

Assessment of the state of Black Empowerment in the Dr Kenneth Kaunda District of North West Province department of Education

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requirements for the degree *Masters in Development and
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DECLARATION

I, **MS Matsile**, hereby declare that this mini-dissertation entitled:

*Assessment of the state of Black Empowerment in
the Dr Kenneth Kaunda District of North West
Province Department of education*

is my own work and has not been submitted to any other university before.
Relative contributions by the different authors are acknowledged in the
relevant chapter and reference list.

Signed at Potchefstroom on the 19 November 2014

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To my Creator, my personal Leader and Saviour, who gave me enormous and undeserved opportunities in life...unto Him, be the glory forever and ever.

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God is great and Almighty. God conquers ALL, and thus I give all thanks to God.

DEDICATION

The dissertation is dedicated to my late beloved parents, Mr Masedi. Sesunkwane Ephraim Matsile and Mrs Mathamaga Rehaba Matsile in grateful remembrance of their efforts in my upbringing and for the warmth and encouragement they always gave me to achieve the best in education.

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ABSTRACT

The Black Economic Empowerment Act of 2003 is a tool used to redress the injustice of the past and ensure full economic participation of groups that were disadvantaged in the past. The main stream economy includes the fast-track of employment equity, ownership, skills development, preferential procurement, enterprise development, and socio-economic development.

BEE is an inclusive and logical political process that is based on the national transformation programme of the country, for an example, the Reconstruction and Development Programme (RDP).

Its purpose was to modify and change the inequalities of the past with transference of management, ownership and the control of economic and financial resources of South Africa to the majority of its citizens. The RDP sought to bring about full economic participation by the historically disadvantaged to accomplish prosperity and development that is sustainable. Public sector procurement is used by government as a mechanism to achieve certain broader policy objectives such as BEE, local economic development of small and medium sized business, skills transfer and job creation.

The BEE programme was implemented in 2003. However, there are problems with the implementation of the programme. The theory (legislation) includes the Code of Good Practice, Sector Scorecards, and Public Sector Procurement Guidelines which span effective implementation of the BEE programme. According to the respondents, the major problem with the successful implementation of BEE, are the corrupt public officials who interfere with the process. The government officials responsible for the implementation of BEE practice nepotism and bribery on an extremely large scale. Moreover, political interference plays a major role in the lack/poor implementation of BEE. BEE compliance in the District of Dr Kenneth Kaunda Department of Education is extremely corrupt with many of the essential supply of goods and services being compromised.

In this study to tackle the research topic both qualitative and quantitative research methods were used thus termed mixed method research. With mixed method research the researcher was able to use semi-structured interviews and questionnaires.

KEY WORDS

Assessment, state, Black Empowerment, Dr Kenneth Kaunda District, North West Province, department of Education

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LIST OF ABBREVIATIONS

ANC	AFRICAN NATIONAL CONGRESS
B-BBEE	BROAD BASED BLACK ECONOMIC EMPOWERMENT
BEE	BLACK ECONOMIC EMPOWERMENT
BEEC	BLACK ECONOMIC EMPOWERMENT COMMISSION
BMF	BLACK MANAGEMENT FORUM
DED	DISTRICT EDUCATION DEPARTMENT
DR KK	DR KENNETH KAUNDA
EE	EMPLOYMENT EQUITY
HDI _s	HISTORICALLY DISADVANTAGED INDIVIDUALS
HDSA	HISTORICALLY DISADVANTAGED SOUTH AFRICANS
IDP	INTEGRATED DEVELOPMENT PLAN
LED	LOCAL ECONOMIC DEVELOPMENT
NAIL	NEW AFRICAN INVESTMENT LIMITED
NEF	NATIONAL EMPOWERMENT FUND
NWP	NORTH WEST PROVINCE
PPP	PUBLIC PRIVATE PARTNERSHIP
PPPFA	PREFERENTIAL PROCUREMENT POLICY FRAMEWORK
RDP	RECONSTRUCTION AND PROGRAMME
RSA	REPUBLIC OF SOUTH AFRICA

SARS	SOUTH AFRICAN REVENUE SERVICES
SCM	SUPPLY CHAIN MANAGEMENT
SETA	SECTOR EDUCATION AND TRAINING AUTHORITY
SMMEs	SMALL –MEDIUM AND MICRO ENTERPRICES
SPVs	SPECIAL PURPOSE VEHICLES

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CHAPTER 1: INTRODUCTION, PROBLEM STATEMENT AND METHODOLOGIES

1.1 ORIENTATION

South Africa's democratic government has made the empowerment of the previously marginalised individuals its mandate and this vision has captured central place in the Government's sphere initiatives to "push back the frontiers of poverty. Foremost amongst these initiatives was the formulation of public policies, such as the Black Economic Empowerment Act 53 of 2003 to ensure that economic patterns reflect the new ANC-led dispensation and the black majority has access to the mainstream of the country's economy. This policy was geared towards creating a non-sexist, non-racial, prosperous and democratic South Africa.

To give meaning and form to this concerted effort to empower the previously marginalised, the ANC-led government noted and resolved to use its purchasing power to radically alter the apartheid-induced economic patterns of South Africa. Black Economic Empowerment (BEE) thus became the cornerstone of empowerment of the previously marginalised (National Treasury, 2003:11). The main aim was to harness the power of the State and the private sector to reverse the economic anomalies inherited from the apartheid past. The Green Paper of 1997 acknowledged that the government could use the public sector procurement as an instrument to accomplish broader policy objectives and goals such as BEE and local economic development pin-offs for small and medium size enterprises, job creation and transfer of skills (National Treasury, 2003:11).

In clear and unambiguous terms, the BEE strategy is seen as critical because it is aimed to target South Africa's weakest point, being inequality (Motsiri, 2009:2). The Government sees BEE strategy as a socio-economic process that is coherent and integrated, this process contributes directly to South Africa's economic transformation and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decrease in income inequalities (RSA, 2003:12). To put it simple, BEE is said to be a multi-layered, multi-prolonged approach requiring success at upper level and contribute to developing disadvantaged groups and individuals simultaneously (De Witt, 2003:36).

The structural exclusion of black people in the past has necessitated an over-arching policy framework that deals not only with ownership and management control of business enterprises by black people, but also to fast-track development of enterprises, development of skills, employment equity, procurement that prefers disadvantaged groups and socio-economic development (Department of Trade and Industry, 2007:4). It is thus crucial to evaluate and analyse BEE state in

South Africa using the Generic Scorecard and good practice codes announced by South African Department of Trade and industry.

According to Strydom (in Nhlapo, 2008:7) the main aim of the BEE Act 53 of 2003 is to amend the economic inequalities and discrepancies caused by apartheid, this will occur by:

- actively encouraging transformation of the economy in order to enhance valuable participation of black people in the mainstream economy; and
- successfully bring about a significant change in the composition and racial makeup of management and ownership of new and existing businesses.

Distinct principles can be identified that forms the bases or foundation of the BEE strategy document: BEE should initiate economic development and growth; BEE entries ought to promote and encourage the highest standard of governance in business or organisations; All sectors should be included in the BEE activities (public, private and non-governmental); and BEE ought to quicken the incorporation of citizens who are disadvantaged historically into the mainstream economy.

Explained by the Act are also the BEE objectives and timeframes and also defines the meaning of different forms of black ownership and control (Nhlapo, 2008:7).

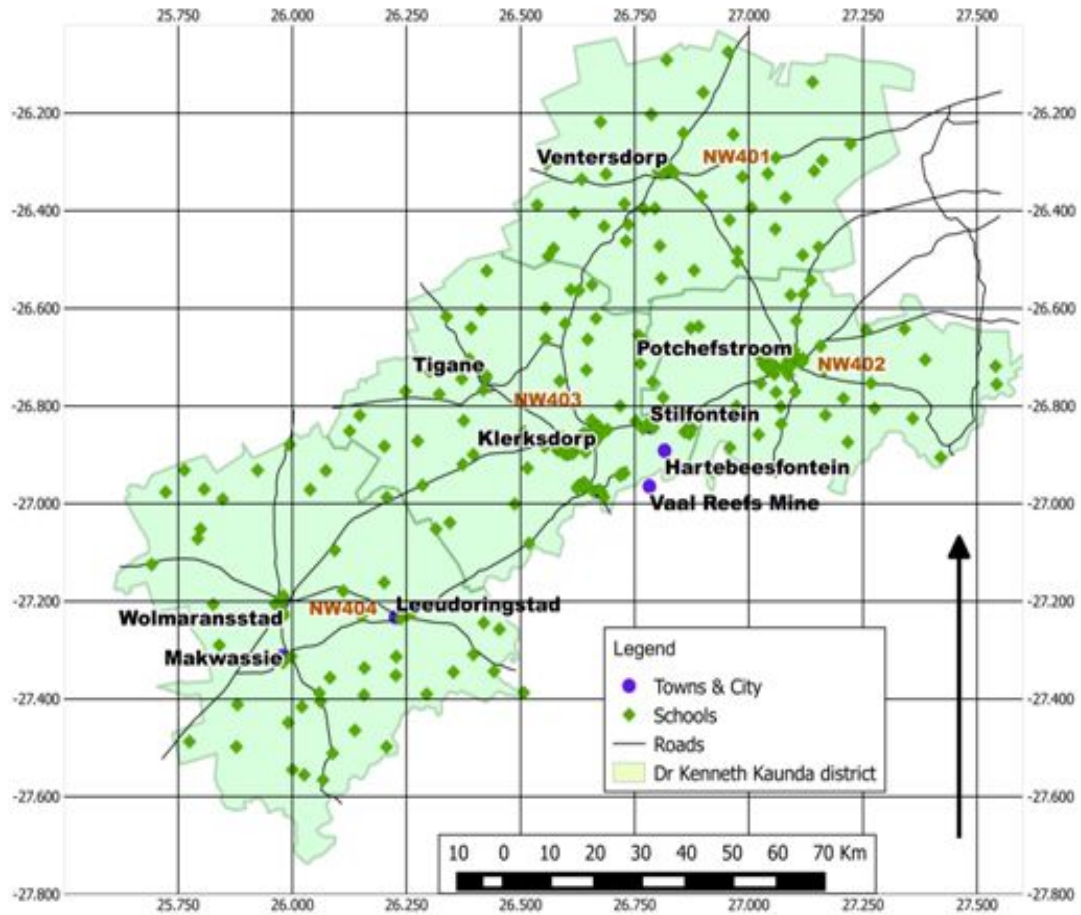


Figure 1: Dr Kenneth Kaunda Department of education schools map

1.2 PROBLEM STATEMENT

To obtain services and goods, government makes use of contracts, which includes construction services, computer systems, office equipment and advertising (Bolton, 2004:619). When using contracts for services and goods, the previously marginalised should be empowered. However, many studies have pointed out that BEE contracts, especially at provincial and local government spheres, are riddled with problems which are counter to the legislative framework governing the empowerment of the previously marginalised. Section 217 (1) of the Constitution of 1996 provides that if any state organ, be it in the local, provincial and national sphere of government, or just any other institution acknowledged in national legislation contracts for services and goods it must use a system that is transparent, competitive, equitable, fair and cost effective.

The above section 217 of the Constitution subsection (2), is not preventing the state organs or institutions mentioned in that section from implementation of procurement policy on condition that (a) preference categories in contract allocation and (b) the advancement and protection of individuals, or categories of persons that are deprived by unfair discrimination. Enactment of national legislation is needed by subsection (3) of section 217 to propose a framework that will form a basis for the implementation of subsection (2)

The Dr Kenneth Kaunda District Education Department is one of the four district education departments in the North West Province including Bojanala, NgakaModiri Molema, and Dr Ruth Segomotsi Mompati. The Dr Kenneth Kaunda District Education Department is geographically located in Potchefstroom and serves a wide range of public schools in the Matlosana, Tlokwe, Maquassi-hills, and Ventersdorp local municipalities.

Black Economic Empowerment in the District is mired with structural problems owing to a wide range of factors such as insufficient capacity, incompetent service providers and unwillingness on the part of senior management to effectively and efficiently implement the basic guidelines of BEE. Moreover, the personnel have almost no knowledge of the general policy guidelines of BEE. According to Mokakala (2010:5), the implementation of BEE is facing challenges such as fronting, finance constraints, lack of skills and expertise, and the lack of will from decision-makers. Compounded to these challenges is the critical realisation that the district education department is heavily reliant on outsourcing and therefore an efficient, effective and economical BEE system is needed.

The relationship between the district education department and services and goods providers must be beneficial to both stakeholders. A symbiotic relationship should emerge where the two parties extract value from the relationship. Companies should not engage in the preferential procurement code of BEE for the sake of accumulating points on the balanced scorecard. Small-Medium and Micro Enterprises (SMMEs) – rather than large companies –are the true engines of local economic development. These businesses, ranging in size from a company employing less than 200 employees to a micro business employing less than five is the largest source of employment for many South African communities and the foundation of most new jobs (National Business Initiative, 1998:8).

Some of the companies doing business or entering into contracts with the district education department have raised concerns about various issues. These issues include inter alia:

- Reliance of the district education department to outsource services from companies outside the geographical location of the Dr Kenneth Kaunda district.
- Late payments by the district education department for the services rendered.
- Little or no communication between the department and providers of services and goods.
- Nepotism and/or favouritism in the allocation of tenders.

It is apparent that the assessment and analysis of the state of BEE in the district education department illustrates a bleak picture. Therefore, concrete programmes are needed to ensure an effective and efficient implementation of the general guidelines of BEE. This study will focus on analysing the effectiveness of the transformative programmes of BEE at the Dr Kenneth Kaunda District Education Department and ultimately provide recommendations on improving such programmes.

1.3 RESEARCH QUESTIONS

Arising from the above problem statement, the study endeavoured to respond to the questions that follow:

- What does BEE entail in the context of the provincial and local government spheres?
- What BEE implementation procedures exist at the Dr Kenneth Kaunda District Education Department?
- What is the status of BEE compliance at the Dr Kenneth Kaunda District Education Department?
- What recommendations can be provided to improve BEE at the Dr Kenneth Kaunda District Education Department?

