional work group leaders (GPG Shared Service Centre Project Management, 2000:10).

**Fig. 4.1 SHARED SERVICE CENTRE GOVERNANCE STRUCTURE**

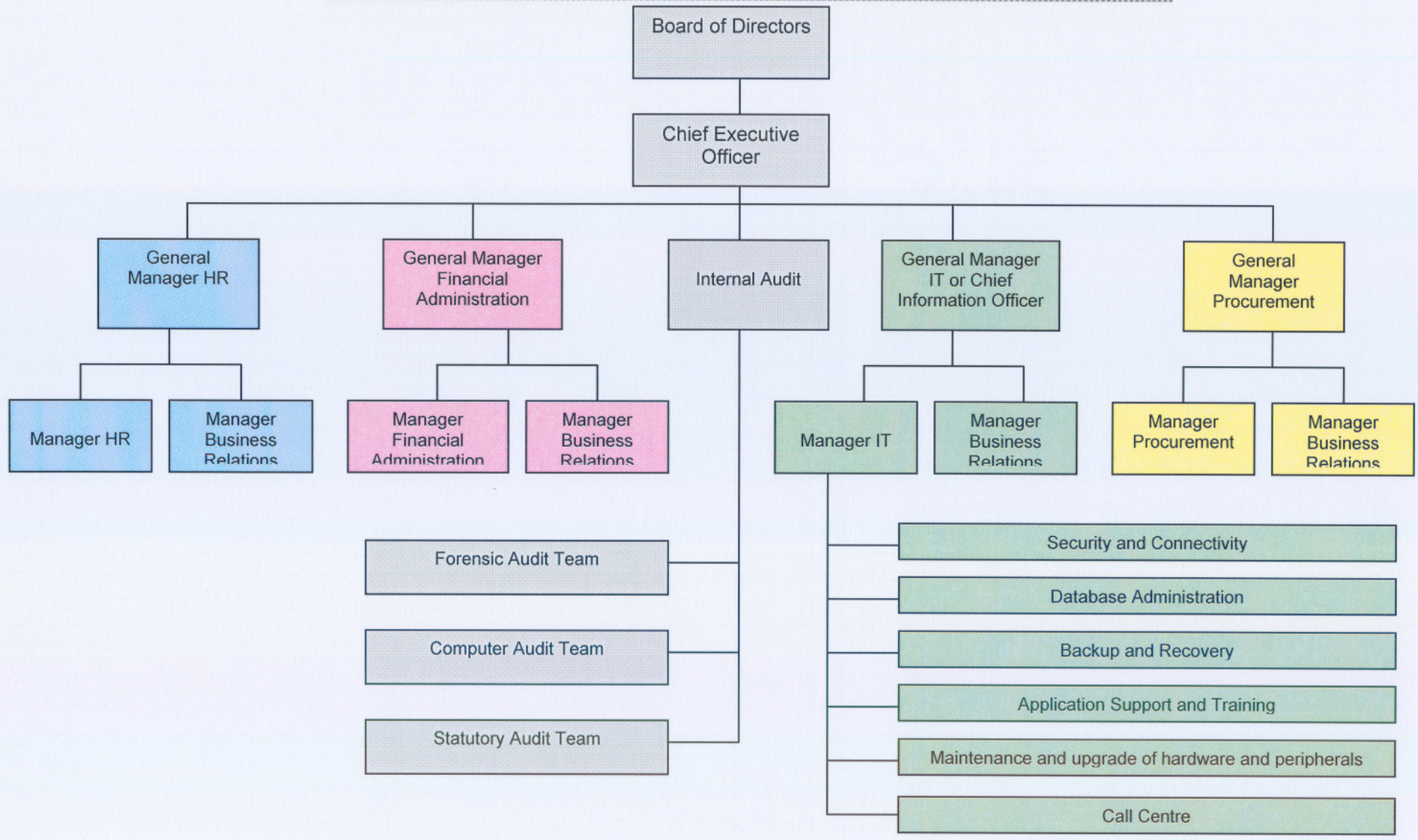


#### **4.5.2 Organisational structure of GSCC**

The GPG Shared Service Centre was set up as a public entity with GPG as the only shareholder of the SSC. The decision-making structure of the SSC and its management structure is set out in Figure 4.2. The Board of Directors was established and was chaired by the MEC for Finance and Economic Affairs. Other board members came from other departments. A Chief Executive Officer was appointed to manage daily operations of the SSC and was supported by senior managers representing each major functional area of service provided by the GPG Shared Service Centre. All the big departments, including finance and economic affairs, had a dedicated business relations manager and some of the small departments were clustered together under one business relations manager. Each business relations manager worked closely with a functional manager who was supported by a team of expert staff on each activity within the functions (GPG Shared Service Project Management Office, 2000:10).

Business relations managers are responsible for managing the service level agreements and act as a link between the service centre and the customers/departments. All matters relating to the types of services to be offered and the quality of issues were handled by the business relations managers. The GPG SSC structure was organised to facilitate the achievement of objectives and aims to provide good service to the public sector, with the focus on quality and customer service (GPG Shared Service Project Management Office, 2000:10).

**Fig. 4.2 SHARED SERVICE CENTRE ORGANISATIONAL STRUCTURE**



### **4.5.3 Relationship with Business units/Departments**

The Gauteng Shared Service Centre was customer driven, unlike in the corporate centralised function, where the corporate function determines the nature and service level to be provided. GPG's shared service business was managed through formal agreements, which clearly outlined the relationship between the customer and the service centre. Departments entered into service level agreements with the service centre; each contract was therefore unique, depending on the different service standards and the nature and type of service required (GPG Shared Service Project Management Office, 2000:11).

It was the intention of the service centre to establish centres of excellence, which provided high value added service, over and above the routine services. The centres of excellence stipulated the level and type of service to be provided. A customer council made up of the users of the service of the shared service centre was established, and that interaction enhanced the relations between the centre and its customers (GPG Shared Service Project Management Office, 2000:11).

### **4.5.4 Format of Agreements**

Formal agreements were signed with departments and were structured according to a Memorandum of Understanding, which set out the framework of the relationship with departments. The memorandum of understanding also set out the time frames of the relationship and contained all the dispute resolution procedures (GPG Shared Service Project Management Office, 2000:11).

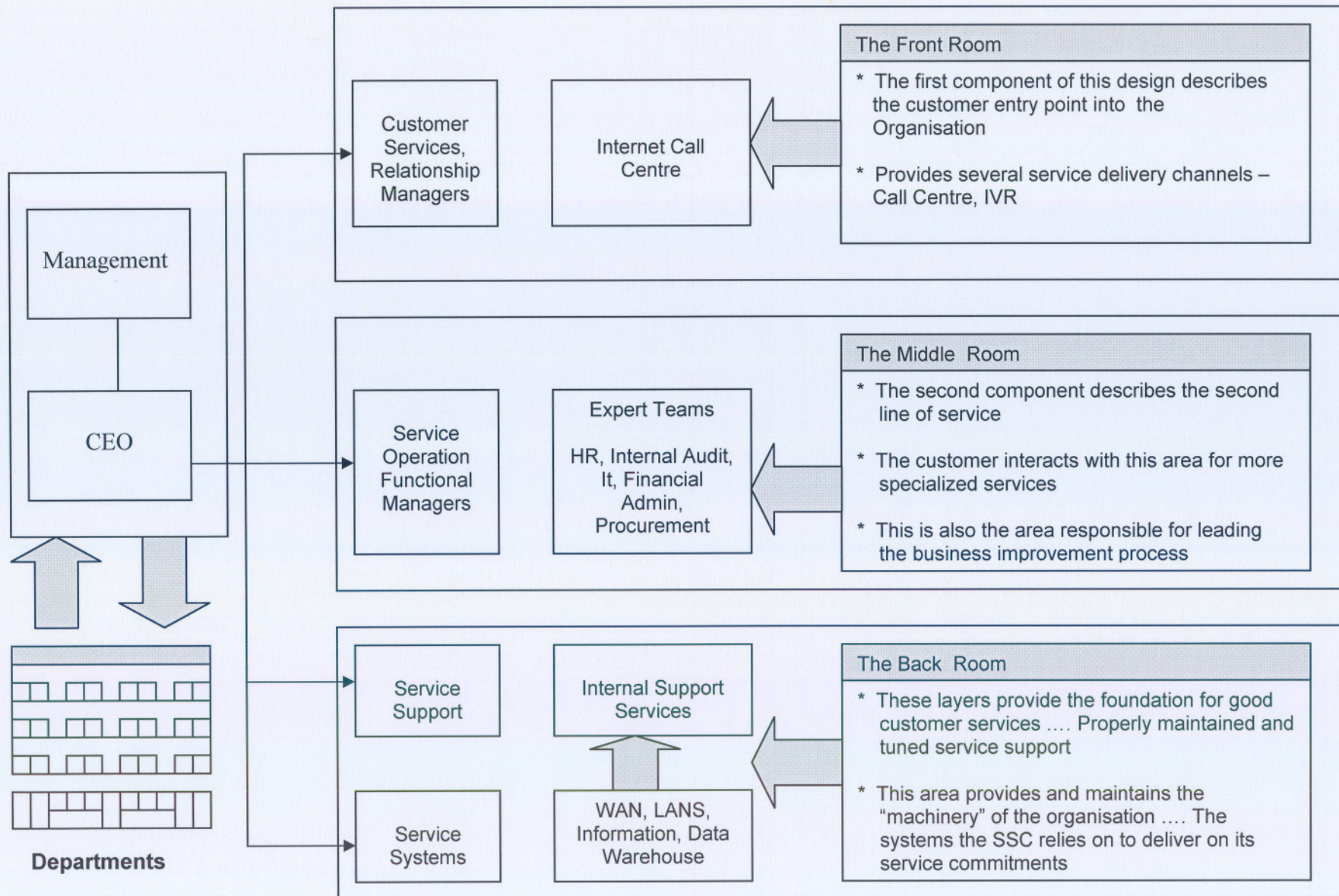
The service level agreements indicated the level and standard of service together with targets and sanctions. The quality of service and the deliverables based on a one-year time frame were detailed and common to all customers. There were also service level added which were service focused, captured the customer's unique requirements, together with targets and sanctions, and were based on a one-year time frame (GPG Shared Service Project Management Office, 2000:11).

