

Procurement in Public Institutions and Electoral Commission: North West Province

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ABSTRACT

Public procurement is the acquisition of goods and services for public institutions. The public procurement process normally involves certain steps to be followed in order to comply with the prescribed laws and regulation. Procurement steps involve the identification of need and thereafter drafting specification for that need and send the request for quotation (RFQ) to potential vendors. As any other public sector function, public procurement has its challenges.

The Electoral Commission (IEC) as a Chapter Nine institution has to follow the public procurement process when acquiring its goods and services in order to deliver on its mandate of delivering free, fair and credible elections. All IEC projects need the procurement of materials like ballot boxes, stationery, and services like advertising and communication in order to successfully undertake elections. Vendors are therefore expected to supply these goods and services to the IEC. However, this should be done by complying with the prescribed laws and policies that regulate public procurement.

The primary objective of the study is to establish the causes of poor responses by vendors when invited to participate in the tendering in the IEC North West Province. When vendors don't participate and/or cooperate in the procurement process, the resultant effects would be non-supply of materials and services or could lead to late delivery of materials and services. For the IEC in the North West Province to successfully and continuously deliver its entire constitutional mandate, then these procurement challenges should be identified and resolved.

This action research is significant because the findings of this study will be recommended to Electoral Commission's management committee; therefore, this study will assist the Electoral Commission in general and IEC North West in particular to improve their procurement standards.

The finding will be communicated to the vendors, and this may assist them to adhere to public procurement policies and enhance the performance of IEC. This will also help in ensuring that goods and services are procured in time and elections would be conducted in a free, fair and credible manner.

This study may then assist the Electoral Commission to achieve its important mandate of promoting democracy by managing free and fair elections of national, provincial and municipal legislative bodies in accordance with national legislation.

Related literature was explored and reviewed in a pursuit to answer the research hypotheses. Primary data was also collected through a structured questionnaires completed by 23 respondents who are vendors operating in the North West province. Moreover these vendors' are engaged in diverse nature of businesses such as tents and hiring, general training, poster hanging, stationery and catering. The empirical survey covered the most important aspect of procurement namely, Submission of Bid documents, Cost and Convenience of Tendering ,Bid Evaluation Methods, Communication, Training, Knowledge of Prescribed Legislations and Procurement Steps. The questionnaire included all procurement relevant topics in order to gather the most appropriate and relevant data from the respondents.

The data was gathered and vendors' perceptions were statistically analysed using SSPF statistics software. The major conclusions indicated that red tape, lack of knowledge and awareness in terms of prescribed legislations and procurement steps as the some major causes of vendors' poor responses when engaged to participate in the procurement of electoral-related goods and services

Key words: Public Procurement; Vendors' Poor Responses; Quotation; Bid Documents; Red Tape; Request For Quotation and Supply Chain Management

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- To God be the glory, without Him I wouldn't have arrived this far.

LIST OF ABBREVIATIONS

PFMA	:	Public Finance Management Act
PPPFA	:	Preferential Procurement Policy Framework Act
SCM	:	Supply Chain Management
SCMF	:	Supply Chain Management Framework
NPE	:	National and Provincial Elections
IEC	:	Independent Electoral Commission
BBBEE	:	Broad-Based Black Economic Empowerment
BBBEEA	:	Broad-Based Black Economic Empowerment Act
WTO	:	World Trade Organisation
UNICTRAL	:	United Nations Commission on International Trade Law
RFQ	:	Request For Quotations
JIT	:	Just In Time
SCOR	:	Supply Chain Operation Reference

DECLARATION

I hereby declare that this mini-dissertation, submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the North West University, is my own work.

It has not been submitted before for any degree or examination in any other university.

Mbosobeni Michael Ramunawa

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CHAPTER 1: NATURE AND SCOPE OF THE STUDY

1.1 Introduction

Public institutions source goods and services in order to achieve their set objectives and/or targets. In order to acquire these goods, they have to follow public procurement steps, procedures and policies. Procurement steps involves the identification of need and thereafter drafting specification for that need and send the request for quotation(RFQ) to potential vendors. Vendors should then submit quotations and other bid documents (i.e. valid tax clearance certificate, Declaration of interest, Declaration of suppliers' past supply chain practices and certificate of independent bid determination and BBBEE certificate) which will be evaluated in terms of Broad-Based Black Economic Empowerment (BBBEE), Preferential Public Procurement Framework Act (PPPFA) and Public Finance Management Act (PFMA). The successful bidder would then be awarded the tender to supply the needed goods or services.

The purpose of this study is to determine the causes of the vendors' poor responses after they have been invited to bid for a tender or sent a request for quotation (RFQ) to supply goods or services to the Independent Electoral Commission (IEC). In public institutions procurement is governed by procurement guidelines and laws; therefore, public institutions have to follow these guidelines for every purchase made. As a result, the Independent Electoral Commission (IEC) is expected to comply with these guidelines and regulations.

Vendors play a pivotal role in the public sector as they are the ones who should supply goods and services to public institutions. The Constitution of the Republic of South Africa instructs all the public entities to source goods or services in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. PFMA, PPPFA and BBBEE are the popular statutes applied in procurement processes to ensure transparency, accountability and sound management of all finance aspects.

The following Five Pillars of procurement ensure proper and successful government/public procurement system:

- a. Value for Money
- b. Open and Effective Competition
- c. Ethics and Fair Dealing
- d. Accountability and Reporting
- e. Equity

Public sector procurement plays a significant role in the country's economy as this is where goods and services are being rendered for money. When IEC procure goods or services from vendors jobs are created and this lead to economy growth.

South African public procurement policies are currently stringent to avoid fraud and corruption in the procurement process; however, little has been done to familiarize the vendors with the process. It is time the vendors be engaged so that they can express their perception, views or opinions regarding the public procurement process.

All elections materials should be procured through the Request For Quotation (RFQ) process, whereby these RFQ's are sent out to at least potential service providers or vendors. Vendors are reluctant to submit quotations and this result in delays in obtaining required materials.

1.2 Background of the Study

This study investigated the causes of vendors' poor responses after being invited to participate in tender process. The researcher is an official in the IEC North West and he is extensively involved with procurement of goods and services in the organisation. Therefore, he has direct contact with these vendors who do not submit bid documents and quotations. Public procurement, also called public tendering, is the procurement of goods and services on behalf of a public government or public institutions such as the IEC.

The Independent Electoral Commission is a Chapter 9 institution established and mandated by the Constitution of the Republic of South Africa to manage and deliver free, fair and credible elections. These elections are National, Provincial and Local

Government elections. There are also other elections such as Tradition Council Elections, Sport Council/Association elections as well as Taxi Association elections which are run by the IEC. The IEC treats all these elections as projects, while national, provincial and local government elections are the main projects, all these other elections are given special and full attention. As all these types of elections are treated as projects, a project management involves planning, organizing and controlling resources in an endeavor to achieve specific goal. The goal in IEC is delivering free, fair and credible elections.

To achieve these project goals, procurement of resources, ranging from stationery, electoral materials, voting infrastructure, catering, etc., should take place. Formal procurement process should be followed and all the legislations governing public procurement must be adhered to. These legislations are: PFMA, PPPFA, Constitution, BBBEE, and Treasury Regulations.

The challenge on executing these projects effectively lies on the procurement of the required resources on time. Should these resources be acquired late, then the credibility of election could be compromised. For instance, if a tent to be used as a voting station is not secured in time, then voters would then have no place to cast their vote, which is their constitutional right.

The IEC North West in particular has a challenge in that vendors do not submit their complete bid documents when invited to do so. Without submitted quotes from vendors, elections would be compromised as there would be no required resources to conduct elections. Elections are a very unique project in that it is quite rare to postpone them. If the president proclaims an election day, the IEC has to ensure that all resources are procured in time to make sure that elections are conducted effectively.

According to Schapper, Malta and Gilbert (2006), public procurement is a significant function in public administration that needs transparency and accountability as it usually accounts for more than a third of all government outlays. It is a central instrument to ensure efficient and corrupt free management of public resources (OECD, 2007).

This is an important function of government that needs to be effectively managed as it has a great impact on the economy (Thai, 2004).The primary objective of a public procurement system is to deliver on a timely basis the best value product or service to the customer, while maintaining the public's trust and fulfilling public policy goals (Kassel, 2010).

Procurement is a managerial activity that goes beyond the simple act of buying; it should include the planning and policy activities covering a wide range of related and complementary (TUT, 2007).The primary purpose of this function is to assist service delivery managers to discharge their responsibilities (McCue and Gianaskis, 2001). It also manages the delivery of goods and services through the supply chain in a cost effective manner (Johnson; Leenders & McCue, 2003). Public procurement has been at the forefront of South African democratic state programmes. Many checks and balances have been developed and implemented to eliminate fraud and corruption in tenders involving government and public institutions.

In order to adhere to PFMA, PPPFA, BBBEE and Treasury regulations, vendors should submit quotations before any procurement or purchase of goods take place.

The IEC (Independent Electoral Commission of South Africa) has the mandate to manage and delivery free and fair elections, these elections could be National, Provincial, Local or By Elections. The organisation is in the midst of procuring resources (Asset, building, inventories, stationery, etc.) in the preparation of 2012 NPE (National and Provincial Elections). No election can ever take place without electoral materials (i.e. ballot boxes, voting compartment, stationery, etc.). These materials should be procured for each and every election projects, therefore these projects depend on the vendors' submission of quotations.

All these materials should be procured through the Request For Quotation (RFQ) process, whereby these RFQ's are sent out to at least potential service providers or vendors. Vendors are reluctant to submit quotations and this result in delays in obtaining required materials.

This study will focus on why vendors are reluctant to submit quotations with required documentations before closing dates.

At least three different vendors or service providers should submit quotations before closing date for any purchases with value more than R1999. The challenge faced by IEC in the North-West is that vendors are reluctant to submit quotations thereby delaying the normal day-to-day operations of the commission. The purpose of this study is thus to determine the definite reasons of vendors poor responses or their reluctance in participating in tender process.

A lot has been said regarding the government procurement and many regulations and laws have been promulgated to ensure efficiency in public procurement. However, the vendor training and relationship management in public procurement is not re-emphasized. This study focuses primarily on the vendor's perspectives and their opinions towards government procurement.

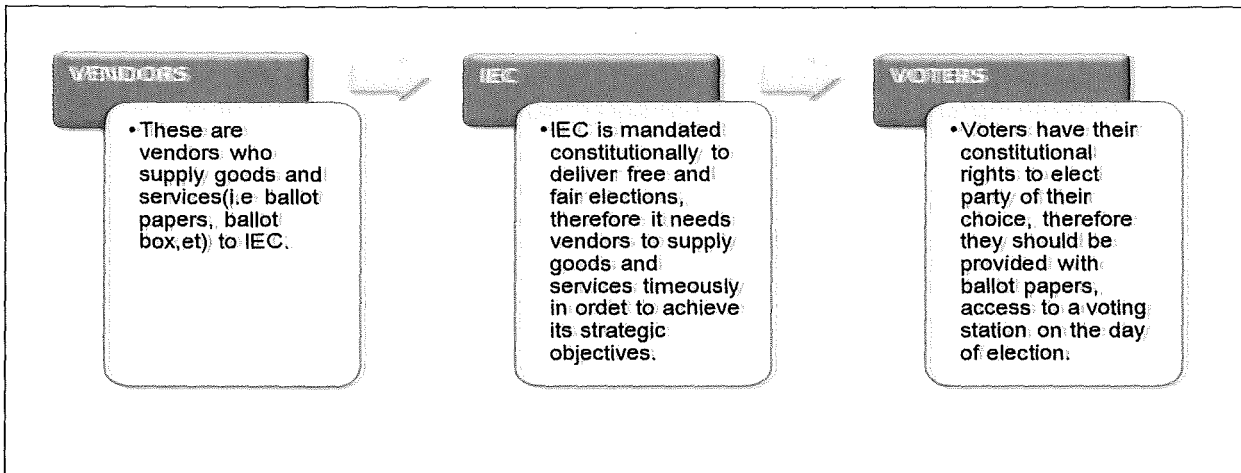
The findings of this study will assist the commission to find solutions to its current procurement challenges and thereby improving its procurement practice. This will also help in ensuring that goods and services are procured in time and elections are conducted in a free and fair manner.

1.3 Problem Statement

The IEC's constitutional mandate is to deliver free, fair and credible elections. To achieve these, the IEC requires the services of vendors to supply materials like ballot papers, tents, and voting compartments among others. Voters are entitled by the constitution to elect a party of their choice and the IEC as an independent body facilitates the election process. Voters are the IEC's clients, and therefore the IEC should strive to satisfy its clients at all times. Satisfying these clients means having access to voting station and having enough ballot papers among other things.

The IEC value chain comprises vendors who should provide goods and services to the IEC. Voters should be given an opportunity to exercise their constitutional right, i.e. casting their vote on Election Day. The IEC value chain is illustrated on the diagram below:

Figure 1.1: Electoral Value Chain



Source: Own diagram

This study seeks to establish the actual causes of vendors' poor responses after request for quotations (RFQ's) have been sent to them. The IEC as the public institution has to follow proper procurement procedures when procuring materials, stationery, assets, voting infrastructure such as tents and chairs among others. The first step of this procurement process is to issue RFQ's to vendors requesting them to submit quotations. These RFQ's are sent to vendors through fax, email and by hand delivery. Vendors are expected to submit complete bid documentations before the specified closing dates. After the closing date, then evaluations take place to determine the highest scoring bidder who would then be awarded the tender.

There should be at least three qualifying quotations before evaluation can take place. Therefore, if some vendor(s) did not respond in time, then the procurement process will be interrupted. These vendors certainly complicate IEC emergency projects as IEC depend on them to fulfill their mandate. Therefore, this study focuses on finding solution(s) for the following questions:

- *What are the main reasons for vendors' poor responses after being invited to bid for a tender?*
- *What is the relationship between red tape and other public tendering aspects?*
- *What is the impact of red tape on other public tendering aspects?*
- *What procedures can be implemented to improve procurement in public institutions?*

1.4 Objectives of the Study

This study aims at investigating the shortcomings of the current IEC procurement system and finding a win-win solution to these challenges faced by IEC in the North-West. Finding an ideal solution to the vendors' poor responses will assist in solving the challenges faced by both vendors and the IEC.

The main objectives of this study are as follows:

- 1.4.1 To investigate the main causes of vendors' poor responses after being invited to bid for a tender.*
- 1.4.2 To discover the relationship between vendors' poor responses and other public tendering aspects.*
- 1.4.3 To determine the impact of red tape on other public tendering aspects.*
- 1.4.4 To gather vendors' suggestions on how public procurement can be improved and to establish the vendor's perception towards government or public procurement.*

1.5 Scope of the Study

This study is only confined to vendors within the North-West Province who are registered on the IEC vendor database. The scope of this study is limited to the North West Province and investigates challenges faced by IEC North West; therefore, the findings cannot be generalised to all vendors in South Africa as the study would focus only at one specific province out of the nine South African provinces.

For the purpose of this research, the study only considered some of the North West vendors affiliated to IEC North West vendor database.

1.6 Importance of the Study

This study seeks to investigate the actual challenges faced by the vendors in North West province. The findings of this study will be recommended to Electoral Commission's management committee; therefore, this study will assist the Electoral

Commission in general and IEC North West in particular to improve their procurement standards.

The finding will be communicated to the vendors. This may assist them to adhere to public procurement policies and enhance the performance of IEC. This will also help in ensuring that goods and services are procured in time and elections would be conducted in a free, fair and credible manner.

This study may then assist the Electoral Commission to achieve its important mandate of promoting democracy by managing free and fair elections of national, provincial and municipal legislative bodies in accordance with national legislation.

1.7 Research Data and Methodology

This study seeks to solve an immediate procurement challenge currently existing at IEC in the North West Province; therefore this is an action research. Action research is a form of investigation designed in an attempt to solving problems and improving processes in the workplace (Parsons & Brown, 2002). According to Hewitt & Little (2005), the action research process involves four phases, namely:

1. Identifying organisation problem;
2. Developing and implementing an action research plan;
3. Collecting and analysing data; and
4. Using and sharing results.

In the context of this study, literature review and empirical research were conducted and thoroughly analysed. The literature review explored the primary data already existing in the area of public procurement, portfolio purchasing model, vendor relationship management as well as supply market analysis. Empirical research was undertaken through a well-structured questionnaire that sought to answer the formulated research questions. Therefore this study employed qualitative methods to collect data through structured face-face interviews between the researcher and participants (vendors) to identify the vendors' problems. Qualitative research approach aims to collect an in-depth understanding of individual experience and interaction with their social world. The qualitative methods investigate the why and how of decision making, not just what, where and when (Merriam, 2002). This

method was preferred on this study because the researcher seeks to reveal the nature of challenges or problems, processes, relationships and people.

A structured questionnaire was distributed to 23 participants who are vendors residing in the North West Province. This was done for convenience and cost reasons.

The populations on this study were vendors residing in the North–West Province because of locality, accessibility and cost-effectiveness. This study employed convenience and stratified sampling. Convenience sampling involves choosing respondents at the convenience of the researcher while the Stratified random sampling involves categorizing the members of the population into mutually exclusive and collectively exhaustive groups and then an independent simple random sample is drawn from each group (Fairfax County, 2012).

The target group is 23 vendors out of 41 active and operational vendors throughout the North West Province; therefore, 23 vendors were chosen that are convenient to him and thereafter will and subdivided into 4 groups according to the four North West regions namely: Bojanala, Ngaka Modiri Molema, Dr Kenneth Kaunda and Dr Ruth Segomotsi Mompati regions.

After collecting data, the results were analysed and conclusions and recommendation were drawn. Furthermore quantitative methods were utilised through figures and tables to analyse the relationship between red tape and other key tendering aspects and impact thereof.

1.8 Layout of the Study

Chapter one focuses on the significant attributes of this study, which is problem statement, background to the study and the research design and methodology.

Chapter two explores the relevant recent literature to this study. In this chapter related literature, concepts and theories would be thoroughly analysed. Furthermore Chapter two deals with the concepts of public procurement, its process, and steps as well as legislations and policies prescripts. This chapter also covers the comparative

analysis of procurement between public and private sector as well as procurement challenges.

Chapter three is the research design and methodology which were followed in conducting the research.

Chapter four focuses on results analysis whereby vendors' emotions or perceptions towards IEC procurement system would be analysed. This chapter presents the analysis of data collected from the respondents (i.e. vendors). Chapter five presents conclusions and recommendations. These recommendations are drawn based on the study findings. The recommendations may assist the IEC on how effectively the public procurement should be undertaken without major challenges.

1.9 Conclusion

This chapter focused on the procurement challenges faced by IEC in North West Province. Procurement will always be there in any institution in order for them to source their required good and services to achieve their organisational strategic objectives. Public procurement is currently the bone of contention in that there are many challenges South African public institutions are facing in delivering their mandates. The National Treasury is currently suggesting the appointment of Chief Procurement Officer, who would oversee the public procurement of all government institutions.

The next chapter, which is chapter two, will explore the relevant literature related to this study. The literature review will focus on concepts, philosophies and theories to be followed in order to ensure effective public procurement.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

In this study the researcher reviewed some important literature related to vendors in public procurement. How does an organisation make itself attractive to its vendor? According to Booth (2010: 139), an organisation should always live up to its contractual promises so that it becomes attractive to its vendors. Vendors may perhaps expect their clients, which are purchasing organisations to execute their obligations as promised. The author implies that being unappealing to potential vendors might pose procurement challenge.

A study by Deloitte (2012:3) explains vendor relationship management as the discipline of managing vendors to extract maximum possible value from contractual arrangement through governance and relationship building. Supplier relationship management (SRM) is building closer relationship with selected strategic suppliers with a purpose to discover the added features that could enhance the relationship while improving organisational performance (Poirier, 2012:3). This study values the importance of vendor/supplier relationship management as a fundamental tool to achieve organisational goals. Strong working relationships with vendors deliver at least 25% greater value than poor relationships with vendors (Black, 2012:19).

Deloitte (2012), Poirier (2012) and Black (2012) stress that fact that vendor relationship should be managed effectively in order to maximise on the value in the procurement activities. Vendors might deliver according to their contractual obligations as there would be effective communication and interaction between the buyer and supplier. When a good relationship is in place, the purchasing organisation may gain competitive advantage by having access to all variables surrounding the supplier market, supply risks and market trends.

Studies by Metz-Wiseman (2007) and CMA Consulting Services (2010:13-15) indicated that vendor training is the basic foundation of perfect buyer/vendor relationship. It appears that a knowledgeable vendor might have more information on how to bid for a tender and would also know exactly what documentations need to

be submitted. Nieman (2008:18); De Villiers(2008: 21); Monczka *et al*(2005: 36-55) & Handfield *et al*(2010:43) mentioned all steps in of procurement process from needs determination to closing the order. However they excluded vendor training and orientation as the most important step. Should vendors be orientated about the proper bidding procedures they might gain that confidence and participate with eager when invited to do .The exclusion of this important step might present procurement challenge as vendors may have less information at hand in order to bid. Vendor training or workshop aimed at training vendors on proper bidding procedures and exposing them to advantages of doing business with public institutions may empower them.

It seems this vendor relationship is at times damaged by red tape within the public procurement process. Vendors could be discouraged by complex procedures and the longtime taken between the quotations submission and final awarding of tender. Some studies attribute bureaucracy on government procurement as the reasons behind vendors' reluctance in doing business with government. Excessively tedious process for participation sometimes poses severe barriers for vendors to participate (Malhotra, 2012: 44).

According to Keating (2012), government purchasing departments have hindered prospective vendors due to more paperwork and procedures. The author blames red tape in government procurement. Keating was referring to many regulations and bid documentations to be submitted when bidding for a government tender.

Lower prices, increased purchasing power, better services are the benefits of centralized procurement function (OECD:2000: 4). A KPMG (2012: 10-18) research showed that centralized purchasing enables businesses to leverage their buying power across the globe, gain greater control of their spend and build core standard business processes to drive greater consistency and gain greatest value from cost savings perspectives. Centralised purchasing means that purchasing is handled by one central department often situated at the organisation's head office or national office with the objectives of obtaining lower prices (Stevenson, 2009: 520-521).

The researcher tend to vary with the notion of adopting centralized purchasing and consider that decentralization might eliminate some of the procurement challenges

such as bureaucracy as there would be shorter time frames and fewer documents to be sent to and from central office. Decentralised procurement function might perhaps create an opportunity of healthy relationship between the vendor and the buying organisation.

The red tape could also be reduced in the public procurement by adopting a two-stage bidding process whereby the second stage would focus on the documents submission. Buckshon (2007:12-13) believes that there should be two-stage bidding process, the first one to concentrate on pricing and the second being invitation of lowest price bidders to complete the required documentations. Two-stage bidding process can help as documentations would only be submitted by those who have passed first selection. Buckshon (2007) expressed that vendors could be saved time and cost as they would only submit other documentations once they passed first selection. The above studies evidently revealed that lack of vendor training and poor management of buyer/vendor relationship may lead to procurement challenges.

According to Nieman (2008:42), the Broad - Black Economic Empowerment Act, 2000 could discourage vendors to participate in the public procurement process because in order for the vendor to have adequate points they have to comply with the following prescription:

- 3% of their total payroll should be spent on the skills development;
- 3% of net profit after tax should be spent on enterprise development; and
- 1% of net profit after tax should be spent socio-economic development.

These prescriptions might lead to sustainable growth in organisations in the long term; however some organisations may have different strategic objectives. These organisations with different objectives other than those stipulated in BBBEE Act may opt not to participate in the tendering process. This piece of legislation may perhaps contribute inadvertently to the challenges surrounding public tendering.

In a particular study (Nieman, 2008: 1), it was suggested that a contract with best performing vendors could yield fruitful results. Therefore public institutions might identify their preferred vendors and enter into a periodical contract with them. Furthermore, Nieman (2008: 3 - 6) mentioned that contract with vendors could reduce work, time, cost and lead time. The purchasing organisation would always

have assurance in the supply of quality goods or services as there would be service level agreement.