1.4 RESEARCH OBJECTIVES

The following are the objectives of the study:

- To provide the context of BEE at the provincial and local government spheres.
- To present an outline of the processes used for the implementation of BEE in the Dr Kenneth Kaunda District Education Department.
- To research and assess the state of BEE compliance at the Dr Kenneth Kaunda District Education Department.

- To provide recommendations that may improve the state of BEE compliance at the Dr Kenneth Kaunda District Education Department.

1.5 HYPOTHESIS

The Dr Kenneth Kaunda District Education Department has apt BEE guidelines in place but compliance to, and implementation of the BEE guidelines appear to be flawed.

1.6 RESEARCH METHODOLOGY

Relating to the main objectives, this research consisted of two main parts, namely: a literature review and an empirical study.

1.6.1 Phase 1: Literature review

A comprehensive literature review concerning the topic was undertaken. The following sources were consulted to develop a comprehensive and established literature review:

- Political documents from political parties.
- Legislation relating to BEE.
- Previous articles and debates on the subject of BEE.
- Internet.
- Published papers, journals and theses.
- Database search in North-West University (Potchefstroom Campus) library.

1.6.2 Phase 2: Empirical study

An empirical investigation was conducted through questionnaires and face-to-face semi-structured interviews. While using and referring to the research objectives, there was an evaluation and analysis of relevant information. The empirical approaches utilised in the study were as follows:

1.6.2.1 Questionnaires

The questionnaire (N=35) was designed based on the crucial issues identified in the literature review. The questionnaire contained statements to achieve the main objectives of this study. The questionnaire used a Likert scale rating from 1 to 5. with number 1 representing 'Totally Disagree', number 2 'Disagree', number 3 'Do not know', number 4 'Agree', and number 5 'Totally Agree'.

1.6.2.2 Interviews

Semi-structured interviews (N=10) were carried out together with the officials at the Dr Kenneth Kaunda District Education Department as well as the proprietor of several companies who conduct business transactions with the Department of Education. The purpose of the interviews was to bring unidentified perceptions to the fore, affirm or maybe deny researcher's personal views and observations (De Vos *et al.*, 1998:181). The interviews were conducted face-to-face to enable the researcher to explain any of the questions which the respondents did not understand.

1.6.2.3 Data collection and analysis

The data for the study was obtained by conducting a survey from amongst selected companies which undertake business transactions with the district education department. A questionnaire was designed specifically for this purpose. The questionnaires were mailed to the sample group (N=35). Follow-up activities, including e-mail, calls and personal visits were undertaken to improve the response rate. The data gathered from the questionnaires was analysed by using a Microsoft Excel spreadsheet. The results obtained were used to formulate final results and draw conclusions.

1.6.2.4 Ethics

Respondents volunteering to fill the questionnaires and attend interviews their anonymity was guaranteed that their response will be used for the research only.

1.7 SIGNIFICANCE OF THE STUDY

The objective of this study was to conduct research to develop existing knowledge of Black Economic Empowerment, at the local and provincial spheres of government. To achieve and sustain a vibrant local economy that is characterised by consistent growth, skills development, employment equity and enterprise development, there must be an alignment of the current BEE strategies and systems and willingness on the part of senior management to steer clear of tendencies which undermine the good intentions of empowerment policies. In this study, of which the main objective was to assess and analyse the status of BEE in the Dr Kenneth Kaunda District Education Department, recommendations were made on how to enhance positive compliance with BEE and how to effectively and efficiently implement BEE strategies.

1.8 PROVISIONAL CHAPTER OUTLINE

To achieve the set objectives of the study, the chapters were structured as follows:

Chapter 1: Introduction: Orientation and method of study

This chapter outlined the problem statement and the orientation of the study. The objectives of the study were indicated and a hypothesis was also formulated.

Chapter 2: Context of BEE at provincial and local government spheres

This chapter addresses the theoretical concept and legislation of BEE at provincial and local government spheres.

Chapter 3: Assessment and analysis of the BEE processes at the Dr Kenneth Kaunda District Education Department

An assessment and analysis of the policies and regulatory framework governing BEE at the Dr Kenneth Kaunda District Education Department was expounded upon.

Chapter 4: Empirical research on BEE compliance at the Dr Kenneth Kaunda District Education Department

This chapter empirically establishes and reports the findings and analyses of collected data on the state of BEE compliance at the Dr Kenneth Kaunda District Education Department.

Chapter 5: Summary, major findings, logical conclusions and recommendations

A summary of the findings, conclusion and recommendations are presented in this chapter.

1.9 CONCLUSION

This chapter's aim was to address the introduction, problem statement, the research objectives and questions, hypothesis and research methodology, significance of the study while the structure of this study was also outlined. BEE is a mechanism used by the Department of Education to conduct business with Black Owned customers and simultaneously assess its effectiveness in the Dr Kenneth Kaunda District Department of Education.

The next chapter provides the context of BEE at provincial and local spheres of government.

CHAPTER 2: CONTEXT OF BEE AT PROVINCIAL AND LOCAL GOVERNMENT SPHERES

2.1 INTRODUCTION

The South African history of racial segregation has necessitated an over-arching system of governance that deals with ownership of businesses by the previously marginalised. Since 1994 legislation was put in place by the South African government trying to bring about new economic opportunities to South African for all races, especially the previously disadvantaged. According to Moyo (2009: 17), in 2004 the Broad-Based Economic Empowerment Act 53 of 2003 was formally made public, which led to some strong debate among various sectors of the population. The objectives of the Act are to enable meaningful participation of black people in South Africa's economy by promoting transformation of the country's economy. The Act also intends to grow the degree to which workers, communities, companies and other collective enterprises have ownership and management of new enterprises and existing enterprises and access to infrastructure, economic activities, and skills training (RSA, 2004: Section 2). Promotion of small-and medium-sized enterprises (e.g. Asanda Madyibi Clothing) is an important element in the strategy of the government in order to amend the inequalities of the past and to generate income and job creation.

This chapter will focus on defining, locating, and discussing the nature and extent of the Black Economic Empowerment (BEE) concept in South Africa in order to provide a logical discussion of the primary aim of the study. The aim of this research was to assess the effectiveness of Black Economic Empowerment (BEE) in the Dr Kenneth Kaunda District Department of Education, North West Province.

2.2 HISTORY OF BEE

The BEE strategy was released in 2003 followed by a draft code of good Broad-Based Black Economic Empowerment in 2003. However, this was not the start of South Africa's Black Economic Empowerment. The Department of Trade and Industry says that the concept of Black Economic Empowerment can be traced to the 1990's, that's when the following occurred:

- From 1994, the new ANC-led government put in place laws that would bring new economic opportunities to all South Africans. Amongst others, it includes Promotion of Equality and Prevention of Unfair Discrimination Act; Restitution of Land Rights Act; Security of Tenure extension Act; Restitution of Land Rights Act; Preferential Procurement Policy Framework

Act; Employment Equity Act; Minerals and Petroleum Development Act; National Empowerment Fund Act; Competition Act and Telecommunications Act (Department of Trade and Industry, 2003: 8-10).

- 1994: The ANC-led government, the majority party in the first democratic election and three subsequent elections initiated formation of successive governments that have endorsed legislative processes designed at overcoming the economic legacy of apartheid and implemented the strategy for broad-based black economic empowerment (Kruger, 2011:208).
- 1995: After realising that there was a need for black voice in the economy of South Africa, a Black Business Council was created. The purpose of the Black Business Council was to shape the economic policies in the country (Van der Nest, 2004: 27).
- 1997: The government published a green paper that deals with public sector procurement; this was for the purpose of introducing mechanisms to give effect to preferential public procurement. The Green paper acknowledged that public sector procurement could be a tool to be used to could be used as tool to accomplish comprehensive public policy goals such as black economic empowerment. According to Moyo (2009:16), formation of the Black Economic Empowerment Commission was proposed by the Black Management Forum. According to Kovacevic (in Moyo, 2009:16), second wave or the second phase of BEE started around this time. The second phase of Black economic empowerment or the broad-based Black economic empowerment was introduced as a result of the previous effort limiting the set objectives.
- 1998: National Empowerment Fund was formed with the aim of holding equity stakes in private and state-owned enterprises (Moyo, 2009:16).
- 2003: Moyo (2009) contends that in 2003 controlling shares and interest in Metropolitan Life (Metlife) were sold by Sanlam the financial service group to Metlife Investment holdings (Methold) comprising black share holders. Methold was formed by established Black businessmen and women and community leaders (Moyo, 2009:16). Metlife Investment Holdings (Methold) later became New Africa Investments Limited (Nail) chaired by Dr Nthato who was later joined by the current ANC deputy president Cyril Ramaphosa (Moyo, 2009:16).
- 2004: According to Jack and Harris (in Moyo, 2009:17), the Broad-Based Economic Empowerment Act was effected and phase one of the codes of good practice was implemented. Concerns started growing with regard to the role of BEE and the claim that it represented the interest of only Black people in the economy. The reality was that BEE

actually benefited the few who had political affiliations. This led to the recognition that BEE must be changed to be broad-based (Moyo, 2009:17).

- Jack and Harris also (in Moyo, 2009:17) state that codes of good practice were gazetted in February 2007. Balshaw and Goldberg (cited by Moyo, 2009:17) maintain that the Department of Trade and Industry's expectations on BBBEE were centred on the perspective of business leaders buying into national agendas.

2.3 POLICY

Government is required to implement policy to achieve its objectives and deliver on its mandate to the community. According to De Coning (2011:6), policy is defined as an instrument used to achieve goals of the society and allocate resources. Policies are implemented at different levels, namely: political party level, governmental policy level, departmental policy level or administrative policy level (Roux *et al.*, 1997:145).

2.3.1 Policy implementation

When contemplating implementing policy, the following, according to De Coning *et al.* (2011:145), should be taken into consideration:

- The content of the policy itself what it aims to achieve (goals); how it relates to the issues addressed and what are the intentions of solving the perceived problems (methods).
- The nature of the institution contemplating implementing the public policy.
- The personnel entrusted with implementing such policy must be committed to the course.
- Check whether implementers of such public policy are equipped with administrative skills and know what is desired of them.
- Determine whether the groups of people (clients) whose interests are served by said public policy are supportive towards such policy, and strategies used to assist in strengthening its implementation.

2.4 POLICY OBJECTIVES OF BEE

Department of Trade and Industry says that (Moyo, 2009:17-18), BEE is evaluated according to the following:

- A considerable increase in the number of black people control and own new and existing enterprises.

- A considerable increase in the amount of new black businesses and black empowered enterprises.
- By increasing the number of new black executives and senior management in enterprises.
- An increasing percentage of the management and ownership of economic activities vested in community and Black-Broad-Based Enterprises,
- Accelerated and shared economic growth.
- Increased land ownership and other assets, increased skills acquisition, access to infrastructure and improved participation in productive activities in underdeveloped areas.
- By increasing income levels and reducing income inequalities.

BEE seeks to be an inclusive process involving and benefiting all South Africans. It has been argued that BEE is not comprehensive (Kovacevic, 2007:10). Similarly, Du Toit, Kruger and Ponte (2008:13) put forward an argument in their BEE study of the wine industry of South Africa, that BEE favours certain individuals instead of the workers together or their communities.

2.5 BLACK ECONOMIC EMPOWERMENT AND ETHICS

According to Section 217(1) of the Constitution 1996, procurement must be fair, competitive, transparent and cost effective. This Section is executed by the Public Finance Management Act of 1999, which controls procurement for central government, provincial governments and public entities. The Municipal Finance Management Act deals with procurement by municipalities and municipal entities of goods and services (RSA, 2003: Section 110(1) (a)). According to sections 217 (2) and (3) of the Constitution, the procurement process also has to be equitable.

Procurement in public sector is aimed at acquiring goods and services through organs of state through purchasing, hiring or obtaining by any contractual means, goods, construction works and services by the public sector (Ambe, 2012: 244). The Government utilises numerous tools to accomplish its objectives in respect of BEE. The “Balanced scored” is used to measure progress made in achieving BEE objectives by enterprises and all other sectors (Department of Trade and Industry, 2003:15).

It is to some extent common knowledge that most fraud and corruption in South African government occurs in the procurement of goods and services. Note that procurement executed without any influence of corruption. Corruption can at times be observed between government and bidders, mainly giving contracts to companies that have paid bribes, to those firms who have

personal interest, using friendship and family relations as a basis for awarding contracts and paying off political supporters with contracts (Mafunisa, 2000:5).

It is for this reason that ethics is very important in the public sector, service delivery and procurement (Mafunisa, 2000:5). Moreover, according to Mafunisa (2000:5), public officials are characterised by allegations of improper or unethical behaviour and that South African public officials are no exception. Unethical behaviour includes incompetency, lack of responsiveness to the needs of community, corruption, the manifestation of inefficiency and ineffectiveness and corruption.

Corruption includes unethical use of state resources and offices. Inefficiency and ineffectiveness leads to a public service climate that destroys influence of positive ethics in the workplace (Mafunisa, 2000:6). Pauw *et al.* (2002:329), concur with this view that public sector ethics concerns the moral requirements of public servants for the services they are paid for and required to offer the people. It concerns the personal morality of officials, codes of conduct and the theory of what is permissible and what is not in public life. Unethical behaviour involves corruption and fraud. Corruption refers to dishonest practices of persons and involves the abuse of public office for personal gain or simply the misuse of public resources for private profiteering (Mafunisa, 2000:5). Corruption can be in the form of:

- bribery;
- nepotism;
- theft;
- misuse of public property;
- victimisation;
- sexual harassment;
- Unauthorised disclosure of confidential information;
- conflict of interest;
- collusive tendering;
- selling of jobs; and
- kick-backs (Mafunisa, 2000:5).