The format of agreements was used by the service centre to allow the centre to accommodate the business units/departments that have requirements, and thus eliminating the possibility of establishing other independent service centers to address needs of those specific departments; the need to establish a separate shared

service centre for complex department such as health (GPG Shared Service Project Management Office, 2000:11).

The relationships were managed by a dedicated business relations manager for each department/unit. The managers provided a single point of contact between the customer and the service provider; each department was also required to have a dedicated person to manage the agreement from the department's side in order to ensure all the difficulties of the department were communicated to the business relations managers. The Shared Service Centre customer service model is indicated in Figure 4.3.

**Fig: 4.3 SHARED SERVICE CENTRE CUSTOMER SERVICE MODEL**



## **.6. Description of Ekurhuleni-Sedibeng health region**

### **4.6.1 Mission**

The Gauteng Health Department aims to promote and protect the health of people, especially the most vulnerable to illness and injury. Through innovative leadership, it provides quality health services and strives to ensure a caring climate for service users; create a positive work environment; and to obtain benefits from public monies. The Department also aims to forge partnerships with others, and to provide excellent training for health workers. Its work was often reflected in the enhanced well being of staff and clients, the social and economic development of province and a more just society (Overview of Gauteng Health, 2006:4).

### **4.6.2 The 5-Year Gauteng Department of Health Strategic Priorities (2004-2009)**

Ekurhuleni-Sedibeng Health region is functioning within the ambit of the strategic priorities as laid down by the Central Office. The promotion of health, the prevention and management of illnesses or conditions (with an emphasis on poverty, lifestyle, trauma, violence and psychological factors) is a priority for the region. There also is effective implementation of a comprehensive HIV and AIDS strategy. Further, there is implementation of the people's contract through effective leadership and governance, in human resource development, and investment in health technology (Overview of Gauteng Health, 2006:5).

### **4.6.3 Ekurhuleni Health Service Managers**

Ekurhuleni-Sedibeng District Health Services is managed by a Chief Director as the overall manager for the region. Ekurhuleni District Health Services is managed by Mr. Modise Makhudu and Sedibeng District Health Services is managed by Dr. Riana Louw. The management team for Ekurhuleni District health Services comprised: Mr. C. Theu who is in charge of emergency medical services; Mr. Dan Nkosi who is in charge of the corporate service (finance, procurement and logistics, personnel, and the training and development units); Dr. A Govender Specialised Services Systems Coordinator for oral health service within the region as well in prisons; Ms P. Molepo responsible for the provision of clinical support services; and Mr. M. Pitsi overall manager for Primary Health Care Services who also manages Northern Service Delivery Region, Ms Thoko Magcai is the manager for South Service Delivery Region. Ms Marouse Diale is manager for the Eastern

Service Delivery Region. Dr. F. Otieno the hospital coordinator for Ekurhuleni District Services. The leadership of Ekurhuleni Health District Services is indicated in Figure 4.4 (Overview of Gauteng Health, 2006:10).

#### **4.6.4 Sedibeng Health Service Managers**

Sedibeng District Health Services is headed by Dr. Riana Louw, and her management team consisted of a Deputy Director for Primary Health Care (Ms Dichaba) and a Deputy Director for Programmes (Mrs. Mthethwa). The other senior managers assisting Dr. Louw were the Chief Medical Officer (Dr Kallien), the Corporate Service manager (Mr. Maoba), the Oral health services manager (Dr. Motloun), and the Emergency Services manager (Mr. Makalima). The leadership of Sedibeng Health District Services is indicated in Figure 4.4 (Ekurhuleni-Sedibeng Health Region Quarterly Review, 2006:5).

The population for Sedibeng District Health during 1996 was 653 472, and has increased by 34%. The Emergency Medical Services in Sedibeng have been able to respond to P1 patients within 15 minutes and the training of staff on Basic Life Support (76%) staff trained, including training on Intermediate Life Support (20%) staff trained, as well as training on Advance Life Support (4%) staff trained because of the training and development programmes available at GSSC (Ekurhuleni-Sedibeng Health Region Quarterly Review, 2006:4).

The PHC services rendered are head counted at 214931, at the cost of R71.08 cost per head count, and the immunization coverage has been 86% and the drug stock out was at 0.9%, which means that the rate of rendering of health services for sedibeng district health was not affected due to the replenishment purchasing of medicines on time. The number of new positive cure rate cases were at 60%, and the number of deliveries for Sedibeng District Health was at 4193, the Prevention of Mother to Child Treatment (PMTCT) coverage was at 100% at the Community Health Centres and the coverage was 90% at the PMTCT clinics located within the PHC clinics (Ekurhuleni-Sedibeng Health Region Quarterly Review, 2006:4).

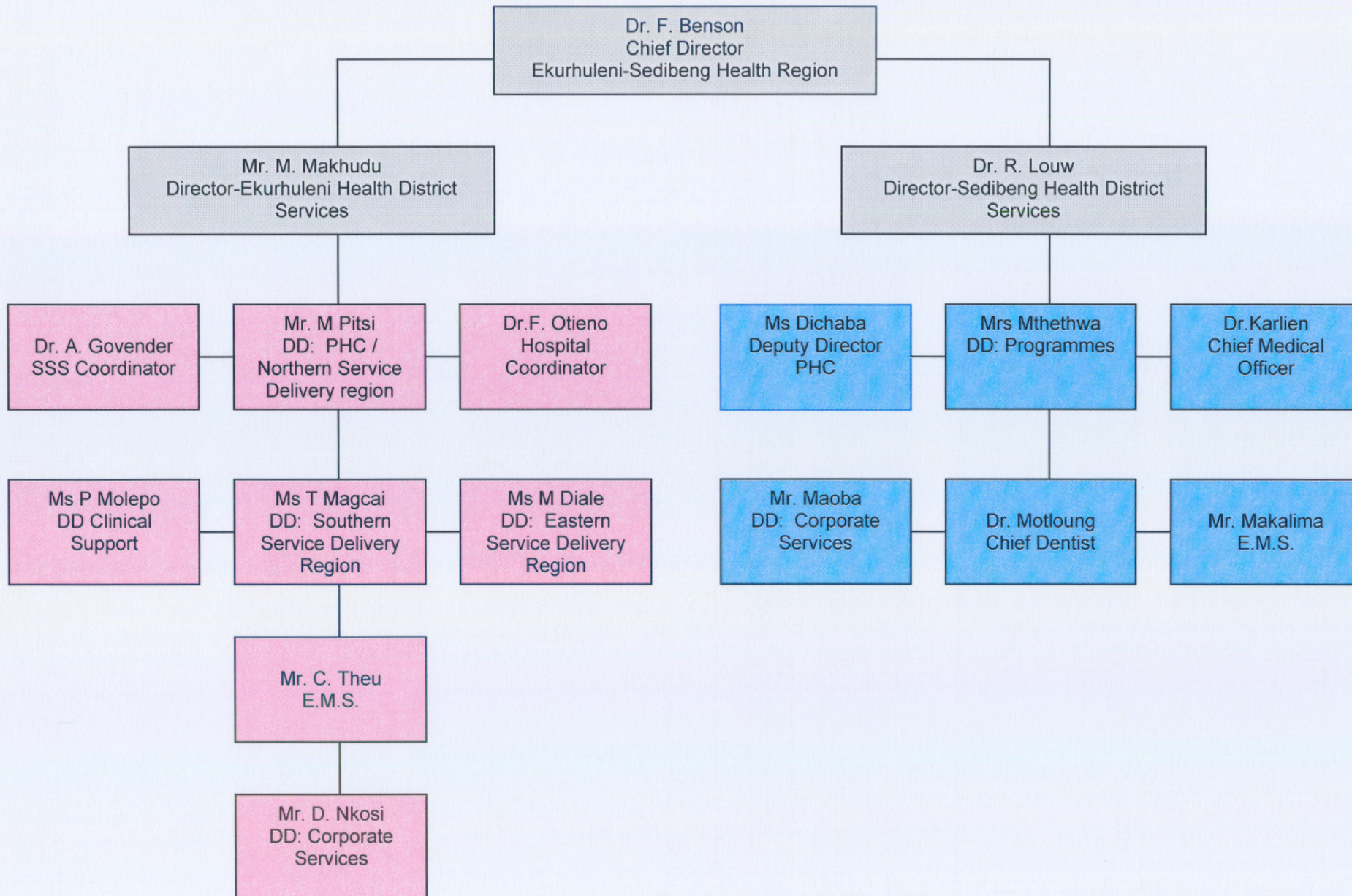
The key achievements for Sedibeng District Health Services since migration to Gauteng Shared Services have made it possible for Sedibeng to afford 100% coverage on IMCI, and the effective

voluntary coverage which was at 97% with 5 ARV sites and PEP 7 sites, in order to strengthen the district health services, the provision of clinical services hours were extended in all sub districts (Ekurhuleni – Sedibeng Health Region Quarterly Review, 2006:5).