In accordance with Nieman (2008), a contract could eliminate long process of procurement procedure as request for quotation, evaluations would be eliminated. While this might be the advantage on the side of the purchasing organisation and contracted vendors, those other vendors not in the contract could have objections. Other vendors could complain that the process is non-competitive and unfair. These objections could be supported by the five pillars of public procurement contained in the general guidelines of procurement (SA, 1999: 1-8). These pillars would be discussed in detail in chapter three.

Handfield (2011:221) indicated that for certain strategic items, an organisation may maintain a list of preferred suppliers. Preferred suppliers should be those who had demonstrated performance capabilities through previous purchase contracts. Whenever there is project that requires new items, these suppliers should be given first preference. In the private sector this may work well as their preferred procurement methods are not influenced primarily by five pillars of public procurement. While these five pillars encourage competition among vendors, at times quality can be compromised in the pursuit of compliance to these pillars.

Handfield (2011:221) again pointed out that if there are major non price variable (e.g. quality, time), then the buyer and seller may enter into a direct negotiation. The author was suggesting that if for instance a project requires certain commodities with complex specification, or scarce commodities, then direct negotiation between the buyer and the seller could thrive.

Hugo and Badenhorst (2011:206-207) indicated that competitive bidding method could be replaced by negotiation. When negotiating, an organisation would research best suppliers and then negotiate terms and conditions with them in a bid to supply goods and services. The terms to be negotiated would be quality, price, service level agreement and delivery.

The question could be: what is best for the public institutions between the quality of service delivery and the strict compliance to regulations? One of the five pillars of public procurement is value for money – meaning state organs deriving the best

quality and return for their investments. Value for money was considered and brought to ensure best quality in all products and services acquired by state organs.

2.2 Theoretical perspectives

This study explored Kraljic Portfolio Purchasing Model, Just in Time (JIT) Purchasing system and SCOR Model in order to establish an ideal resolution to address the procurement challenges currently facing IEC. These two purchasing approaches would be discussed in detail in the following sections.

- *Kraljic Portfolio Purchasing Model*

Kraljic Portfolio Purchasing Model initiated by Peter Kraljic in 1983 shifted procurement function from transactional activity to a more strategic function. This model classifies items or materials that the organisation buys according to supply risk and profit impact (Harrison & van Hoek, 2011: 316 – 318).

According to this model, an organisation classifies its purchased products in terms of *profit impact* and *supply risk* (Caniels & Gelderman, 2005: 142).

Supply risk is high when the item is a scarce raw material, when its availability could be affected by government instability or natural disasters, when delivery logistics are difficult and could easily be disrupted, or when there are few suppliers.

Profit impact is high when the item adds significant value to the organization's output. This could be because it makes up a high proportion of the output (for example, Election event cannot take place without an IEC customised ballot box)

According to this model there are four types of materials or items namely, Leverage Items, Strategic Items, Bottleneck Items and No-Critical Items.

Strategic items (high profit impact, high supply risk).

These products represent a considerable value to the organisation in terms of a large impact on profit and a high supply risk (Caniels and Gelderman, 2005: 144). These items deserve the most attention from purchasing managers. Options include

developing long-term supply relationships, analysing and managing risks regularly, planning for contingencies, and considering making the item in-house rather than buying it, if appropriate.

Leverage items (high profit impact, low supply risk).

Leverage products can be obtained from various suppliers, the supply risk is minimal and therefore the buyer has many possibilities for negotiation (Caniels and Gelderman, 2005: 145). Purchasing approaches to consider here include using your full purchasing power, substituting products or suppliers, and placing high-volume orders.

Bottleneck items (low profit impact, high supply risk).

These products have a moderate influence on the financial results of an organisation and suppliers have dominant power position for these products (Caniels and Gelderman, 2005: 145). Useful approaches here include over-ordering when the item is available (lack of reliable availability is one of the most common reasons that supply is unreliable), and looking for ways to control vendors.

Non-critical items (low profit impact, low supply risk).

These products usually have a small value per unit and have many alternative suppliers; therefore these items can cause few technical or commercial problems (Caniels and Gelderman, 2005: 146). Purchasing approaches for these items include using standardized products, monitoring and/or optimizing order volume, and optimizing inventory levels.

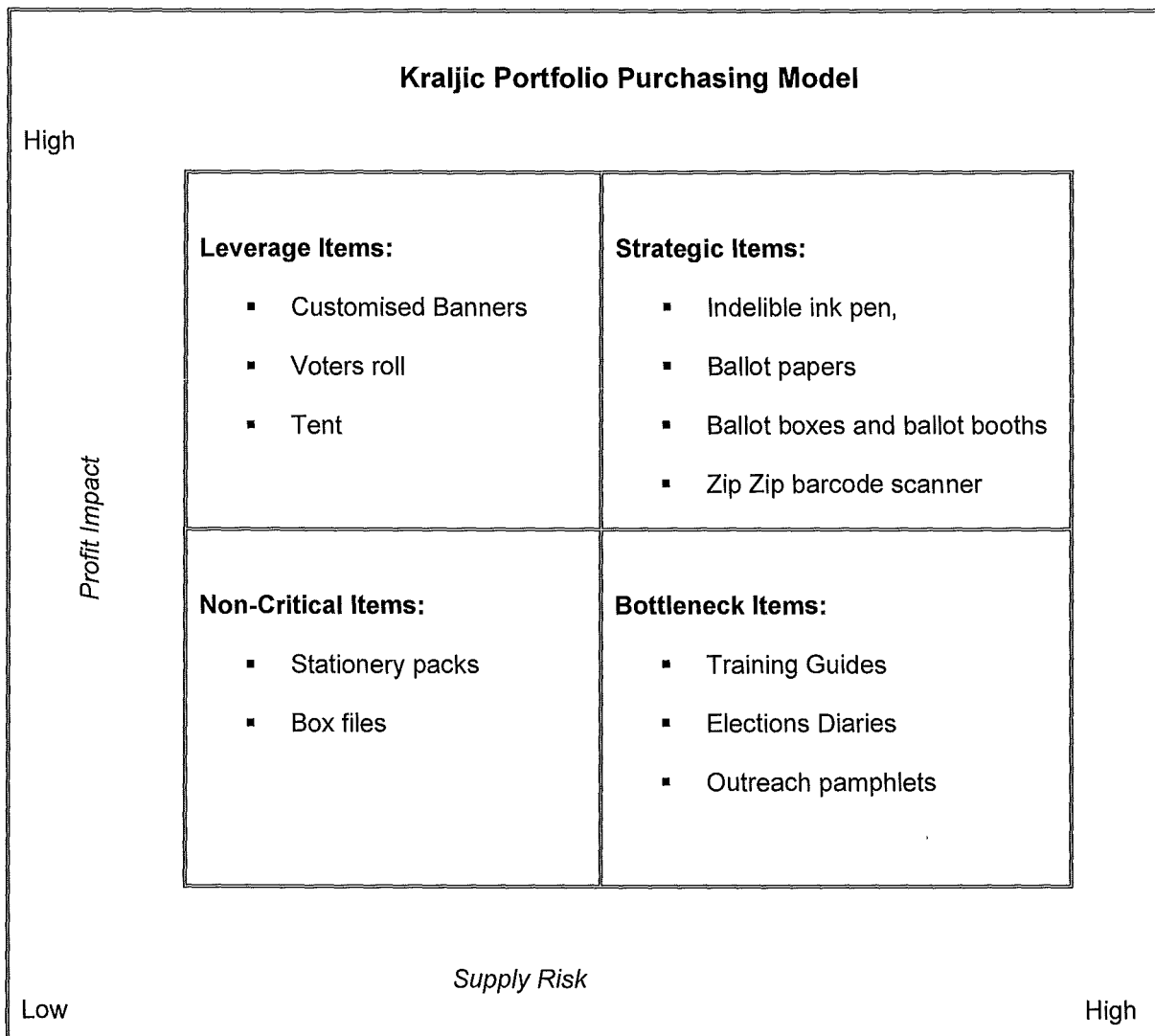
The IEC has items such as security stamps which validate a ballot paper; this type of material is categorized under Strategic Items as elections could not be conducted without stamps. According to this model if possible stamps should be produced in-house instead of procuring them from vendors.

This model, if implemented effectively, could assist in solving many public procurement challenges. After the construction of the product portfolio model as elaborated in table 2.1 below, the organisation should develop strategies and action plan and channel towards each quadrant (Caniels and Gelderman, 2005: 142). Some procurement strategy might be not feasible due to the IEC nature of business.

For instance, items categorized under quadrant II are classified as strategic, therefore they warrant to be manufactured in-house if possible. However it would be extremely expensive for IEC to produce these items in-house, as they would then have to build a plant and buy machinery to manufacture stamps and pay laborers.

Table 2.1 below illustrates product procurement classification matrix and the typical electoral items.

Table 2.1: Kraljic Portfolio Purchasing Model



Sources: Adapted from Kraljic Portfolio Purchasing Model: 1983

Quadrant I has high profit impact and low supply risk (i.e. Leverage Items) and Quadrant II has high profit impact and high supply risk. Quadrant III has low profit impact and high supply risk (i.e. Bottleneck Items). The last Quadrant, which is Quadrant IV, has low profit impact and low supply risk (i.e. Non Critical Items).

Quadrant I would require a procurement strategy that aims at ensuring the availability of items as they highly affect the profit impact of the organisation. The suppliers' relationship is of medium term (N.B: the profit impact is the quality of service delivery in government institutions). In Quadrant II the strategy should focus on maximizing the supplier base in order to reduce the supply risk, there should be long term supplier relationship. It is in this quadrant where the possibility of supplier strategic alliance is considered due to the nature of the items involved.

Quadrant III should have procurement strategy which seeks to maximize the supplier base. Moreover due to the fact that product on this quadrant are more customized there should be early involvement of vendors during design and development. The purchasing organisation should have medium term relationship with vendors. Lastly, quadrant IV has non-critical products; therefore the strategy here should be to shop around looking for lower priced products. Therefore the buyer under this category of items normally keeps relationships at arm-length as there are many suppliers of these items in the market.

It is significant that the IEC continuously conducts supply market analysis to obtain supply market intelligence.

- *JIT Purchasing*

The JIT concept was developed by Toyota Motor Manufacturing in the early 1970's with the aim of achieving the use of little inventory, shorten lead times and improved quality and elimination of costs and unnecessary wastes in the supply chain(Gourdin, 2006:77). Vogt, *et al* (2002: 79) defines JIT Purchasing system as the provision of materials for operations just as they are required for use. The goals of this approach is to time-phase activities so that purchased materials and components arrive at operations site just at the time they are required (Bowersox, *et al*, 2010:91).

According to Coyle *et al* (1996:87), the JIT approach aims to ensure the availability of inventories when the firm needs them not any earlier nor any later. The availability of inventories whenever needed is of utmost importance in ensuring supply chain efficiency and achieving the organisational strategic objectives.

JIT purchasing might resolve some procurement challenges experienced by public organisations. Public organisations usually require goods for certain project and after that projects the goods would no longer be needed, therefore JIT system might come handy ensuring the availability of goods just in time when they are needed.

Stevenson (2009:714) indicated that in ensuring successful JIT purchasing system, good long term relationship between buyer and vendor is the way to go. Gone are the days when the buyer and vendor had somewhat adversarial relationship whereby buyers were only interested in lower prices and suppliers not being loyal to a particular buyer. Stevenson (2009) indicated that prices should often become secondary factor to the other aspect of vendor-buyer relationship. Quality, flexibility and quick response are the significant aspects to be highly considered.

One of the factors to ensure successful JIT system is to treat vendors as strategic partners whereby vendors are included in the planning process shares information like operational forecasts (Gourdin, 2006:78). Sharing important information with vendors could enable them to plan ahead and ensure the availability of products and services whenever needed.

IEC normally require goods and services during election period, therefore JIT Purchasing may perhaps assist IEC to have their products available only during election period. Organisation could derive numerous benefits from this approach. Dobler and Burt (1997: 246-247) explained that if implemented successfully, organisation could reap the following supply chain benefits: reduced inventory, increased quality, reduced lead time, reduced warehouse space etc. All these mentioned benefits have the potential leading to cost minimization due saving in time, space, effort and equipment. The money that could have been invested unnecessary on inventory could now be invested fruitfully elsewhere. Moreover the warehouse space could be used for another purpose other than inventory.

- *SCOR[®] (Supply Chain Operations Reference) Model*

The Supply Chain Council established the globally accepted supply chain framework for evaluating and comparing supply chain activities and their performance (Supply Chain Council, 2010: 1). Christopher (2011: 239) recommended the use of SCOR

model to achieve supply chain efficiency and providing a standard way to measure supply chain performance and to use common metrics to benchmark against other organisations.

This model could maybe address some of the procurement challenges seeing that the Supply Chain Council (2010: 2) mentioned efficient supply chain network redesign and optimization as one of the benefits of adopting the model. The Council went further and indicated that this model could assist organisation to eradicate top five supply chain challenges. One of these challenges is supplier/partner relationship management. Under JIT purchasing in the previous section it was revealed that closer buyer-vendor relationship is the foundation to ensuring successful JIT system.

The SCOR model separates supply chain operations into five process categories – Plan, Source, Make, Deliver and Return (Wisner, Leon & Tang, 446-447). Therefore procurement process given the model should start at planning stage whereby all activities are planned accordingly to address all supply chain performance gaps.

Supply chain remains to be the lifeblood of any organisation therefore supply chain performance affects the ability to provide customer value especially in the dimension of availability of products (Simchi-Levi, Kaminsky & Simchi-Levi: 2003: 255).

The unavailability of products or services when needed by an organization poses a risk to any organisation whether in the private or public sector. This risk maybe could be averted by employing SCOR model. According to Harrington (2011: 95-102), the SCOR model is an appropriate approach for supply chain risk management. In the context of supply chain risk management SCOR model is applied in five phases namely:

- Define the supply chain
- Analyze the supply chain
- Assess the supply chain risks
- Mitigate the supply chain risks
- Implement the mitigation measures.

These phases touch all aspects of risk and therefore may perhaps address the challenges faced by public institutions in the field of procurement and supply chain management.

2.3 Elections Management Bodies

Supply of goods and rendering of services keep industries going, economy growing, need satisfaction and successfully executed. All organisations whether multinational, Small, Medium and Micro Enterprises (SMME's), Governments and also individuals undoubtedly require goods and services to achieve their periodically needs. Sourcing personal items is less complexity compared to strategic sourcing that happens in private or public organisations. While an individual would only require cash or credit facility coupled with little negotiation to acquire goods or service for need satisfaction, organisations basically go through a lengthy and bit complicated due to internal controls and red tape involved.

For transparency, accountability and audit purposes organisations normally follow proper procedures according to relevant prescripts. Procurement is extremely complicated when such an organisation is an organ of state due to the fact that they utilize tax payer's funds to acquire goods and services. Accountability and transparency is the bone of contention when the public procurement is mentioned.

South Africa has 6 Chapter Nine institutions which are independent and established to strengthen constitutional democracy (Constitution, 1996). Among these institutions are The Public Protector and Auditor General which some of the functions are to guard against the abuse of public funds by public officials.

The procurement officials responsible for acquiring goods and service for public institutions should be ethical, always follow public procurement policies, PFMA, PPPFA and BBBEEA and all relevant Treasury regulations.

2.3.1 Scope of Public Procurement

Moeti *et al* (2007: 123) define public procurement as the purchasing of goods and services by government from private sector. However, Public procurement or public tendering at IEC means acquiring of elections materials, car for rental, voting stations, and stationery among others. These products or services should be acquired between the development and implementation phases of project. According

to Arrowsmith (2010: 1) public procurement refers to the government activity of purchasing goods and services it needs in order to perform its functions and or fulfill its mandate and strategic objectives.

According to Stevenson (2009: 518), procurement is very critical to supply chain efficiency because its procurement responsibility to select suppliers and then establish beneficial relationships with these suppliers. Among the duties of procurement function are identifying sources of supply, negotiating contracts, maintaining a database of suppliers and obtain goods and services that meet or exceed operations requirements in a timely and cost efficient manner. Stevenson (2009: 527) went further and outlines goals of procurement as to develop and implement purchasing plans for goods and services that support operations strategies.

2.3.2 Public Procurement Objectives

South African public institutions have mandate to achieve their organisational strategic objectives. Goods and services should be acquired to render service to the public. Therefore the main objective of public procurement is to acquire right goods and services at the right time using the right source of funds in order to meet all targets and goals.

These goods and services assist to achieve their annual targets. Without goods and services organisations could not meet their strategic objectives; for instance, the IEC could not deliver free and fairs elections without ballot papers in place. All public procurement process should take place in a competitive, transparent and fair manner. Therefore procurement of goods that is not in line with the mandate of the organisation is classified as unauthorized expenditure. IEC should procure only items that could directly or indirectly linked to delivering of free and fair elections, which is its primary mandate.

2.3.3 Values and Principles of Public Procurement

The South African government has issued General Procurement Guidelines (SA, 1999:1 – 8) which contains Five Pillars of Procurement which are value for money, open and effective competition, ethics and fair dealing, accountability and reporting and equity. These five pillars should serve as the foundation for all public procurement system with South Africa organs of state, therefore no public procurement system should be operated if it is not founded on these pillars.

These Guidelines are not legislation; however, they serve as the supplement to the current PFMA (1999). Moreover these five pillars should work complementary once one pillar is broken, and then the procurement would be prejudiced. The five pillars are contained in General Procurement Guidelines would be discussed in detail as follows:

1. Value for Money

The public procurement should in itself provide value for money and must be carried out in a cost effective way. The purchasing organisation should obtain the best value for money through price and quality negotiation. According to these Guidelines (SA, 1999:4) when IEC engages in the procurement process to acquire goods and/or services, the cost of those goods and/or services should correspond to the value thereof.

2. Open and Effective Competition

This Guideline (SA, 1999:5) seeks to enhance competition and openness in the procurement process. Therefore government institutions should amongst others ensure that:

- Potential vendors have reasonable access to the procurement opportunities and that available opportunities are notified at least in the Government Tender Bulletin.
- Adequate and timely information is provided to suppliers to enable them to bid
- Bias and favoritism are eliminated
- The costs of bidding for opportunities do not deter competent suppliers.

This guideline advocates for costs not to serve as stumbling block, however it does not elaborate further on what needs to be done to mitigate on those bidding costs.

Bidding costs include amongst others non-refundable tender documents fee, BBBEE certificates obtainable at a cost from registered accountants.

3. Ethics and Fair Dealing

All procurement officials should, as contained in the Guidelines (SA, 1999: 6), avoid conflict of interest and all forms of unethical behaviour such as fraud and corruption. Treasury Regulations 16A9.1 states that the accounting officer or accounting authority must avoid abuse of supply chain management system by taking all reasonable steps to prevent such abuse and investigate any allegations against an official or other role player of corruption, improper conduct or failure to comply with the supply chain management. Ethical behaviours is really still a challenge amongst procurement officials in both public and private sectors.

4. Accountability and Reporting

The fourth pillar as contained in the Guideline (SA, 1999:7) ensures that individuals and organisations are answerable for their plans, actions and outcomes. In promoting accountability this framework administers that:

- Heads of department are accountable to their ministers for the overall management of procurement activities.
- Heads of procurement are accountable to heads of department for various high-level management and co-ordination activities.
- Individual procurement officers are accountable to Heads of Procurement.
- All people exercising procurement functions must have regard to these guidelines and are accountable to management.

Accountability gives the procurement officials the responsibility to act with due diligence when engaging in the procurement activities.

5. Equity

The last pillar in the Guidelines (SA, 1999: 8) endeavours to advance persons or categories of persons disadvantaged by unfair discrimination. The government has implemented the Preferential Procurement Policy Framework Act (2000) in order to redress the imbalance experienced by designated group during apartheid regime.

These guidelines outline the principles and/or values of public procurement. All organs of state conform to these guidelines to ensure perfect public procurement

system. All these five pillars touch on the essential basics of public procurement. These five pillars address all public procurement challenges, however in order to alleviate these challenges procurement officials should comply with these pillars.

2.3.4 Definitions of Procurement-Related Concepts

a) Logistics Management & Logistics Information System

Burt *et al* (2003: 634) define logistics management as the part of the supply chain process that plans, implements, and control the efficient, effective flow and storage of goods and services and related information from point of origin to the point of consumption for the purpose of conforming to customer requirements.

According to Stevenson (2009: 512), logistics management is the function involved with the forward and reverse flow of goods, services, cash and information and includes management of inbound and outbound transportation, material handling, warehousing, inventory, order fulfillment and distribution and third party logistics.

Bowersox *et al* (2012: 96) explain that logistics or supply chain information systems are the thread linking logistics activities into an integrated process. This integration builds on four level of functionality, namely: 1) transaction system, 2) management control, 3) decision analysis and 4) strategic planning.

Many still confuse logistics with warehousing aspect only. Logistics as a broad function involves planning, coordinating and implementation of procurement, warehousing, distribution, and disposal management. This function as strategic as it is should be ideally in the executive or board level. The executive level is the level where policies are formulated and strategized. Therefore, when the logistics executives form part of this decision making process, they would consider all procurement challenges when making their input.

The IEC has implemented logistics information system to effectively manage all logistical related activities as an integrated process. The procurement of election materials such as ballot papers, ballot boxes, thermal paper rolls provides a significant challenge and huge impact on the successful delivery of elections. To facilitate the procurement of materials needed to support elections, the Logistics

Information System (LIS) was built to serve as a Materials Requirement Planning (MRP) tool. The LIS is used to determine the quantities of all materials to be used at each voting station countrywide. The overall quantity of all electoral materials required for election event can be determined by just browsing online.

b) Supply Chain Management

Supply chain is a network of facilities and distribution options that performs the functions of: 1) procurement of materials, 2) transformation of those materials into intermediate and finished products and distribution of these finished products to customers. Supply chain management is the management of the entire value-added chain, from the supplier to manufacturer right through to the retailer and final customer (Stevenson, 2009: 504 - 505).

Stevenson (2009: 511) categorizes purchasing as the function of supply chain management unit, however in public institution like IEC, purchasing of electoral materials and all other related items is undertaken by each respective line function.

According to Bowersox *et al* (2010: 4), supply chain management consists of firms collaborating to leverage strategic positioning and to improve operating efficiency. IEC supply chain consists of vendors, IEC and voters. IEC is the controlling organisation in this value chain; it ensures that goods and services are acquired from vendors in order to provide voters with opportunity to exercise their right. While IEC is the controlling organisation in this supply chain process, all parties are significant to ensure effective and efficient supply chain process.

According to Treasury Regulations 16A3, the accounting officer of accounting authority of an institution must develop and implement an effective and efficient supply chain management system in his or her institution for: 1) the acquisition of goods and services; and 2) the disposal and letting of state assets, including the disposal of goods no longer required. Treasury Regulation: 16A3.2 indicates that a supply chain management system must:

- i. Be fair, equitable, transparent, competitive and cost effective.
- ii. Be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000).

- iii. Be in consistent with the Broad Based Black Economic Empowerment Act, 2000(Act 53 of 2003).
- iv. Provides for at least the following: 1) demand management, 2) acquisition management, 3) logistics management, 4) disposal management, 5) risk management, and 5) regular assessment of supply chain performance.

It is evident from the definition above as contained in the Treasury Regulation that the design of the system was aimed at achieving certain audit ratings and not emphasizing on the effectiveness and efficiency.

c) Vendor Relationship Management

Goods and services are sourced from suppliers; therefore a supplier is an organisation that produces goods and/or renders services at a profit. However in order to ensure quality and uninterrupted flow of these goods and service, suppliers or vendors should be continuously managed effectively.

Stevenson (2009: 532) says reliable and trustworthy suppliers are a vital link in an effective supply chain and this would in turn lead to timely delivery of goods and services of high quality. More and more organisations are nowadays seeking to establish partnerships with other organisations in their supply chains. The relationships differ according to the length of the contract. Stevenson (2009: 533) identifies three types of supplier relationships namely; 1) Arm length relationships, 2) On-going relationship and 3) Partnerships. In arm length relationship, business relationship is minimal, transactions are often concluded in a computerized manner, and On-going relationships involve medium term contracts, while partnership is characterized by long term strategic alliance, whereby organisations strive to have a win-win relationship.