According to Gildenhuys (in Mofolo, 2012:22), poor, dishonest management of public affairs and corruption contribute towards the manifestations of unethical conduct. Mismanagement of public funds and corrupt activities in and by the government departments are usually widely broadcasted and exaggerated, largely because taxpayers' money. For public sector practitioners, in particular

public managers, it is of significant importance that they be guided accordingly and that they must cooperate, administer and direct public services and guide subordinates by encouraging the prevention of corruption and eliminating maladministration.

According to Mofolo (2012:22), ethics denotes the standard which is guiding the actions and behaviour of personnel in public institutions and which may be stated as moral laws. MLE (2012:21) states that ethics is a process used to provide clarity on what is right and wrong and action is taken to implement what is right, in other words it is a set or system of moral principles that are accepted by majority of people or public officials. Ethics deals with the development behaviour of humans according to certain manner of doing things. Practical manifestation of things is morality.

Ethics is one of the branches of philosophy aimed at the development of an ideal personality of a human centred on moral premises. It aims toward a certain degree of integrity within the human being.

According to Hondeghe (1998:29), ethics must be seen as an ongoing activity and not as a status to be attained. Ethics is not just about establishing a set of rules or code of conduct but is an ongoing management process that underpins the work of government”.

According to Hondeghe (1998:29), ethics are not set of values or rules that are still to be discovered, which gives all answers. Norms and values hardly give clear cut answers to complex problems in this challenging world of public administration. Ethics ought to be understood as aiding to structure relevant questions about what government must be doing and in what way public administration rendering public officials ought to go about accomplishing those purposes.

From ethics and corruption, norms and value shall be discussed below as they form part of the governing institutions policy to enable public servants to operate in a fair and equitable manner when they deliver services to the communities. The concept norm needs to be explained in order to have a clear understanding of ethics concept.

2.5.1 Norms

Barton and Chappel, (1985:333) maintain that norms are behavioural standards that serve as guide to members of an organisation. Neutrality is one of the primary norms in public administration; it meant that public official is expected to be apolitical public policy implementers, rather than policy makers. The emphasis on norms within the context of public administration is linked with endorsements of certain values that are seen as desirable by their opponents (Ferreira, 1995:143).

Van Dyke (1956:8) sees normative statements as a form of expressing conceptions of the anticipated. They show value preferences. They concern not what is, but what ought to be, endorsing ends, purposes or norms.

There are fears that with personnel recruitment from the private sector, there needs to be reinforcement of public sector standards and ethics. Hondeghem (1998:27) notes that due to the fact that government recruits people from different backgrounds, there will be fewer values in common and government ethics rules become explicit and more important.

2.5.2 Values

Heyns (1986:02) argues that “values are basic perceptions of the relative importance of the elements of existence. These perceptions always have to do with priorities, whereas norms are the functions which direct and evaluate human attitudes and actions”. According to Dwivedi and Engelbert (1983:153), values are “the ideals, beliefs and attitudes held by individuals that underlie all personal, social, environmental and political relationships”.

They are the bases of foundation of principles and codes of groups, individuals and societal behaviour. Values are echoed throughout the governance systems and executive institutions of Government.

The more common denominator with regard to most people’s challenges and problems lies in the area of values. It is known that different cultures have different approaches to how things are done and perceived and values differ from one person to the other and from one culture to the other. Values have a major influence on people’s thinking, acting and behaviour. According to McMurry (1977:315), the influence of values on the individual is powerful because:

- they principally determine what he/she regards as right, good, worthy, beautiful and ethical;
- they provide the standards and norms by which he/she guides his/her day-to-day behaviour; and they chiefly determine his/her attitudes toward the causes and issues such as political, economic, social and industrial with which he/she comes into contact daily; and
- they determine which ideas, principles and concepts he/she can accept, assimilate, remember and transmit without distortion. In addition to the above, it is accepted that individuals may temporarily or permanently discard their value systems in favour of specific goal attainment.

The subsequent paragraph below shall address the public sector procurement guidelines. How public officials should go about procuring goods and services for the people government serves and their conduct when acquiring those goods and services.

2.6 PUBLIC SECTOR PROCUREMENT GUIDELINES

Five Pillars of Procurement as formulated and stated in the General Procurement Guidelines will be dealt with separately in the paragraph below (RSA, 2003:3). Appropriate and effective government procurement rests upon certain behavioural core principles - the Five Pillars of Procurement. They are referred to as pillars mainly because if either of them is broken, the procurement system will not succeed.

The five pillars are:

- Value for money.
- Open and effective competition.
- Ethics and fair dealing.
- Accountability and reporting.
- Equity.

The Public Sector Procurement Guidelines addresses the Five Pillars and prescribes a set of standards that must be followed. The Guidelines was complemented by individual the Accounting Officer's Procurement Procedures issued under the general authority contained in the Public Finance Management Act, 1999.

2.6.1 *Value for money*

Price cannot be seen on its own as dependable indicator. The lowest price offered doesn't always mean the best value for money. Best value for money means:

- the best available outcome when all relevant costs and benefits over the procurement cycle are considered. The procurement function itself must provide value for money and must be carried out in a cost-effective way. Procurement organisations, whether centrally located or devolved to individual departments, should do the following:
- avoid any unnecessary costs and delays for themselves or suppliers;
- monitor the supply arrangements and reconsider them if they cease to provide the expected benefits; and

- ensure continuous improvement in the efficiency of internal processes and systems (RSA, 2003: section 1).

2.6.2 *Open and effective competition*

Competition that is open and effective requires the following:

- A framework of procurement policies, laws, procedure and practices that are very clear to everyone; that is, they must be readily accessible to all parties.
- .
- Procurement process sincere and honest.
- Encouraging competition that is effective via procurement methods suitable to the circumstances of the market
- Observance of the provisions of the Preferential Procurement Policy Framework Act 5 of 2000.

Departments need to work hard and research to get the best possible outcome from the market by ensuring the realisation of the following:

- Procurement opportunities are easily accessible to the potential suppliers and available opportunities advertised at least in the government tender bulletin
- Where market circumstances limit competition, departments of education recognise the fact and use a procurement method that takes account of it.
- Adequate and timely information are provided to suppliers, to enable them to bid.
- Bias and favouritism are eliminated.
- The cost of bidding for opportunities do not deter competent suppliers; and
- Cost incurred in promoting competition is at least commensurate with the benefits received (RSA, 2003: Section 2).

2.6.3 *Ethics and fair dealing*

In public sector procurement, if all parties involved obey ethical standards they can:

- Work together on the basis of mutual respect and trust; and
- conduct their business with integrity and a manner that is reasonable and fair

Employees in government that are linked with public preferential procurement especially those working with suppliers or potential suppliers, are expected to:

- Be aware and of conflict of interest or any potential thereof and deal with it
- Deal with suppliers on equal basis and be fair
- Make sure they don't bring bad image to the state by accepting gifts of hospitality
- be trustworthy and honourable in their usage of public property; and
- offer assistance in the fight against fraud and corruption (RSA, 2003: Section 3).

2.6.4 Accountability and reporting

Reporting and accountability involve making sure that organisation as well as individuals are responsible for their plans, actions and also outcomes. One of the essential elements of accountability is openness and transparency in administration by external inspection through reporting. Within the procurement framework:

- heads of departments are accountable to their ministers for the overall management of procurement activities;
- heads of procurement-and senior procurement directors are accountable to heads of department for various high-level management and co-ordination activities;
- individual procurement officers are accountable to heads of procurement and to their clients, for the services they provide; and
- all officials exercising procurement functions must have regard to these Guidelines and are accountable to management (RSA, 2003: Section 4).

2.6.5 Equity

General Procurement guidelines (RSA, 2003: Section 5) deals with equity meaning the application and observation of government policies which are aimed at advancing persons or categories of persons that are disadvantaged by unfair discrimination.

This fifth pillar is very important to the South African public sector procurement. It makes sure that government is committed to growth economically by the implementation of measures in support of general industry, and more importantly to improve the development of Small, Medium and Micro Enterprises (SMMEs) and Historically Disadvantaged Individuals (HDIs). According to the Reconstruction and development plan (RDP), SMMEs and HDIs need to play a bigger role in the South African economy. Greater economic participation and more diversified representation of

black citizens and gender in ownership are important. The ANC-led Government has employed the Preferential Procurement Policy Framework Act of 2000 as the basis of all procurement activities. Its aim is to:

- advance the development of SMMEs and HDIs;
- promote women and physically handicapped people;
- create new jobs;
- promote local enterprises in specific provinces, in a particular region, in a specific local authority, or in a rural areas; and
- support the local product (RSA, 2003: Section 5).

2.7 PROCUREMENT POLICY TO ACHIEVE SOCIO-ECONOMIC OBJECTIVES

The Public Finance Management Act (PFMA), 1999 Act 1 of 1999 (as amended by Act 29 of 1999) is one of the most crucial pieces of legislation passed by the first democratic government in South Africa. This act is promoting the objective of financial management that is good in order to improve and maximise service delivery by using the limited and available resources effectively.

Procurement policy is aimed at providing for categories of preference in the allocation of contracts and the protection or advancement of persons, or categories of persons, disadvantage by unfair discrimination, contemplated in section 217 of South African constitution. Preferential procurement is aimed at ensuring Government achieves its BBBEE objectives, through procuring goods and services in a proper and appropriate manner (RSA, 2014:On-line). One probable approach to ensure that procurement is undertaken properly, is through supply chain management (SCM). The SCM function forms part of financial management and conforms to international best practices. The objectives of supply chain are as follows in conjunction with the preferential procurement:

- Transform government procurement and provisioning practices into an integrated SCM function;
- Introduce a systematic approach for the appointment of consultants;
- Create a common understanding and interpretation of the preferential procurement policy; and
- Promote the consistent application of 'best practices' throughout government's supply chain (RSA, 2004:9).

Supply chain management consists of the following management practices:

- Demand Management.
- Acquisition Management.
- Logistics Management.
- Disposal Management.
- Supply Chain Performance (RSA, 2004:10).

According to Magoro and Brynard (2010:12), many unforeseen challenges came with the introduction of preferential procurement used as an instrument by the South African government in fulfilling its socio-economic responsibilities. These challenges are due to insufficient consideration of the difficulties that are posed by the preferential procurement policy to emerging contractors.

Magoro and Brynard (2010:12) maintain that Government in South Africa has little groundwork for starting contractors to be effective and operate in a friendly environment in order to succeed. Emerging contractors are faced with obstacles of operating in an informal environment of the economy and having formal ties with business systems to their disposal. In theory, things turn out fine but reality is that the South African government attempts to assist emerging contractors by providing them through carefully thought-out legislation within a democratic system of governance, and with an environment in which they are able to function optimally. In reality, however, initial efforts to assist emerging contractors to foster contractor development, are insufficient (Magoro & Brynard, 2010:12).

After the dismantling of the Apartheid regime the contractors emerging were inadequately prepared to meet the traditional project requirements of cost, time and quality (Magoro & Brynard, 2010:12). Rogerson (2004:189) writes that there are several pillars of the new public procurement policy in South Africa. One of these pillars entails the structuring of public sector procurement in such a way as to promote economic reconciliation and competitiveness. Small-medium and-micro enterprises contribute towards restructuring and their participation is maximised without compromising time, cost and quality. Public procurement policy should entail the above reasoning (Magoro & Brynard, 2010:12). Emerging contractors in the procurement system are unfortunately characterised by ineffectiveness to meet the goals of their projects in time, cost and quality (Magoro & Brynard, 2010:13).

2.8 PUBLIC-PRIVATE PARTNERSHIP

There is an increase in the utilisation of Public-private partnerships worldwide to provide government services that are affordable and sustainable. It must be stated that through these

partnerships government can increase efficiency and effectiveness, and to concentrate primarily on its developmental mandate. Van Niekerk *et al.* (2002:262) are of the view that public-private partnerships undoubtedly result in cost-effectiveness of the way in which public services are delivered. Public participation and the transparency within which the process of these partnerships unfold are of vital importance in ensuring optimal service delivery through a public-private initiative. The developmental needs of South Africa cannot be met by the government alone.

There must be cooperation between the South African government and the private sector if reasonable economic growth is to be generated, infrastructure is to be developed and delivery of services. Through the cooperation of government and the private sector, the economy can be more competitive. To stimulate such partnerships, the Cabinet adopted the Strategic Framework for Public Service Delivery through Public-Private Partnerships and a set of regulatory principles that form the basis for the Treasury Regulations in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) (Van der Waldd *et al.*, 2001:104).

Approaches to public-private partnership will be addressed in the next section.

2.8.1 Approaches to public private partnership (PPP)

The main approaches to a PPP, as proposed by the National Business Initiative (1998:21), include the following aspects:

- Service and Management Contracts – With this option, for example, a local municipality enters into a service or management contract with a private sector enterprise to render a municipal service on its behalf. An example could be the rendering of a refuse removal service. The local municipality will pay the private contractor to collect refuse in terms of a service contract. Instead of purchasing additional trucks and related materials, the municipality appoints the contractor to undertake the service. It is important that performance factors and monitoring mechanisms are incorporated into these contracts so that the desired level of service is rendered.
- Leasing – A lease agreement is signed between the municipality and the private sector enterprise whereby the private sector enterprise pays a fee to the local authority to provide a service. The private sector enterprise provides the required service and is responsible for collecting income from users of the service.

- Concession – A private sector agency can be granted a concession to render a specific service for a long-term period. In terms of the concession, the private sector enterprise will use existing infrastructure but will have to develop it further. The enterprise usually will be responsible for collecting income for the service.
- Privatisation– Privatisation means the complete transfer of ownership from the public to the private sector. Operation, maintenance and upgrading of infrastructure and facilities are the responsibility of the private sector enterprise as well as billing and debt collection. An example might be privatisation of a stadium or arena which might be more profitable and efficiently managed by private business.