In order to operate smarter and to become a leader in human resource development for the management of health services, the Sedibeng District health service came up with a post filling-plan which included the establishment of hospital boards and the training of Community Health Workers. The utilisation of health technology and information management which has involved the establishment of cost centres and stocktaking done at the Regional Pharmacy and General Stores, and these were made possible by the putting of control systems since migration from GSSC (Ekurhuleni-Sedibeng Health Region Quarterly Review, 2006:6).

However, the Sedibeng health district has challenges for proper management of the TB cure rate, adverse events, cervical screening coverage, maternal mortality, including the recruitment and retention of scarce skills in ART programmes. The strengthening of relations with the GSSC need to be prioritised (Ekurhuleni-Sedibeng Health Region Quarterly Review, 2006:7).

**Fig: 4.4 Ekurhuleni-Sedibeng District Health Service Managers Organogram**



#### **4.6.5 Types of public health facilities in Ekurhuleni Metropolitan**

The Ekurhuleni-Sedibeng health region was demarcated into two operational health regions. The Ekurhuleni District Health Services had 73 fixed PHC facilities (clinics), 7 Community Health Centres (CHCs), 18 Satellite clinics, 11 Mobile Clinics, 7 Stand-alone Dental Clinics and 1 Occupational Health Clinic (closed). The hospital services offered within Ekurhuleni District Health Service were composed of 1 small District hospital, 2 Large District hospitals and 3 Regional hospitals, including 9 Environmental Services Sections (Overview of Gauteng Health, 2006:12).

#### **4.6.6 Types of public facilities in Sedibeng health district**

Sedibeng District Health Services were divided into three sub-districts of Emfuleni, Midvaal and Lesedi. Emfuleni had 2 Hospitals, 21 PHC facilities (clinics), 4 Community Health Centres (CHCs), 4 Maternity and Obstetrics Unit (MOU's), and 3 Mobiles; however satellite services were not offered. Midvaal comprised 4 PHC facilities (clinics), 0 Community Health Centers (CHCs), 0 Maternity and Obstetrics Unit (MOU's). Three mobile services were rendered, and no satellite services were rendered. Lesedi sub-district comprised 1 Hospital, 6 PHC facilities (clinics), 4 Community Health Centres (CHCs), 9 mobile services, as well as 1 satellite service offered (Ekurhuleni-Sedibeng Health Region Quarterly Review, 2006:2).

#### **4.6.7 Gauteng population by health district**

The population for Ekurhuleni/East Rand for the census 2001 was at 2 480 277 and at 28.1% increase (Statistics South Africa, 2003). The provision of goods and service for Ekurhuleni Metro was therefore divided according to the population per service delivery region in order to be able to render health service appropriately. The Eastern Service Delivery Region had a population of about 839 632 and the Southern Delivery Region had a population of about 921 368 and the Northern Service Delivery Region had a population of about 719 282 at the total population of 2 480 282 for Ekurhuleni Metro (Census, 2000-Stats SA).

The population figures were imperative in order that the region could plan for the provision of an integrated nutrition programme for ensuring optimal nutrition for the needy population within Ekurhuleni Health District in order to alleviate malnutrition and hunger. Proper planning and demand management were therefore crucial. Other services provided by the region are the funding of NGOs/Day Care

Centres targeting interventions. The requirements are that any organisation should possess a health certificate for crèches, and certificate of acceptability for soup kitchens, registration as a day care centre or day mother, and minimum of 15 needy children in a Day Care Centre or NGO (Overview of Gauteng Health, 2006:16).

Mental health care in Ekurhuleni Health District is provided from the three service delivery regions: the Southern Service Delivery Region, the Eastern Service Delivery Region, and Northern Service Delivery Region. The child psychiatric services in the Southern SDR (Katllehong clinic) is provided by Dr. Labrouche and Dr. Marnewick in Germiston clinic. Forty professional nurses provide the clinic services to local and provincial government health facilities. There are three full time psychologists, 2 social workers, 1 occupational therapist, 3 medical officers and 1 consultant specialist psychiatrist. There are 9 NGOs, 3 life care centres and 12 support groups and one new NGO awaiting licensing. Ekupholeni Mental Health Services provides essential youth-at-risk services, gender violence services, HIV & AIDS services and bereavement services, economic empowerment, and the levels of interventions included individual support and counseling, family interventions, support and therapy groups, community centre interventions, and transitional (halfway) interventions, including referrals (Overview of Gauteng Health, 2006:17-18).

Other projects rendered by Ekurhuleni Health District included the youth-friendly centres in all service delivery regions. Centres that provides services for victims of violence in all service delivery regions totaling nine violence crisis centre within Ekurhuleni Health District. HIV/AIDS and TB these NGOs were funded for Home-based Care, Hospice Beds, DOT supporters, VCT and PMTCT. Economic empowerment included the Zivuseni projects, Creches project, Soup kitchens and learnerships (Overview of Gauteng Health, 2006:18).

#### **4.6.8 Future developments**

Building of a new hospital in Daveyton, because the closed Kempton park hospital was transferred to another state department and another new hospital to be built in Vosloorus in order to relocate Natalspruit hospital. Germiston hospital would be revitalized for the purpose of providing additional services in the near future. Implementation of the new school health policy to upgrade coverage of children from Grade R until Grade 12 (previously up to Grade 7). The challenge was the provision of eye testing tools for the nursing sisters as well as the appointment of

qualified doctors to assist with the implementation of the new policy. Provincialisation (taking responsibility) of EMS, TB beds, and or hospitals, PHC services and Forensic mortuary, the challenge would be appoint the personnel with the relevant skills to run these units (Overview of Gauteng Health, 2006:19).

## **4.7 Performance record of GSSC**

### **4.7.1 Annual report 2002/2003**

The Gauteng Shared Service Centre aimed at providing basic related services which were driven by a customer ethos regarding delivery at the right time, the right place and at a demonstrably improved and competitive cost. The GSSC had to align their designs and roll out programmes to fall within the ambit of the National Procurement Reforms and the implementation of PFMA principles. The 2002/2003 financial year was characterised by numerous governance-related changes that were effected within the Province (GSSC-Annual Report, 2002-2003:13).

The Gauteng Tender Board was dissolved on 01 April 2006, in terms of the Gauteng Tender Board Repeal Act No 2 of 2002 which aimed at repealing the provincial tender board act of 1994, in order to give effect to new procurement reform initiatives and to provide ways for transitional provisions (Gauteng Tender Repeal Act, 2002:01). This was the first milestone in terms of the GPG Procurement Reform Roadmap. A Provincial body, known as the Gauteng Provincial Government Acquisition Council (GPG-AC) was appointed to act as the supreme procurement decision-making body within the province in order to adjudicate tenders for transversal term agreements. Departmental Acquisition Council (DACs) were established within each Department to adjudicate departmental tenders. The DAC was the supreme procurement decision-making body of the Gauteng Department of Health (GDoH), chaired by the HOD of Health (Dr. Laetitia Rispel) the Accounting Officer for Gauteng Department of Health. Dr. Frew Benson the Regional Director for Ekurhuleni-Sedibeng health region served as a DAC member (GSSC-Annual Report, 2002-2003:13).

The DAC existed to adjudicate tenders, based on the commercial and technical recommendations of the GSSC. Provincial Treasury had accredited at least one APU (Accredited Procurement Unit) in every Department. The GSSC Procurement unit was accredited to act as the Common Service Provider for departmental procurement activities as well as to establish and manage transversal term

agreements for the Province (GSSC-Annual Report, 2002-2003:13).

Prior to the dissolution of the Gauteng Tender Board in April 2002, the GSSC conducted extensive communication activities in order to ensure that staff in the province were geared up for the new procurement environment, because the province was about to overhaul the procurement system. The need for understanding new procurement regulations were clearly illustrated by the high attendance rates at the training sessions. Since the 1<sup>st</sup> April 2002, the following sessions have been attended: the Procurement Reform Awareness for Procurement Officials (85 officials); the Procurement Reform Awareness for Senior Officials (251 officials); the Preferential Procurement Policy Framework Act Training, (405 officials); the SMS Procurement Training, (290 officials); attended, and Demand Management Training, (400 officials) (GSSC-Annual Report, 2002-2003:13).

The GSSC procurement complied with the stipulations of the Preferential Procurement Framework Act, in the quest for obtaining quotations and the issuing of tenders. This was implemented within the GPG with effect from 1<sup>st</sup> April 2002. During the previous financial year, the GSSC awarded 43% of its spend to BEE (Black Economic Empowerment) companies, of which 23% was spent on Small Medium 2002/ Enterprises (GSSC-Annual Report, 2003:13).

Despite the fact that GPG was purchasing vast quantities of goods and services, and in many cases the GPG was the biggest purchaser with specific markets, the province has not successfully utilized its bargaining power within the market place. This was sometimes excused by referring to the need by government to fulfil its commitment to Black Economic Empowerment (BEE). Whilst it may be difficult to achieve both value for money and the promotion of BEE it is far from being impossible. The GSSC intended to put more efforts into analysing the markets and exploring the various strategies that could be utilised to create sustainable alternative suppliers within the black community (GSSC-Annual Report, 2003:13).

The Preferential Procurement Policy Framework Act (PPPFA), was a useful starting point and the GSSC needed to engage parastatals and many of the big corporates in an effort to find new and more effective ways of achieving social goals, whilst utilising GPG's purchasing power to get far better value for the Government. The task of defining the processes, and finalising the procurement operating model were completed successfully. GSSC procurement

automated procurement within the province by utilizing the new SAP system, known as the System Applied Product, which utilises less paper and enables procurement professionals to manage their requisitions at the click of a button (GSSC-Annual Report, 2003:13).