Supplier relationship management is the most important aspect of procurement function; however, SA public procurement prescripts do not emphasize the need to effectively manage the suppliers' relationship. Vendors are strategic stakeholders for all purchasing organisations and therefore should be treated as such. When they are treated as key stakeholders they would in turn react as one and rise to occasion when requested to participate in bidding process.

d) Supply Market Analysis

Any organisation that outsources goods and services from service providers should undertake supply market analysis to gather more information about suppliers or vendors, their market structure, competition and geographical location. Supply market analysis is a technique used to identify market characteristics for specific goods or services. It also provides information that is critical to developing effective procurement strategies.

According to Michael Porter's Five Model of Competition (1980), the key dimensions of supply analysis framework are:

- i. Market structure
- ii. Competition
- iii. Supply chains
- iv. Substitute goods and services

According to Hargraves (2008: 4), supply management professionals should use supply market analysis in their procurement process to establish and maintain a competitive advantage while also reducing supply risk. Supply market analysis should be carried out in respect of the purchase of goods and services when they are difficult to purchase due to complexity involve and also when there is a high level of expenditure involved (NPPPU, 2005).

The benefits of supply market analysis according to Hargraves (2008) are:

- i. Identifying opportunities to better manage the supply chain that will reduce the cost of purchasing goods and services.
- ii. Assist in determining the risk involved in purchasing goods and services.
- iii. Identify opportunity to increase base of suppliers to meet the needs of organisation.
- iv. Allow for identification of opportunities to advance government procurement objectives, such as advancing the implementation of PPPFA and BBBEE legislations.

Supply market analysis is very important in the public procurement process because a purchasing organisation would be in a better position to study all the market trends such as opportunities and threats in the supply market. The purchasing organisations would exploit the opportunity in the market and avert threats if any.

These competitive intelligence elements serve as competitive advantage to a purchasing organisation in that they enable an organisation to compete well in the market.

2.3.5 Nature and Scope of Election Governing Body and Electoral Projects

Democratic countries elect their government through the means of casting a ballot and they have an Independent Electoral Body to oversee the free and fair election of the government. The Republic of South Africa is one sovereign, democratic state founded on the following values (Electoral Commission, 2009):

- Human dignity, the achievement of equality and the advancement of human rights and freedoms.
- Non-racialism and non-sexism.
- Supremacy of the constitution and the rule of law.
- Universal adult suffrage, a national common voters roll, regular elections and multi-party system of the democratic government, to ensure accountability, responsiveness and openness.

With these values, therefore South Africa is indeed a democratic country, in that every citizen(18 years and older) has the right to vote in elections for any legislated body established in terms of the Constitution, and to do so in secret.

The Electoral Commission of South Africa is established in the Chapter 9 of the Republic of South Africa, (Act 108 of 1996) and it is accountable to the National Assembly for its activities and performance. However in terms of section 4 and 4 of Electoral Commission Act 51 of 1998(Act 51 of 1998), the IEC is independent and must be impartial in exercising its power and perform its function without any fear, favour or prejudice.

The primary mandate of the IEC is to ensure that over 25 million people exercise their constitutional right by casting their ballots. Elections are planned in 18 months cycle, therefore the electoral operations divisions devise strategy to ensure that on elections day everything runs smoothly.

This voting process should always be free, fair and credible to avoid objections to the elections results. How do Electoral bodies avoid these election results objects? Their

process should be transparent, impartial and reliable. Objections, certain countries often lead to genocide, where innocent lives terminated untimely and prematurely. In some cases investors pull their investments away from countries that have unfair and prejudiced electoral process, this could lead to low economic growth and unemployment. Therefore, Electoral Commission has an extraordinary fiduciary duty to exercise care and skill when executing its strategic objectives and constitutional mandate. The execution of this mandate with high level of integrity could in turn lead to peace in the country as well as high economic growth.

The IEC activities have been declared essential services by the Parliament and this explains the gravity of the IEC mandate. Labour Relations Act (Act 66 of 1995) describes essential services as services which, if interrupted would endanger or inconvenience the life or health of people. Electoral Commission has the constitutional mandate to perform the following functions:

- Manage elections of national, provincial and municipal legislative bodies in accordance with national legislation;
- Ensure that those elections are free and fair;
- Declare the results of those elections within a period that must be prescribed by national legislation and that is as short as reasonably possible;
- Compile and maintain a voters roll;
- Compile and maintain a register of parties; and
- Promote voter education.

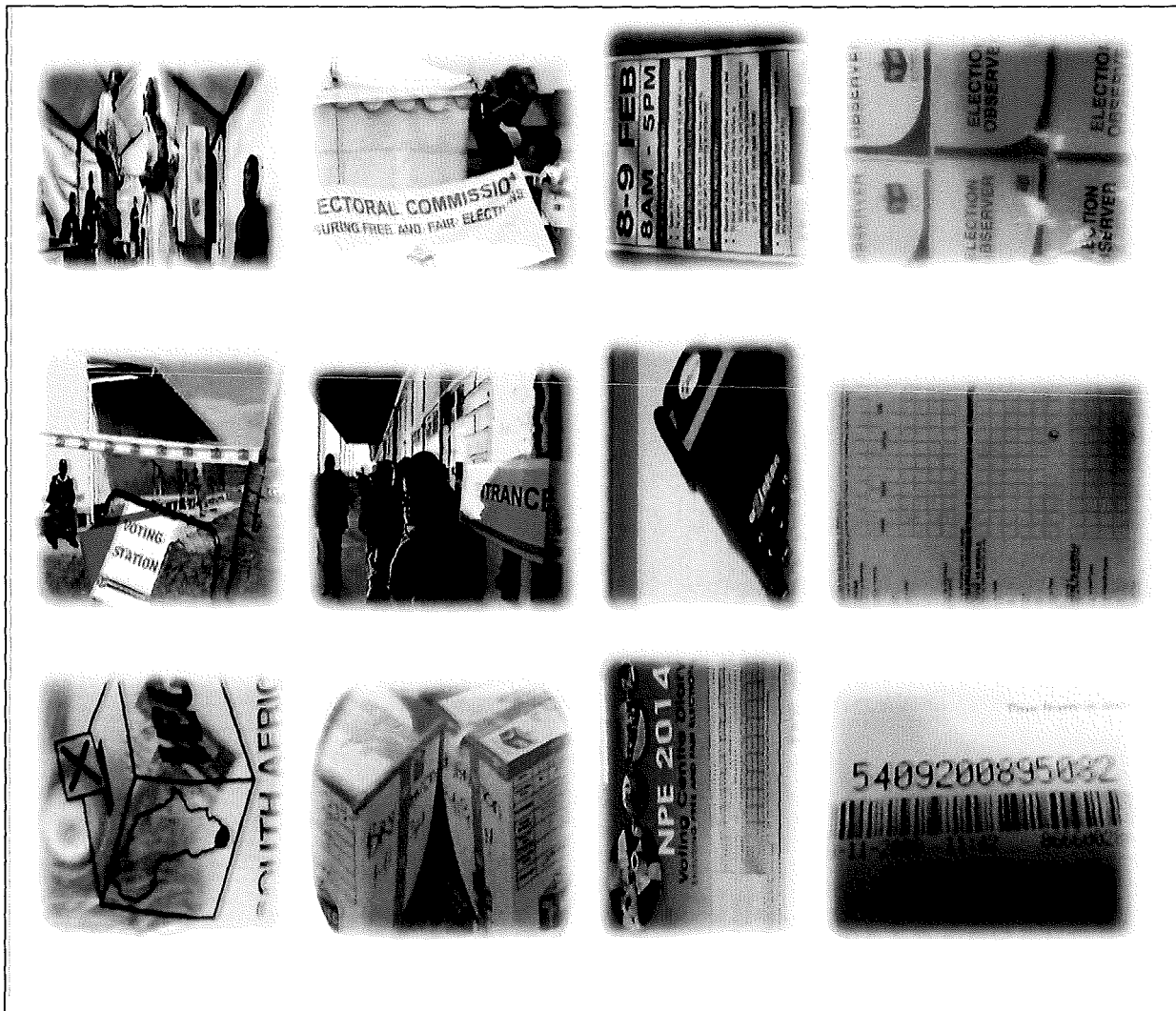
Electoral projects are National and Provincial Elections, Local Government Elections, By Elections and all other elections. A project is a temporary endeavor to achieve the desired objective in case of election a project would be successful when the elections had been free, fair and peaceful. However the election project moves through the project phases to enable reviews and performance reports. During the development phase of an election project more accurate cost and time estimates are developed and thereafter a budget framework with all relevant WBS and Cost elements would be compiled. The WBS includes Logistics, Outreach, Communication, Infrastructure, Human resources and Training.

Figure 2.1 shows some of the voting materials (goods) needed for elections which include voting compartment, tent, IEC banner, communication pamphlets,

identification stickers, arrow signs, demarcation tape and barcode scanner units among others. Without these materials elections could not take place therefore it is very important that these materials are procured from the suppliers and delivered on time.

Elections are unlikely to be postponed; therefore procurement officials make sure that these materials are available irrespective of any hindrance.

Figure 2.1: Voting Materials

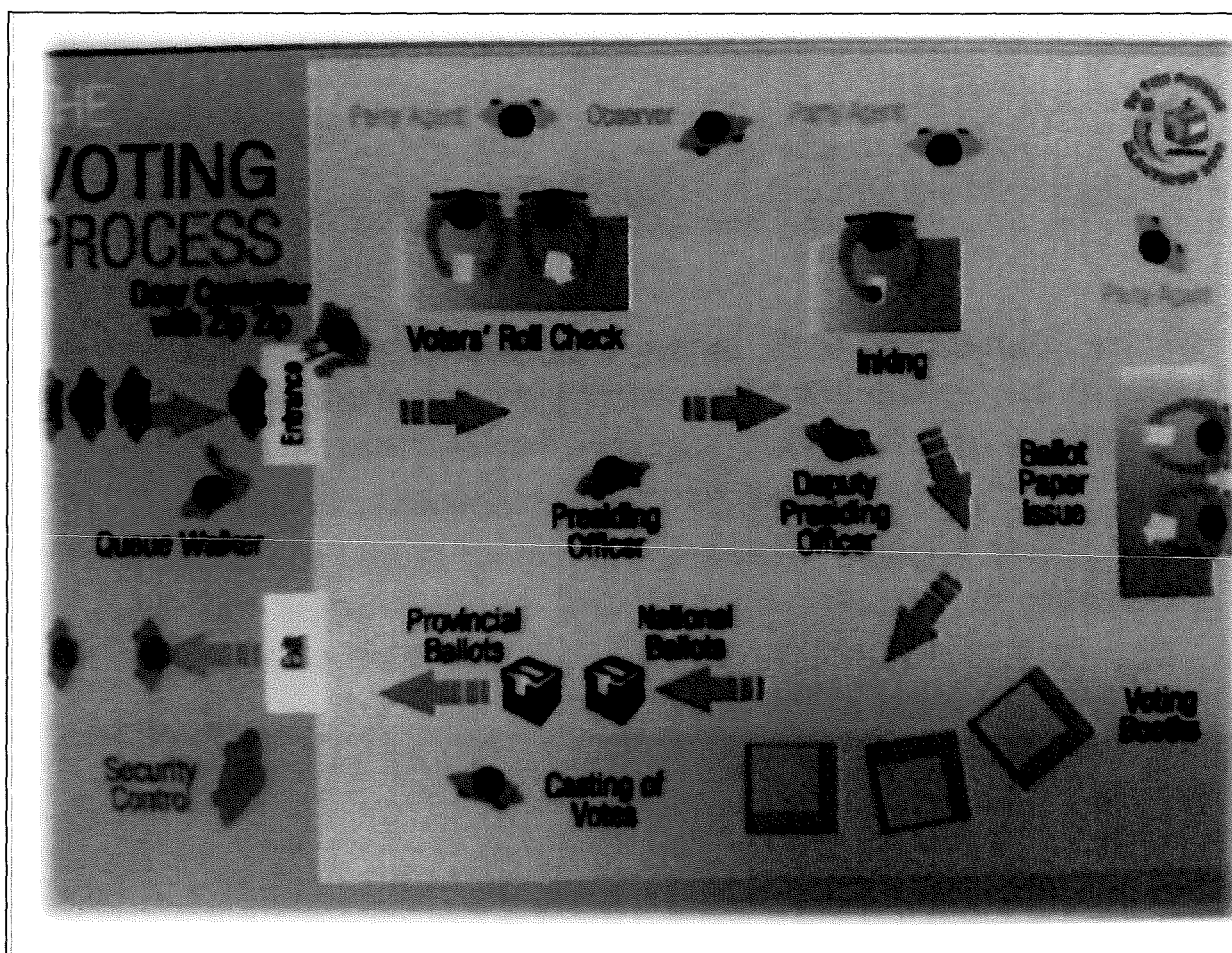


Sources: Internal IEC materials documents (2014).

The Electoral Commission consists of three divisions, namely Electoral Operations, Corporate Services and Outreach. Under Electoral Operations there is a Logistics and Infrastructure department responsible of determination and procurement of all electoral materials according to the bill of materials (BOM).

The whole process of electoral operations is treated as a project and has its scope, time cost and quality. The whole process needs planning, organizing, controlling and leading to ensure elections success. Figure 2.2 below depicts the design of voting process during Election Day.

Figure 2.2: The Voting Process Outlay



Sources: IEC Internal Training Manual (2014).

2.3.6 Prescripts governing Public Procurement

a) Legislations

Public procurement in South African is governed by both private and public legislations and regulations. It is regulated to ensure that the process proceed flawless and in an ethical manner. Public institutions utilise taxpayers' money, hence the process is open to public scrutiny. While in private sector the main objective is to maximize the value of shareholders wealth, the public sector is driven by service delivery channeled towards the community. Therefore, the shareholder in the public

sector is all members of the community. In order to ensure the quality of services delivery and accountability in the process service delivery SA government promulgated laws .These legislations are:

i. Constitution

The Constitution of the Republic of South Africa, established in 1996 is the supreme law and overrides all legislation enacted within the republic. The SA Constitution (1996) covers procurement guidelines and in section 217(1), it states that when an organ of state in the national, provincial or local sphere of government, or any other institution identified in the national legislation, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. The Constitution encourages the formulation of effective policies and strategies that would ensure free and cost effective procurement.

ii. Public Finance Management Act (PFMA)

The Public Finance Management Act 1 of 1999 aims to regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith.

This Act seeks to establish internal controls and task the accounting officers and public official to use public funds with honesty and fairness. Moeti, et al (2007: 50 - 51) further indicated that this Act prevents unauthorized expenditure, fruitless and wasteful expenditure and irregular expenditure.

Unauthorized expenditure refers to overspending and/or spending that is not in accordance with the mandated purpose of appropriated funds.

Fruitless and wasteful expenditure refers to unnecessary expenditure that should have been avoided if reasonable care has been exercised

Irregular expenditure refers to authorized expenditure that happens to be in contravention of other applicable legislation.

Basically PFMA seeks to eradicate corruption, maladministration and unethical practices when procuring goods and services for public institutions.

iii. Preferential Procurement Policy Framework Act (PPPFA)

The Preferential Procurement Policy Framework Act (Act 5 of 2000) was promulgated to give effect to Section 217(3) of the Constitution by providing 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 policy within a prescribed framework. The Act further and explains the preferential point system, in this system:

- A maximum of 10 points may be allocated for specific goals in the cases of contracts with rand value above a R500 000, provided that the lowest acceptable tender scores 90 points for price;
- In cases of contracts with rand value equal to or below a R500 000, a maximum of 20 points may be allocated for specific goals, provided that the lowest acceptable tender scores 20 points for price; any other acceptable tenders that are higher in price must score fewer points, on a pro rata basis, calculated on their tender prices in relation to the lowest acceptable tender, according to the prescribed formula.

This Act was promulgated with an intention to redress the imbalances created by the apartheid regime by allocating preferential points to deserving organisations. However this Act now discourages those potential vendors without preferential points to participate in public tendering.

The State however must acquire goods and services in a way that eradicates inequity and distribute goods and services to all its inhabitants in a manner to meet the requirement of justice (TUT Procurement Management Study Guide, 2010).

iv. Electoral Act 73 of 1998

The Electoral Act was promulgated to regulate elections of the National Assembly, the provincial legislatures and municipal councils; to provide for related matters.

Section 71 of this Act states that before voting opens at a voting station, the chief electoral officer must supply the presiding officer responsible for the station with all the voting station materials necessary for the elections at that voting station, including:

- Ballot papers,
- Ballot boxes,
- Voting compartments, and
- Certified voters roll.

All the mentioned electoral materials should be procured well in advance before Election Day. The non-supply of these materials at the voting station constitutes the contravention of the section 71 of Electoral Act. Therefore it is certainly essential for the Electoral Commission should comply with this section by planning the procurement of these materials.

v. State Tender Board Act(Act 86 of 1968)

The State Tender Board makes provision for the establishment and constitution of the State Tender Board and the regional tender boards. State Tender shall consist of not less than 16 and not more than 20 members of whom at least half should be members or officials of state. The powers vested in the Board are:

- Issuing directives to government departments with regard to the procurement process in the public sector;
- Inviting expert or technical advice;
- Approving ex post facto any action of a government department;
- Under certain specific circumstances, resolving that no offer from the person concerned should be considered during such period as the Board may stipulate; and
- Rescind any restriction.

Basically the State Tender Board is a procurement user manual in which government departments and all other public institutions should consult when embarking on a procurement process in the public sector.

vi. Treasury Regulations

The Treasury Regulations as stipulated in the PFMA provide the guidelines for the effective management of public funds by government departments, public entities and all constitutional institutions.

Treasury Regulation: 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury. Treasury Regulation: 16A3 describes the accounting officers' responsibilities as to ensure that:

- Bid documentation and general conditions of a contract are in accordance with the instruction of the National Treasury; or the prescripts of the Construction Industry Development Board, in case of a bid related to the construction industry.
- Bid documentation include evaluation and adjudication criteria, including the criteria prescribed in terms of Preferential Procurement Policy Framework Act, 2000(Act 5 of 2000) and the Broad Based Economic Empowerment Act, 2003 (Act 53 of 2003).
- Bids are advertised in at least the Government Tender Bulletin for a minimum of 21 days before closure, except in urgent cases where bids may be advertised for such shorter period as the accounting officer or accounting authority may determine.
- Awards are published in a Government Tender Bulletin and other media by means of which the bids were advertised
- Contracts relating to information technology should be prepared in accordance with the State Information Technology Act, 1998(Act 88 of 1998), and any regulations made in terms of that Act.
- Treasury Regulations 16 is complied with when goods or services are procured through public private partnership or as part of public private partnership;

All these legislations governing public procurement do not put much emphasis on the aspects of vendor training, vendor development, vendor early involvement or strategic alliance. Strategic alliance is a long term partnership between purchasing

organisation and a supplier of strategic components or materials. However government on a daily basis is involved in the acquisition of strategic nature.

How does government expect vendors to understand its public procurement without capacitating them with relevant information? Laws are being amended and those amendments affect procurement system. These regulations and legislations should also highlight vendor issues because without engaging these vendors these institutions could not reach their objectives or targets.

b) Electoral Commission Procurement Policy and Procedures (2005)

The IEC has its own procurement policy and procedures manual of 2005 that guides IEC employees when engaging on procurement process. This policy was initiated and aligned to the following prescripts: PFMA, Treasury regulations 16A, PPPFA and BBBEE Act.

The IEC developed and implemented Standard Operating Procedure (SOP) to ensure effective procurement system. This SOP entails all steps to be followed when engaging in a procurement process, these steps are, 1) Needs assessment, 2) Procurement methods, 3) Bid specification, 4) General bid provision/requisitions, 5) Advertising bids, 6) Administration of bids, and finally 7) Evaluation of bids and Awarding of order.

c) International Laws

South Africa is a member of global village thus it should align its procurement activities with internationally accepted laws and/or agreements such as UNCITRAL Model Law and Government Procurement Agreement (GPA):

i. UNCITRAL Model Law

The Model Law on Public Procurement contains procedures and principles aimed at achieving value for money and avoiding abuses in the procurement process (UNCITRAL, 2011). This Law basically promotes fairness, competition and integrity in the public procurement process.

According to this Law state procurement should be free from any unethical activities and there should be open equal opportunities for any vendor willing to compete.

ii. Government Procurement Agreement (GPA)

GPA as plurilateral agreement establishes an agreed framework of rights and obligations amongst its members with respect to their national laws, regulations, procedures and practices in the area of government procurement (WTO, 2014). GPA was founded on the principle of openness, transparency and non-discrimination in public procurement.

South Africa has been the member of World Trade Organisation (WTO) since 1995; there SA public institution should observe GPA regulations when undertaking public procurement process. South Africa established and aligned its five procurement pillars to the GPA. The principles of value for money, fair and ethical dealing, accountability and reporting, equity and open competition are enshrined in both GPA and SA's General Guidelines of public procurement.

2.3.7 Standard Bidding Documents

Accounting officers/ authorities should customize and utilize the standard bidding documents (SBDs) contained in the Framework for Supply chain management issued by National Treasury (2013). When initiating the procurement process, there are standard bid documents that should be sent to the potential vendors for completion. All these documents should be correctly completed by vendors and forwarded to purchasing organisation. All Vendors have to attach certain additional supporting documentations together with standard bid documents. The IEC procurement policy and procedure (Electoral Commission, 2005) in conjunction with the National Treasury require the following standardized bidding documents when engaging in a procurement process.

a) Request For Quotation (RFQ)

RFQ contains the bid's standard conditions; these conditions inform the potential vendor on the instructions to be following when bidding for a tender. It furthermore includes tender specifications with the description of goods and services as well as quality needed by IEC. Also on this document are the criteria for evaluation together with functionality scoring points. This document is very significant because it guides potential vendors to successful bidding, because it contains all instructions pertaining a bid.

b) Enterprise Declaration Affidavit

This questionnaire document is required to register vendors on IEC database. It is only submitted by vendors who have not previously registered as a vendor with the Electoral Commission, or if the vendor's details have changed. This document seeks to accumulate more information from the vendor. Information required include legal status of the company, company classification(i.e. Micro, Small or Medium) BBBEE level status, directors and company bank account, contact details as well as number and categories of employees employed by the company.

Having accurate and complete information help the Electoral Commission to register the company accordingly and be able to pay the amount to the rightful bank account.

c) Declaration of Bidder's Past Supply Chain Management Practices (ONLY FOR QUOTES IN EXCESS OF R10,000)

On this document the Electoral Commission seeks to gather the bidder's past supply chain practices within public sector. The information mostly required here is to firstly to determine if the bidder or any of its directors listed on the National Treasury's Database of Restricted Suppliers as companies or persons prohibited from doing business with the public sector. Secondly if the bidder or any of its directors are listed on the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

Thirdly if the bidder or any of its directors convicted by a court of law (including a court outside of the Republic of South Africa) for fraud or corruption during the past

five years. Fourthly if any contract between the bidder and any organ of state terminated during the past five years on account of failure to perform on or comply with the contract.

Lastly to determine if the bidder relationship between the bidder purpose here is to establish if the bidder is related or connected to anyone employed by government or any public institution or anyone sitting on the bid evaluation and adjudication committee.

This document assists the Electoral Commission to have significant information about the vendor's background, performance and ethical dealings.

d) Certificate of Independent Bid Declaration

Bidders have to declare that all information submitted to the Electoral Commission in connection with bidding for a tender is true and correct. The bidder upon submitting this document certify that there have been no consultations, communications, agreements or arrangements with any competitor regarding the price, quality, quantity, specifications and conditions or delivery particulars of the products or services to which this bid invitation relates(Malhotra, 2012).

The Electoral Commission through this document seeks to combat all forms corruption and fraud on its procurement process, thereby enhancing competition and equity.

e) BBEE Certificate (ONLY IF A VENDOR IS CLAIMING PREFERENCE POINTS)

The purpose of Broad Based Black Economic Empowerment (2000) is to establish a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good practice and to publish transformation charters. All vendors claiming for preferential points should submit an original certificate together with other bid documentations.

Statement 2.6 BBEEE Act states that any representation made by an entity about its BBEE compliance must be supported by suitable evidence or documentation.