2.8.2 *The importance of PPPs for BEE*

In the context of South Africa, BEE promotion is a key component of pursuing PPP procurement options. PPPs in South Africa are structured to progress BEE, which is a key criterion in assessing a private party's bid. Once the preferred bidder is chosen and a project is under way, the private sector has to meet the agreed BEE targets or risk paying penalties (Refer to: code of good practice for black empowerment in public private partnership Part 1 of chapter 1).The following are several reasons for selecting a PPP:

- Long-term commitment to PPPs provides an opportunity to Black Equity and black management in a long run (RSA, 2004:8).
- Special Purpose Vehicles (SPVs) – The formation of private consortia in the form of special purpose vehicles for many PPPs enhance long-term beneficial partnerships between new black enterprises and experienced, resourced companies (National Treasury, 2004:8).
- Risk – PPPs are designed so that risks are allocated to the party best able to manage them. Risk is clearly identified in PPPs, clearly costed and appropriately allocated (RSA, 2004, 8).
- Service provision – In a PPP, government pays only when the private sector party starts to deliver the services. For example, if the private sector party is late, there, which is not payment made, meaning that the tax payer's money will be paid for a service that is not realising (National Treasury, 2007:12).
- Local economic development – “PPPs have far-reaching broad-based BEE potential: through the subcontracting and procurement mechanisms they can involve a full spectrum

of large, medium and small enterprises, and bring tangible local economic development benefits to targeted groups of people” (National Treasury, 2004:8).

2.9 ELEMENTS OF BBBEE ON GENERIC SCORECARD

The generic scorecard has seven elements which are discussed as follows: But for the purposes of this mini-dissertation, emphasis will be precisely on the ownership element.

2.9.1 *Management*

The management control element is introduced to measure the effective ownership of enterprise by black people who will provide previously disadvantaged individuals with access to benefit from economic activities / resources of the company (SA, 2007:10).

Governing bodies of enterprises are used to exercise management control and is measured normally at two levels:

- Board of directors, where the determination of policies, strategies and direction of the economic activities and resources is made. According to the Codes of Good Practice, companies are expected to have black participation including women at board level appointed by the board (RSA, 2013:Section 9).
- Executive management or highest executive body after the board of directors or equivalent structure, which manages the day-to-day activities of the business. Previously disadvantaged individuals including women and people with disabilities should be actively involved in carrying out the day-to-day management of a company (RSA, 2013:Section 9).

The generic scorecard requires companies to have at least 40% of their top management (executive and non-executive level) being previously disadvantaged individuals (women count for extra 20%). The ownership elements weigh 20% on the scorecard. Based on the requirement of this element, companies have a challenge of not only transferring shareholding to previously disadvantaged individuals but to involve them in decision making.

2.9.2 *Skills development*

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

meaningful manner”(RSA, 2013: Section 9).The Skills Development Element also measures the degree to which employers fulfil the initiatives and measure to develop the competencies of black employees (SA, 2007:10).Thus, proper strategies and mechanisms are required to improve the transferring of both technical and management skills through developing core competencies that will enable participation of previously disadvantaged individuals in the mainstream of the economy.

The Skills Development Act 97 of 1998, National Skills Development Strategy and Skills Development Levies Act 9 of 1999 are some of the legislative frameworks provided by the government to address the skills shortage in the South African economy. According to Benjamin and Barry (in Nhlapo, 2008:14), the Skills Development Act and the Skills Development Levies Act create a framework for the development of skills in workplaces, to bring about skills development within South African workforce, and to integrate skills development strategies in the National Qualifications Framework. The Skills Development Act 97 of 1998 provides for the establishment of learnerships and for the conclusion of learnership agreements. According to Nhlapo (2008:14), the Skills Development Levies Act 9 of 1999 compels all employers to give attention to the training and education of employees and to contribute 1% of the payroll to the Sectoral Education and Training Authority (SETA). Institutions in South Africa are obliged to comply with these acts.

2.9.3 *Employment equity*

With regard to the achievement of equity in the workforce, employment equity is used as a mechanism. Equity is achieved by:

- a) promoting equal opportunity and fair treatment in employment through the eradication of unfair discrimination; and
- b) implementing affirmative action measures to redress the disadvantages in employment experienced by black people, in order to ensure their equitable representation in all occupational categories and levels in the workplace(RSA, 2013: Section 9).

According to the Labour Market Commission Report (in Nhlapo, 2008:15), employment equity is a way of getting the labour market to be both non-discriminatory and socially equitable. Such result can be achieved through fair and equitable representation of all races in all occupational categories and levels within the workplace over a period of time. The Employment Equity Act 55 of 1998 was employed with the aim of stimulating equal employment opportunity and unbiased treatment of people (Nhlapo, 2008:15).

Employment equity forms an integral part of the elements of broad based black empowerment and needs to be integrated in certain charters of transformation to work hand in hand with BBBEE Act (Nhlapo, 2008:15). The participation of Black South Africans and women in senior, middle and junior management is of significant importance. Government bodies and private organisations have committed themselves to achieve the objectives of employment equity (Nhlapo, 2008:15). The reality is that not all individuals and companies are enthusiastically committed to transformation which affects commitment levels (Nhlapo, 2008:15). According to Nhlapo (2008:15), whites experience reverse discrimination when black workers are given preference.

Mahanyele (in Nhlapo, 2008:15) refuted Jordaan's opinion by maintaining that organisations only talk about Employment Equity (EE) but Blacks still do not have adequate opportunities for self-actualisation. According to Muller and Roodt (in Nhlapo, 2008:15), research has revealed that women seem to have fewer opportunities; thus more negative than men about affirmative action.

2.9.4 Preferential Procurement

Preferential procurement is a tool invented to widen market access for entities, in order to integrate them into the mainstream of the economy. Preferential procurement encourages and facilitates the adoption of broad-based BEE by aligning business imperatives to broad-based BEE. Preferential procurement will create economic empowerment benefits indirectly (RSA, 2013: Section 9). Preferential procurement entails the acquisition of goods and services from companies complying with BEE requirements. The establishment of the Preferential Procurement Act 5 of 2000 gave effect to section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy.

Preferential procurement makes provision to organs of state for implementing a procurement policy providing for categories of preference in the allocation of contracts and the protection or advancement of persons or categories of persons disadvantaged by unfair discrimination (Nhlapo, 2008:16). According to Chalmers (in Nhlapo, 2008:16), preferential procurement is a measure designed to widen market access for all Black Owned and black empowered enterprises into the mainstream economy. A code of Good Practice outlines the various principles to be applied in the determination and measurement of the level of preferential procurement within an enterprise (RSA, 2013: Section 9).

The generic scorecard outlines the requirements and codes of good practice, and states that companies' compliance level on preferential procurement will be measured based on the total amount spent on BBBEE compliant suppliers. According to Balshaw *et al.* (in Nhlapo, 2008:16), the

percentage amount of procurement spent on BBBEE compliant suppliers depend on the BBBEE level of that particular supplier. The BBBEE scorecard ranks suppliers according to contribution levels 1 to 8, which should be verified by broad based BEE verification agencies.

2.9.5 Enterprise development

This enterprise development element objective helps and accelerates the financial and operational capacity of the business enterprise that contributes to broad-based BEE. The small to medium enterprises owned by black people indirectly are the primary and major beneficiaries (RSA, 2013: Section 9).

During the budget speech by the former Minister of Finance (Trevor A Manuel) in 2005, it was highlighted that Small, Medium and Micro Enterprises (SMME's) are of significance in alleviating poverty and reducing unemployment (Nhlapo, 2008:17). According to Cronjé *et al.* and Berry *et al.* (in Nhlapo, 2008:17), SMMEs are characterised by small size and previously disadvantaged survivalist businesses.

According to Ntsika (in Nhlapo, 2008:18), SMMEs are reported to be employing a number of people and contributing towards the economy of South Africa. As Berry *et al.* (quoted by Nhlapo, 2008:18), state that SMMEs have the potential to generate employment and upgrade human capital. Visagie (in Nhlapo, 2008:18) noted that technology is adequately accessed by SMMEs, especially information technology which enables SMMEs to react proactively. As such, the ability to compete favourably with international counterparts was in serious doubt. Hence, SMME's needed support in terms of finance and resources.

Cooperation in SMMEs that are managed and owned by previously disadvantaged individuals introduced Enterprise Development to look at investments to ensure that BEE programmes are not merely about the income and redistribution of assets but also contribute to growth (Nhlapo, 2008:18). According to Nhlapo (2008:18) "the spectrum for enterprise development contributions is broad. The real criterion is that the contribution should result in the recipient enterprise becoming a sustainable entity in the long term". The measures range from direct financial assistance to non-monetary support provided to entrepreneurial enterprises (RSA, 2013: Section 9). The support to SMMEs can take the form of skills transfer or a donation of machinery or equipment that will assist the recipient in getting off the ground, including mentoring, preferential credit terms, provision of guarantees, use of infrastructure for free to enhance BEE businesses (Nhlapo, 2008:18).

2.9.6 Residual Industry Specific

This element permits additional factors that may speed up broad-based BEE to be considered and included at the discretion of a specific sector or enterprise. Sectors and enterprises are encouraged to consider some BEE initiatives such as:

- infrastructure support to suppliers or enterprises;
- labour-intensive production and construction methods;
- investment and support to enterprises operating in rural communities and geographic areas identified in government's integrated sustainable rural development programme and urban renewal programme; and
- investment in the social wage of employees (for example, housing transport, and health care). All the elements discussed above form part of the broad-based black economic empowerment; and
- beneficiation (RSA, 2013: Section 9).

2.10 DISTINCTION BETWEEN BROAD-BASED BEE AND BROAD-BASED OWNERSHIP

There should be a clear difference between broad-based BEE and broad-based ownership. Broad-based ownership denotes equity ownership that belongs to a broader base of beneficiaries and is thus restricted to equity ownership element of the broad-based BEE scorecard. (RSA, 2013: Section 9. Main components and elements of BEE are covered by Broad-based BEE; this makes the broad base BEE to be comprehensive in its effect.

Those beneficiaries benefiting from the three different components are also supported by Broad-based BEE. Broad-based ownership is only one of the seven elements of broad-based BEE" (RSA, 2013: Section 9.

The majority of transformation charters signed by major sectors state that the ownership targets of BEE denote that black South Africans should own a quarter of the private economy. According to Empowerdex (in Nhlapo, 2008:19), during the first stages of BEE implementation, many BEE transactions boasted a high percentage of legal black ownership. Number of BEE transactions in terms of value has increased, but the reality is that even though there has been an increase in the number of BEE transactions, the true transfer of ownership (economic benefits) has been significantly low (Nhlapo, 2008:19).

According to Marais and Coetzee (in Nhlapo, 2008:19), “the strategy for Broad-Based Black Economic Empowerment identified focus on direct economic empowerment of black people as the ownership of enterprises and assets through shares and other instruments that provide the holder thereof with voting rights and economic benefits, such as dividends or interest payments”. Nhlapo (2008:19) writes that “economic interest is effectively a return on investment and is measured by quantifying what the black shareholder gets in return for holding shares in a company”. Economic benefits can be obtained in the form of annual dividend payments (large listed company) or profit share (small enterprise). The codes of good practice issued by the Minister of Trade and Industry in terms of section 9 of the BEE Act extended the interpretation and definition of broad-based BEE and provided indicators to measure the level of Broad-Based BEE in an entity. According to Mason and Watkins (in Nhlapo, 2008:20), the codes determine the weighting associated with each of the indicators and set targets for the indicators.

To ensure the objectives of BEE are achieved and the society is not deceived, through complex funding structures; benefits to BEE beneficiaries are calculated using the flow-through principle which can easily trace the level of BEE participation at every tier of the ownership chain, shares within the company must be fully owed by black people (Nhlapo, 2008:20). Nhlapo (2008:20) writes that “companies that can prove to have allocated equity with economic benefits and voting rights to black people and have removed restrictions or barriers that will help the participant to achieve debt-free ownership will be rewarded in the scorecard. Penalties will be incurred when economic benefits are delayed. The latter was introduced as an incentive to help decrease the levels of debt carried by black partners and to encourage companies to help BEE partners to settle such debt”.

2.11 CONCLUSION

This chapter attempted to clarify and address the theoretical concept of Black Economic Empowerment at the provincial and local spheres of government. Emphasis was placed on: the background of public sector procurement and BEE; and different mechanisms used to achieve BEE viz.: B-BBEE; BEE Advisory Council and its functions; balanced scorecard issued as code of good practice; procurement and its process; preferential procurement; and PPPs.

In the following chapter BEE will be analysed and assessed in the context of Dr Kenneth Kaunda District Education Department. The current status quo will thus be investigated.

CHAPTER 3: ASSESSMENT AND ANALYSIS OF THE BEE PROCESSES AT THE DR. KENNETH KAUNDA DISTRICT EDUCATION DEPARTMENT (DED)

3.1 INTRODUCTION

One of the strategic objectives of the Dr Kenneth Kaunda District Education Department is to promote effective implementation of BEE objectives by engaging corporate South Africa, government and stakeholders on matters of empowerment and transformation of the economy. These guidelines are intended to promote best practices in respect of BEE whilst attempting to ensure effective, uniform and efficient planning for the procurement of all goods, services and works, required for the proper functioning of the District department. In this way, the District department intends to develop, support and promote Historically Disadvantaged Individuals (HDIs), Small, Medium and Micro Enterprises (SMMEs), and preferential goals (socio-economic objectives).

In this chapter, the Dr Kenneth Kaunda District's Education Department policies, procedures and strategies, procurement structures regarding analyses give effect to the objectives of BEE. Chapter three focuses on the assessment and analysis of BEE processes at the Dr Kenneth Kaunda District Education Department.

3.2 BACKGROUND

Analysis and assessment of BEE in the Dr Kenneth Kaunda District Education Department will be dealt with based on the following Acts and process which gives effect to BEE:

- Public Finance Management Act
- Preferential Procurement Policy Framework Act, and
- Supply chain management.