As part of Business Process Engineering Re-engineering, training materials were developed, which were being used to train all staff coming to the GSSC. The documentation was finalised and ready in time for the first training session in early November 2002. The team of GPG staff worked on the design and implementation of the new (ERP) Enterprise Resource Planning system. They have successfully shared the knowledge they built up during the 9-month period ERP implementation project in their dual role as SAP trainers and super users. On the 18<sup>th</sup> November 2002, the SAP system was implemented at GSSC, as a technology solution for the procurement process within the province. The system enabled GSSC to improve process efficiency, based on standardisation and simplification. The second milestone in terms of the GPG Procurement Reform Roadmap was thus achieved (GSSC-Annual Report, 2003:14).

To date, 83 procurement functions within institutions have migrated to the GSSC, and that has required training in the new competencies and improved processes being implemented within the GSSC. Over 595 procurement officials have attended four different training interventions which have ranged from strategic sourcing (case study and module 1 of the procurement competency development programme) to migration training for GSSC appointees, including requests for quotations process which included instruction on the new SAP system through to Remaining Line Structures (RLS) process training for RLS Procurement officials (GSSC-Annual Report, 2003:14).

During the inception of migrating basic procurement services to migrated sites, which included the placing of purchase orders based on the three quotations, the Gauteng Shared Services aimed to deliver improved procurement services, meet the procurement service level agreement timeframes, and also to manage the tenders or RFPs (Request for proposals) for departments, jointly with the users evaluating and recommending bids received and presenting these recommendations to the 12 DACs (Departmental Acquisition Councils). The GSSC Procurement unit rendered an advisory role on procurement issues to the migrated sites by tabling submissions to recommend the award of the new contract, on the basis of which the Departmental DAC had to make the final choice of supplier (GSSC-Annual Report, 2003:14).

The GSSC had conducted a very successful Shared Supply Chain initiative in the Department of Health during 2005. The Department of Health's centralized warehouse was extended to include a number of Fast Moving Consumer Good (FMCG) products. During the pilot, 70 common FMCG items were selected, used by most GPG departments, to plan, procure, warehouse and distribute to four large hospitals. The pilot facility was established by refurbishing a warehouse at the Auckland Park Medical Supply Depot (MSD), where Medsas was implemented and installed as the warehouse operating system and RDM was implemented in the pilot hospitals as the electronic ordering system. GPG secondees from the hospitals and agency personnel were used to form an overall staff complement of 10 people, and contracted transport was used based on newly negotiated agreements. Selected vendors from existing transversal agreements were used to procure goods. A collaborative forecasting and inventory management process was implemented between the pilot operation and pilot hospitals. The pilot project successfully proved the concept of benefits obtainable from re-organising the current department/institution driven by supply chain (inventory management, warehousing, distribution, procurement). This was done by applying best practice principles and co-coordinating these activities centrally at the GSSC to create a supply chain shared by various GPG departments/institutions. The following improvements were experienced: significant inventory reduction; major improvement in service levels; relatively small reduction in operational costs; accurate product demand and stock on hand visibility; product sharing between hospitals such as Johannesburg Hospital and Chris Hani Hospital, strict adherence to on-contract buying, major buy in and support from pilot institutions. The pilot performance validated the concept and feasibility of a Shared Supply Chain project (GSSC-Annual Report, 2003:14).

#### **47.2 Annual Report 2003/2004**

The process of migrating procurement to the GSSC, in respect of 58 out of the 104 entities was concluded, including the converting of manual processes to technology based solutions that incorporate the implementation of SAP. The Procure to Pay processes did not initially yield the desired results, necessitating an overhaul of the end-to-end process. Further migration of other entities will be done once the Procure-to-Pay process have stabilized (GSSC-Annual Report, 2004:5).

GSSC procurement, by the end of March 2004 was able to process an excess of 117 000 line items utilised daily by hospitals and clinics, and 39 000 purchase orders valued at R1.14 billion. Procurement service was meeting the Service Level Agreements (SLAs) with regard to turning client requisitions into purchase orders (GSSC-Annual Report, 2004:5).

The strategic procurement support functions established during the past year were supported by an intensive training programme. The functions to deliver value added services such as increasing the level of term agreements in the province; these new term agreements had a positive impact in terms of both the cost savings and service delivery timelines for customers (GSSC-Annual Report, 2004:5).

The three-way matching as a standard operating procedure for achieving good governance was introduced as part of the automated Procure to Pay process, with the implementation of the SAP R/3 system. This procedure basically matches the purchase order, the goods receipt and the invoice, in order to expedite the procurement process. However, problems were encountered with the Procure to Pay processes, causing bottlenecks and delays in the payment of suppliers. The Procure to Pay processes were reviewed and refined in order to remove the bottlenecks. The target was to have a fully functional and efficient Procure to Pay system by the end of the 2004/2005 financial year (GSSC-Annual Report, 2004:5).

The Vendor Management and Development unit participates in the sourcing process through its three service units. The Black Economic Empowerment development unit had interacted with vendors in the identified sectors, in order to bring on board willing economic players. The quality and pre-qualification unit assisted emerging enterprises to understand and to reach the required level of quality production and service delivery. The implementation of the BEE and Small Medium Micro Enterprises (SMME) portal was targeted to be operational by November 2004, with vendors registering with the GPG online as potential bidders (GSSC-Annual Report, 2004:5).

### **4.7.3 Annual Report 2004/2005**

The Gauteng Province supported a holistic approach to economic development in order to ensure stable economic growth, job creation, poverty alleviation and the economic empowerment of historically disadvantaged individuals and enterprises. In support of the integrated development plan, GSSC procurement together with the Department of Finance and Economic Affairs were finalising the new GPG Broad-based-Black Economic Empowerment policy, including detailed Preferential Procurement procedures (Budget Statement 2-2005-2006:429).

In March 2004 GSSC announced that they had become a Founder Sponsor of Blue Catalyst. The GSSC was therefore responsible for the purchase of bulk requirements for the province and also GSSC was in the process of promoting the development of BEE and of Small Medium and Micro Enterprises (SMMEs). The GSSC therefore made a decision to become a Founder Sponsor because of the value it was able to provide, both within the procurement and the buying arena as well as high levels of business advisory expertise within the organisation. GSSC supported the venture fully, because it was in line with the overall GPG Trade and Industrial Development Strategy (Budget Statement 2 2005-2006:429).

The phasing in of the Centres of Excellence (COE) was supported by an intensive training programme. The Centres of Excellence in 2004 were delivering value-added services such as increasing the level of term agreements in the province by 45%, which resulted in cost savings and better service delivery timelines for customers. Furthermore, a separate unit entitled "contract management" was established in October 2004 to focus on contract management and the fast tracking of term agreements for goods and services. Term agreements would therefore realise efficiencies by eliminating the need for obtaining three telephonic quotations when sourcing goods of a recurring nature, thereby reducing ordering lead time from the current 19 days to 2 days for a contract call off (Budget Statement 2 2005-2006:429).

The development of commodity strategies via the Value Team investigations to set savings target per commodity, starting with top 20 spend items, was covered by Value Teams. The development of Vendor Management process was linked to the pre-qualification and accreditation process and about 25% of vendors were prequalified by the time of bidding for Value Team investigation; and also 25% OF BEE SMEs were accredited by the time of bidding for Value Team investigation. Another challenge for GSSC

was the maintenance of world class cycle times in the public sector, purchase orders placed for cases over R100, 000 per case it took 15 working days for requisitions to be converted into purchase orders; and for formal contracts placed under R100, 000 it took 60 working days for the requisitions to be converted to formal contracts (GSSC-Annual Report 2003-2004:26).

The establishment of transversal in terms of the enablement plan for new Term Agreements, 40% spent covered transversal term agreements. Tracking vendor performance included 60% of price increases linked to commodity indices; more than 65% was linked to quality to specification deliveries and more than 65% was linked to on time deliveries. The DAC secretariat services, included minutes drafted within 2 working days and minutes distributed within 5 working days. The tender administration after closure of Request for Quotations and conduct Admin Compliance against agreed timelines; 98% of Admin Compliance was completed within 2 working days. The content and catalogue management had ensured that 45% of commodity items were available on SAP catalogue (GSSC-Annual Report 2003-2004:27).

Service delivery improvements were reduced to 1 working day at participating sites after intervention and the stock availability including the stock holding had improved and was at 98% stock availability at participating sites after intervention by GSSC (GSSC-Annual Report 2003-2004:28).

#### **4.8 Conclusion**

The Gauteng Provincial Government and the Gauteng Legislature had taken a bold step by establishing the Gauteng the Shared Service Centre indicated MEC Jabu Moleketi to the Legislature whilst tabling the GSSC Annual Report. The establishment of GSSC was indeed a culmination of intensive search for models and solutions for improving efficiencies and the effectiveness of the back office area, the retention of scarce skills in the back office area, and the reduction of costs and improving the focus of management for departments to be able to focus on their important task of carrying out their core service delivery.

The Gauteng Shared Service Centre was promulgated as a GPG department on 9 November 2001. Before then, GSSC was managed as a project or a sub programme under the Department of Finance and Economic Affairs in Gauteng. The management of employment fears, aspirations and some trade union resistance had led to delays due to the fact that a lot of energy was spent on communicating the vision to all staff, in order to ensure that the implementation phase took into account all the

foreseeable risks. The negotiations with the unions took longer than a year and the preparations of employees for migration to the GSSC required many face-to-face interactions and workshops. In the history of the Gauteng Shared Service Centre, the first three major entities that is, the relevant functions of the Department of Finance and Economic Affairs, the Department of Education head office, the Johannesburg Hospital had migrated to the Shared Service Centre on the 16 September 2002.