Statement 4.6 states that any misrepresentation in terms of BBBEE recognition level constitutes a criminal offence as set out in the BBBEE Act as amended.

f) Tax Clearance Certificate (ONLY IF THIS QUOTE IS OVER R30,000 AND YOU HAVE NOT LODGED A TAX CLEARANCE CERTIFICATE WITH THE COMMISSION THAT IS VALID AND CURRENT)

The IEC requires the vendors to have valid tax clearance certificate in order to be registered on the vendor database. Tax clearance certificate can be obtained free of charge from the South African Revenue Services which is organ with the objectives efficient and effective collection of revenue. IEC as an organ and beneficiary of state intends to only to engage in business with those vendors are tax compliant.

Tax evasion is a criminal offense and therefore punishable in terms of South African laws, therefore sourcing goods and services from tax offenders would encourage this crime. The IEC receives its financial grant from the Parliament during every fiscal year and the source of this financial grant is taxes. IEC guided by its procurement policy engage in private-public partnership (PPP) with vendors who are tax compliant and have valid tax clearance certificate to confirm adherence to South African tax laws.

g) Quotation

Signed quotation containing the full quoted price should be supplied by the potential vendor together with other bid documentations. The quotation should include description of an item, schedule indicating unit price of each time, VAT charges and delivery charges and signature of the supplier (Knipe *et al*, 2002: 305). Handfield, *et al*(2011:250) also emphasise the need for cost breakdown in the quotation. This practice would assist the organisation to determine the most expensive cost element and call for negotiation if possible. For instance if the vendor quoted very high on the transportation of purchased products, then the buying organisation might utilize its own vehicles for collection at lower costs.

The purpose of this document is to determine how the vendor calculated his/her total bid amount. The total bid amount should include all other charges such as VAT, delivery, installation and other costs.

h) Company registration documents

This is a document indicating the legal status of the business as registered with Companies and Intellectual Property Commission (CIPRO). IEC intend to do business with registered legal companies, thus the need to submit company registration document, such as CK1, memorandum of association (MOA), etc.

The company registration documents have the company essential details such as incorporation date, director details and ownership percentages.

i) Company profile

A company profile contains information with regard to the nature and background of the company as well as the nature of goods and services offered by the company. The academic background and experience of all key personnel within the company as well as past projects executed and projects value thereof. Profile is important in order to determine if the company has the knowledge, skill and capacity to deliver as per bid specification. Without profile IEC would find it difficult to determine the suitability of the vendors to provide and/or render quality products and services.

All these bid documents are extremely important because they serve as source of all required information. This information should speak to the values of public procurement, which are: Open and Effective Competition, Ethics and Fair Dealing, Accountability and Reporting, Equity, Transparency, Avoidance of risks and Combating abuse.

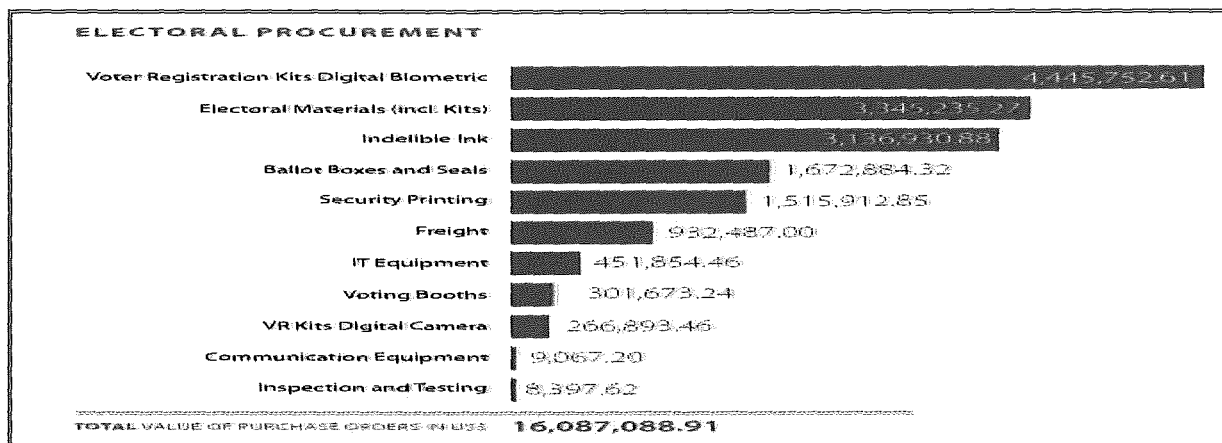
2.3.8 IEC Procurement Procedure and Process

The mandate of the Electoral Commission is to deliver free, fair and credible elections, however these exercise needs a lot of money to purchase all the required items and services from the suppliers. In figure 2.3, the United Nations organisation illustrated the procurement statistics with the total of \$16 087 088.91 as purchasing

value. This astronomical amount sets it clear that delivering these elections requires lot of procurement activities.

Planning is very important when planning to procure election materials, different strategy for different category of items should be employed to minimize cost and maximize supply base.

Figure 2.3: UN Electoral Procurement



Sources: UN Procurement Statistics (2014)

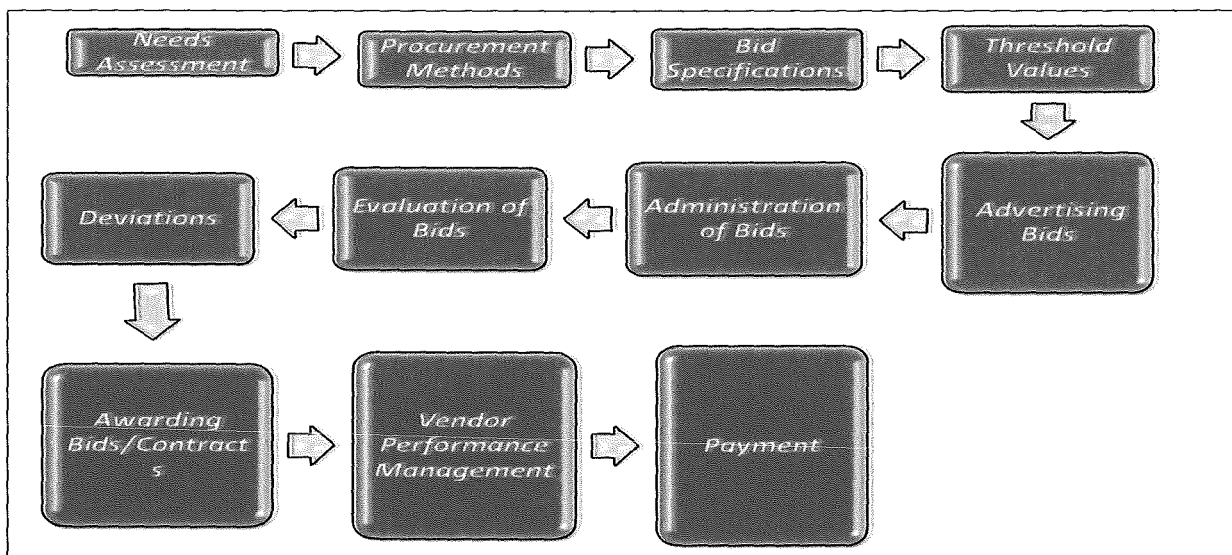
In Afghanistan, the 2013 national and provincial elections amounted to the estimated \$150 million; however most of these funds derive from the international donors like United Nations (Afghanistan Times, 2013).

The Electoral Commission as the public institution has to follow normal procedures in procuring goods and services required in order to undertake its roles as the election managing body. The normal procedure means demand management and needs analysis, thereafter drafting correct specifications and invite potential vendors to bid. These procedures vary depending on the estimated contract amount, for instance if the quotation is R1999 or less, then vendors don't have to submit Tax clearance certificate, declaration of past supply chain management practices and certificate of independent bid declaration.

Figure 2.4 reflects procurement steps and procedures to be followed when IEC has to acquire goods and/or services from vendors. These steps start when a project has raised and then managers involved in the projects determine and quantify all the requirements needed in order to execute the project successfully. Communication

department would focus on determining the media and outreach needs and cost each element, and HR would determine the number and type of staff required. On the other hand logistics would determine the quantity of all items required to execute the project in a brilliant manner. Once all these needs have been identified and quantified then the procurement take place.

Figure: 2.4 Public Procurement Steps



Sources: Extracted from the 'THINK BEFORE YOU PROCURE' IEC Internal Document (2011)

The procurement steps indicated on Figure 2.4 above are discussed in detail below:

1. Needs Assessment or Demand Management

PFMA indicates that before procurement can take place a procuring organisation should have checked from other government institutions if they have the similar goods and/or services. Demand Management seeks to estimate, control and coordinate the organizational demand in terms of goods and services required to achieve the strategic objectives (Burt *et al*, 2003: 625).

During the beginning of each fiscal year the IEC revise its business strategic plan entail all annual targets to be met as well budget allocation to fund all these projects.

An electoral event is assigned with budget to ensure that the event runs smoothly. All electoral events are treated as special projects on their own; therefore project plans with WBS, tasks allocation, resources and timeframes should be in place. When the needs assessment have been undertaken and thoroughly completed, then a list of all resources (goods and services) and their respective cost estimates should be compiled. Needs assessment stage is the beginning of the procurement process, therefore commodity and industry analysis should be performed.

2. Procurement methods according to rand value

There are three (3) methods of procurement, within which IEC should utilize to determine the appropriate service providers. These methods are:

- Tender(also called competitive bidding)

Competitive tendering is a practice in which public sector institutions procure their goods and services in a widely publicized and competitive method. This method foster competition and it is an objective and fair method to obtain value for money in procuring goods and services (Knipe *et al*, 2002: 300 - 301). This method is quite competitive and fair as everyone interested can participate in the bidding process because the tender is advertised in the Tender Board Bulletin.

Table 2.2 illustrates procurement steps when employing tender method.

Table 2.2 Tender Method

TENDER METHOD			
Threshold Values	Procurement Process to be followed	Evaluation and Adjudication	Bid Documents to be submitted by vendors
R500 000 – R4999999	Motivation and specifications for tender need to be approved first. Develop evaluation criteria.	Publication of the received bids within 10 days after the closure of any advertised bid. Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet Complete the scoresheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents To be dealt with by Procurement Committee. To be dealt with through EXCO Due diligence audit required	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate

R0.5 mil - R5 mil	Motivation and specifications for tender need to be approved first. Develop evaluation criteria. Publication of the procurement requirement in the tender bulletin for at least 21 days-with date and time of closure. Publication of the awarded bids in the tender bulletin	Publication of the received bids within 10 days after the closure of any advertised bid. Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet. Complete the scoresheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents. To be dealt with by Procurement Committee. To be dealt with through EXCO. To be dealt with by the Commission. Due diligence audit required.	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate
R10 mil and above	Motivation and specifications for tender need to be approved first. Develop evaluation criteria. Proof that budget is available must be provided to National Treasury. Publication of the procurement requirement in the tender bulletin for at least 21 days-with date and time of closure. Publication of the awarded bids in the tender bulletin	Publication of the received bids within 10 days after the closure of any advertised bid. Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet. Complete the score sheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents. To be dealt with by Procurement Committee. To be dealt with through EXCO. To be dealt with by the Commission. Due diligence audit required. National Treasury to confirm, that budget is available. National Treasury must ensure that the contract is awarded according to the approved budget. Auditing of bid evaluation must be done – adherence certificate must be issued by auditors before contract is awarded. Deviations in excess of thresholds are only allowed on approval by National Treasury.	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate

Sources: Adapted from the 'THINK BEFORE YOU PROCURE' IEC Internal Document (2011)

- eProcurement

Information technology has assisted many organisations whether in private or public sector to find a solution to their complex administrative problems, and electronic procurement (e-procurement) has been introduced as a way to achieve better and more cost effective procurement systems. According to Moon (2005) eProcurement can be defined as a comprehensive process in which governments use IT systems to establish agreement for the purchase of goods and services.

The IEC has implemented e-Procurement system to ensure transparency and encourage competition. E-Procurement gathers quotes from service providers through reverse auction functionality. Service providers can submit their bids over the internet and can immediately see how their price compares with other bidders. The benefits of e-Procurement according to Moon (2005) are the following: 1)

lowered transaction costs; 2) faster ordering; 3) wider vendor choices; 4) standardized more efficient procurement processes; 5) greater control over procurement spending; 6) less paperwork and administrative work. Table 2.3 below shows procurement steps when employing tender method.

Table 2.3: Auction Method

AUCTION METHOD (E-PROCUREMENT)			
Threshold Values	Procurement Process to be followed	Evaluation and Adjudication	Bid Documents to be submitted by vendors
R0 – R1 999.	N/A (Auctions start at R2000 and above)	N/A	N/A
R2 000 – R9 999.	Motivation and specifications for eProcurement	N/A	Enterprise Declaration Affidavit(EDA)
R10 000 – R29 999.	Motivation and specifications for eProcurement. Auctions to be created online	Check the Register for Tender Defaulters and List of Restricted Suppliers Verification of conflict of interest against HR database	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate
R30 000 – R499 999.	Motivation and specifications for eProcurement. Auctions to be created online. Develop evaluation criteria	Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet Complete the scoresheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents Due diligence audit required	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate
R500 000 – R4999999	Motivation and specifications for eProcurement. Auctions to be created online Develop evaluation criteria	Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet Complete the scoresheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents To be dealt with by Procurement Committee. To be dealt with through EXCO Due diligence audit required	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate

R0.5 mil - R5 mil	Motivation specifications and for eProcurement. Auctions to be created online Develop evaluation criteria	Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet Complete the scoresheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents To be dealt with by Procurement Committee. To be dealt with through EXCO To be dealt with by the Commission Due diligence audit required.	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate
R10 mil and above	Motivation specifications and for eProcurement. Auctions to be created online Develop evaluation criteria	Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet Complete the scoresheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents To be dealt with by Procurement Committee. To be dealt with through EXCO To be dealt with by the Commission Due diligence audit required National Treasury to confirm, that budget is available National Treasury must ensure that the contract is awarded according to the approved budget Auditing of bid evaluation must be done – adherence certificate must be issued by auditors before contract is awarded Deviations in excess of thresholds are only allowed on approval by National Treasury.	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate

Sources: Adapted from the 'THINK BEFORE YOU PROCURE' IEC Internal Document (2011)

- RFQ(Request For Quotation)

RFQ is a process whereby a purchasing organisation submits document to one or more potential vendors soliciting quotation for a certain product and/or services. This method is comparatively not competitive in a sense that only selected suppliers are invited to participate in the bidding process.

Table 2.4 illustrates procurement steps when employing tender method.

Table 2.4: RFQ Method

RFQ METHOD			
Threshold Values	Procurement Process to be followed	Evaluation and Adjudication	Bid Documents to be submitted by vendors
R0 – R1 999.	Minimum 1 quote	N/A	Enterprise Declaration Affidavit(EDA)
R2 000 – R9 999.	Motivation specifications and for quotations need to be approved first.	N/A	Enterprise Declaration Affidavit(EDA)

	RFQ with evaluation criteria. Minimum 3 quotes required.		
R10 000 – R29 999.	Motivation and specifications for quotations need to be approved first. RFQ with evaluation criteria. As many quotes required as possible	Check the Register for Tender Defaulters and List of Restricted Suppliers Verification of conflict of interest against HR database	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate
R30 000 – R499 999.	Motivation and specifications for quotations need to be approved first. RFQ with evaluation criteria. As many quotes required as possible	Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet Complete the scoresheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents Due diligence audit required	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate
R500 000 – R4999999	Motivation and specifications for quotations need to be approved first. RFQ with evaluation criteria. As many quotes required as possible	Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet Complete the scoresheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents To be dealt with by Procurement Committee. To be dealt with through EXCO Due diligence audit required	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate
R0.5 mil - R5 mil	Motivation and specifications for quotations need to be approved first. RFQ with evaluation criteria. As many quotes required as possible	Declaration of interest by bid evaluation committee members. Check the evaluation scoring sheet Complete the scoresheet in terms of PPPFA provisions. Check the Register for Tender Defaulters and List of Restricted Suppliers. Verification of conflict of interest against HR database. Evaluation reports with supporting documents To be dealt with by Procurement Committee. To be dealt with through EXCO To be dealt with by the Commission Due diligence audit required.	Enterprise Declaration Affidavit(EDA) Declaration of Interest Certificate of Independent Bid Determination Declaration of supplier's Past Supply Chain Practices Valid Tax Clearance certificate

The Bid advert should include the following details:

- Unique reference number,
- Bid specification,
- Briefing session and information if either if tender briefing its compulsory or not, and
- Closing date, time and place.

6. Bid Closing Procedure

Tender boxes must be closed immediately after the closing of the tender (Knipe *et al*, 2002: 298). The closing of Electoral Commission bids is normally 11:00 on the day specified in the bid invitation. The list of all bid received should be recorded in bid register. In case of competitive bidding, legal services, internal audit should be present at the closure of competitive bedding to ensure transparency.

7. Administration of Bids

Vendors should submit all bid documents to the Electoral Commission office before the closing date and time. The Electoral Commission does not accept late bids. Therefore it is the responsibility of vendors to ensure that bids are on time.

8. Evaluation of Bids

The department or organisation that initiated the tender request must make the recommendations for the adjudication of a tender. Only those bids of tenderers whose tax matters are in order and their specifications are in line would be considered (Knipe *et al*, 2002: 298). This is where all bids received before closing date are evaluated procedurally to ensure compliance. Before evaluation can take place the following documents should be present:

- Valid original tax clearance certificate,
- BBBEE certificate (*applicable to those claiming preference points*),
- Standard Bidding Documents(SBDs),
- Quotation,
- Company Registration Documents, and

- **Company Profile.**

All the documents mentioned above are free of charge except the BBBEE certificate which can be obtained at cost from the BBBEE verification agency. Therefore vendors claiming preferential points apply and issued with BBBEE certificate by the accredited agency. While tax clearance certificates are issued freely by SARS, the costs associated with application and issuing can be discouraging. These costs could be travelling to and from SARS branch, opportunity costs lost while on the road and queuing to SARS offices.

Evaluation could only commence once all the above documentations have been submitted. When doing evaluation competitive bids are only evaluated by Bid Adjudication Committee and other bids i.e. bids that are R500 000 or less maybe evaluated by line functional management together with relevant procurement department. Bids must achieve at least 75% minimum qualifying score in terms of functionality or technical evaluation to be considered for further evaluation. Functionality or technical evaluations assess the ability, experience and technical expertise of potential vendors.

According to Part Two of Preferential Procurement Regulations, 2001 the IEC utilize two methods of evaluation, namely; 80/20 and 90/10 scoring systems:

8.1 The 80/20 preference point system

The (interim measures) draft regulations (The DTI, 2014) proposed the 80/20 preference point system for the procurement of goods and services with a rand value of R1 million, and a 90/10 preference point system for the procurement of goods and services with a rand value of above R1 million, to strengthen the contribution of small, medium and micro-sized enterprises (SMMEs).

However the current 80/20 preference point system is determined by the following grounds:

- 1) The following formula must be used to calculate the points for price in respect of tenders/procurement with a Rand value equal to, or above R30 000 and up to a Rand value of R500 000. Organs of state may, however, apply this

formula for procurement with a value less than R30 000, if and when appropriate.

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right) \text{ where;}$$

PS = Points scored for price of tender under consideration

Pt = Rand value of offer tender consideration

P_{min} = Rand value of lowest acceptable tender

- 2) A maximum of 20 points may be awarded to a tenderer for being an HDI and/or subcontracting with an HDI and/or achieving any of the specified goals.
- 3) The points scored by a tenderer in respect of the goals contemplated in sub regulation (2) must be added to the points scored for price.
- 4) Only the tender with the highest, number of points scored may be selected.

8.2 The 90/10 preference point system

- 1) The following formula must be used to calculate the points for price in respect of tenders/procurement with a Rand value above R500 000:

$$P_s = 90 \left[1 - \frac{P_t - P_{\min}}{P_{\min}} \right] \text{ where;}$$

Ps = Points scored for price of tender under consideration

Pt = Rand value of tender under consideration

P_{min} = Rand value of lowest acceptable tender

- 2) A maximum of 10 points may be awarded to a tenderer for being an HDI and/or subcontracting with an HDI and / or achieving any of the specified goals.

3) The points scored by a tenderer in respect of the goals contemplated in sub regulation (2) must be added to the points scored for price.

4) Only the tender with the highest number of points scored may be selected. The public institution should state on its tender documents the specific scoring system to be employed when adjudicating tenders.

These two preferential scoring systems, as part of evaluation process, put price before quality. Domberger (1998:163-165) argued that it would be difficult for the purchaser to determine if the quoted prices were truly competitive and represents good value for money.

On the contrary quality forms part of the five pillars of procurement in the form of value for money. Quality refers to product and/ or services that meet or exceed expectation thereby giving value for money. Leenders et al (2006:263-264); Hugo & Badenhorst (2011 76-81) and Handfield et al(2011: 218-220) emphasized supplier capability as important element during the evaluation stage, these authors also stressed upon visiting the supplier facility to gather more information. Section 9 of this PPPFA regulations also stipulate that despite regulations, a contract may, on reasonable and justifiable grounds, be awarded to a tender that did not score the highest number of points.

9. Deviations

Treasury Regulations: 16A6.4 stipulates that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

In case of emergency acquisition or when it is impractical to follow normal applicable public procurement procedures due to certain factors limited suppliers, then a motivation should be forwarded to the CEO to approve such deviation from normal procurement procedures. However the validity of the motivation should undergo verification process to prove the authenticity thereof.

As IEC activities have been classified as essential services, it is expected that emergencies could occur leading in a manner that lead to deviation from normal public procurement procedures. Since the inception of democracy in 1994 all National Elections have not yet been postponed. This gesture implies tremendous work on the part of procurement officials who have to plan and ensure that elections are not postponed due to unavailability of materials.

10. Awarding of tender

This is the stage where the final decision of who should or who should not be awarded the order. After evaluations compliance verification is done to ascertain whether there is a conflict of interest or not, and to also check if the vendors is backlisted on or not. Treasury Regulation: 16A9.1 (sections c – f) stipulate that the accounting officer or accounting authority must:

- (c) Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, nor any of its directors, is listed as companies or persons prohibited from doing business with the public sector;
- (d) Reject any bid from a supplier who fails to provide written proof from the South African Revenue Service that supplier either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations;
- (e) Reject a proposal for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract; or
- (f) Cancel a contract awarded to a supplier of goods or services.

Successful tenders must be notified by means of a letter of acceptance. The tender results of a national and provincial government must be published in the Government Tender Board and the reasons for not accepting the lower tender must be supplied in writing to the persons on request. (Knipe *et al*, 2002:299).

The awarding of tender in the public sector often take long as the committee has to apply its mind considerably and perform and verify the compliance. It is acceptable for the committee to apply its mind with due diligence to avoid errors in awarding of tender. This could help to avoid the unfortunate scenario that had happened in the North West Department of Public Works, Roads and Transport whereby four

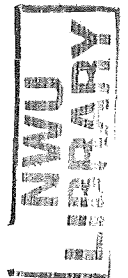
contractors were awarded with tender and paid millions for Lichtenburg-Koster road construction but none of them managed to successfully complete the project (BDlive, 2012). It is therefore advisable for the committee to take its time before appointing a vendor but on the other hand this long process might discourage vendor as they would have to wait longer to know the outcome.

This might also impact negatively on attaining the IEC annual performance targets as it would take a while to receive a procured item or resources needed for electoral operations. For instance if it is a procurement of an office and/or warehouse building, there is a possibility that the landlords could sell their building to another buyer. Centralization of procurement function might add bureaucracy on the procurement system. For instance when IEC local office engages in the procurement of any product or item, the quotation would be requested from the vendors and sent to the provincial office and thereafter the national office for compliance and final approval.

11. Vendor Performance Management

When the product purchased is of inferior quality voters in particular and the public in general blame the IEC for poor service instead of the vendor who provided the product or service. Once the order has been awarded to the successful tenderer, then the successful tenderer should provide and/or goods and services as per specification to the purchasing organisation. A contract between the purchasing organisation and a successful vendor should be entered into with all quality, terms and conditions in terms of products or services to be offered by a vendor and the purchasing organisation in return obligating itself to pay the vendor the agreed amount (Knipe *et al*, 2002: 302).