The Dr Kenneth Kaunda District Education Department (RSA, 2011:3) states that “the Black Economic Empowerment (BEE) cycle encompasses activities associated with the flow and transformation of identified goods and services, ensuring that the end-user's needs are fulfilled”. Demand for goods and services are linked to the strategic plan of the institution and its budget in order to incorporate sourcing, planning, delivery and coordination of business processes. Furthermore, of more importance, the BEE cycle is a coherent and inclusive socio-economic practice that makes a major contribution to the economic transformation of South Africa and

increases the number of black people playing role in managing, owning and controlling the country's economy as well degreasing the income inequalities.

According to the National Treasury (2004:2), the new BEE arrangements promote uniformity in supply chain management processes and also in the interpretation of government's preferential procurement legislation and policies, which should themselves be seen in the context of other related legislative and policy requirements. Section 217 of the Constitution of the Republic of South Africa (1996) stipulates that "an organ of state in the national, provincial or local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective".

Broad-based black economic empowerment encompasses the following regulatory framework and acts:

- A strategy for broad-based Black Economic Empowerment (2003),
- The Black Economic Empowerment Act 53 of 2003,
- the broad-based Black Economic Empowerment Codes of Good Practice, Vol. 500,
- Government Gazette No. 29617 of 09 February 2007,
- Guidelines on Complex Structures and Transactions, and Fronting (previously statement 002),
- Guidelines: Equity Equivalent Programmes for Multinationals and a host of other pieces of legislation, including the
 - Public Finance Management Act 1 of 1999,
 - Employment Equity Act 55 of 1998,
 - Skills Development Act 97 of 1998,
 - Skills Development Levies Act 9 of 1999 and
 - Preferential Procurement Policy Framework Act 5 of 2000 (*A practitioners guide codes of good practice on broad-based black economic empowerment, Section 1.3*).

3.3 ORGANISATIONAL STRUCTURES INVOLVED IN THE BEE PROCESS

The preference point system and broad-based black economic empowerment status, evaluation of bids on functionality, awarding of contracts to bidders not scoring the highest number of points and the cancellation and re-invitation of bids will be dealt with below as the Department of Education in Dr Kenneth Kaunda District attempt to procure for goods and services (SA, 2009:8-9).

3.3.1 Preference Point System

Dr Kenneth Kaunda District Education Department must prior to making any bid invitations:

- a) plan properly and accurately in order to be able to estimate the costs of goods, works and services for which an invitation for bids is to be made; and
- b) the Department of Education has to be able to estimate a suitable preference point system in the evaluation and adjudication of bids (RSA, 2011:5).

3.3.2 Evaluation of Bids

Dr Kenneth Kaunda District Education Department must ensure that they indicate in their bid documents, with respect to a particular invitation to bid, that the bids will be assessed on functionality.

- A bid must wither away in the circumstances of the bid failing to reach minimum qualifying points for functionality as is mentioned in the bid document.; and
- Bids must be evaluated based on their minimum qualification score and those that achieved qualification score must take for evaluation (RSA, 2011:5).

It is possible that a bidder that did not score high on the score card may be awarded a contract under justifiable and reasonable grounds (RSA, 2011:7).

3.3.4 Cancellation/ and Re-Invitation of bids

When applying the 80/20 preference point system that is also mentioned in the bid documents. If the all received bids are exceeding R1, 000 000, the bids should be assessed using the 80/20 preference point system, but in cases whereby the bids received do not exceed R1 000 000, bids should be cancelled. Currently, Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) and its regulations is governing the preferential procurement within the public sector and state organs, point system is applicable (based on price, functionality and socioeconomic objectives in awarding public sector tenders (80:20 for contracts less than R500000 and 90:10 for contracts in excess of R500 000)(RSA, 2011:7).

- In the application of the 90/10 preference point system as stated in the bid documents, all bids received are equal to, or below R 1 000 000, must be cancelled as a result. If bids received are above the R 1 000 000, all bids received must be evaluated on the 90/10 preference point system.

- If bids are cancelled because they could not minimum requirement, the department must re-invite bids and must, in bid documents state correct way of the preference point system to be applied.
- The department of education has the right to cancel the bid prior awarding it if
 - a) there is no longer a need for the goods, works or services, or funds are no longer available to cover the total envisaged
 - b) expenditure or no acceptable bids are received.
- If bids are cancelled they must be published in at least the Government Tender Bulletin or media in which the original bid was advertised (SA, 2009:14).

3.4 THE BEE (TENDER) PROCESS EMPLOYED BY THE DR KENNETHKAUNDA DISTRICT EDUCATION DEPARTMENT

Tendering is a procurement process whereby possible suppliers are requested to make a firm and clear offer of the price and terms which, on acceptance, will form the basis for the contract that will follow (Lyson, 2000:404). An in-depth understanding and implementation of the various stages of the tendering procedure and the accounting procedures is, therefore, essential to guarantee that public officials acquire goods and services, timely and according to their requirements (Visser & Erasmus, 2002:158). For the purpose of this study, tendering or bidding should be understood to mean proposing and competing with fellow bidders to offer or supply a service or product for a reasonable price and stated specifications. Different phases of the tender process, bid structures, utilisation of procurement methods, and the management of procured contracts, as applied by the Dr Kenneth Kaunda District Education Department, in its geographical area of jurisdiction are subsequently discussed below:

The preferential procurement element of BEE pursues to address challenges of accessing the market by providing rewards for business to procure goods and services from the enterprises. In particular, this preferential procurement drives companies to purchase services and goods from:

- small and micro enterprises in general;
- enterprises that are at least 50% Black-owned; and
- enterprises that are at least 30% Black women-owned (A practitioners guide codes of good practice on Broad-Based Black Economic Empowerment, Section 1.3).

Government is a major purchaser of goods and services supplied by the private sector, and also licenses, many private sector companies to conduct business. The private sector sells a lot of

goods and services to the government and this makes the government to be a major purchaser of private sector goods and services. In using this economic power government puts it that those who want to do business with the government must support the objectives of B-BEEE (Department of Trade and Industry, 2005).

Public entities and organs of state are legally obliged to consider “as far as reasonably possible “the BEE status of their suppliers and to procure goods and services from suppliers with favourable BEE *status*” (Department of Trade and Industry, 2005).

Suppliers who are offering services to organs of state for the first time may not achieve positive BEE status, unless they get their services and goods from suppliers who have been working with the state (second-tier suppliers) and hence having positive BEE status

Suppliers (first-tier suppliers) to public entities and organs of state may, however, not achieve favourable BEE status unless they too procure their goods and services from suppliers (second-tier suppliers) with favourable BEE status. This is so because the BEE status of a business is largely a product of the BEE procurement recognition level of its suppliers. When the BEE procurement level of a supplier is high, the business earns more recognition points for getting goods and services from that supplier. (A practitioners guide codes of good practice on broad-based black economic empowerment, Section 1.10).

3.5 NORMS AND STANDARDS FOR THE BEE PROCESS

Section 76/(4)/(c) of the Public Finance Management Act 1 of 1999 stipulates that the National Treasury may make regulations or issue instructions applicable to all institutions to which this Act applies – the determination of a framework for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective (RSA, 2010:62). Against this background it is clear that the National Treasury is required to issue standards and norms to ensure uniformity and to monitor adherence thereto. The norms and standards for the proper procurement system are discussed below.

3.5.1 *Fair and equitable*

To deal with suppliers and potential suppliers, organisations should: maintain the highest standards of integrity, honesty, objectivity and impartiality; be efficient, fair, firm and courteous; and attain the highest professional standards when awarding contracts (National Treasury, 2004:20). The same information must be given to all prospective suppliers. Only bidding process information should be

kept confidential. All received tenders are assessed only against the written conditions, and only those tenders keeping strictly to the specifications are acceptable (Visser & Erasmus, 2002:160).

3.5.2 Transparency

The fact that all bids are advertised in the newspapers, government-bid bulletin or local newspapers indicates transparency. Advertisements are published in English at the Dr Kenneth Kaunda District Education Department. According to Visser and Erasmus (2002:160), tenders must be publicly opened – in the presence of at least two officers – immediately after the closure, and no acceptance of late tenders. On request, the prices of tenders are revealed at the time of opening. Schiavo-Campo (1999:198) stresses that in the field of public financial management, transparency implies that the processes and approaches of making decisions and use of public funds are open and visible to all.

3.5.3 Competitive/Cost-Effectiveness

Abedian and Biggs (cited by Motsiri, 2009:1998:36) point out that the efficient use of public funds and the effectiveness of the government services which they finance are important matters in any economy. According to Dobler *et al.* (cited by Motsiri, 2009:36), every purchasing manager wants to achieve a high degree of buying effectiveness and, at the same time, utilise the department's resources as efficiently as possible. Too much emphasis on efficiency can easily decrease buying effectiveness. The challenge is to determine the optimal level of operating efficiency that still permits personnel to do a thorough, proficient job of buying.

3.6 PERFORMANCE MANAGEMENT OF OFFICIALS

Armstrong (2006:495) defines performance management as “a systematic process for improving organizational performance by developing the performance of individuals and teams. Every institution, organisation, and state, exist for a purpose, that is, there are goals that are aimed to be achieved, through processes, techniques and methods”. Van der Waladt (2004:390) points that performance management differs according to scope and in its broadest definition, this refers to all those processes and systems designed to develop and manage performance at public service level, specific organisations, components, teams and individuals.

According to Latham (1990:55-56), performance management needs to assess the goal-setting process with regard to an individual's ability. Performance, thus, is multidimensional and for one to manage it successfully there is a need to take cognisance of all factors that may affect it. It is clear

that performance management can be seen as remedial to ambiguity; one is forced to impose clarity to vague concepts and to take action.

Williams (2002:55) defines performance as the outcomes or outputs of work since they offer the strongest connection to customer satisfaction, strategic goals of the organisation, and economic contributions. Such outputs of performance include accountabilities, key result areas, results, objectives, goals, outputs, targets, critical success areas, competencies and standards. The process of performance management is goal-oriented (Mondy, 2008:224) and the term is often used interchangeably with, performance appraisal, evaluation of performance or performance measurement (Mello, 2006:444).

According to Mlambo (2004:17), a good Performance Management System can be used to assist managers in improving their employee's performance in order to attain their organisation's performance objectives. Furthermore, in a good Performance Management System, it should be easy for an employee to track how they have been performing for the whole year so that they can be able to correct and fix their weaknesses. Within the normative South African public sector context, Bevan and Thompson (cited in Mlambo, 2010:18i) describe a model performance management system as follows:

- The organisation has a shared vision of its objectives or a mission statement, which is communicated to its employees;
- There are individual performance management targets, related to unit and wider organisational objectives;
- There is a regular formal review of progress towards achieving the targets;
- There is a review process which identifies training, development and reward outcomes; and
- The whole process is itself evaluated, giving feedback through changes and improvements.

According to Van der Walddt (2004:290), the Guide on Performance Management and Development, issued by the Department of Public Service and Administration, was intended to help departments:

- understand the implications of the new public service policy context for performance management and development;
- develop an effective departmental policy on performance management and development that links individual performance to the goals of the department in a way that is relevant and appropriate to the needs and circumstances of each specific department;

- design, implement and use a system for individual performance management and development that is appropriate, relevant and effective.

Mlaba (in Mlambo, 2010:25) highlights some of the essential requirements for the effective implementation of PMS in an institution as follows:

- Management's buy-in;
- A PMS Champion who will drive the PMS process internally (PMS specialist needs to be actively driving the process);
- Proper communication channels;
- Adequate and timely information; and
- Adequate resources.

As a result of Performance Management there is a change in way things are done at work and attitude of employees (Van der Walddt, 2008:31). Certainly most organisations acknowledge the value of performance management in making both individual and organisational performance better. Regardless of the fact that organisations' performance management content differ and is unique, there is a number of common and basic processes that most organisations follow that are viewed as best practice. As an example most professionals and experts on the matter seem to agree to a particular degree that performance management is an on-going process of planning, supporting, managing, reviewing, assessing, monitoring, rewarding, and developing performance (Brown & Armstrong, 1999; Griffith and Orega, 1997; Spansberg & Theron 2001; Williams, 2002).

3.7 DEALING WITH CORRUPTION

According to Evans (in Lyson, 2000:487), purchasing is a function that is particularly vulnerable to fraud. Fraud is not necessarily restricted to those with the title purchasing officer but may involve anyone in direct contact with suppliers. Leenders and Fearon (1993:265) point out that there is practice that seeks, through gifts, entertainment, and even open bribery, to influence the decision of persons responsible. The National Treasury (2003:37) mentions that the Constitution of 1996 provides for rights like access to information and fair administration and requires within the public administration, high standards of ethics. The ability to combat corruption has been enhanced by the Act that was adopted relating to anti-corruption measures and transparency.

Regulations 38 (1) of the Municipal Supply Chain Management Regulations(2005) states that a supply chain management strategy need to provide measures for fighting abuse of the supply chain

management system. The Dr Kenneth Kaunda District Education Department (2011:56) endorses this and state that officials are not to perform their duties with the intention of unlawfully gaining any form of benefit, compensation or perks from any individual, supplier or contractor for themselves, their friends and families.

The officials should declare any commercial or financial interests, any business or activities undertaken for financial gain that may raise a possible conflict of interest. Section 6 (4) (c) of the Public Protector Act 23 of 1994 provides that in addition to the powers and functions assigned to the Public Protector by section 112 of the Constitution of 1996, he or she shall be competent to investigate, on his or her own initiative or on receipt of a complaint, any alleged – improper or unlawful enrichment or receipt of any improper advantage, or promise of such enrichment or advantage, by a person as a result of an act or omission in connection with the affairs of any institution.

In terms of section 12 (1) of the Prevention and Combating of Corrupt Activities Act 12 of 2004, any person who accepts any gratification from any other person, whether for the benefit of himself or for the benefit of that other person, in order to improperly influence in any way – the procurement of any contract with a public or private organisation is guilty of the offence of corrupt activities relating to contracts.