The migration of these entities had provided the Shared Service Centre an opportunity to learn from these entities before embarking on the migration of additional entities. The Gauteng Provincial Government was very excited to be pioneers of this unique project. Although there were some big challenges lying ahead the building was almost 99% complete to meet the requirements of the GSSC. The tracking of performance in order to furnish the management with reports to monitor the delivery of service was very important. The overhaul of the various departmental systems that underpinned the service delivery in the province was indeed a crucial journey to change Gauteng and its government to become a truly smart province.

Finally, over time we need to evaluate the contribution of the implementation of the shared service approach within government, in order to learn from our mistakes and to pass on these lessons to the broader public sector in our country.

Chapter 5 provides the analysis and interpretation of data collected during the empirical research.

## **CHAPTER 5            DATA COLLECTION AND FINDINGS**

### **5.1    Introduction**

The chapter aims to discuss the summary of the findings from the empirical design and presents important deductions. Findings, summary, and recommendations for practical implementation of these findings and for further research are also included.

### **5.2    Empirical Studies/Data Collection**

The questionnaires were distributed amongst the sample population of senior managers, middle managers, and procurement practitioners within Ekurhuleni-Sedibeng health region. The method utilized for collecting data was twofold: the first method involved was e-mailing the questionnaires to the respondents; and the second method utilised was to make appointments with respondents randomly, in order to enable the respondents to raise issues of concern to them, which were also impeding their performance in terms of rendering service delivery. In essence the researcher planned to obtain answers to the research questions or testing the hypothesis as described by (Polit & Hungler, 1997:153).

The interviewer conducted phenomenological interviews with some of the respondents and made use of communication and interpersonal skills in order to avoid losing important information (Kvale,1996:81). Phenomenological interviews seek to capture what the respondents think, feel, and how they behave in their naturalistic environment (Polit & Hungler, 1987:145). The interviewed respondents shared their experiences with the interviewer the experiences they had had since the establishment of the Gauteng Shared Service Centre as a centralized procurement agency.

The interviewer conducted the interviews in English, because this was the preferred language of the respondents. However, the respondents were allowed to communicate in their mother tongue, which was either Zulu or Sesotho, in order to facilitate the interview. The interviewer also at times had to explain the questions in the questionnaire either in a language that was understandable to the respondents.

### **5.3    Findings**

In the literature study it was found that the establishment of the GSSC has a political backing from the office of the Gauteng Premier, Mbazima Shilowa. The intention of this institution was to deliver a world-class powerhouse with the best practices, processes and systems in order to

assist departments within the Gauteng Province to procure goods and services as efficiently and effectively as possible.

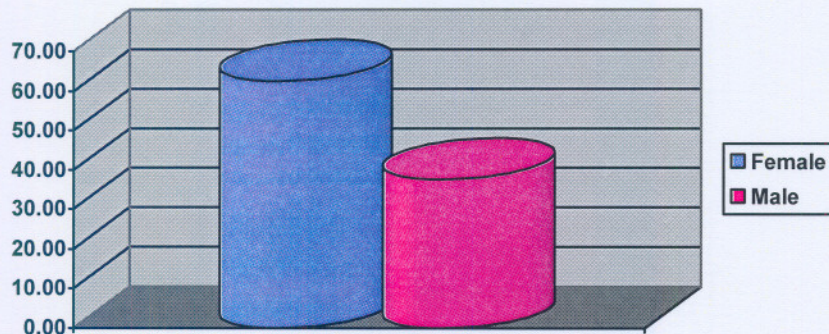
In 1994, the first democratic South African committed itself to transforming the health sector in order to unify the fragmented health services at all levels into a comprehensive and integrated national health system (NHS). This was done in order to reduce racial and geographic disparities and inequities in health service and to increase access to improved and integrated health service.

From the findings of this study it can be concluded that a number of crucial stakeholders starting from the Gauteng Shared Service Centre (GSSC) and the Gauteng Department of Health (GDOH), including the Ekurhuleni-Sedibeng health region, needed to be reminded about the important role they play in order to ensure that primary health care services reach millions of poor people.

For deductions and conclusions to be made on the evaluation of the performance record of the Gauteng Shared Service Centre (GSSC) in health, it was necessary to firstly investigate the demographic data of the respondents. This information was presented in Section A of each questionnaire, while information on the evaluation of the performance record of the Gauteng Shared Service Centre (GSSC) in health was provided in Section B. This information is provided in the form of graphs, which were then analyzed and interpreted.

#### 5.4 QUESTIONNAIRE TO TOP MANAGERS, MIDDLE MANAGERS AND OTHER STAFF/WORKERS

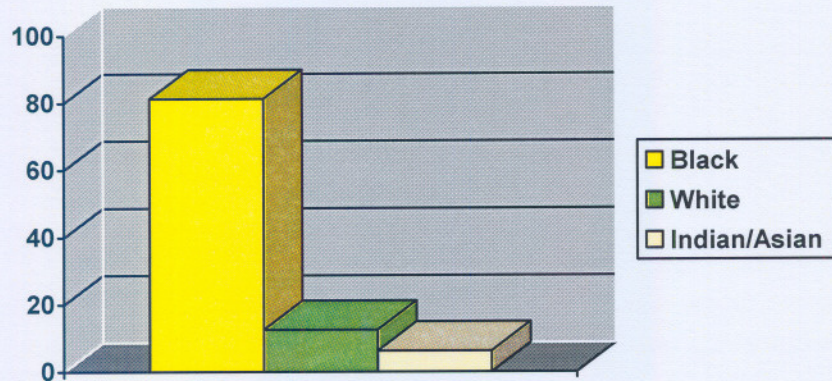
Figure 5.1 Gender of Respondents



▪ **Analysis and Interpretation**

62,50 Percent of the respondents were females, and 37,50 Percent of the respondents were males. The respondents were chosen randomly in no particular order.

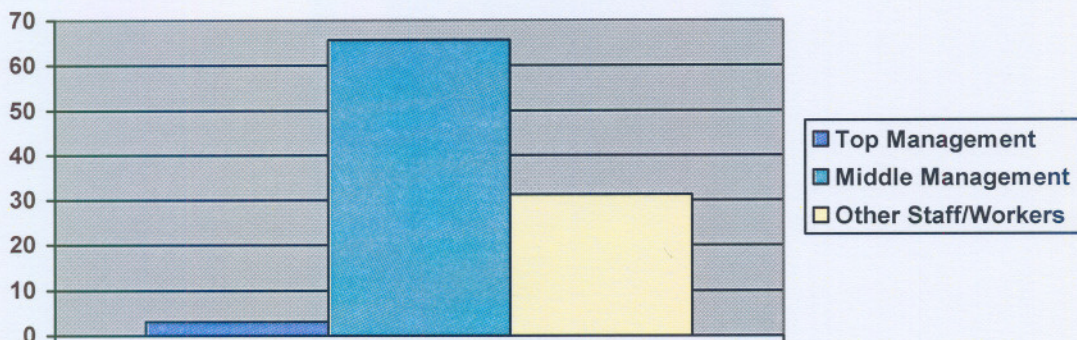
**Figure 5.2 Race Group of the Respondents**



▪ **Analysis and Interpretation**

81,25 Percent of the respondents were Black, and 12,50 Percent of the respondents were White, and 6,25 Percent of the respondents were Indian/Asian.

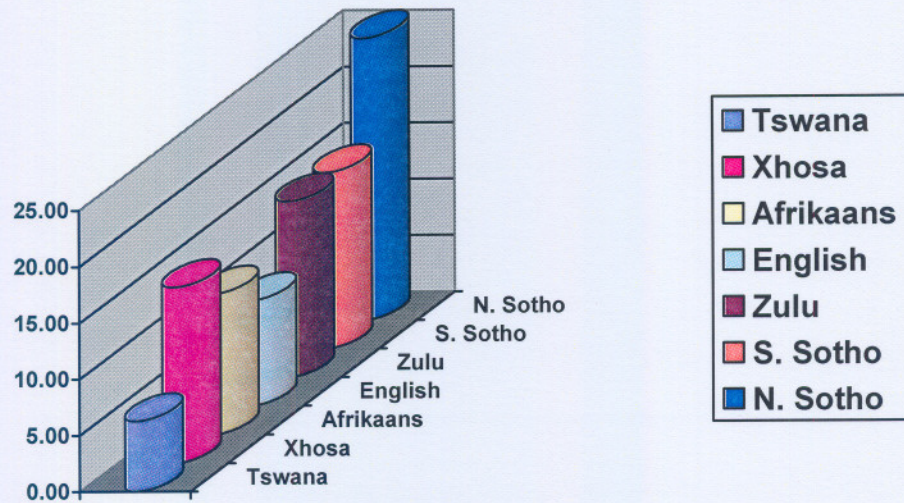
**Figure 5.3 Position/Grade of the Respondents**



▪ **Analysis and Interpretation**

3,125 Percent of the respondents were from the top management, and 65,625 Percent of the respondents were from the middle management, including the 31,25 Percent of the respondents were from the other staff/workers.