Should the supplier performance be unsatisfactory, the purchasing organisation should enforce the provision contained in the contract. Continued unsatisfactory performance must be reported to the regulating authority (Knipe *et al*, 2002:304). Vendors' performance management is another important step of the procurement process. Vendors' performance should be closely monitored and measured in order to close-out project successfully. It is under this stage where quality matters. According to Saunders (1997:186) quality refers to fitness for purpose or fitness for



use. Should this step not managed well the product quality problems might be experienced.

Ineffective performance management of vendors leads to huge loss in public funds and poor quality services. The local newspaper (The Mail and Guardian, 2013) has reported the collapse of Tongaat Mall in Durban, Kwazulu Natal. During the commission of inquiry it was heard that after investigations it was found that the concrete used was weaker than the mud bricks (SA Labour News, 2014). If the quality of construction activities have been closely monitor this tragedy could have been avoided. Hence Coyle *et al* (1996:77) mentioned that the most important factor in vendor selection is quality.

If the vendor has performed extremely well he/she should be rewarded and recognized for job well done (Cordon *et al*, 2012:148). This gesture could inspire vendors to go extra mile in ensuring the high quality products and services at all times.

12.Payment/Closing the order

Payment of goods supplied and services delivered must be made as soon as possible, preferably within seven days after proof of successful task completion (Knipe *et al*, 2002: 304). However IEC payment terms and condition are 60 days within the successful task completion. Upon successful completion of an agreed task or goods/service delivery a vendor should submit a signed invoice to the purchasing organisation and the purchasing organisation would process payment through after being satisfied in terms of quality thereby closing an order (Knipe *et al*, 2002: 312).This payment is done through an electronic funds transfer (EFT) method.

60 days is a reasonable period however it might cause challenge to SMME vendors with insufficient capital. Employees, suppliers and other creditors involved assisted directly or indirectly the supply of goods or service would need to be paid for their service after they completed their task. Most vendors would prefer to be paid with a week or two after successfully completion of the task so that they can have healthy cash flow. This could assist them to avoid taking out loans to sustain their business.

2.4 SA Public Procurement Challenges

According to Thai (2004: 4), public procurement challenges are characterized by internal and external factors, internal factors being policy making and internal controls while external factors refer to laws and regulations governing public procurement. Thai (2004: 2-3) generally identified amongst other the following global common public procurement challenges:

- Efficiency in handling huge procurement spending.
- Complying with government procurement legislation while not violating international trade agreement
- Perception that procurement is an area of corruption and bribery
- Balancing between value for money maximization and economic, social and environmental goals.
- Supply market conditions.
- Legal and political influence in the procurement process.

Badenhorst-Weiss and Ambe (2012: 249-250) on the other hand identified specific challenges of South African public procurement in particular. These challenges are:

- Lack of proper knowledge, skills and capacity.
- Non-compliance with SCM policy and regulations.
- Inadequate planning and linking of demand to the budget.
- Accountability, fraud and corruption.
- Inadequate monitoring and evaluation of SCM.
- Unethical behavior.
- Too much decentralization of procurement function.
- Ineffectiveness of black economic empowerment (BEE) policy.

Corruption (unethical behaviour), legal compliance and inefficiency feature both globally and in South Africa as the main public procurement challenges. Both Thai (2008) and Badenhorst-Weiss & Ambe (2008) identified these three challenges in their study. However the researcher has however identified four main challenges encountered within SA public institutions, which are:

- 1) Red tape.
- 2) Value for money.

3) Unethical behaviour and lastly legislative application.

Firstly, red tape contributes to inefficiencies within SA public institutions as it takes long to procure goods and services and having the order being awarded which ultimately lead to delay in service delivery. Red tape makes it difficult for businesses to succeed, grow, create jobs and invest in infrastructure and development. Red tape is often caused by a range of factors, which include people's values; out-dated or inappropriate policies, rules and regulations; inefficient processes and systems, poor management, and staff skills shortages. Senior managers should realise that it is possible to improve both audit ratings and reduce red tape by focusing on business process management and using necessary business improvement tools, which reduce the burden of compliance and improve customer service using existing staff resources (Wolpe, 2013: 5).

Secondly, it is obtaining the real value for money in the procurement of goods and services. The quality of sourced goods and/or services usually mismatches the total price paid by the state institution. One of the reasons for disparity between the quality of goods/services and the price is that vendors usually source goods and/or services from the original supplier and add profit mark up on cost. Moreover when the evaluation method is based on the lowest quote, there is a possibility of inferior quality products or services.

The third challenge refers to unethical practice such as fronting, corruption and price collusion. Corruption refers to the intentional non-compliance with the arm's length principle aim at deriving some advantage for oneself or for related individuals (Begovic, 2005: 2). In its report Corruption Watch (2013) listed three top types of corruption namely, financial mismanagement (44%), theft of goods (24%) and corruption in procurement processes (16%). In one case the top SAPS official was dismissed for entering into a dodgy lease procurement of SAPS building after an investigation by the Public Protector (<http://timeslive.co.za/thetimes/2011/07/14/Thuli-madonsela-s-scathing-report>). The Public Protector concluded on the report that the lease agreement was entered into unlawfully and improperly leading to maladministration. Price fixing is gaining trends in South Africa with the construction industry being investigated after 6 construction companies allegedly fixed state contracts worth billions of rands

(<http://fin24.com/companies/industrial/Zuma-state-acting-on-construction-fraud-20130215>). Price fixing is an agreement between numerous companies in the same industry collaborating to sell a product and/or services at a fixed price only with the goal of receiving large profits. Another unethical trend is fronting, according to BBBEE Act 53 of 2003 fronting refers to a practice where companies misrepresent one or more statistics related to BBBEE pillars in that the company state that they have black people as part owners in their companies. According to section 9(5) of BBBEE Act, fronting practices include window dressing. In window dressing black people may be appointed to an enterprise on the basis of tokenism and discouraged from participating in the core activities of the enterprise. Benefit diversion is another type of fronting, in this practice economic benefits received as a result of BEE status do not flow to black people in the ratio as specified in the relevant legal documentation.

Treasury Regulation: 16A8.1 seeks to encourage all officials and other role players in a supply chain management system to comply with the highest ethical standards in order to promote mutual trust and respect; and an environment where business can be conducted with integrity and in a fair and reasonable manner.

The last challenge is that the policy legislations are applied overboard and not customized based on market trends and geographical locations. Current Acts and regulations such as PFMA and Treasury regulations are promulgated and applied nationally irrespective of market trends in some parts of the country. For instance the requirement to engage as many suppliers as possible in the procurement process, while in some parts or provinces there is only one supplier.

2.5 Public Procurement Challenges in Some SADC Countries.

Challenges in public procurement seem to be a concern in some of the SADC countries. Some of the identified challenges amongst others are: transparency, corruption, political interference, legislative framework and compliance to legislation, supplier relationship management and qualified procurement personnel.

Sørreide (2011: 2 - 4) indicated that Angola public procurement is done without feasibility studies and budget estimates and compliance, political interference and corruption in the tender process are some of the key challenges in the country.

Malawi public procurement lack comprehensive legal framework, poor vendor relationship management and delays in vendor payment. This country is also shadowed by the lack of qualified procurement specialists (OECD-DAC, 2008). According to Transparency International (2011) Malawi was rated 14th most corrupt country out of 48 countries. Lack of comprehensive legal framework could pose a serious risk to the procurement system as there would be no accountability.

According to Meyer (2004: 1 - 9), Mozambique needs procurement laws that would ensure transparency in all steps of procurement. These laws should ensure accountability, value for money, unethical behaviour and enhance competition. Namibia has the need for the new Tender Board Act that would address the increasing sophisticated nature of Namibian public procurement. That new legislation should aim to modernise procurement system and address corruption alleviation, preferential procurement practices and Namibianisation or indigenisation (a practice in public procurement which gives preference to women, youth, people with disabilities and historically disadvantage or marginalised people (Daniels & Links, 2011: 12). Namibianisation is similar to South African BBBEE legislations as both seem to be gearing towards redressing the imbalance of the past.

Botswana lists bureaucracy and corruption as among its public procurement challenges. According to National Anti-Corruption Forum (2006), even though, Botswana has the necessary legislation in place corruption is mainly caused by non-observance of the laid down procedures. Botswana's Corrupt and Economic Crime Act, 1994 criminalize amongst others, bribery for giving assistance with contracts, corrupt transaction by or with agents and conflict of interests.

The Ministry of Health in Botswana has indicated that the current public procurement process administered by Public procurement and Asset Disposal Board creates unnecessary bureaucracy in that the shortest period to purchase products is three months and this period is too long especially with the purchase of emergency supplies or items. The Ministry went further and stressed that should the current system not be improved this would lead to corruption and low quality products and services (Mfila, 2013: no pagination).

This bureaucracy or red tape that Mfila (2013) indicated as a challenge faced by Botswana could lead to severe effects both on the sides of purchasing organisation

and the vendor as well. For instance in Botswana the red tape in the procurement of medical supplies could cost people lives in Botswana. On the other hand vendors could be discouraged by long process to be adhered to and much documentation to be submitted. Indeed the public procurement challenges, especially corruption, bureaucracy and effective legislative framework are the bone of contention in some SADC countries. Therefore the establishment of applicable legislations would assist in bringing solution to corruption and bureaucracy.

2.6 Comparative Analysis of Procurement between Public and Private Sector

Procurement happen in all public and private sectors, however the difference are the policies and legislation applicable to procurement. De La Harpe (2009: 60 - 62) indicated that the difference between public and private sector procurement is that private sector procurement is only regulated by private law and only law of contract in particular whereas public sector procurement is subjected to various Acts and regulations. PPPFA, PFMA, BBBEE Act, SARS Act, State Tender Board Act, the Constitution are among the legislation regulating public procurement.

These laws are in good position to ensure transparency and accountability in the procurement system. However they should also stress the vendors matters such as vendor training, development and management. This could assist in encourage vendors to participate keenly when invited to do so.

These various laws governing public procurement may often lead to:

- Complex red tape.
- High prices.
- Transactional costs are high.
- The process can take long.
- Redress the imbalances of the past.

Both private and public procurement have comparative advantage in that they both have features

2.7 The Future of Public Procurement

Public procurement should always incorporate the five principles by ensuring that the goods and services acquired match the price paid. Effective internal controls which on the one hand reduce red tape while on the other hand curb unethical behaviour should be implemented. Public procurement should address the physical environmental concerns and adopt the 3R approach (reduce, reuse, recycle) therefore it should be paperless (eProcurement), and ultimately become green procurement (Bowersox, 2010: 410 - 411).

Public procurement officials should be capacitated with necessary skills and knowledge to perform their responsibilities with due diligent, skill and care. An ideal procurement system should be regulated by effective legislation and at the same time minimize red tape.

2.8 Conclusion

This chapter dealt with the public procurement, which is the acquisition of goods and service by public institution. Many government institutions including IEC have to go through the prescribed steps in order to acquire goods and services.

In public sector successful vendor relationship management may perhaps have some benefits for both the public institutions and vendors. When a vendor has relevant knowledge with regard to the purchasing organisation it becomes simpler for it to participate in the bidding process. In turn the purchasing organisation could benefit from the relationship because the potential risk of goods supply would be reduced.

Kraljic Portfolio Purchasing Model, Just-In-Time (JIT) Purchasing system and SCOR model could assist procurement officials to develop appropriate procurement strategy for each product or service portfolio and to eliminate all wastes within the supply chain.

IEC services have been classified as essential services therefore its projects must not be interrupted whether by any process including procurement process not. The

public procurement is regulated by numerous legislations to ensure that it is ensure fair, competitive, ethical and transparent. However there are some challenges associated with public sector procurement ranging from red tape, non-compliance to regulations to corruption.

The next chapter focuses on the research methodology.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter puts in detail the research methodology used in investigating vendor responses with regard to public procurement undertaken within North West Province. Research is defined as the creation of new knowledge and/or the use of existing knowledge in a new and creative way so as to generate new concepts, methodologies and understandings and can be analysed qualitatively or quantitatively (UNSW, 2014).

This study is classified as action research, this type of research seeks to address immediate challenges faced by an organisation. Action research can be described as: any research into practice undertaken by those involved in that practice, with an aim to change and improve it (Hall & Keynes, 2005: 4). The evolution of action research started in the United States and Kurt Lewin is generally attributed with introducing the phrase 'action research' to describe a form of inquiry that would enable 'the significantly established laws of social life to be tried and tested in practice (Carr, 2006:423). The primary objective of this research is to establish the main causes of vendors' poor responses towards IEC procurement system.

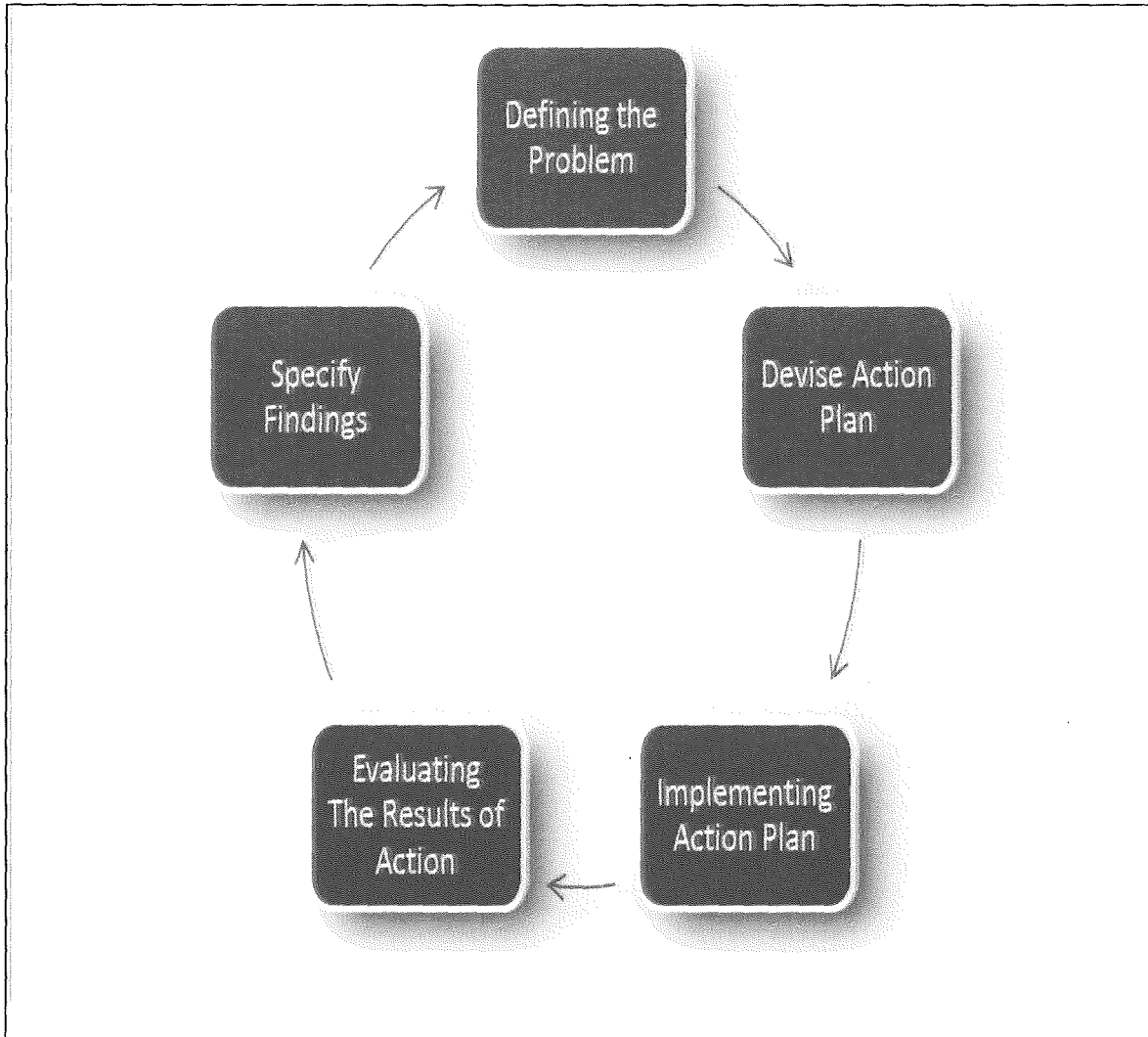
When formulating public procurement policies, vendors' key aspects are often not considered. Vendors are the key strategic stakeholder of any buying organisation. These are the same vendors who supply electoral materials to ensure uninterrupted voting process. An empirical study was conducted and data collected from respondents of the study (i.e. vendors) in order to determine factors that influence the vendors' poor responses when requested to submit quotations.

3.2 Action Research Model

According to Carr (2006: 425), action research method is a spiral of steps, each of which is composed of a circle of: planning, action and fact finding about the result of

the action. Figure 3.1 below indicates the action research model detailing all the process followed when actually conducting an action research.

Figure 3.1: Action Research Model



Sources: Adapted from O'Brien, R. (2001): Action Research Model

The model starts from defining the problem, devising the action plan, then implementing action plan thereafter evaluating the results of action and lastly specify the findings.

The eight principles of action research as explained by Somekh (2006: 6-8) emphasised the concepts of integration of research and action as well as collaborative partnership between participants and the researcher in the development of knowledge with a vision of transformation. Implementation of the

findings to improve the current problem or challenge is the significant step of the action research, it was also itemized in figure 3.1 (Action Research Model).

3.3 Sample Population

Sampling is a process of selecting a group of subjects for a study in such a way that the individuals represent the larger group which they were selected (Yount: 2004:1). According to Barreiro and Albandoz (2001: 3), population sampling has the advantages of convenience and less costly as interviews or questionnaires would be administered to few chosen sample rather than the whole population.

In this study the target population is all vendors registered on Electoral Commission North West procurement database. For the purpose of this study 23 active vendors registered have selected to represent the target population, therefore the population of this study comprised a sample of 23 active vendors available on the IEC North West database. North West Province consists of four regions namely: Bojanala, Ngaka Modiri Molema, Dr. Kenneth Kaunda and Dr. Ruth Segomotsi Mompoti regions. These vendors have been selected from all four regions to ensure that the sample represent North West province as a whole.

In selecting these participants, the researcher employed convenience and stratified sampling. Convenience sampling involves choosing participants at the convenience of the researcher while the stratified random sampling involves categorizing the members of the population into mutually exclusive and collectively exhaustive groups and then an independent simple random sample is drawn from each group (Fairfax County, 2012).

The researcher on this study I first chose vendors that were convenient to him and thereafter had subdivided the participants into four regions namely: Ngaka Modiri Molema, Bojanala, Dr Kenneth Kaunda and Dr Ruth Segomotsi Mompoti regions

The sample of 23 was selected taking into consideration the accuracy of data, convenience of the research and cost of data collection. Stratified sampling was used in selecting the 23 population sample. Stratified sampling is a sampling within particular sections of the target groups based on the percentage of the total group

that share the same characteristics. Table 3.1 below indicate the breakdown of the target population according to the regions:

Table 3.1 Population sample breakdown

Region	Number
Bojanala	5
Ngaka Modiri Molema	8
Dr Kenneth Kaunda	6
Dr Ruth Segomotsi Mompati	4
Grand Total	23

3.4 The Design of Questionnaire

Questionnaires are designed to directly collect information from participants, that is people or organisations with the objectives of maximizing the response rate and to obtain accurate relevant information (Leung, 2001: 187).The questionnaire for this study was designed in such a way that variables contained thereof gather responses or data meant to answer all research questions. Section 1 contains biographic information and section 2 comprises procurement essentials.

Johns (2010:1) indicated that Likert scales as the simplest way of gauging specific opinions and he also pointed out that it had been used for decades in questionnaires of all kinds, that is, market research, opinion polling, major government surveys and academic studies. The participants responses to the study could either be strongly agree, agree, disagree, strongly disagree or don't know. The advantages of closed format questions are:

- Easy and quick to fill in.
- Minimise discrimination against less literate.
- Easy to code, record, analyse and results.

The questionnaire used in this study consists of 9 topics related to public procurement system, namely:

1. Bid documentations.
2. Convenience of the procurement system.
3. Cost of submitting quotation.
4. Legislation.
5. Fairness and Integrity.
6. Communication.
7. Transparency.
8. Bid evaluation methods.
9. Awareness of IEC procurement process.

3.5 Data Collection

Questionnaires were distributed to active 23 vendors registered on IEC North West province procurement database. All vendors were asked the same questions as contained in the questionnaire. Respondents were asked to remain anonymous and were promised that the information provided by respondents would be treated with high level of confidentiality. Total of 23 questionnaires were sent to 23 vendors and all 23 questionnaires were returned and analysed.

3.6 Data Analysis

Data collected was analysed statistically using SSPS Version 21(2013) statistics software; findings were presented in figures with tables and pie charts indicating the responses percentage. Each theme had a figure containing relevant table and pie chart. The combination of a table and pie chart was chosen in order to elaborate the analysis in a more detailed and explicable form. Results were analysed on based on value frequency, percentage as well as a pie chart indicating clearly the extent to which each pie slice belong.

3.7 Reliability and Validity

Reliability is defined as the extent to which a questionnaire or any measurement procedure produces the same results on repeated trials. If a method of collecting evidence is reliable, it means that anybody else using this method, or the same person using it at another time, would come up with the same results (Mcneill & Chapman, 2005: 9). The questionnaire for this research study would be reliable if it could produce similar results should it be tried all over again.

Sullivan and Niemi (1979:17) defined validity as the extent to which any measuring instrument measures what it is intended to measure. The questionnaire could be deemed valid for this study as it had covered mostly public procurement topics including five principles of public procurement which are: *Value for Money, Open and Effective Competition, Ethics and Fair Dealing, Accountability and Reporting and Equity*

The questionnaires were analysed using SSPS Version 21 (2013) and found to be reliable with a Cronbach's alpha of 0.72; a Cronbach's above 0.70 is regarded reliable. The internal consistence was also found to be above 0.70 in all subscale.

Table 3.2: Reliability Statistics

Cronbach's Alpha ^a	No. of Items
0.72	23

3.8 Conclusion

This chapter detailed the methodology applied in the process of conducting empirical research for establishing the reasons why vendors respond poorly when invited to participate in the tendering process. An appropriate Likert type questionnaire was designed and distributed to all respondents. A sample of 23 participants was chosen amongst active vendors on IEC North west database.

The next chapter deals with the results analysis.

CHAPTER 4: RESULTS ANALYSIS

4.1 Introduction

In this chapter the study results are analysed and discussed in an attempt to explore the causes of vendors' poor responses with regard to public procurement.

Questionnaires were distributed to 23 vendors registered on IEC North West database. Total of 23 questionnaires were sent to 23 vendors and all 23 questionnaires were returned and analysed. Data collected was analysed statistically using SPSS Version 21(2013) statistics software; findings were presented in figures with tables and pie charts indicating the responses percentage.

4.2 The Analysis of Results and Findings

Table 4.1 Response Rate per Region

Region	Questionnaire Distributed	Questionnaire Returned	Response Rate (%)
Bojanala	5	5	21.74
Ngaka Modiri Molema	8	8	34.78
Dr Kenneth Kaunda	6	6	26.09
Dr Ruth Segomotsi Mompati	4	4	17.39
Grand Total	23	23	100%

A total of 23 questionnaires were distributed to the respondents in four regions across North West province. 21.74% of questionnaires were distributed to Bojanala region, 34.78% to Ngaka Modiri Molema region and 26.09% to Dr Kenneth Kaunda region, finally 17.39% to Dr Ruth Segomotsi Mompati region.