3.8 CONCLUSION

This chapter examined and assessed the environment of Black Economic Empowerment at the Dr Kenneth Kaunda District Education Department. The current Dr Kenneth Kaunda District Education Department tender guidelines were perused, practices and processes observed, and available relevant tender reports and documents critically analysed to provide an overview of public sector BEE processes at the Dr Kenneth Kaunda District Education Department. For the purpose of this study, focus was placed on: BEE background, organisational structures involved with BEE and tender processes, the BEE (tender) process employed by the Dr Kenneth Kaunda DED; norms and standards for the BEE process; performance management of officials; and dealing with corruption.

This chapter provided an overview of the legislative process that governs BEE at the Dr Kenneth Kaunda District Department of Education. The next chapter provides the empirical survey of the status of BEE compliance at Dr Kenneth Kaunda District Department of Education. The research gathered information through semi-structured interviews and questionnaires.

CHAPTER 4: EMPIRICAL SURVEY OF BEE COMPLIANCE: DR KENNEH KAUNDA DISTRICT DEPARTMENT OF EDUCATION

4.1 INTRODUCTION

“The public sector could be used by the government as the instrument to attain certain broader policy purposes such as BEE, local economic development spin-offs for small and medium sized business, skills transfer and job creation” (National Treasury, 2003:11). The African National Congress (ANC) is utilising the public sector as a platform to de-racialise the economy through BEE policy which endeavours to ensure that companies which undertake business transactions with the government promote redress on the three spheres of government.

In order for redress to take place there has to be compliance with the BEE policy guidelines on all the spheres. This chapter seeks to empirically establish the status of BEE compliance by the Dr Kenneth Kaunda District Department of Education. This would be done through the findings from the survey¹ conducted and its interpretation.

Moreover, the research methodology and empirical findings regarding the compliance of BEE by the Dr Kenneth Kaunda District Department of Education is also discussed. Data was obtained from selected companies (population²) which undertakes business transactions with the District Department of Education through questionnaires and interviews designed specifically for this purpose. Furthermore, this chapter discusses the research design and how the data was collected. The questionnaires were distributed to the identified respondents in the companies.

4.2 RESEARCH METHODOLOGY

Research methodology is “the methods, techniques and procedures that are employed in the process of implementing the research design or research plan, as well as the underlying principles and assumptions that underlie their use” (Babbie & Mouton, 2011:647). Research methodology is used generally by the researcher in carrying out a research project (Leedy & Ormrod, 2001:14). There are two types of research approaches that the researcher can use qualitative and quantitative research.

¹ Survey research involves collecting data putting a set of pre-formulated questions in a pre-determined sequence in a structured questionnaire, to a sample of individuals drawn so as to be a representative of a given population (Bayat & Fox, 2007:87).

² Population also known as universum is any group of individuals, events or objects that share a common characteristic and represent the whole or sum total of cases involved in a study (Bayat & Fox, 2007:52)

4.2.1 Qualitative and Quantitative research

According to Bayat and Fox (2007:7), the problem to be solved needs appropriate types of research. The various types of research can be divided into two broad categories or paradigms, namely quantitative and qualitative research. Struwig and Stead (2001:13) state that qualitative research methods reflect certain approaches to knowledge production and include any research that makes use of qualitative data. Bayat and Fox (2007:7) further state that qualitative research methods are designed to scientifically explain events, people and matters associated with them and do not depend on numerical data, although it may make use of qualitative methods and techniques.

According to Blumberg *et al.* (2008:191), quantitative studies depend on quantitative information that is numbers and figures. Bayat and Fox (2007:7) further state that one of its common disciplines is the use of statistics to process and explain data and to summarise findings. In general, quantitative research is concerned with systematic measurement, statistical analysis and methods of experimentation.

This study conducted empirical research with companies which undertake business with Dr Kenneth Kaunda District Department of Education. Data was collected using a questionnaire and semi-structured interviews. Hesse-Biber and Leavy (2006:125) state that semi-structured interviews assist in guiding the conversation to allow the respondents some latitude to expand and further discuss what is of interest or utmost importance to them.

The questionnaires entailed both quantitative (closed ended statements³) and qualitative information (open ended questions⁴) Furthermore, the researcher also included dichotomous questions⁵ which sought the gender of the respondents. Section sought demographic information, and section C comprised open ended questions. Respondents were asked to give their own views about the state of BEE compliance at the Dr Kenneth Kaunda District Department of Education. The researcher formulated the questions in plain simple English which the respondents could easily understand. Short and simple questions have the potential to yield a high response rate (Bayat & Fox, 2007:96; Blanche *et al.*, 2006:490).

³ Closed ended statements are also known as structured or multiple-choice questions. A closed ended statements are statements (questions) containing specific, mutually exclusive response categories from which respondents must select a category that best fits their answer or responses (Bayat & Fox, 2007:91).

⁴ Open ended questions, these questions are also called free response or unstructured questions. Respondents are encouraged to comment freely on the topics that have been put to them. Open ended questions are used specifically to find reasons for particular respondent opinions or attitudes (Baya& Fox, 2007:91).

⁵ Dichotomous questions are type of questions that can only accommodate two answer possibilities e.g. state your gender (Bayat & Fox, 2007:93).

4.3 RESEARCH DESIGN

Babbie and Mouton (2011:647) define research design as “a plan or structured framework of how the researcher intends conducting the research process in order to solve the research problem”. Research designs can be categorised based on whether they are empirical or non-empirical studies. Empirical studies can be further differentiated into primary and secondary studies of data analysis. Research designs that involve empirical data can also be further classified according to the type of data: numerical and textual data. The research design included a literature review, construction of a questionnaire and data collection methods. These components of the research design are discussed below.

4.3.1 Literature review

Bayat and Fox (2007:35) define literature review as a serious assessment and summary of the range of the past and contemporary literature in a given area of knowledge. It may be limited to formal documents or papers and books written on one discipline or sub-discipline, or it may be wider ranging within another discipline or sub-discipline. Leedy and Ormrod (2001:70) state that a literature reviews has numerous benefits. The literature review was presented in chapters 2 and 3. This study involved secondary sources such as books, journals, government documents, ANC documents compiled and published, legislation, policies, and reports containing information related to the research.

4.3.2 Construction of questionnaires

Babbie and Mouton (2011:646) define a questionnaire as a document containing questions and other types of items designed to solicit information appropriate to analysis. Questionnaires are used mainly in experiments and survey research, field research, and other styles of observation. Struwig and Stead (2001:89) explain that questions asked in a questionnaire derive from a review of literature on the subject matter and interviewing people. For the purposes of this study, the questionnaire was divided into three sections, namely: Section A, B and C which are discussed below:

- Section A contained questions that were planned to obtain demographic information such as gender, highest educational qualifications, current work level and number of years of service, and the relationship of the respondents with the Department of Education in Dr Kenneth Kaunda District.

- Section B contains scaled questions. The statements determined the level of the respondent's view with regard to the status of BEE compliance. The respondents were required to indicate whether they 'strongly agree', 'agree', 'disagree', and 'strongly disagree'.
- Section C comprised of open-ended questions and a combination of questions requesting the respondents to express their views regarding the status of BEE compliance at the Dr Kenneth Kaunda District Department of Education. The respondents were expected to give an overview of their experience regarding BEE as well as the challenges and successes of the implementation of the BEE legislation.

4.3.3 Data collection methods

Mixed-methods research design was used as a guideline to this study, which included the qualitative and quantitative strategies (Teddie & Tashakkori, 2009). Two methods can be deduced in data collection: direct observation methods such as systematic and participant observation and indirect observation methods for instance questionnaires and interviews (Mouton, 1996:144). Gathering of data may differ from observation at a specific location to an extensive survey of large corporations globally (Martins *et al.*, 1999:90). A questionnaire is an indirect data collection method. It is a list of questions or statements on a specific topic compiled by a researcher on which answers and information are required (Bayat & Fox, 2007:88).

A questionnaire was used in this study to obtain data regarding the state of BEE Compliance by the Dr Kenneth Kaunda District Department of Education. The questionnaire was designed to ensure anonymity and confidentiality to encourage the respondents to participate. The time estimated to complete the questionnaire was 10-15 minutes.

4.3.4 Ethical considerations

Institutional ethical permission was received for the research under the umbrella of Dr Kenneth Kaunda District Department of Education, North West Province (District director). The respondents were assured that confidentiality and anonymity was guaranteed.

4.3.5 Study population

According to Bain *et al.* (2013:11), research approaches (quantitative and qualitative research) in data collection will determine the size of the researcher's sample. The study was conducted among the companies (population) which did business with Dr Kenneth Kaunda District Department of Education. In most times researchers are required to limit their research to a part of the population,

as it is physically impossible to obtain information from the entire population. This part of the population is called a sample⁶ (Bayat & Fox, 2007:54). The simple random sampling⁷ comprised 8 companies out of the initial 13. Simple random sampling is one of the two techniques of probability sampling⁸. The population included the following companies: Blue Tek Computers, Jupiter signs, Easy access engineering solutions CC, Matlosana books and stationery, Planet Stationery, Tabogo packaging and distributors CC, NB computers and Exect Stationery. The directors at the aforementioned companies assisted in identifying the respondents for the study. Thirty-five questionnaires were distributed to the respondents of which 34 were returned to the researcher.

4.3.6 Problems encountered

Section C consisted of open-ended questions. From the thirty five respondents who were identified to participate in the interview, twenty respondents felt comfortable that their responses could be tape-recorded while fifteen respondents chose to complete the questionnaire for fear of possible intimidation should their voices be identified. The researcher encountered difficulties in conducting this survey, one of the reasons being the sensitivity of the topic (BEE compliance). A low responsive rate from the respondents was one of the issues that concerned the researcher. Some companies refused to divulge information. It was extremely difficult to secure willing respondents without the help of company management. Long delays and false promises of timeous completion of the questionnaires was also a major concern. The researcher had to constantly remind the respondents to complete the questionnaire. This resulted in several respondents ignoring his request. The reaction of the respondents varied even though the questionnaire clearly stated the objective of the study. Some of the respondents did not care to respond while others claimed to be too busy.

4.3.7 Processing of research data

According to Bayat and Fox (2007:106), analysis of data is done to explain and perfect the, concepts, terms, statements in the research, where a body of literature of literature is already in existence. The analysis has to disclose the concealed meaning in the text.

⁶ A sample is any subset of the elements of the population that is obtain (by some process) for the purpose of being studied (Baya& Fox, 2007:54).

⁷ Simple random sampling is a sample drawn from the population in such a way that each element of that population has the same chance of being drawn during the first and each successive draw (Bayat & Fox, 2007:55).

⁸ A probability sample is a sample in which each element in the population has a known and not-zero probability (chance) of being included in the sample (Bayat and Fox, 2007:54).

The confirmation of permission to distribute the questionnaires was granted in writing on June 15, 2014. Refer to Annexure A. The questionnaires were collected, administered by the researcher and sent to the Statistical Consultation Services, North- West University NWU (Potchefstroom Campus) for scientific analysis.

4.4 ANALYSIS AND INTERPRETATION OF EMPIRICAL DATA

4.4.1 Section A: Biographical information

Below is the demographic information from the respondents.**A.1 Gender respondents**

The pie chart below illustrates the gender of the respondents in percentages. Fifty-six percent of the respondents were male compared to Forty-four percent of the respondents being female. This also indicates the lack of BEE compliance by companies doing business with the Department of Education in terms of gender equity. The feminine gender, according to BEE legislation, is also defined as previously disadvantaged regardless of race.

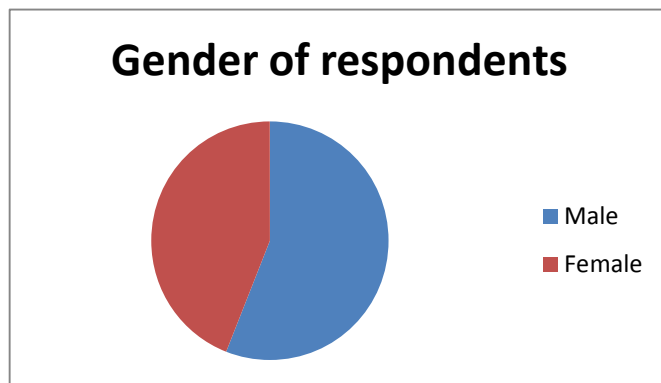


FIGURE 1: Gender of respondents

A.2 Current work level

The respondents were divided into five categories: General worker, manager, supervisor, administrator, and contract employee to determine their current work level. The results indicated the following: 50 percent of the respondents hold management positions, 26 percent are in supervisory positions, 18 percent are contract employees while 3 percent comprised of general worker and administrator respectively. The results revealed that the majority of the respondents are in management and supervisory and decision- making positions.

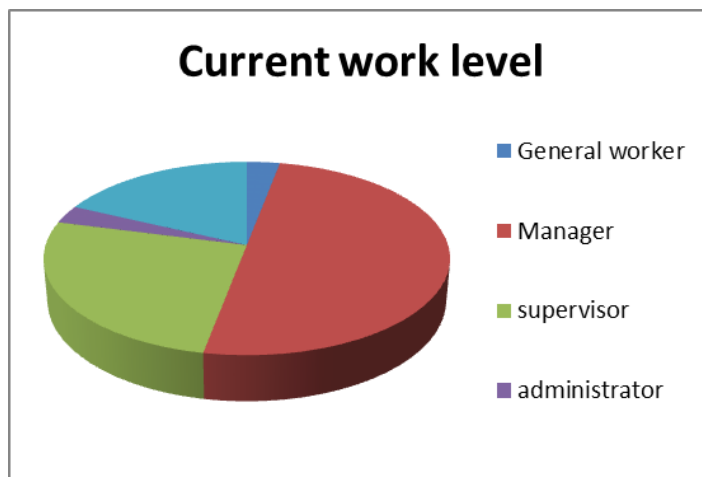


Figure 2: Current work level

A.3 Education level

The aim of this question was to determine the respondent's highest level of formal education. The respondents were divided into four categories: Post graduate, Graduate, Matric and other. Figure three revealed the highest level of formal education attained by the respondents. Thirty five percent are post graduates; 26 percent are graduates while 24 percent of the respondents possess Grade12 certificates. 15 percent of the respondents fell under 'other'. The results revealed that the majority of the respondents have either one or two qualifications from a tertiary institution.