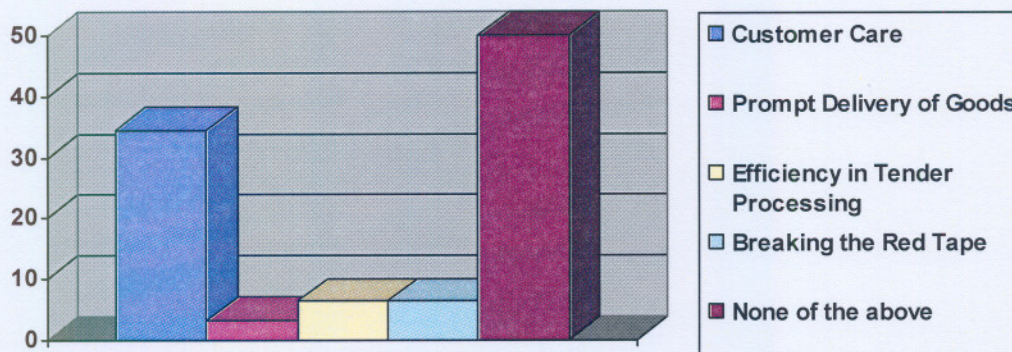
**Figure 5.4 Home Language of the Respondents**



▪ **Analysis and Interpretation**

6,25 Percent of the respondents were Tswana-speaking respondents.  
 15,625 Percent of the respondents were Xhosa-speaking respondents.  
 12,50 Percent of the respondents were Afrikaans-speaking respondents.  
 9,375 Percent of the respondents were English-speaking respondents.  
 15,625 Percent of the respondents were Zulu-speaking respondents.  
 15,625 Percent of the respondents were Southern-Sotho speaking Respondents. The last 25 Percent of the respondents were Northern-Sotho speaking respondents.

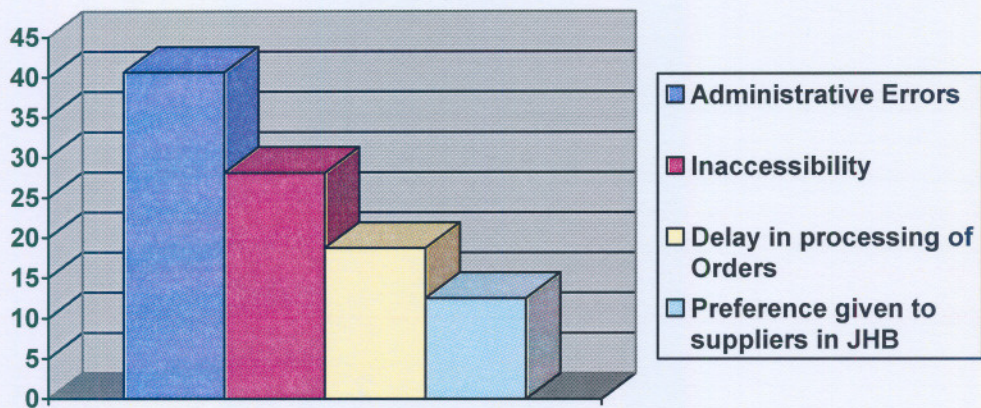
**Figure 5.5 Which of the following in your view have been the achievements of the GSSC in the procurement processes?**



### Analysis and Interpretation

34,375 Percent of the respondents indicated that the GSSC achieved customer care in the procurement process. 3,125 Percent of the respondents indicated that prompt delivery of goods had been achieved by the GSSC. 6,25 Percent of the respondents indicated that the GSSC was able to achieve efficiency in tender processing. 6,25 Percent of the respondents indicated that the GSSC had been able to break the red tape. 50 Percent of the respondents also indicated that none of the above-mentioned have been achieved by the GSSC.

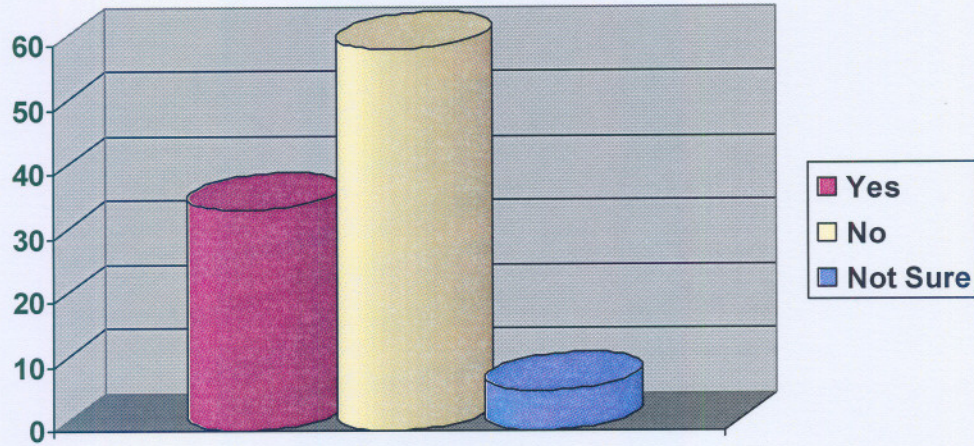
Figure 5.6 What would you say are the problems of GSSC?



- **Analysis and Interpretation**

40,625 Percent of the respondents indicated that since the procurement of goods and services migrated to GSSC, the health services in Ekurhuleni-Sedibeng health region experienced incidences of double payments of suppliers, delays in processing of overtime claims/orders, and wrong capturing of orders. 28,125 Percent of the respondents have indicated that staffs at GSSC were inaccessible. 18.75 Percent of the respondents indicated the delays in the processing of orders, due to the fact that the GL's accounts and material master numbers were not properly maintained. 12,50 Percent of the respondents indicated that preference was given to suppliers in Johannesburg.

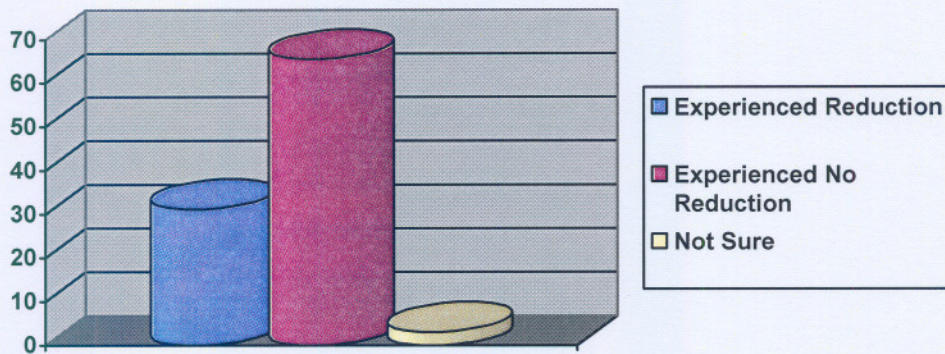
**Figure 5.7 Would you recommend the continuity of GSSC as a centralized procurement agency?**



▪ **Analysis and Interpretation**

34,375 Percent of the respondents have recommended the continuity of GSSC as a centralised procurement agency. 59,375 Percent of the respondents recommended that non-continuity of GSSC as a centralised procurement agency, whilst 6,25 Percent of the respondents were not sure whether the GSSC should continue as a centralised procurement agency.

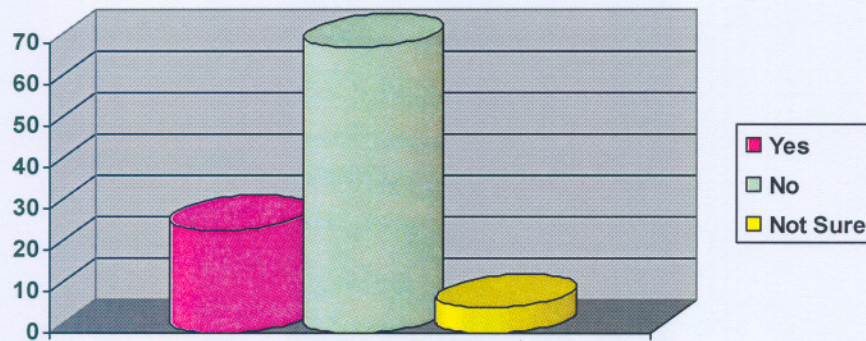
**Figure 5.8 GSSC is involved in providing support services by bringing together functions that are frequently duplicated and inconsistent across the GPG department. In your opinion do you think there has been a reduction of outstanding orders for goods and services since the establishment of GSSC?**



▪ **Analysis and Interpretation**

31,25 Percent of the respondents indicated that there had been a reduction of outstanding orders for goods and services since the establishment of GSSC. 65,625 Percent of respondents indicated that there had been no reduction of outstanding orders since the establishment of GSSC. 3,125 Percent of the respondents were not sure whether a reduction of outstanding orders for goods and services had occurred since the establishment of GSSC.

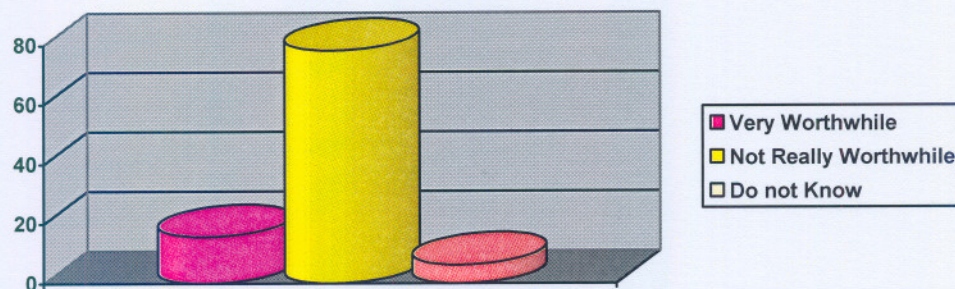
**Figure 5.9 From your perspective on the performance of the Gauteng Shared Service Centre would you it justifies the creation of similar institutions in other provinces? Kindly motivate your answer**



▪ **Analysis and Interpretation**

25 Percent of the respondents indicated that Gauteng Shared Service Centre had performed creditably and therefore justifies the creation of similar institutions in other provinces. 68,75 Percent of the respondents indicated the non creation of similar institutions in other provinces due to the problems still currently experienced by GSSC. 6,25 Percent of the respondents were not sure whether the GSSC had performed creditably, and whether it justified the creation of similar institutions in other provinces.