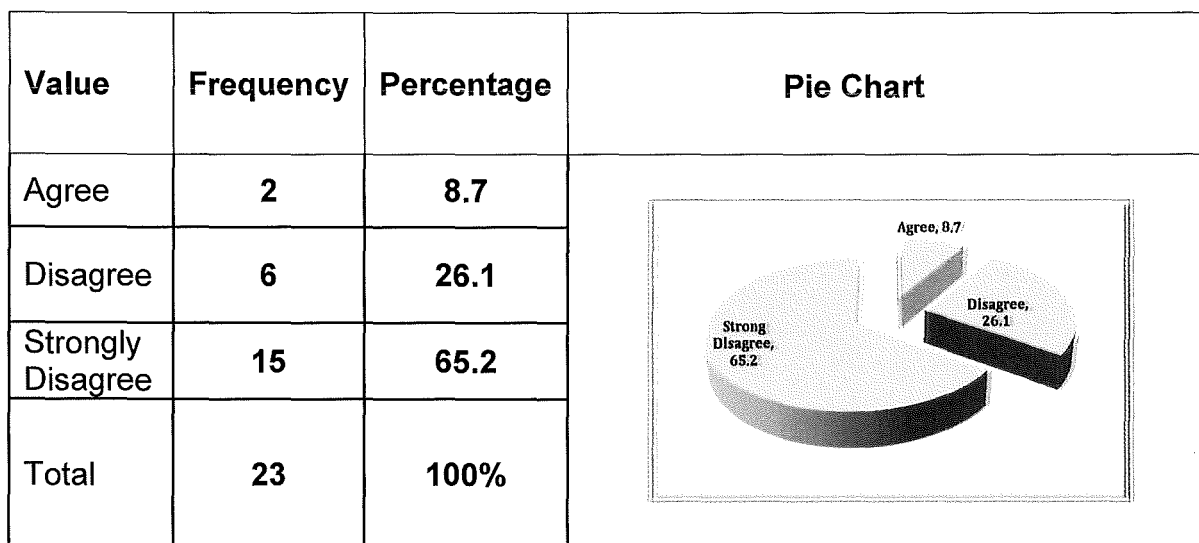
4.2.1 Standard Bid Documents (Red Tape)

4.2.1.1 Submission of RFQ documentations

This question was posed in order to investigate if vendors find it convenient to submit the standard RFQ documentations. RFQ documentations include RFQ template 1, 2 and 3 which consist of 16 pages.

These templates include tender specifications, and declaration of interest by the bidder, declaration of suppliers past supply chain practice as well as certificate of independent bid determination. These documentations we explained in detail in Chapter 2.

Figure 4.1: Submission of RFQ Template 1, 2 & 3 documentations required during tendering process (RED TAPE)



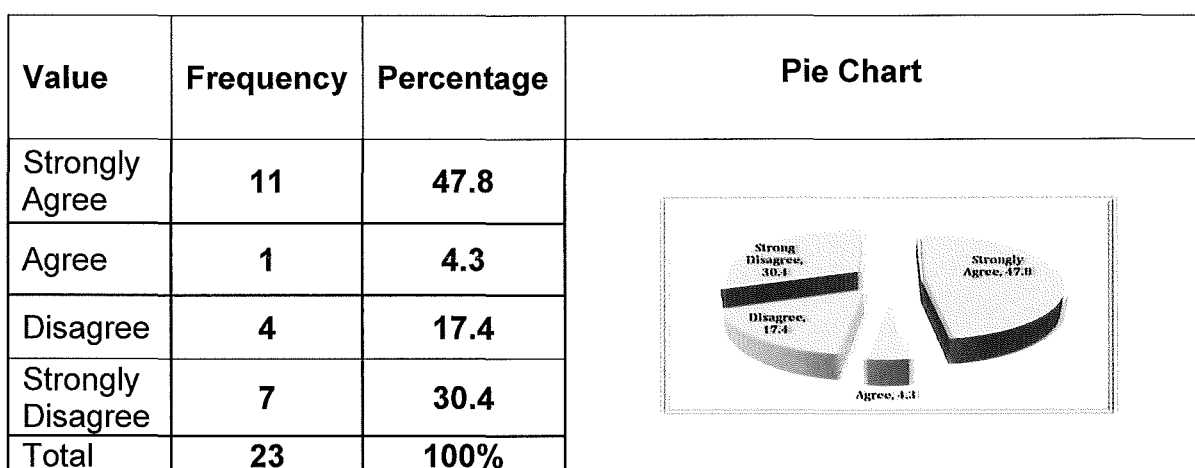
In this survey responses showed that the majority of respondents (91.3%) disagreed that the submission of RFQ documentations is convenient to them. These are documents containing instruction pertaining specifications, instructions, procedures and personal as well as business details. Therefore this implies that there is the relationship between red tape and vendors' poor response when invited to participate in the tendering process. Therefore this red tape in the form of much documentation may inhibit vendors to participate in the public tender process. Keating (2012) stressed that public or government institutions have repelled

prospective vendors due to more paperwork and procedures. The findings here concur with authors view as he blamed red tape in public procurement.

4.2.1.2 Submission of Original Tax Clearance Certificate

Original tax clearance certificate is one of the documents that must be submitted when bidding for a tender. Therefore the purpose of this question was to investigate if vendors find it convenient to submit the original tax clearance certificate. IEC as an organ of state do business with tax compliant vendors.

Figure 4.2: Submission of Original Tax Clearance certificate required during tendering process

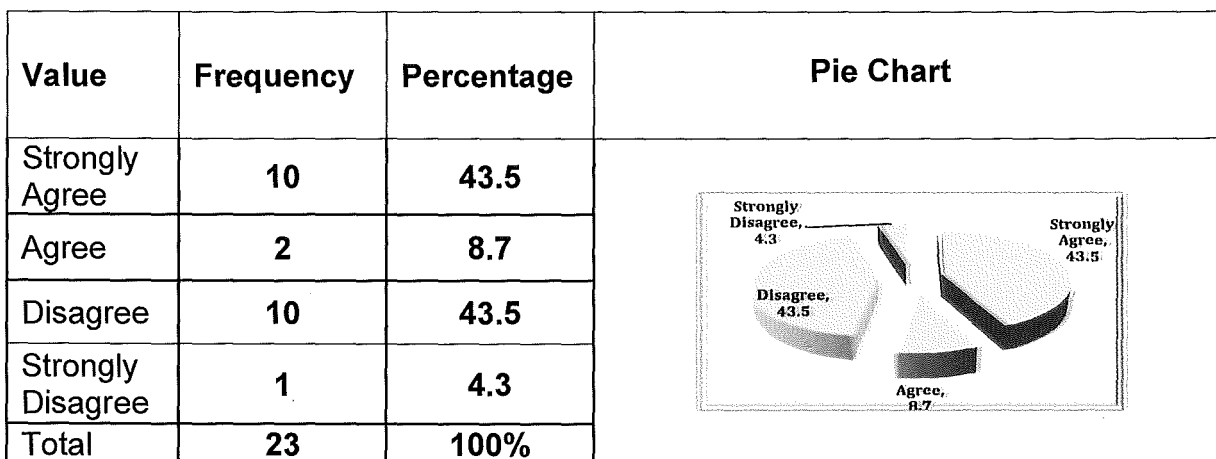


The results depicted on figure 4.2 above reveal that 47.8% strongly agree and 4.3% agree that it is convenient for them to submit original tax clearance certificate when requested to do so. On the other hand 47.9% disagreed. This signifies that at least half of the respondents find it convenient therefore they are not discouraged to participate due to the submission of tax clearance certificate. Furthermore, the disagreements by 47.9% of participants maybe those perhaps who don't have tax clearance certificate or are not tax compliant. Therefore these findings concur with Buckshon (2007:12-13) where it is stressed that red tape could be minimized and save bidders time by introducing two-stage bidding process whereby the first stage concentrates on pricing and the second stage being invitation of lowest price bidders to complete the required documentations. Therefore only those passed stage two could submit the required documentations.

4.2.1.3 Submission of B-BBEE Certificate

The purpose of this question was to identify if vendors find it convenient to submit the original B-BBEE certificate. This document is normally submitted only by those vendors who wish to claim preference points.

Figure 4.3: Submission of B-BBEE Certificate required during tendering process



The responses showed that 52.2% agreed that they find it convenient to submit B-BBEE certificate while 47.8% disagreed. The 52.2 % of respondents could perhaps be those who qualify for preference points and willing to claim them. This purports that at least half of the respondents are not discouraged to participate due to the B-BBEE certificate. This finding supports Nieman' s viewpoint (2008:42) where he argued that Broad - Black Economic Empowerment Act, 2000 could discourage vendors to participate in the public procurement process because in order for the vendor to have adequate points they have to comply with prescription of contributing certain percentage of their profit towards skills development, enterprise development and socio-economic development.

4.2.1.4 Submission of Company registration documents

This question was asked in order to ascertain if vendors find it convenient to submit their company registration documents. These documents are normally identification of the business, which is CK1 in case of close corporation and Memorandum of Incorporation (MOI) in case of companies.

Figure 4.4: Submission of Company registration documents

Value	Frequency	Percentage	Pie Chart
Strongly Agree	5	21.7	
Agree	18	78.3	
Total	23	100	

It is interesting that 100% agreed that it is convenient for them to submit their companies' registration documents. This implies that the respondents don't have any problems when it comes to submit the registration documents of their companies.

4.2.2 Cost of tendering

4.2.2.1 Cost of tendering

The cost of tendering and arranging all the requirements plus travelling cost vendors incur to and fro IEC office, the cost of obtaining B-BBEE certificate from registered accountant and other costs in terms telephone, printing, etc. Therefore the aim of this question was to determine the extent to which the total cost of compiling all the necessary requirements could discourage vendors from participating in tender process.

Figure 4.5: Cost incurred while participating in the tendering process

Value	Frequency	Percentage	Pie Chart
Strongly Agree	14	60.9	
Agree	6	26.1	
Disagree	3	13	
Total	23	100	

The findings revealed that 87% agreed that the cost of tendering discourage them to cooperate in the tender process. This signifies that the costs involved have a huge

impact on the side of the vendors. However the Public Procurement Guidelines (SA, 1999: 5) indicate that the costs of bidding for public tendering opportunities should not deter competent suppliers.

4.2.3 Convenience of procurement system

4.2.3.1 Convenience of procurement system

The aim of this question was to determine the extent to which time taken arrange logistically all the necessary documentations could discourage vendors from participating in tender process.

Figure 4.6: Total time spent while arranging all the necessary requirements in the tendering process

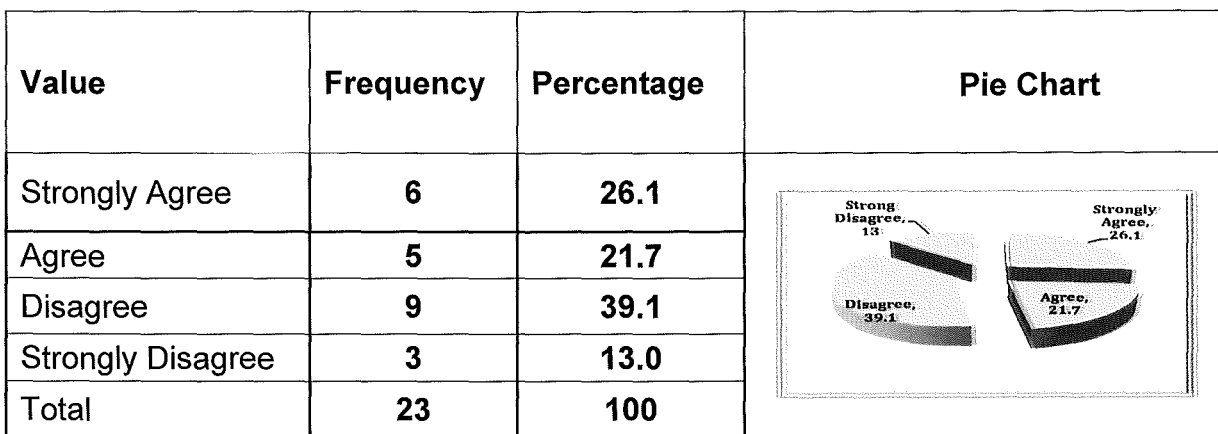


Figure 4.6 shows that 52.1% disagreed that the total time taken to bid discourages them to respond to the request to submit quotes while 47.8% agreed. Therefore more than half of the vendors are not discouraged by the total time taken in the tendering process. These results are in line with Nieman (2008:3-6) who indicated that convenience could be resolved by entering into periodical contract with preferred vendors. Furthermore Buckshon (2007) stressed that two-stage bidding process could also save lot of time thereby easing the tendering process.

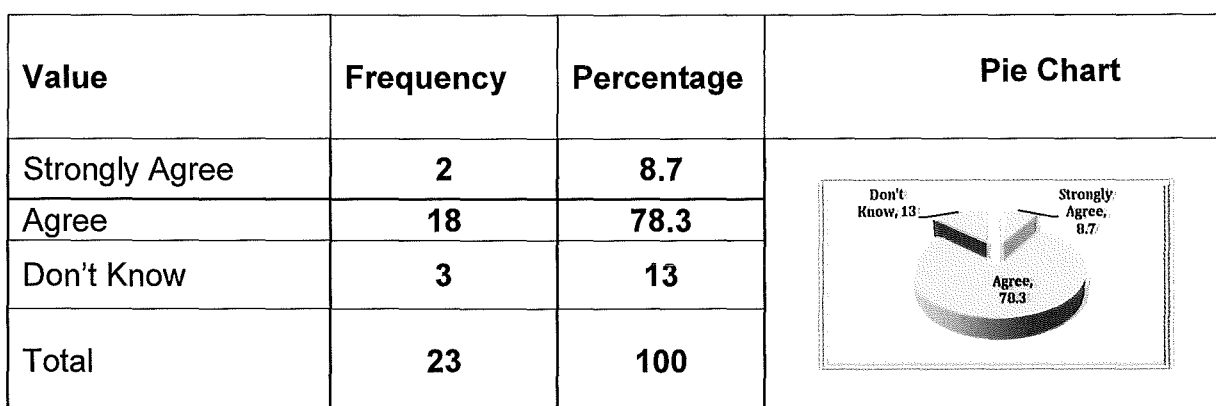
4.2.4 Bid Evaluation Methods

4.2.4.1 Significance of compliance with tender specification/functionality

RFQ include specification detailing the product and/or service description as well as the quality and quantity required. This question was posed in order to determine if vendors understand the significance of complying with all specification mentioned in the RFQ, and also to identify if they know the effect of non-compliance during evaluation stage. Prior to applying the evaluation criteria applicable in respect of the scoring resultant from the 80/20 preference point system the request for quotation are assessed/evaluated for compliance with technical specifications/functionality.

Tenders that do not meet specifications are not considered during the evaluation stage.

Figure 4.7: Significance compliance with tender specification/functionality



The majority of respondents (87%) agreed that they are aware of the significance of compliance with tender specification/functionality. This simply means that the majority of vendors know the significance of complying with the tender specification. Knipe et al (2002:298) indicated that only those bids whose specifications are in order would be considered. However the worrying statistics is that 13% of the respondents do not know the significance of compliance with tender specification/functionality. Product or service specification is very critical in a buying organisation because it comprises the level of quality required.

4.2.4.2 Significance of compliance with Tender standard conditions in evaluation stage

The purpose of this question was to determine if vendors understand the significance of complying with all Tender standard conditions mentioned in the RFQ, and also to

identify if they know the effect of non-compliance during evaluation phase. Tender standard conditions stipulate all factors that could lead to the bids disqualification.

Figure 4.8: Significance of compliance with Tender standard conditions in evaluation stage

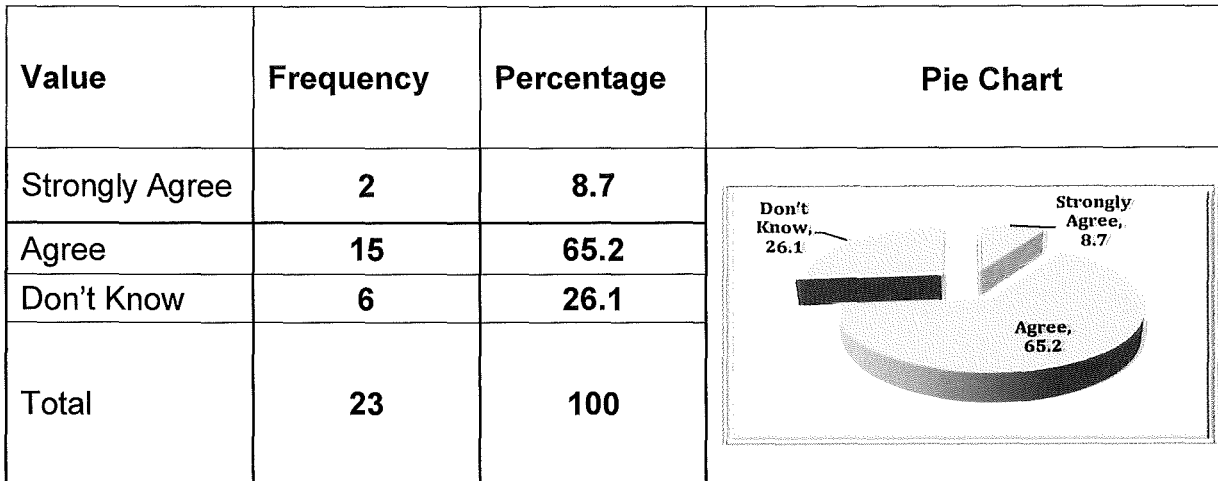


Figure 4.8 shows that 8.7% agreed and 65.2% agreed that they are aware of the significance of compliance tender standard conditions in evaluation stage. 26% of participants don't know the importance of tender standard conditions compliance. Compliance to tender standard conditions is very imperative as buying organisation assess potential as per tender standard conditions. The statistics of 26% of participants who indicated that they don't know is quite shocking because Leenders et al (2006:263-264); Hugo & Badenhorst(2011:76-81) and Handfield et al(2011:218-220) re-emphasized that supplier capability is very important during the evaluation stage.

4.2.4.3 Familiarity with preference point system 80/20 and 90/10 scoring

Public institutions use 80/20 and 90/10 scoring system to adjudicate or evaluate bids. The objective of this question was to determine whether vendors are familiar with the preference point system (80/20 and 90/10). This preference system is applied in terms of the Preferential Procurement Policy Framework Act (PPPFA) and Regulations during the adjudication process of the RFQ. There is a specific formula used to allocate these preference points will be allocated in accordance with the formula.

Figure 4.9: Familiarity with preference point system 80/20 and 90/10 scoring

Value	Frequency	Percentage	Pie Chart
Strongly Agree	1	4.3	
Agree	2	8.7	
Disagree	1	4.3	
Strongly Disagree	19	82.6	
Total	23	100	

Figure 4.9 indicates that the majority of respondents are not familiar with preference point system 80/20 and 90/10 scoring (86 %). This is unfortunate because it implies that vendors don't know on what criteria their bids would be evaluated after submission. When vendors are not aware of the criterion in which they assessed on, the likelihood would be a slow or less improvement in the quality of their bids. It is unfortunate that DTI(2014) prescribed the use of 80/20 and 90/10 scoring systems while 86% of vendors indicated that are not familiar with it.

4.2.4.4 Tender closing dates

All tenders have issuing and closing dates and late bids are not accepted. The aim of this question was to establish if vendors know the importance of submitting bid documents before closing date.

Figure 4.10: Understanding the significance of tender closing date

Value	Frequency	Percentage	Pie Chart
Strongly Agree	14	60.9	
Agree	1	4.3	
Disagree	8	34.8	
Total	23	100	

In this survey, responses showed that the majority of respondents 60.9% strongly agreed and 4.3% agreed that they know that is imperative to comply with tender closing date. Knipe et al (2002:298) specified that tender boxes must be closed immediately after closing of the tender, meaning that late bid get disqualified automatically. Therefore but the statistics of 34.8% respondents who disagreed that they are familiar with the significance of being compliant with tender closing date as late bids are not accepted is quite agonizing.

4.2.5 Awareness of IEC Procurement Steps

4.2.5.1 Need for Workshop and/or training amongst vendors

Public procurement is governed by various legislations and policies that are at times amended. This question was included to determine whether there is a training gap among vendors in terms of public procurement procedures. Vendors should be familiar with the procedures to be following in tendering process in order to increase their chances of success.

Figure 4.11: Measuring the need for public procurement training for vendors

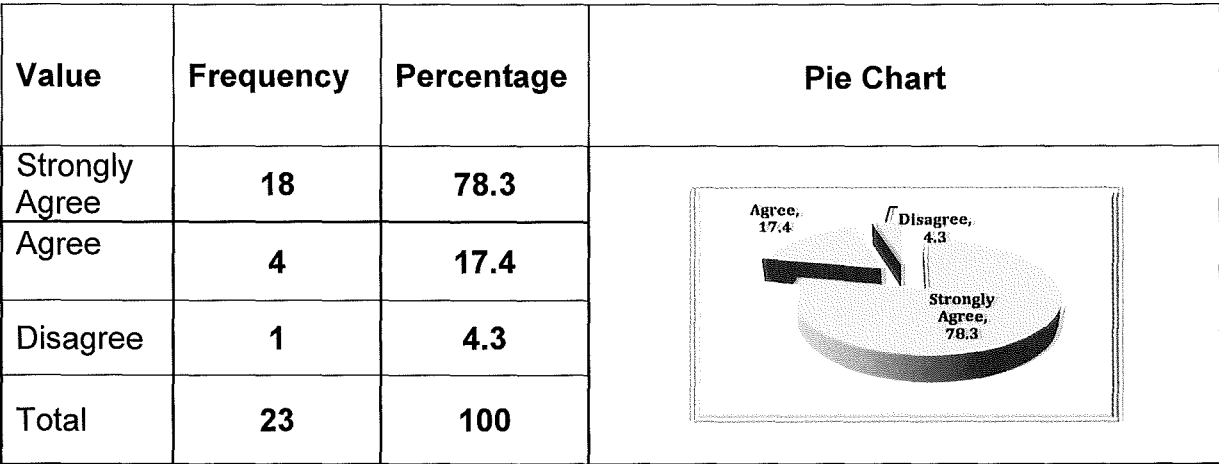


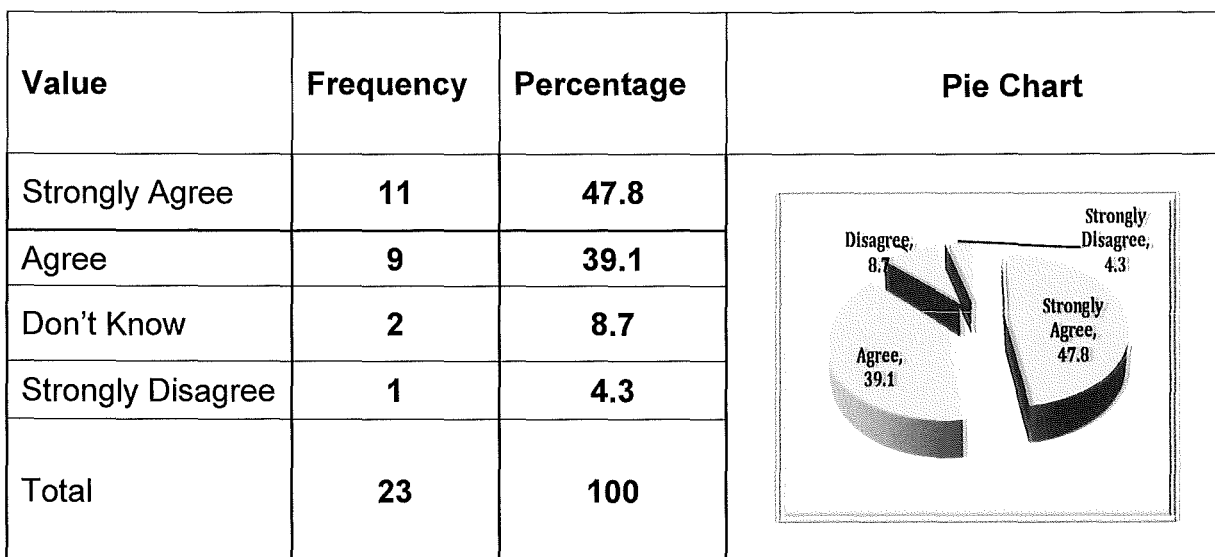
Figure 4.11 illustrates that 78.3 % and 17.4% strongly agreed and agreed respectively that they need intensive training on public procurement procedures. This insinuates that there’s relationship between vendors’ poor responses and knowledge of government procurement procedures and vendors might have been discouraged to participate in tender process due to lack of procurement knowledge. These

findings concur with studies by Metz-Wiseman(2007) and CMA Consulting Services (2010:13-15) who specified that vendor training is the basic foundation of perfect buyer/vendor relationship in that vendors would be knowledgeable and make informed decision during tender process.