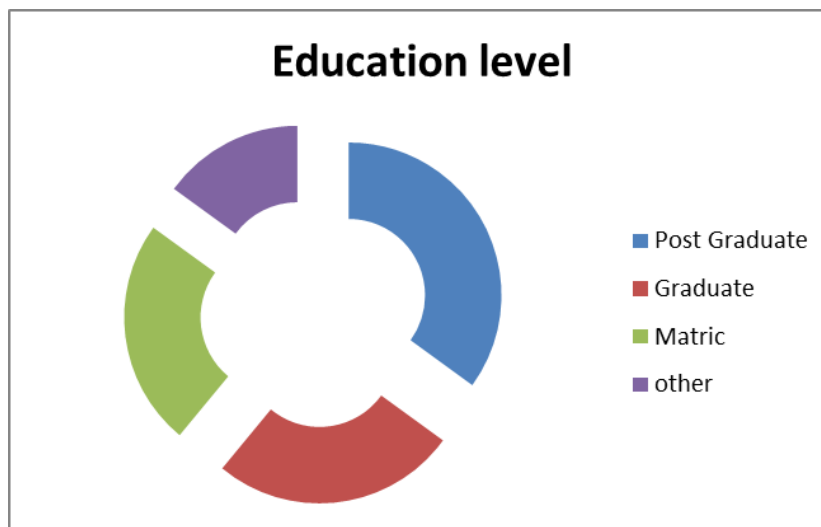


FIGURE 3: Education level

A.4 Number of years employed or contracted in the current position

The purpose of the question was to determine the number of years the respondents have held their current positions. The respondents were divided into five categories: 1-3 years, 4-6 years, 7-9

years, 10 years +, and not applicable. 26 percent of the respondents fell in the category of 1-3 years; 9 percent under 4-6 years; 7-9 years compromised 12 percent while 47 percent had been in the position for 10 plus years. 2 percent of the respondents indicated not applicable. These results revealed that the majority of the respondents have adequate experience given the number of years they have spent in their current position.



FIGURE 4: Number of years employed or contracted on the current position

A.5 Number of years involved with the procurement of stationary for Dr Kenneth Kaunda District on Department of Education

The respondents were divided into five categories: 1-3 years, 4-6 years, 7-9 years, 10 years +, and not applicable. The responses revealed that 18 percent of the respondents had been involved with the procurement process for 1-3 years, 12 percent for 4-6 years, 15 percent under 7-9 years while 35 percent of the respondents under 10 years+. 20 percent of the respondents indicated not applicable.

Number of years involved with the procurement of stationary for Dr Kenneth Kaunda District in Department of Education

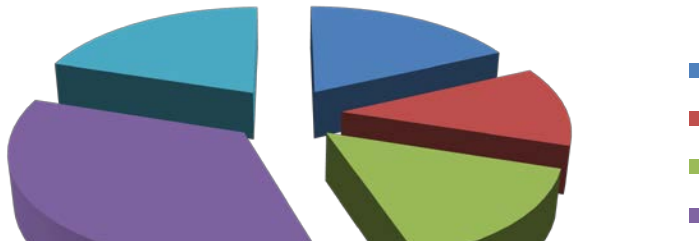


FIGURE 5: Number of years involved with the procurement of stationary for Dr Kenneth Kaunda District at the Department of Education

A.6 Relationship with the Department of Education in the Dr Kenneth Kaunda District

The respondents were divided into four categories: Management, Department of Education Contracted Black Owned Company, Independent contractor and Department of Education employees. Figure 6 below revealed that 62 percent of the respondents are independent contractors, 29 percent are employees at the Department of Education while 6 percent comprise management and 3 percent of the respondents are the Department of Education Contracted Black Owned Company.

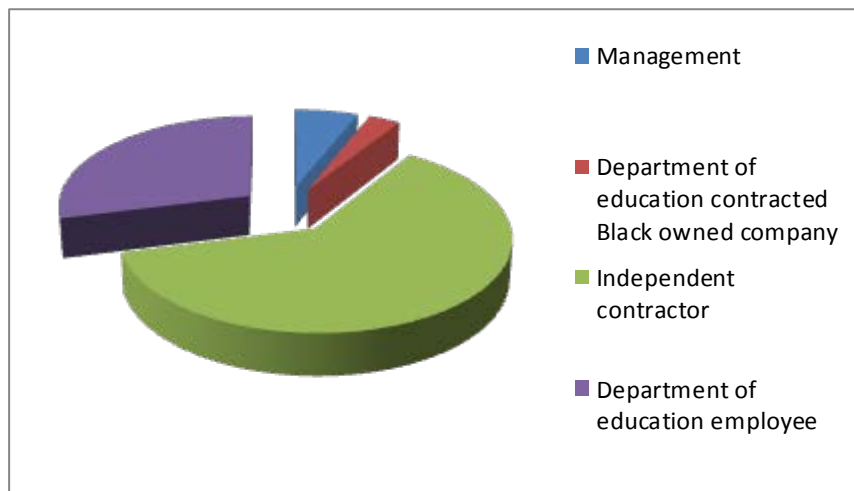


FIGURE 6: Relationship with Department of Education in the Dr Kenneth Kaunda District

4.4.2 Section B: Likert Scale

Data from the structured questionnaires was captured in the Statistical Programme for Social Sciences. Basic descriptive statistics were computed at the North West University for scales and items contained in the questionnaire. In this section the quantitative data collected from the questionnaires were analysed as follows:

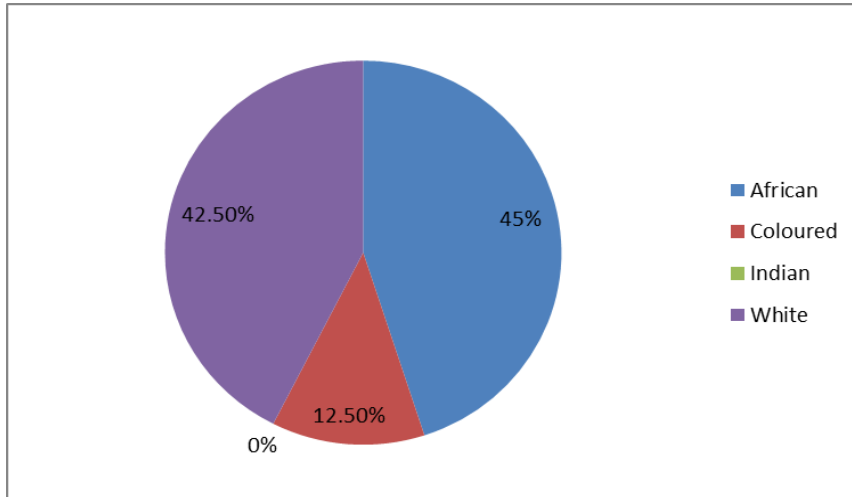


FIGURE 7: Race

The pie chart below illustrates the distribution of race of the respondents in percentages. The majority of the respondents were Black followed by whites and Coloureds. No Indians responded to the questionnaire.

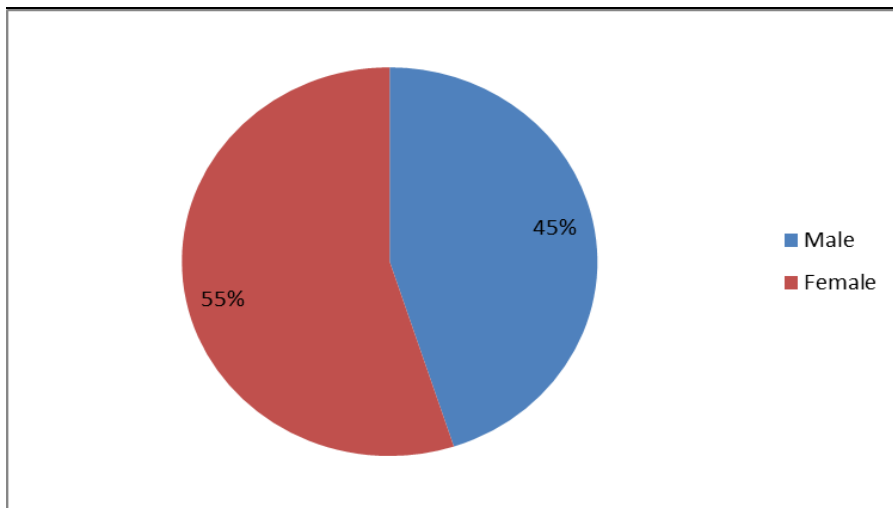


FIGURE: 8 Gender Percentages

The pie chart above illustrates that 55 percent of the respondents are women while 45 percent comprised male respondents.

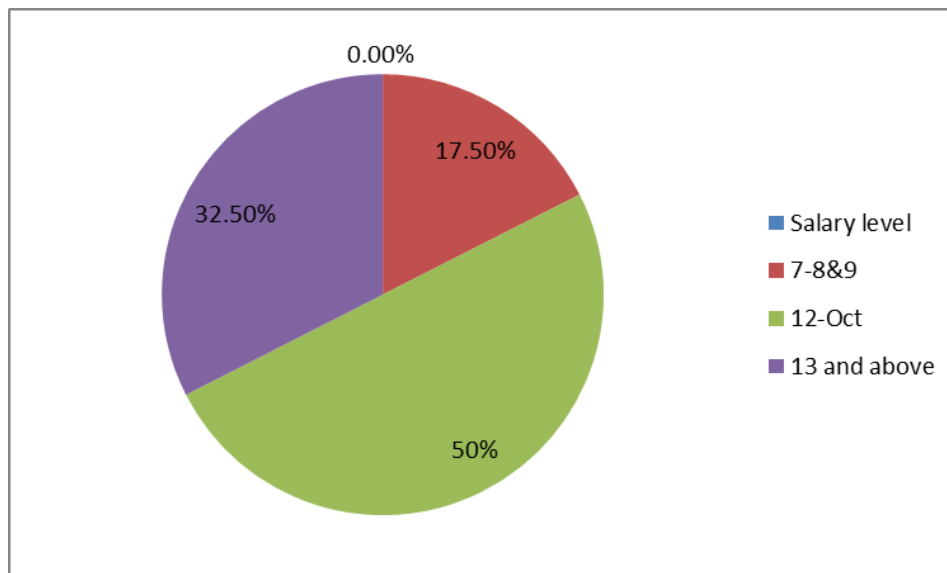


FIGURE: 9 Salary level

The respondents were categorised into salary levels to determine their level of influence that some employees might have to influence BEE processes in the Department. The results revealed that the majority of the respondents are in management and supervisory positions.

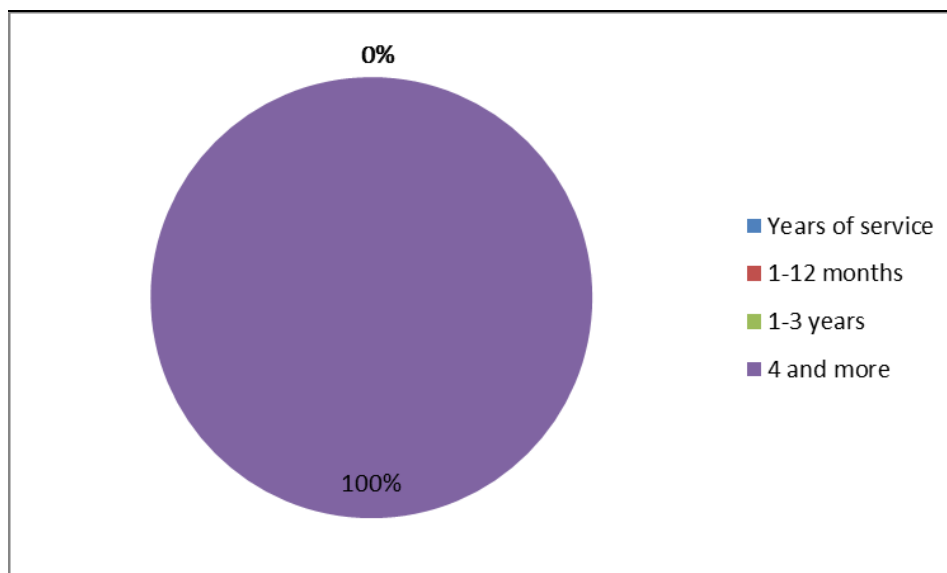


FIGURE: 10 Years in service

All the respondents have more than four years' service with the Department of Education.

In the following section the quantitative data collected was analysed using both the Likert scale and pie chart. The table below is the descriptive statistics of a Likert scale.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PART3N1	40	1	5	3.15	1.331
PART3N2	40	1	4	2.48	.847
PART3N3	40	1	5	2.78	1.097
PART3N4	40	1	5	3.43	1.615
PART3N5	40	1	5	3.38	1.213
PART3N6	40	1	5	3.53	1.086
PART3N7	40	1	5	3.28	1.198
PART3N8	40	2	5	3.18	.958
PART3N9	40	1	4	3.03	.974
PART3N10	39	1	5	3.18	1.097
PART3N11	40	1	5	2.88	1.090
PART3N12	40	1	4	2.98	1.025
PART3N13	40	1	5	3.00	1.109
PART3N14	40	1	5	2.30	.791
PART3N15	40	1	5	3.00	1.013
Valid N (listwise)	39				

The following statements were put to the respondents on what they had to choose the correct option 1-5:

Statement 1:

Government should scrap the BEE policy.