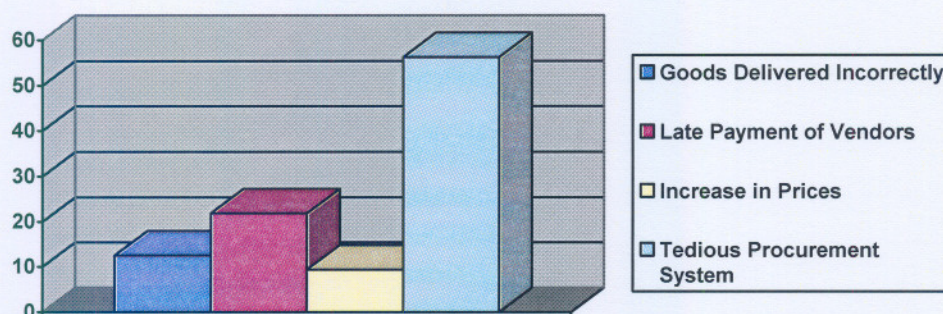
**Figure 5.10** How would you rate the value added to the procurement system at Ekurhuleni – Sedibeng health region, since the inception of the GSSC as the procuring centre for all GPG department?



▪ **Analysis and Interpretation**

15,625 Percent of the respondents rated the value added to the procurement system at Ekurhuleni-Sedibeng health region since inception of the GSSC as the procuring centre for all GPG departments as very worthwhile. 78,125 Percent of the respondents rated the value added to the procurement system at Ekurhuleni-Sedibeng health region since the inception of the GSSC as the procuring centre for all GPG departments as not really worthwhile. 6,25 Percent of the respondents did not know whether any value had been added to the procurement system at Ekurhuleni-Sedibeng health region since the inception of the GSSC as the procuring centre for all GPG departments.

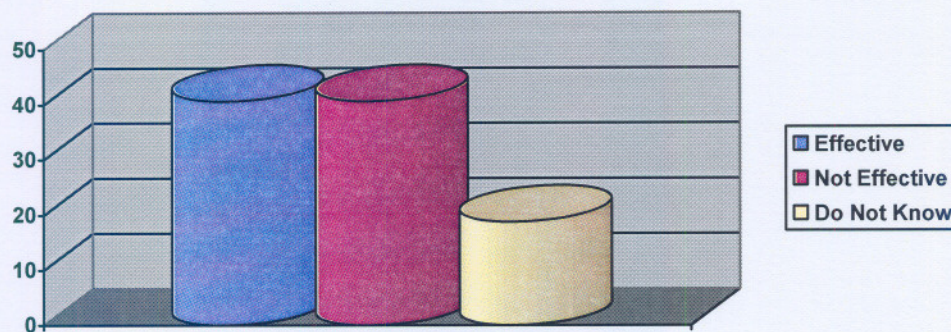
**Figure 5.11** What would you say are your concerns on the procurement system since migration to the Gauteng Shared Service Centre?



- **Analysis and Interpretation**

12,50 Percent of the respondents raised concerns about incorrect deliveries in the procurement system since the migration to the Gauteng Shared Service Centre. 21,875 Percent of the respondents raised concerns about the late payment of vendors on the procurement system since the migration to the Gauteng Shared Service Centre. 9,375 Percent of the respondents raised concerns about the increase of prices in the procurement system since the migration to the Gauteng Shared Service Centre. 56,25 Percent of the respondents indicated that tedious procurement systems had been experienced since the migration to the Gauteng Shared Service Centre.

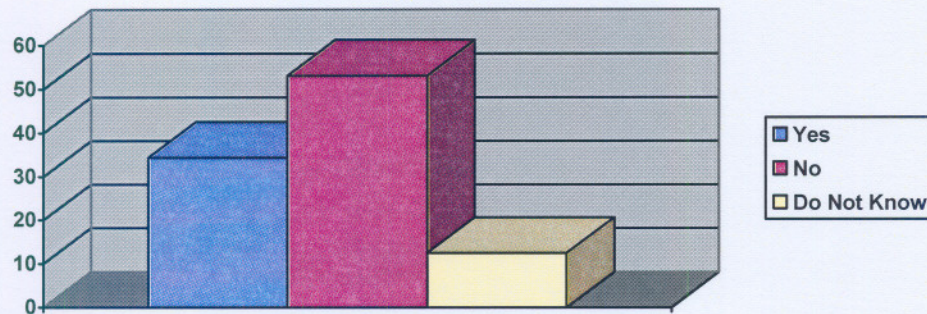
**Figure 5.12 What measures have helped to promote effectiveness and efficiency in the procurement system, since migration to the Gauteng Shared Service Centre?**



- **Analysis and Interpretation**

40,625 Percent of the respondents indicated that the introduction of the System Applied Product (SAP) had helped to promote effectiveness and efficiency in the procurement system since the migration to the Gauteng Shared Service Centre. 40,625 Percent of the respondents indicated that the installation of SAP had not helped to promote effectiveness and efficiency in the procurement system since the migration to the Gauteng Shared Service Centre. 18,75 Percent of the respondents indicated that they did not know whether the installation of SAP helped to promote effectiveness and efficiency since the migration to the GSSC.

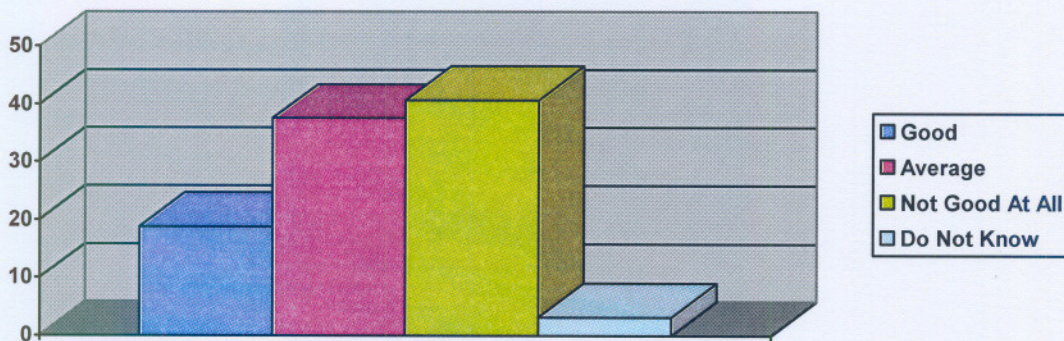
**Figure 5.13** Would you say that since the procurement activities have moved to GSSC, the procurement process have been able to comply with ethical standards, such as value for money, open & effective competition, ethics & fair dealing including equity?



▪ **Analysis and Interpretation**

34,375 Percent of the respondents indicated that since the procurement activities had moved to GSSC the procurement processes had been able to comply with ethical standards, such as value for money, open and effective competition, and ethics and fair dealing including, equity. 53,125 Percent of the respondents indicated that the procurement activities were not able to comply with ethical standards, such as value for money, open and effective competition, and ethics and fair dealing including, equity. 12,5 Percent of the respondents indicated that they did not know whether since the procurement activities had moved to GSSC the procurement processes were able to comply with ethical standards such as, value for money, open and effective competition, and ethics and fair dealing including equity.

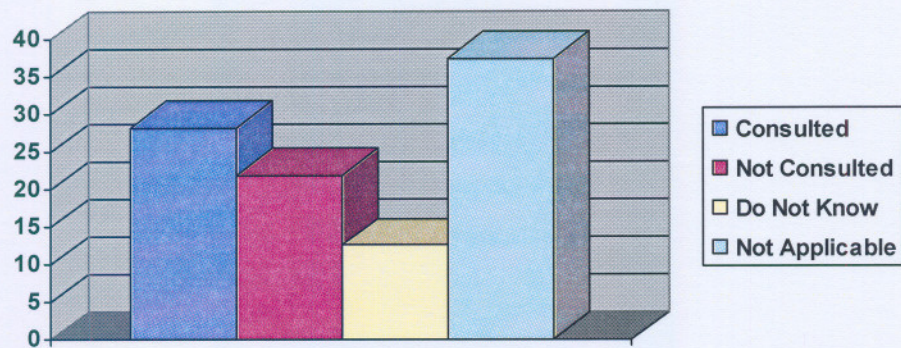
**Figure 5.14** How would you rate the performance of the GSSC?



▪ **Analysis and Interpretation**

18,75 Percent of the respondents rated the performance of the GSSC as good. 37,50 Percent of the respondents rated the performance of the GSSC as average. 40,625 of the respondents rated the performance of the GSSC as not good at all. 3,125 of the respondents were unsure on what rating to give the performance of the GSSC.