4.2.5.2 Need for procurement manuals to refer to when bidding for a tender

The purpose of this question was to identify whether vendors need procurement manuals to refer to when bidding for a tender.

Figure 4.12: The need for procurement manual for reference during tendering process



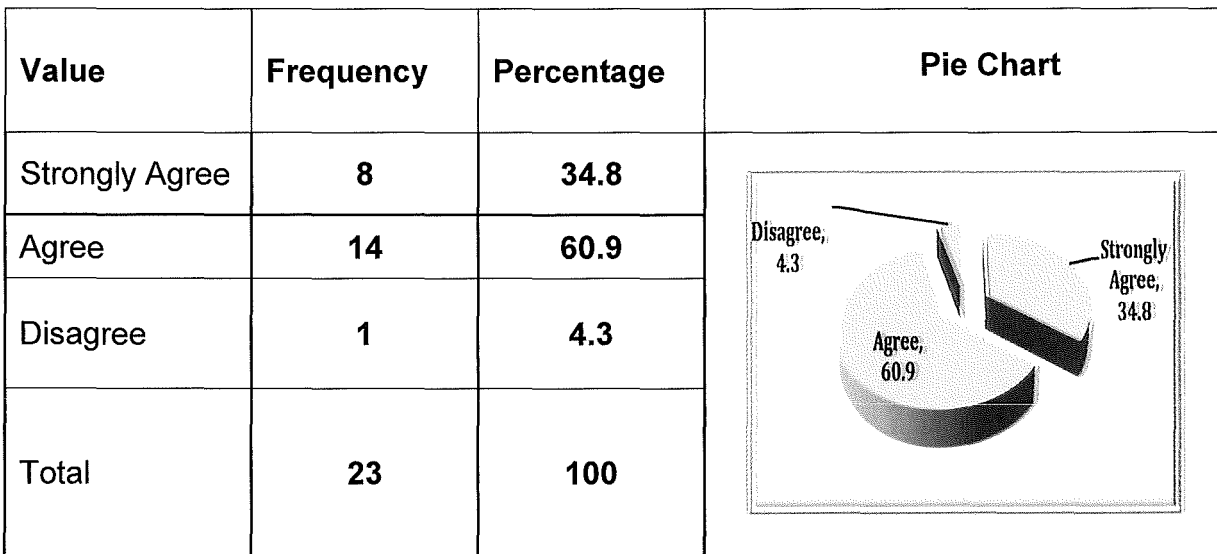
The majority of respondents agreed that they need training manuals to refer and serve as a guide when participating in the procurement process (86.9%). These responses concur positively with the previous response in Figure 4.12 with regard to the significance of vendor training. These results concurs with the fact that studies Nieman (2008:18); De Villiers (2008: 21); Monczka *et al* (2005: 36-55) & Handfield *et al*(2010:43) mentioned all steps in of procurement process from needs determination to closing the order, however both of them excluded vendor training and orientation as the most important step.

4.2.6 Legislation

4.2.6.1 Familiarity with the Constitution

Public procurement is governed by the constitution, The SA Constitution (1996) covers procurement guidelines and in section 217(1), it states that when an organ of state in the national, provincial or local sphere of government, or any other institution identified in the national legislation, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. The purpose of this question was to identify whether vendors are familiar with the Constitution.

Figure 4.13: Familiarity with the Constitution

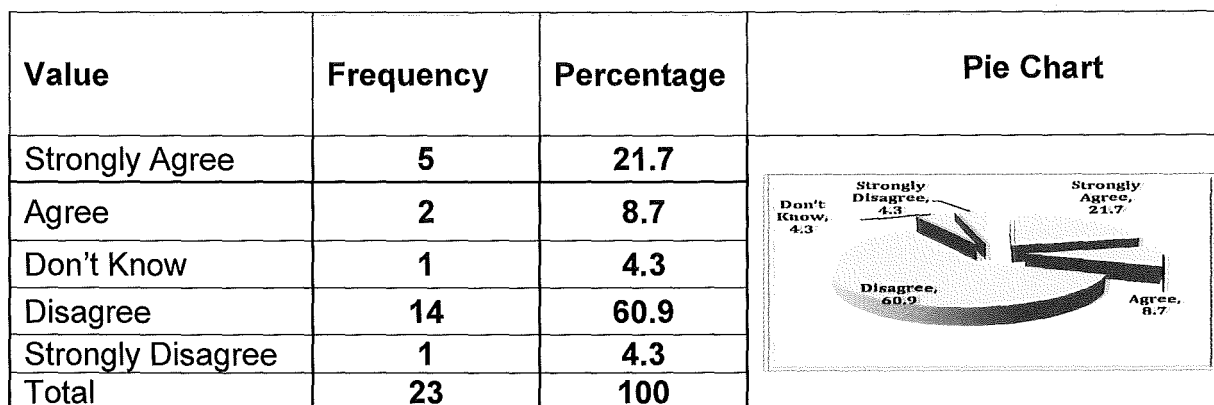


The Constitution of South Africa is the supreme law of the country and supersedes all other laws. It was expected that the majority of participants (95.7%) would agree that they are familiar with it. Furthermore, 4.3% disagreed that they know the Constitution. It is essential for vendors to familiarise themselves with Constitution for the reason that section 217(3) of the Constitution by providing framework for the implementation of the procurement policy.

4.2.6.2 Familiarity with Preferential Procurement Policy Framework Act

Public procurement are obliged to comply with Preferential Procurement Policy Framework Act (Act 5 of 2000) which was promulgated to give effect to Section 217(3) of the Constitution by providing framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution. This question was posed to determine whether vendors know this important piece of legislation.

Figure 4.14: Familiarity Preferential Procurement Policy Framework Act (PPPFA)

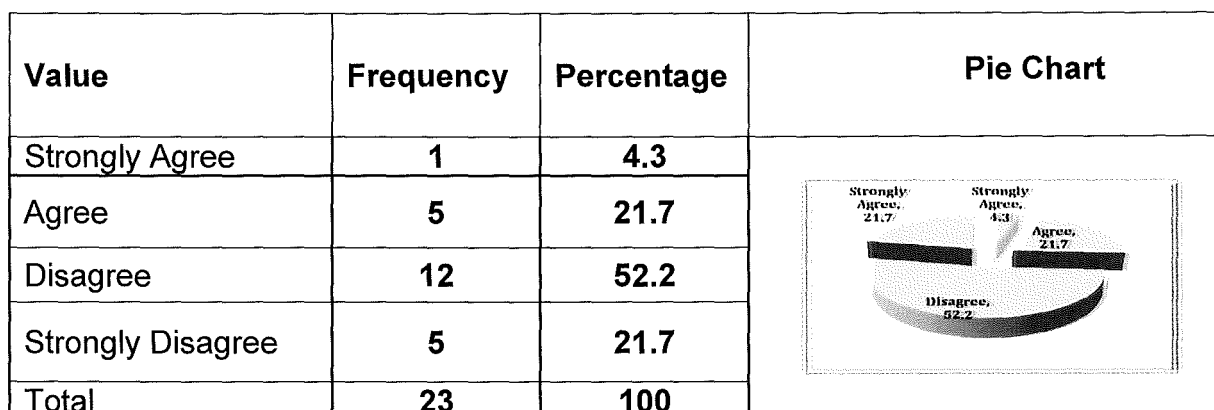


Only 30 % of the participants agreed that they are familiar with the PPPFA while 65.2% disagreed. Furthermore 4.3% don't know what Preferential Procurement Policy Framework Act is. This Act regulates public tendering. Therefore, it is crucial for vendors to know it. This implies that vendors purely participate in the tendering process without particular legal knowledge, which is very risky. These findings corroborate the deductions made by Thai (2004:2-3) in that he specified that complying with government procurement legislation is one of the global common public procurement on the side of public institution and vendors as well.

4.2.6.3 Familiarity with Public Finance Management Act

This Act seeks to establish internal controls and task the accounting officers and public officials to use public funds with honesty and fairness and eradicate maladministration in all process including procurement. The purpose of the question was to identify whether vendors are familiar with this Act.

Figure 4.15: Familiarity with Public Finance Management Act

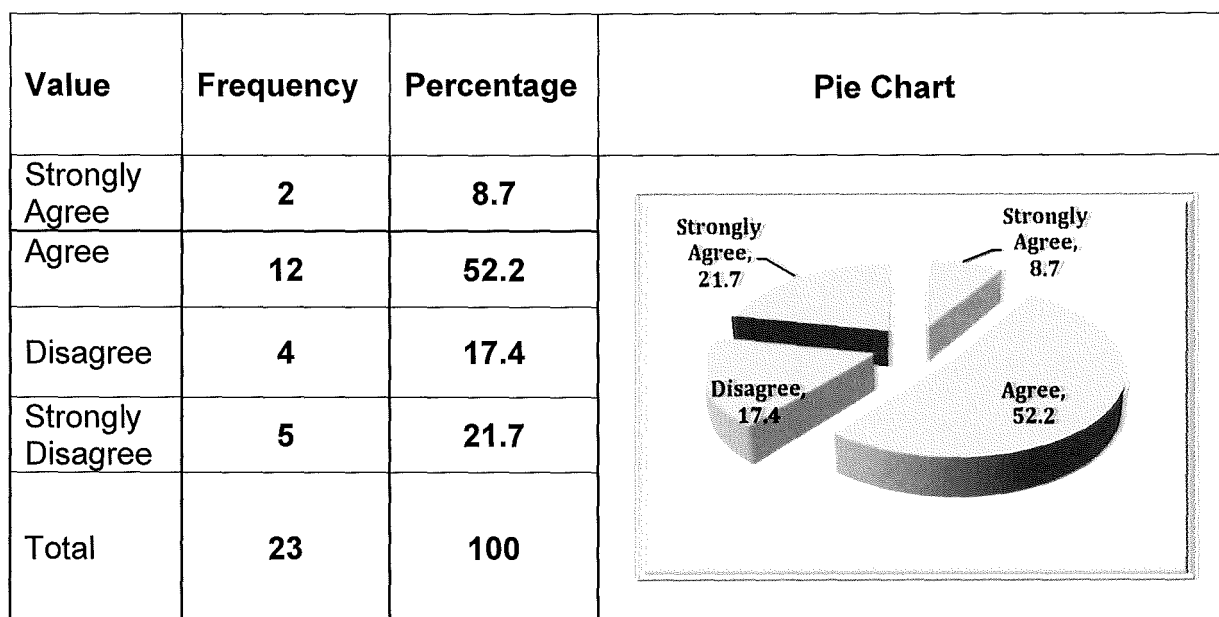


The findings reveal that 26 % of the participants are familiar with the PFMA while 73.9% are not. Most of the procedures and steps in public procurement have been aligned to this Act in order to eliminate fraud, money laundering and racketeering. With the knowledge of this piece of legislation vendors could empower themselves in terms of knowing that PFMA basically seeks to eradicate corruption, maladministration and unethical practices when procuring goods and services for public institutions (Moeti, et al, 2007:50-51)

4.2.6.4 Familiarity with Broad-Based Black Economic Empowerment Act (B-BBEEA)

This question was included to gauge the familiarity with BBEE Act amongst vendors.

Figure 4.16: Familiarity with Broad-Based Black Economic Empowerment Act



The survey showed that 60.9 % of the participants are familiar with B-BBEE Act while 39.1% are not. It is unfortunate situation to have 39.1% respondents who indicated that they are not familiar with B-BBEE Act, therefore this infers that some qualifying vendors might be unknowingly forfeiting their preference points. This gesture supports what Badenhorst-Weiss and Ambe (2008: 249-250) have

construed in that they identified lack of proper knowledge amongst procurement practitioners as one of the public procurement challenges faced by South Africa. This in turn mean that vendors out there would indeed not understand these legislations if the custodians thereof are themselves not familiar with them.

4.2.7 Fairness and Integrity

4.2.7.1 Transparency and equitability in public tendering process

Transparency and equitability are two of the five pillars of public procurement. The objective of this question was to determine if vendors view the procurement process in IEC North West as being transparent and equal.

Figure 4.17: Transparency and equitability in public tendering process

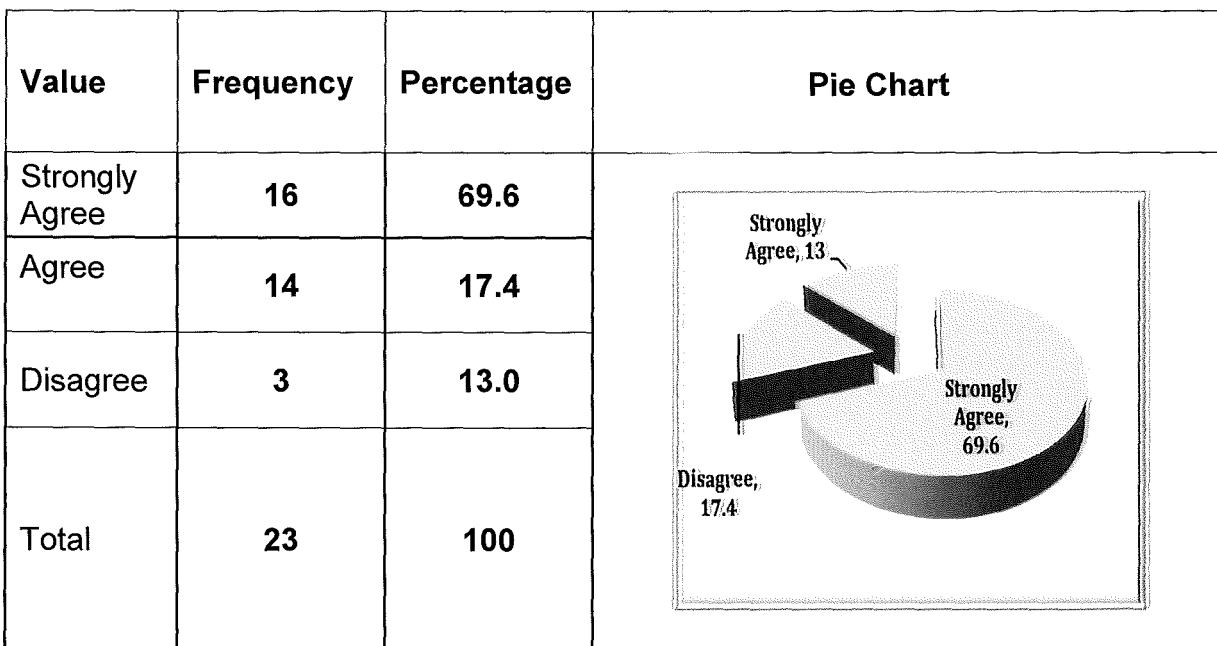


Figure 4.17 shows that 87% percent agreed while 13% disagreed. Transparency is one of the five pillars of public procurement; therefore it is imperative for public institutions to incorporate this aspect in their process. This finding in figure 4.17 indeed confirm that IEC North West is encompassing equity as one of the five pillars stipulated in the General Procurement Guidelines (SA, 1999:8) thereby making its procurement practices transparent.

4.2.7.2 Free, Fair and Competition in public tendering process

This question was posed to measure the extent to which vendors view IEC North West procurement system in terms of freeness, fairness and competitiveness thereof.

Figure 4.18: Free, Fair and Competition in public tendering process

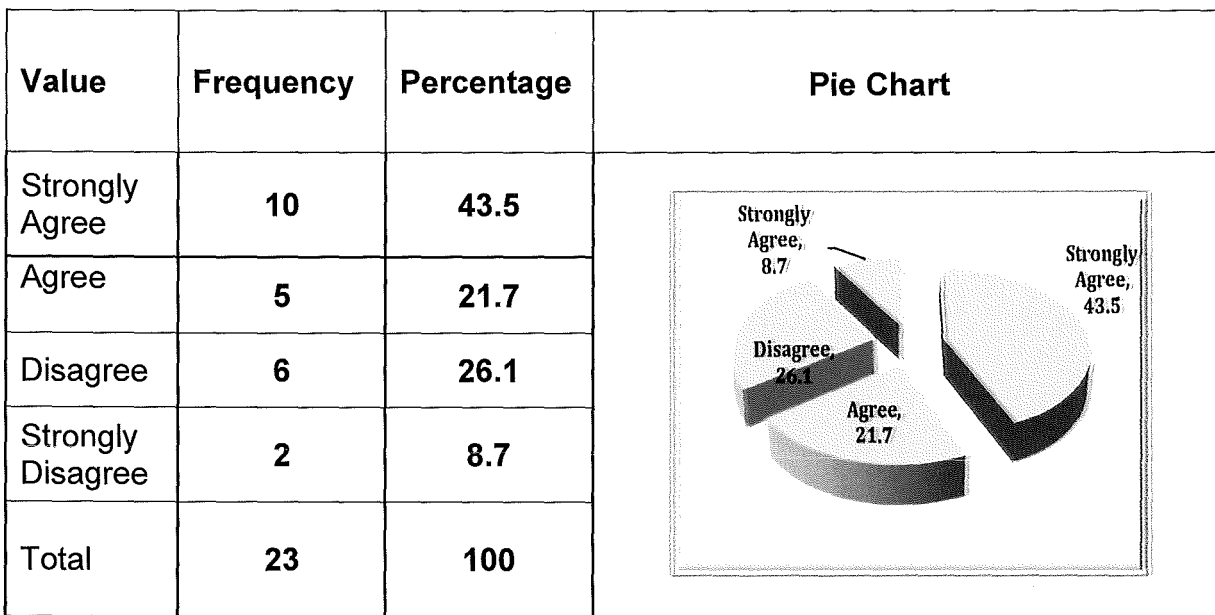


Figure 4.18 shows that 65.2% percent agreed while 34.7% disagreed. This signifies that the majority of vendor view the tendering process in IEC North West as free, fair and competitive. The majority of vendors agreed that IEC North West procurement practices open and competitive as highlighted in the General Procurement Guidelines (SA, 1999:5).

4.2.7.3 The need to establish Government Tender Forum

This question was deliberately included to establish if vendors would be delighted should the government establish a Government Tender Forum where vendors can lodge complains with regard to corruption and maladministration in public procurement.

Figure 4.19: The need to establish Government Tender Forum

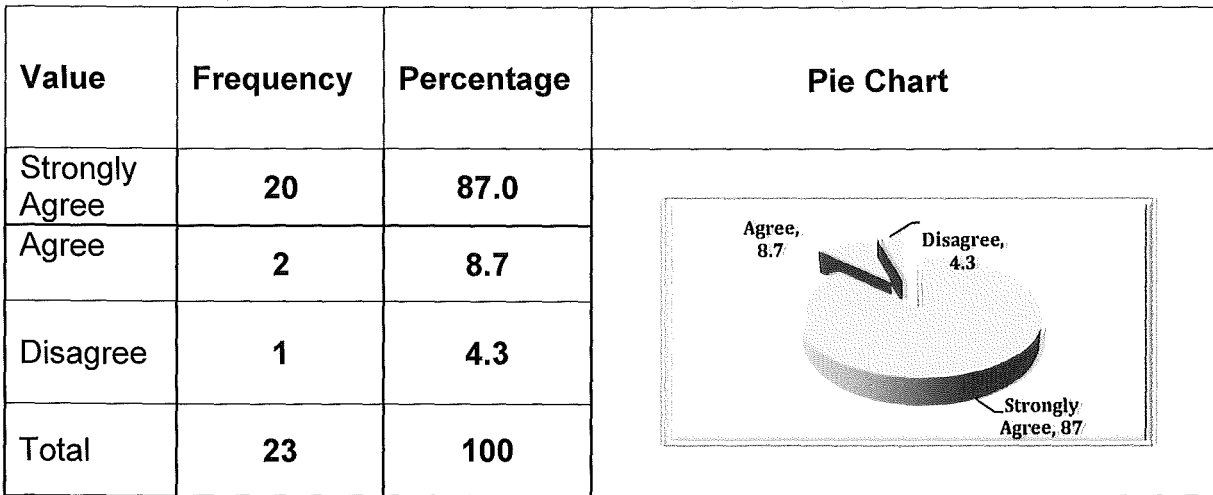


Figure 4.19 shows that 95.7% percent agreed while 4.3% disagreed. It interesting and yet confusing to get 95.7% agreed for the establishment of the forum while they agreed in the majority in the previous two questions agreed that IEC North West tender process is transparent, fair and competitive.

4.2.7.4 Corruption in public tendering process

There is a perception that procurement is an area of corruption and bribery. This question was posed to determine whether vendors are content in a manner that IEC North West conducts its procurement process.

Figure 4.20: Corruption in public tendering process

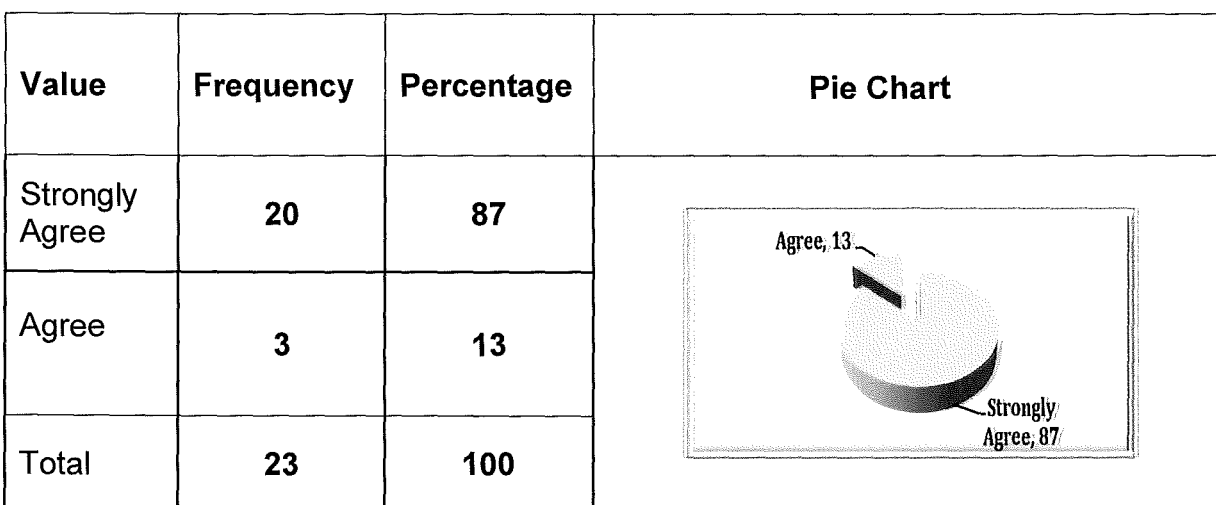


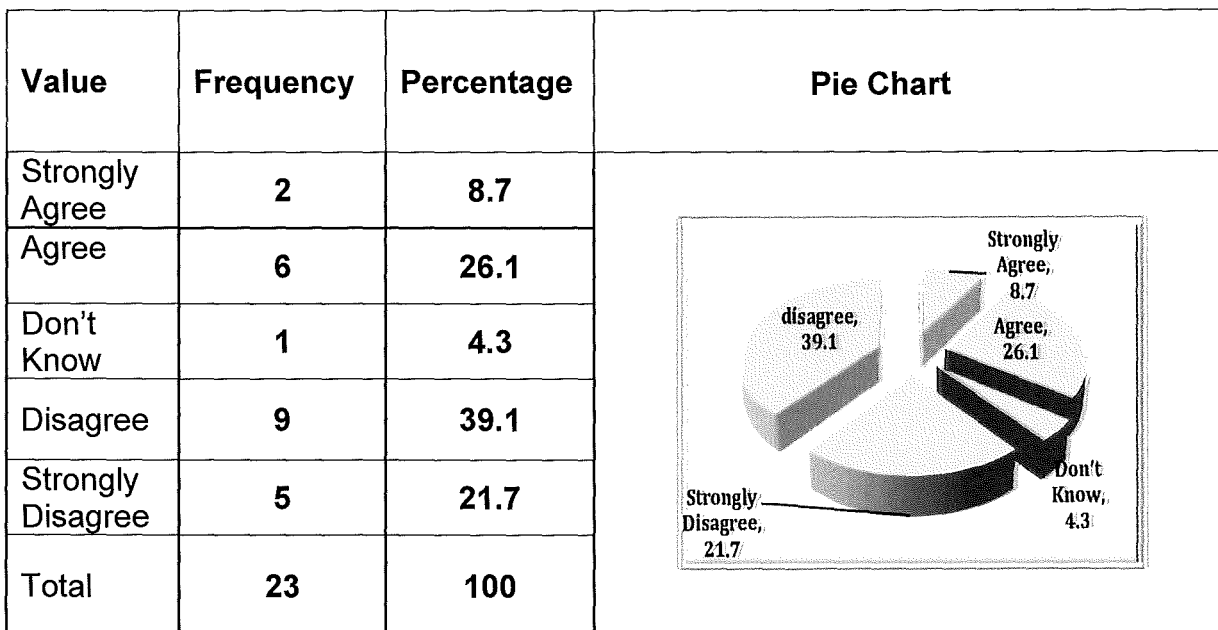
Figure 4.20 reveals that the majority of respondents strongly agrees (87%) and agrees (13%) respectively that IEC North West Province tendering process is corrupt-free. This implies that vendors view IEC procurement system in the North West province as corrupt-free. Therefore the findings is in line with the Procurement Guidelines (SA, 1999: 6) as it states that public tendering process should be free from fraud and corruption. Furthermore Treasury Regulations 16A9.1 states that the accounting officer or accounting authority must avoid abuse of supply chain management system by taking all reasonable steps to prevent such abuse and investigate any allegations against an official or other role player of corruption.