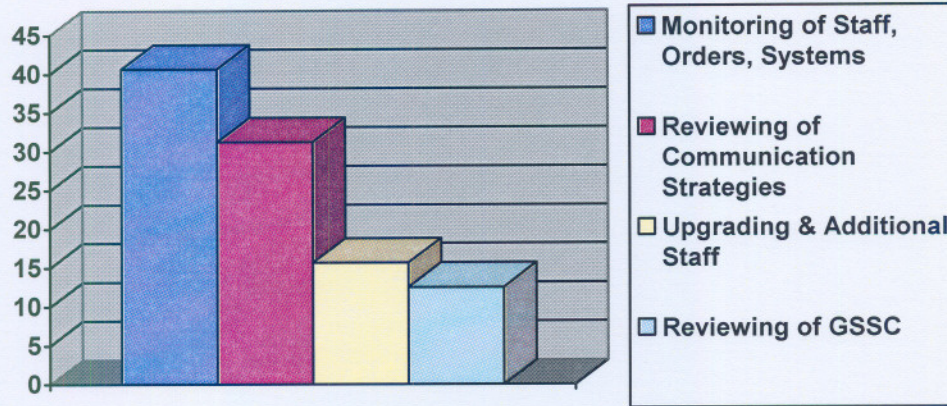
**Figure 5.15 With regard to Change Management, when the GSSC was established, to what extent could you say that staff was consulted at Ekurhuleni-Sedibeng health region?**



▪ **Analysis and Interpretation**

28,125 Percent of the respondents indicated that they were consulted when the GSSC was established at Ekurhuleni-Sedibeng health region. 21,875 Percent of the respondents indicated that they were not consulted when the GSSC was established at Ekurhuleni-Sedibeng health region. 12,5 Percent of the respondents indicated that they did not know whether it was necessary for GSSC to consult with them, when the GSSC was established at Ekurhuleni-Sedibeng health region. 37,5 Percent of the respondents indicated that it was not applicable for them to be consulted when the GSSC was established at Ekurhuleni-Sedibeng health region.

**Figure 5.16 Thinking specifically of GSSC, can you please indicate what recommendations can be made for the performance improvement of the GSSC as the procuring centre for all GPG departments?**



▪ **Analysis and Interpretation**

40, 625 Percent of the respondents indicated that the GSSC needed to focus on the proper monitoring of orders, staff and systems. 31,25 Percent of the respondents indicated that the GSSC needed to come up with communication strategies in order to revive the communication between GSSC and the stakeholders; e.g. monthly meetings, session meetings with the entities at the beginning of each financial year in order to emphasise operational issues before the beginning of the new financial year. 15.625 Percent of the respondents indicated the importance of upgrading the skills and having additional staff to cope with the workload. However, the importance of a staff retention plan is essential in order to create a stable working environment. 12.5 Percent of the respondents indicated that the GSSC needed to be reviewed and the functions of procuring goods and services returned back to the departments of the GPG.

**5.5 Summary**

The vision for the creation of GSSC was to improve the quality of service in the public sector by providing province-wide, cost-effective and efficient transversal services which would be achieved by being customer and process focused, utilizing leading-edge technologies, through implementing quality standards and performance measures, and consolidating limited high-level functional expertise into centres of excellence.

## **5.6 Recommendations**

### **5.6.1 Recommendations with reference to further research**

Little or no research has been done on the evaluation of the performance record of the Gauteng Shared Service Centre (GSSC) which had focused at the Ekurhuleni-Sedibeng health region in health procurement. Future research should therefore focus on effective strategy to minimize the turn around period for the procurement of goods and services for the departments.

Since the research concentrated on the procurement of goods and services for the Ekurhuleni-Sedibeng health region, further research should be undertaken for the entire Gauteng Province so that a holistic approach can be obtained on how to effectively alleviate the turn around period for processing of orders for the departments.

### **5.6.2 Recommendations for the practical implementation of findings**

The data analysis of the results of this research led to the following recommendations, which have implications for the effectiveness of the performance and delivery of goods and service by both the GSSC and the departments in the Ekurhuleni-Sedibeng health region:

- The realisation of the service level agreements needs to be reinforced between the entities and the GSSC, in order to ensure that requisitions from the clinics are not delayed unnecessarily. Officials need to keep at the back of their minds that the attitude of “there is no hurry in South Africa” should be washed away in our mentalities, for ensuring that goods and services are procured on time for the poor people of South Africa who need prompt and efficient health services.
- The motto of ensuring that orders are “executed” on time, payments are made on time, and this function is basically a chain of functions between the finance and procurement departments. The emphasis should therefore be placed on the key responsibility indicators for the procurement managers and financial managers to ensure that financial management & accounting is done on time. The procurement and payment of orders must be monitored to ensure that they are constantly managed and that reconciliations are done on time to guard against under or over expenditures. It would also be in the interest of the small and medium enterprises, if we could ensure

that we settle invoices within 30 days. In this way interest would be reduced.

- It is incumbent upon the departments that migrated to GSSC to ensure that our offices deal with compliance accordingly. Although currently there is no such office (at GSSC) which deals with compliance, this is an area of many challenges and requires the establishment of a procurement compliance office which will be dealing with issues such as registration, administration, socio-economic affairs, technical matters, and education and training. The procurement compliance office will ensure that systems for compliance like BEE spending, women empowerment, uplifting of the youth, uplifting of the people living with disabilities, and the rotation of companies on a regular basis will ensure that everyone is provided with a fair opportunity to participate in the procurement of goods and services. Favouritism could be minimized in this way.
- Breaking the red tape should be a priority in order to ensure that orders are not lying on the System Applied Product (SAP) and not released. Dual functionality should be encouraged in order to ensure that the workflow is not interrupted if officials are not on duty. One also wonders what else SAP could do if all the applications of the systems were to be utilised. The procurement system in GSSC have gone through the growing stage. What is actually now needed should be the exploration of other applications that will improve the procurement processes between the GSSC and the entities.
- There is a need for aggressive public education campaign in order to inform the public about the services that are offered by the GSSC, particularly with regard to the registration of vendors and areas such as local clinics, churches, youth forums and local print media and radio. The installation of computer booths in the facilities could also be utilised for the promotion of e-governance and information sharing.

## **5.7 Conclusion**

In this research it became clear that the effectiveness of ensuring that goods and services reach the departments according to the service level agreements is very important. Fulfilling service level agreements in a way of eliminating inconvenience that is caused to the public at large if they have to be turned away because we could not procure the equipment on time that was needed to perform either a minor or major operation. It stands to reason that the Gauteng Department of Health together with the

GSSC should not only be concerned with the delivering of health services, but should also empower the civil servants on how to deal with work stress. The number of civil servants passing away as a result of the silent killers such as headaches, strokes and depression is alarming.

This research endeavoured to show that the Gauteng Shared Service Centre as the procuring centre for Ekurhuleni-Sedibeng health region has been able to effect changes in the procurement systems in the Gauteng Province. This assessment will help us to develop further programmes that will ensure that the poorest of the poor receive basic health services.

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## APPENDIX A

### INTRODUCTION

The author is pursuing studies for the M degree in Development and Management and would want to solicit your assistance in completing the questions below as frank as possible. The purpose is purely academic.

### QUESTIONNAIRE

#### SECTION A

#### DEMOGRAPHIC INFORMATION

(For questions 1 to 4, indicate your choice with a cross in the relevant block).

**1. Gender**

Male  Female

**2. Race Group**

Indian/Asian  Black

Coloured  White

**3. Position/Grade**

|                     |  |
|---------------------|--|
| Top Management      |  |
| Middle Management   |  |
| Other staff/workers |  |

**4. Home Language**

|                 |  |
|-----------------|--|
| Afrikaans       |  |
| English         |  |
| IsiSwati        |  |
| IsiXhosa        |  |
| IsiZulu         |  |
| Ndebele         |  |
| Northern Sotho  |  |
| Southern Sotho  |  |
| Tshivenda       |  |
| Tswana          |  |
| Xitsonga        |  |
| Other (specify) |  |

**SECTION B**

(For questions 1 and 3, 6 and 10 indicate your choice with a cross in the relevant block).

**1. Which of the following in your view, have been the achievements of GSSC in the procurement process?**

|                                 |  |
|---------------------------------|--|
| Customer care                   |  |
| Prompt delivery of goods        |  |
| Efficiency in tender processing |  |
| Breaking the red tape           |  |

**2. What would you say are the problems of GSSC?**

**3. Would you recommend the continuity of GSSC as a centralized procurement agency?**

|     |  |
|-----|--|
| Yes |  |
| No  |  |

**4. GSSC is involved in providing support services by bringing together functions that are frequently duplicated and inconsistent across the GPG department. In your opinion do you think there has been a reduction of outstanding orders for goods and services since the establishment of GSSC?**

**5. From your perspective on the performance of The Gauteng Shared Service Centre, would you say that it justifies the creation of similar institutions in other provinces? Kindly motivate your answer.**

**6. How would you rate the value added to the procurement system at Ekurhuleni – Sedibeng health region, since the inception of the GSSC as the procuring centre for all GPG departments?**

|                       |  |
|-----------------------|--|
| Extremely worthwhile  |  |
| Very worthwhile       |  |
| Not really worthwhile |  |
| Do not know           |  |

**7. What would you say are your concerns on the procurement system since migration to the Gauteng Shared Service Centre?**

**8. What measures have helped to promote effectiveness and efficiency in the procurement system, since migration to the Gauteng Shared Service Centre?**

**9. Would you say that since the procurement activities have moved to GSSC, the procurement process have been able to comply with ethical standards, such as value for money, open & effective competition, ethics & fair dealing including equity?**

**10. How would you rate the performance of the GSSC?**

|              |  |
|--------------|--|
| Very Good    |  |
| Good         |  |
| Average      |  |
| Not all good |  |
| Do not know  |  |

**11. With regard to Change Management at GSSC to what extent could you say that staffs are regularly consulted at Ekurhuleni - Sedibeng health region?**

**12. Please outline 3 recommendations which in your view, can enhance performance improvement of the GSSC as the procuring centre for all GPG departments?**

**13. THANK YOU FOR YOUR TIME AND VALUABLE ASSISTANCE WITH THIS PROJECT.**