4.2.8 Communication

4.2.8.1 Effectiveness in conveying tender information

Communicating tender information to vendors timeously and in an understandable manner is very important in that vendors would always be well informed. The reason why this question was included in the survey was to measure the effectiveness of IEC North West procurement official in conveying information to vendors.

Figure 4.21: Effectiveness in conveying tender information



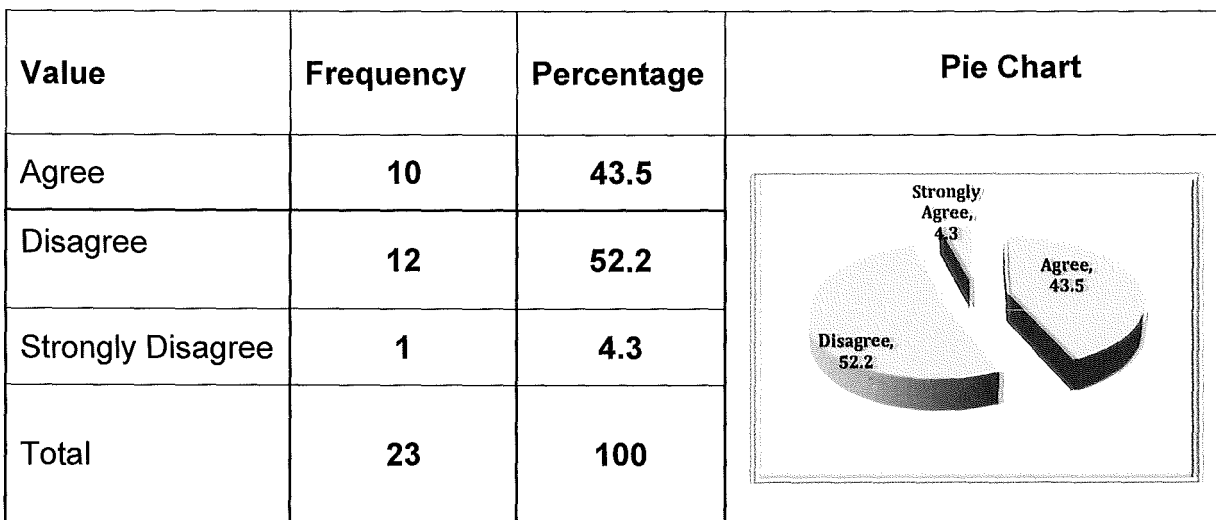
The survey shows that 60.8% of participants disagreed that IEC North West procurement officials convey information in an effective and understandable manner

while 34.8% agreed. If 60.8% percentage indicates that they don't get correspondence, then this is in contrast with Gourdin (2006:78) who highlighted the significance of having important information with vendors at all levels.

4.2.8.2 Tender Outcome notification

After bid adjudication, an outcome is obtained in terms of who was successful and not. This question was aimed at determining if all vendors who participated in the tendering process are informed of the outcome.

Figure 4.22: Tender Outcome notification and Motives for Disqualifications

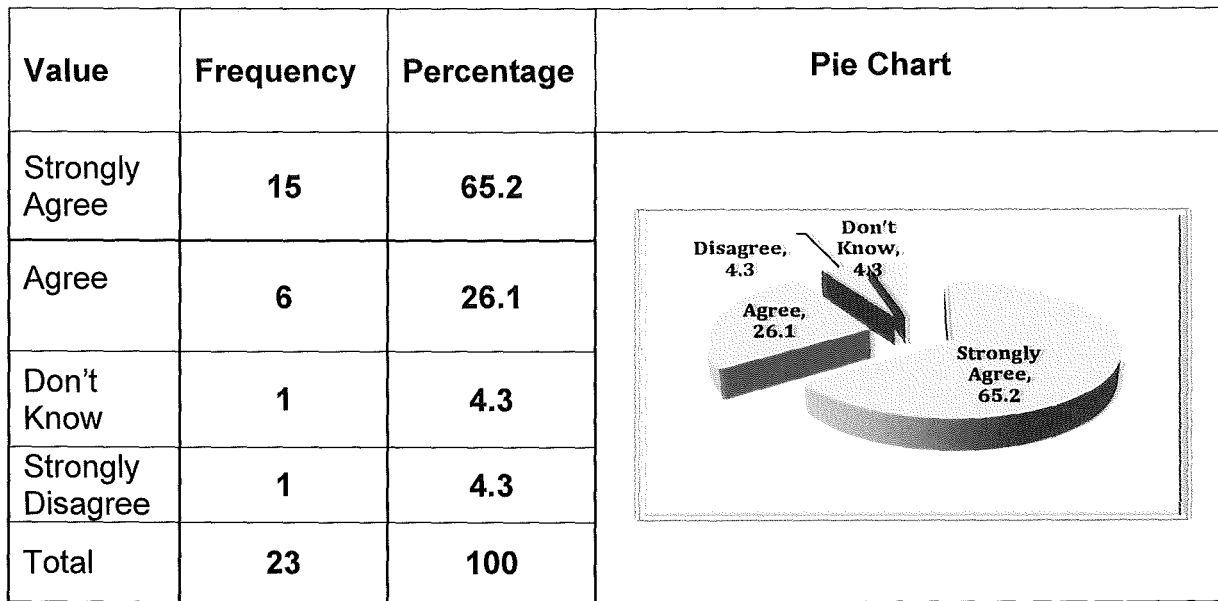


The analysis indicated that 56.5% agreed that they are informed about tender outcome and the reason for disqualification while 43.5% disagreed. This 56.5% statistics could be of the successful bidders because they will always be contacted so that they can fasten the delivery of goods and services, however Knipe, et al (2002:299) states that the reasons for not accepting the lower tender must be supplied in writing to the bidders on request.

4.2.8.3 Alternative Tender Outcome Notification by including date on RFQ

This question is linked to the previous question; the aim was to ascertain if vendors would prefer that RFQ includes a date after which vendors would consider their bids unsuccessful.

Figure 4.23: Alternative Tender Outcome Notification



The survey showed that the majority of participants (91.3%) agree that an RFQ document should have a date after which vendors could deem their bids unsuccessful. This implies that vendors are willing to know about the outcome of the tenders (especially for contact value R500 000 because for R500 000 or more an outcome is advertised on the press). This could be helpful and add as another option for conveying tender outcome to bidders.

4.3 Correlation Statistical Analysis

A positive moderate significant association was evident between Bid documentation (Red Tape) and Cost of tendering($r = 0.684$) and strong positive significance with Convenience of the procurement system($r = 0.916$).

The statistical data implies that red tape leads to high cost in tendering process thereby inconveniencing vendors to participate. Therefore the more red tape is intensified in tendering system the higher the cost incurred by vendors thereby inconveniencing and discouraging them to participate in tendering process. While bid documentations are required to acquire required information regarding vendors, too much of it can lead to high costs.

Again Bid documentations (red tape) had negative moderate significant relationship with knowledge of IEC/government procurement steps($r = -0.523$). Furthermore

Convenience had a strong positive relationship with Cost($r = 0.172$); Bid evaluation methods ($r = 0.538$) and Awareness of IEC/government procurement steps($r = 0.489$).

The findings revealed that red tape is moving in an opposite direction with knowledge of government/IEC procurement steps, implying that when the red tape is complex vendors tend to not familiarize themselves with the procurement procedures. The correlations statistics also signified that the more convenient a tender process is, the more cost effective it would be and vendors would familiarize themselves with bid evaluation methods and IEC/government procurement steps as well. Convenient tender process would attract more vendors thereby increasing a pool of vendors to choose from. Furthermore the convenient tender process would increase the opportunity for vendors to familiarize themselves with all aspects of tendering process.

Table 4.2 Correlations Coefficients

		Correlations Coefficients				
		1	2	3	4	5
2	Pearson Correlation	.684**				
	Sig. (2-tailed)	.000				
3	Pearson Correlation	.916**	.712**			
	Sig. (2-tailed)	.000	.000			
4	Pearson Correlation	-.420*	-.281	-.538**		
	Sig. (2-tailed)	.046	.194	.008		
5	Pearson Correlation	-.523*	-.016	-.489*	.218	
	Sig. (2-tailed)	.011	.942	.018	.318	
6	Pearson Correlation	-.272	-.033	-.241	-.268	.420*
	Sig. (2-tailed)	.209	.881	.268	.216	.046
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

KEY: 1- Bid documentation (Red tape), 2- Cost of Tendering, 3 – Convenience in procurement system, 4 – Bid Evaluation Methods, 5 – Awareness of IEC Procurement Steps, 6 – Legislation,

4.4 Conclusion

This chapter detailed the methodology applied in the process of conducting empirical research for establishing the reasons why vendors respond poorly when invited to

participate in the tendering process. An appropriate Likert type questionnaire was designed and distributed to all respondents. Follow up interviews were undertaken to provide further clarification on the questions posed. The response rate was 100% and data was analysed using SSPS stats software (2013) and findings were presented in figures comprising of tables and pie charts.

From the findings it was revealed that red tape and lack of knowledge in public procurement procedures and associated legislations were amongst the reasons why vendors respond insufficiently when invited to participate in tender process.

This study showed that there's relationship between vendors poor response and knowledge of public tendering procedures as the majority respondents indicated that they were not familiar with PPPFA and that they need intensive training in public procurement procedures/processes.

The next chapter looks at the conclusions and recommendations based on the findings of empirical survey.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter entails the conclusions and recommendations based on the findings revealed in the previous chapter. The conclusion is fundamentally based on the literature review conducted as well as primary data gathered in the form of survey questionnaire. The objective of this study is to investigate the causes of vendors' poor response when invited to bid for a tender. In chapter 2 related literatures was analysed and contextualized in order to find out the public procurement challenges. During Chapter 4 an empirical research was undertaken to gather primary data from the respondents with the aim of addressing the study objectives.

5.2 Conclusions

The conclusions are aligned to the objectives of the study and drawn from the findings revealed in Chapter 4. These conclusions are based on the perceptions of vendors in North West towards IEC procurement system.

5.2.1 The main causes of vendors' poor responses after being invited to bid for a tender

The primary aim of this study was to establish the causes of vendors' poor performance when invited to bid for a tender. All IEC projects require resources to be accomplished with target time, hence the involvement of the procurement process in the acquisition of these resources. Vendors are expected to respond on time so that the acquisition of these items happens swiftly. Without the response of vendors procurement will never take place, and resources would not be delivered. Therefore vendors are an important and yet strategic partners in all IEC projects.

When their responses are poor, then the success of the projects are affected adversely so. The study objective sought to establish the reasons behind poor responses. A questionnaire was formulated to gather data from the vendors themselves to view their perceptions and/or opinions. During the survey

questionnaires were administered to 23 respondents. Results were analysed in Chapter 4, the findings were as follows:

- The majority of respondents indicated that they find it inconvenient to submit all Request For Quotation (RFQ) templates, Original Tax Clearance Certificate as well as BEE Certificate. Therefore bid documentations (red tape) is complicating the tendering process thereby discouraging them to participate when invited to do so. While organisations impose this red tape maybe to tighten their internal control and improve their audit rating, too much of it end up complicating the process. Keating (2012) indicated that red tape in public institutions has repelled prospective vendors due to more paperwork and procedures and Wolpe (2013: 5) also attested to the fact that red tape need and compliance procedures need to be reviewed
- Cost of tendering discourages vendors to respond promptly when invited to bid for a tender. The Procurement Guidelines (SA, 1999:5) encourage effective competition in public tendering process in that bidders should not be deterred to compete due to cost incurred while bidding.
- The overall time taken to organize all the requirements and submit also dissuades vendors from responding when requested to participate in a tender process.
- There is a lack of knowledge and/or training in public procurement system amongst vendors. Knowledge of key aspects of public procurement is very crucial for vendors so that they can bid with confidants. However the findings revealed that vendors need intensive training and manuals of public procurement process. According to CMA Consulting services (2010:13-15), basic vendor training is the foundation of good relationship between vendors and buyers leading to optimum vendors participation in the procurement process.
- Vendors are not familiar with the current Bid Evaluation Methods used by IEC as well as significance of compliance to tender standard condition during

evaluation stage. Therefore vendors are not well conversant with the manner in which their bids are adjudicated.

- The majority of vendors are not familiar with the most important prescribed legislations that govern and regulate public procurement processes. These legislations are Preferential Public Procurement Framework Act, Public Finance Management Act and Broad-Based Black Economic Empowerment Act. Public procurement is governed by a number of legislative prescripts so as to ensure fair, competitive and corrupt-free tendering process. Therefore it is essential for vendors to comprehend these legislations. When vendors understand these prescribed legislations, then they would make informed decisions when bidding for any tender in public institution.
- The majority of respondents agreed to the motion of establishment of Government Tender Forum whereby all unfair tender practices or complaints can be reported.
- The majority of respondents also disagreed that they receive communications from the procurement officials concerning important information. Feedback regarding tender outcome is imperative so that vendor could be aware whether they were successful or not.

5.2.2 Relationship between red tape and other key tendering aspects and impact thereof

The literature reviewed in Chapter 2 revealed that red tape is among the inconveniencing public procurement challenges. According to Malhotra (2012: 44), excessive tedious process for participation sometimes poses severe barriers for vendors to participate in the tendering process.

Red tape is one of the causes of the vendors' poor response and it also has the relationship with other key tendering aspects like cost, convenience in tendering and knowledge of IEC/government procurement. From the statistical analysis in Chapter 4 the following was revealed in terms of relationship between red tape and other key tendering:

- Red tape was found to have positive moderate significant relationship with cost of tendering and strong positive significant relationship with convenience of procurement system. Moreover Bid documentations (red tape) had negative moderate significant relationship with knowledge of IEC/government procurement steps. The more red tape tend to be complex in the tendering process, the higher the costs incurred by vendors during bidding process and the more inconvenient it would be to participate in the procurement process. Therefore red tape has immense influence on the other key tendering aspects making the tender process even more complex to participate in. Again, red tape is inversely related to the knowledge of IEC/government procurement process amongst vendors. When the red tape is more sophisticated, then vendors tend to be less interested to familiarize themselves with government processes or procedures. Conversely when the vendors are not familiar with the government procurement process, then they would not understand these complex procedures associated with red tape.

- On the other hand convenience of the procurement system was found to have strong positive relationship with Cost; Familiarity with Bid evaluation methods and Awareness of IEC/government procurement steps. Convenient procurement system is less costly and attractive to vendors and vice versa. Time is money therefore spending more time in preparation of one bid could jeopardize other business activities that vendors perform on their daily basis. Furthermore a more convenient tendering process gives vendors' opportunity to familiarize themselves with other aspects such as bid evaluation methods and government procurement steps.

5.3 Recommendations

While the survey in Chapter 4 showed that respondents regard the process as *fair* and *having integrity* some improvements need to be effected. On addition to red tape there are many key aspects surrounding public procurement system that vendors are not familiar with. It is against this background that the following propositions were recommended:

- Red tape should be reduced in the public procurement system. The bid documentations should be condensed in a manner that would attract more vendors to participate. Bid documentations (red tape) revealed to have impact on other key tendering aspects therefore it is imperative that if not removed they should be lessened and have fewer pages to be completed. Furthermore some requirements such as compulsory submission of original tax clearance and B-BBEE certificates could be simplified by accepting the certified copies of these certificates. Less red tape in the procurement process will make procurement convenient and inexpensive on the part of vendors.
- Introduction of vendor training workshop. All vendors registered on the IEC North West procurement database should be trained on all public procurement process aspects. The training topics should include all prescribed legislations and their application, Bid evaluation methods, prescribed IEC procurement process and significance of compliance with tender specification and standard conditions. When vendors are capacitated with this significant information they would be interested in participating as they would have more information.
- A vendor relationship management seminar should be conducted every year to familiarize these vendors with laws amendments, procurement policy reviews. Moreover, public procurement manuals containing detailed procedures and steps should be provided to all vendors. It would be in this seminar whereby all parties (i.e. purchasing organisation and vendors) could have platform to table their views and/or observations towards public tendering process.
- Establishment of Government Tender Forum. When this forum is in place it will give confidence toward the procurement system amongst vendors leading to increased participation. When vendors have confidence in the procurement system they are likely to respond positively should they get invitation to participate.

- Correspondence with regard to tender outcome should be conveyed to all vendors who participate in a tendering process. When vendors are invited and then submit their bids they in turn anticipate some sort of correspondence from the initiator of the tender process. Therefore the researcher recommends that correspondence to all vendors who submitted their bids should be done. There are many methods of communications that can be utilizing in the process of communicating with vendors, firstly a date can put included in the RFQ documents after which vendors could deem their bids unsuccessful, secondly a SMS or email could be used to communicate the tender outcome. Lastly a telephone call method can be used to communicate with all vendors who participated in the tender process.

These recommendations if implemented effectively could improve the procurement process and maximize vendors' participation. It is imperative to have an improved procurement process so that adverse effects of inconvenient procurement system could be eliminated. Inconvenient system leads to vendors poor responses which in turn affect all the IEC projects. IEC relies heavily on vendors to provide goods and service in order to successfully execute all their electoral projects.

IEC is being judged on its mandate of delivering free, fair and credible elections, therefore this mandate would only be executed successfully if vendors participate in abundance thereby increasing the pool of supply of goods and services.

When elections are declared free and fair the country would probably have a stable political stance. A democratic country is a country where voters elect the government of their choice through balloting.

International investors normally invest their money in a political stable country where the chances of losing the wealth is minimized. Therefore a country which holds free and fair elections is usually a destination for international investors. A country is experiences economic growth it encounters huge inflow of foreign direct investments.

5.4 Further Research

Delimitation was done on this study due to limited resources and convenience. Hence the research was only limited to active vendors registered on IEC procurement database in North West Province (1 out of 9 SA provinces). To this end the researcher find it necessary that further research be conducted in a broader manner covering all government departments and state owned enterprises country wide and encompassing various tendering methods.

Broader research is needed on the vendors' perceptions towards public procurement system so that improvement in relationship between vendors and public institutions could be enhanced.

5.5 Overall Conclusions

The main aim of this study was to establish the main causes of vendors' poor response when engaging them in a public tendering system. The poor responses on the part of vendor lead to the delay and/or interruptions in the procurement process. This in turn has an impact on IEC to achieve its mandate of delivering free, fair and credible elections.

Literature in chapter 2 revealed that red tape, lack of knowledge, centralization as amongst the reasons of poor responses and Black (2012:19) indicated that strong vendor relationship management could yield at least 25% benefits as compared to poor relationship. Furthermore the overview of the Electoral Commission, its mandate and projects as well as procurement system was highlighted. Also the importance of procuring all resources needed for the electoral projects in time was emphasized. Chapter 3 covered the methodology chosen in conducting the research.

Results analysis was undertaken in chapter 4. Data was collected from respondents through a questionnaire. Therefore to determine the main causes for the poor response, questionnaire with appropriate question for the study was formulated and distributed to 23 respondents.

The results were analysed based on the gathered data and results were presented in table and pie charts. The primary data was needed in an attempt to discover the reasons why vendors are so reluctant when invited to bid for tender.

The most significant results of the study find out that red tape and lack of public procurement knowledge amongst vendors were amongst the causes of poor responses when vendors are invited to participate in the tender process.

It was also revealed that respondents deem IEC procurement process as fair, competitive and corrupt free, however it was also interesting to find out that respondents strongly agree with the establishment of Government tenders forum.

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APPENDIX A - RESEARCH QUESTIONNAIRE

I, MM Ramunawa am conducting a research for my Masters in Business Administration (MBA) degree at North West University Mafikeng Campus. To complete this research qualitative data should be gathered. The purpose of this questionnaire is to gather information which will be used as part of MBA study to determine the actual causes of vendors' poor responses when requested to submit quotations.

Respondents should remain anonymous and the information provided by respondents will be treated with high level of confidentiality.

NB: PLEASE DO NOT WRITE YOUR NAME ON THE QUESTIONNAIRE

Thank you very much; your cooperation would be greatly appreciated.

SECTION 1: BIOGRAPHIC INFORMATION

1.1 Nature of Business (Catering, Stationery, etc.):.....

1.2 Position:.....

1.3 How many years of experience doing business with public institutions

Instructions:

Please answer all questions in this questionnaire by putting an (X) on the appropriate box

Years of experience		
1	0 – 2	
2	2 – 5	
3	5 – 10	
4	10 and above	

SECTION 2:

Please answer all questions in this questionnaire by putting an (X) on the appropriate box(i.e. Strongly Agree, Agree, Don't Know , Disagree or Strongly Disagree)

2.1 Standard Bid Documents(Red Tape) (Request For Quotations, Original Tax Clearance Certificate; Official signed quotation, BBBEE Certificate, Company registration documents).

	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1. Does your organisation find it convenient to submit RFQ Part 1, 2 & 3 templates?					
2. Does your organisation find it convenient to submit Tax Clearance Certificate?					
3. Does your organisation find it convenient to submit BBBEE Certificate?					
4. Does your organisation find convenient to submit company registration documents?					

2.2 Cost of tendering

	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1. Does the cost associated with submitting quotations discourage you to respond					

2.3 Convenience of the procurement system

	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1. Does the time associated with submitting quotations discourage you to respond					

2.4 Bid Evaluation Methods

	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1. Does your organisation understand the significance of compliance with tender specification/functionality in evaluation stage?					
2. Does your organisation understand the significance of compliance with tender standard conditions in evaluation stage?					
3. Is your organisation familiar with preference point system 80/20 and 90/10 scoring?					

4. Does your organisation understand the significance of tender closing dates in evaluation stage?					
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2.5 Awareness of IEC Procurement steps

	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1. Does your organisation need intensive training on IEC procurement steps?					
2. Does your organisation need procurement manuals to refer to when bidding for a tender?					

2.6 Legislation

	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1. Is your organisation familiar with all procurement legislations (Constitution)?					
2. Is your organisation familiar with all procurement legislations (PPPFA)?					
3. Is your organisation familiar with all procurement legislations (PFMA)?					
4. Is your organisation familiar with all procurement legislations (BBBEE Act)?					

2.7 Fairness and Integrity

	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1. The IEC conducts tendering process with transparency and equitability.					
2. The tendering process in IEC is free and fair and every vendor is allowed chance to compete.					
3. The government must have a forum where by vendors can lodge complain regarding unfair tendering practices					
4. IEC tender processes are fair and corrupt free.					

2.8 Communication

	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1. IEC procurement officials convey tender information in a detailed, understandable and effective manner.					
2. IEC procurement officials inform all vendors of the outcome of the tender and the reason for disqualification.					
3. The RFQ should include a date after which the vendors can deem their bids unsuccessful.					