The following responses were gathered from a sample size of thirty five (35) participants:

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
8	1	3	22	1

Graphically the responses are illustrated as follows:

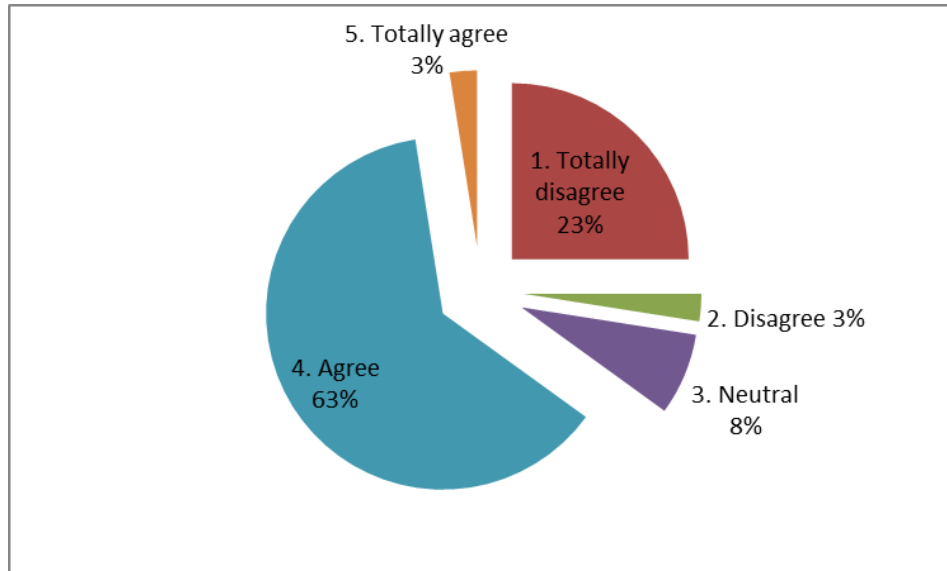


FIGURE: 11 Government should scrap BEE policy

Twenty six of the respondents agree that BEE should be scrapped. It can be inferred that the respondents perceive the process flawed with, *inter alia*, irregularities, corruption, nepotism and maladministration. The average score for the group mean was 3.15. It can be deduced that most of the participants agree that BEE should be scrapped.

Statement 2:

Black Owned companies conduct proper business with the Department of Education of NWP

The following responses were gathered from a sample size of thirty five (35) participants.

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
3	16	10	6	0

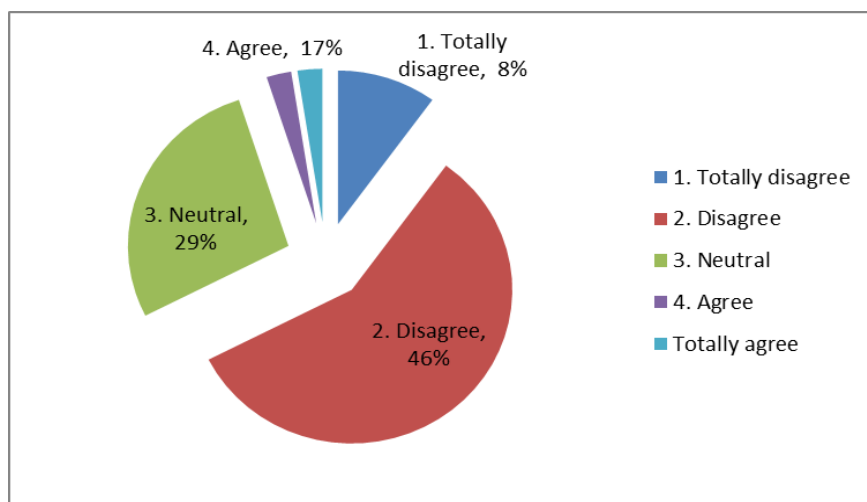


FIGURE 12

Twenty four respondents disagree that Black Owned companies conducted proper business in the Dr Kenneth Kaunda District Department of Education in North West Province. Sixty percent of the participants are not in agreement with the statement above. The group mean of 2.48 clearly indicates that the respondents are of the opinion that that Black Owned companies cannot conduct proper business with the Department of Education.

Statement 3:

BEE cannot empower the previously disadvantaged

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
2	19	2	10	2

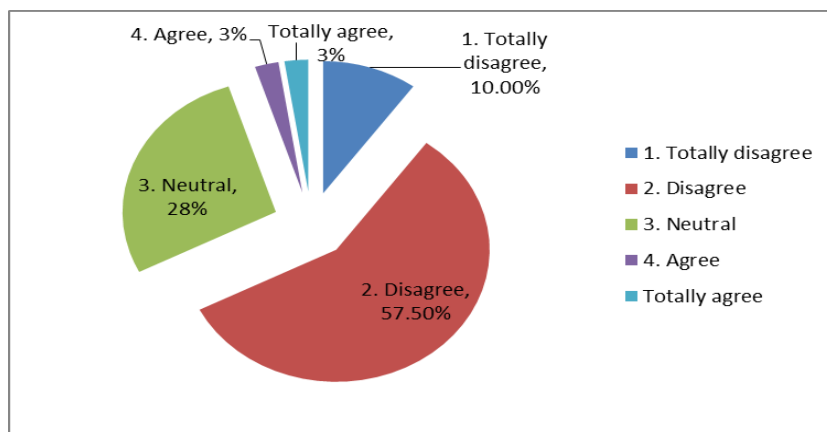


FIGURE 13

Twenty three of the respondents disagree with the statement above which can be inferred that BEE cannot empower previously disadvantaged individuals. The statistical mean of 2.78 revealed that the respondents disagree with the statement.

Statement 4

BEE benefits only those with strong political affiliations

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
4	12	0	2	17

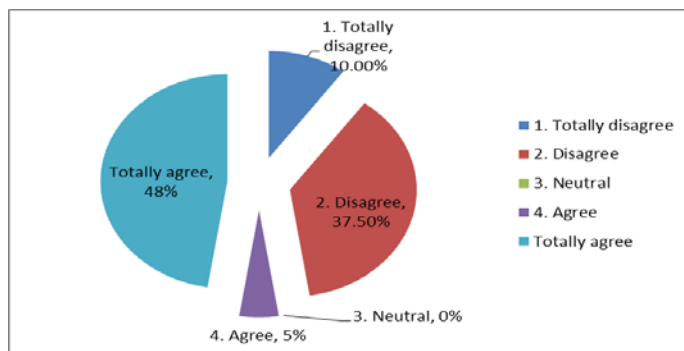


FIGURE 14

The statistical mean of 3.43 revealed that more than half of the respondents agree with the above statement. It can be assumed that if one does not have politically affiliations, the chances of one benefiting from BEE are slim. Twenty one respondents agree with the statement, that the BEE policy should be revisited and monitored closely to ensure potential candidates benefit.

Statement 5:

BEE contributes towards an unequal South African society

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
2	8	1	20	4

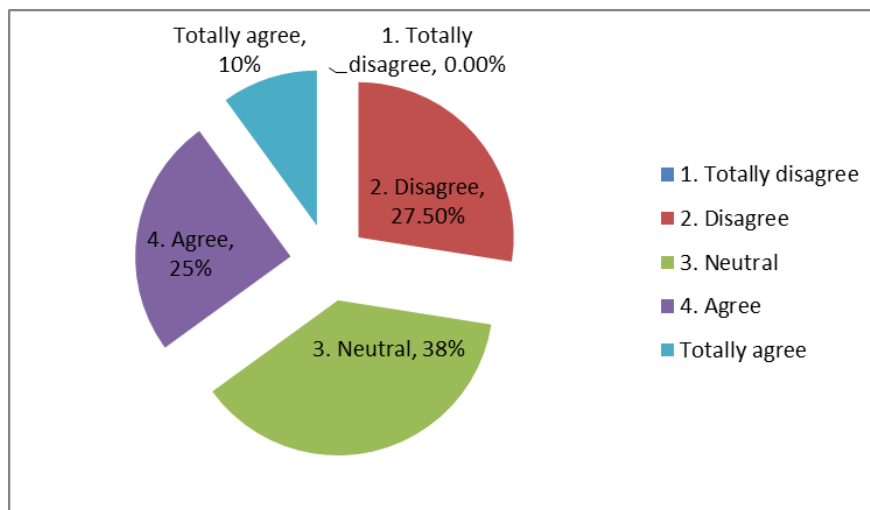


FIGURE 15

Twenty six of the respondents agree that BEE contributes towards an unequal South African society. A mean of 3.38 clearly revealed that the respondents agree with the above statement. BEE should be revisited to ensure that it attains the goals for which it had been implemented.

Statement 6:

BEE has contributed towards increasing the number of Black people in the ownership and control of the country's economy

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
1	8	4	19	3

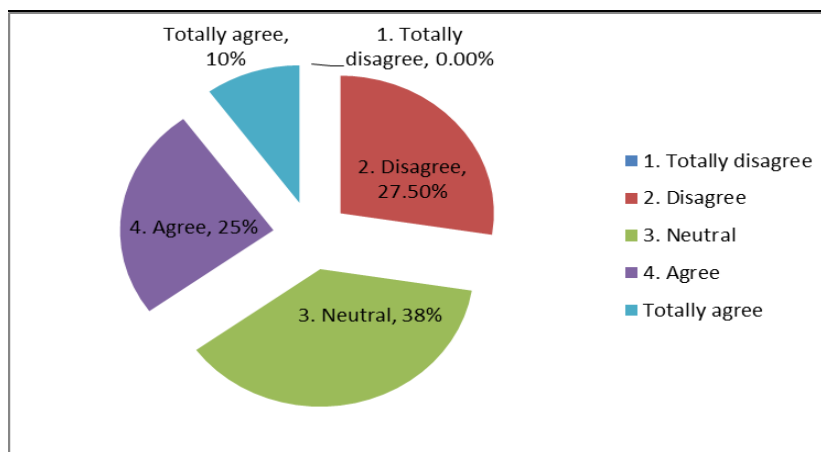


FIGURE 16

Twenty seven respondents agreed that BEE had enabled a number of previously disadvantaged individuals access to control and own several high profiled businesses in the country. The group mean of 3.53 indicates that the respondents agree with the statement. It has increased number of Historically Disadvantaged South African (HDSA) individuals, however, only a few have benefited from BEE.

Statement 7:

BEE contributes towards the development of previously disadvantaged individuals, socially, economically and politically

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
3	9	4	15	4

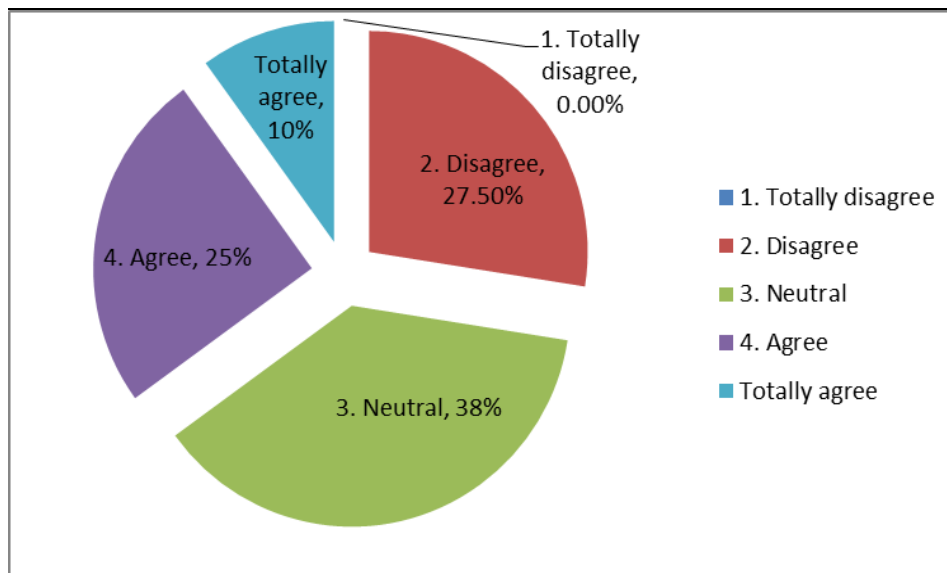


FIGURE 17

Twenty two respondents agreed that BEE contributes towards the development of previously disadvantaged individuals, socially, economically and politically. The average score for the group mean is 3.28 which indicated that most of the respondents agreed with the above statement. Thirteen respondents disagreed with the statement which can be perceived that more still needs to be done to uplift the previously disadvantaged individuals.

Statement 8:

Department of Education conducts business with Black Owned companies in a cost effective manner

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
0	10	12	10	3

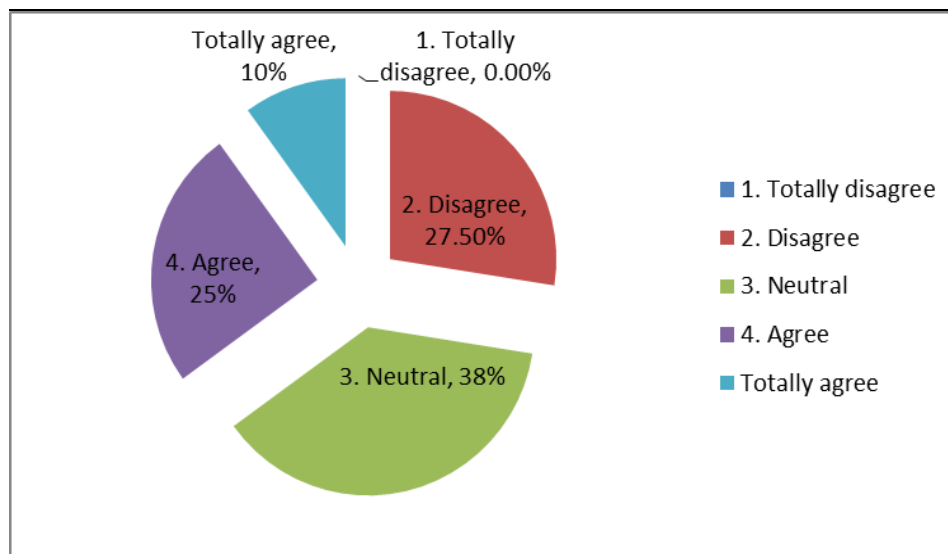


FIGURE 18

The average group mean of 3.18 revealed that the respondents agree that the Department of Education conducts business in a cost effective manner. However, eleven respondents disagreed that business is conducted in a cost effective manner.

Statement 9:

Black Owned companies deliver quality goods and services on time

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
1	14	4	16	0

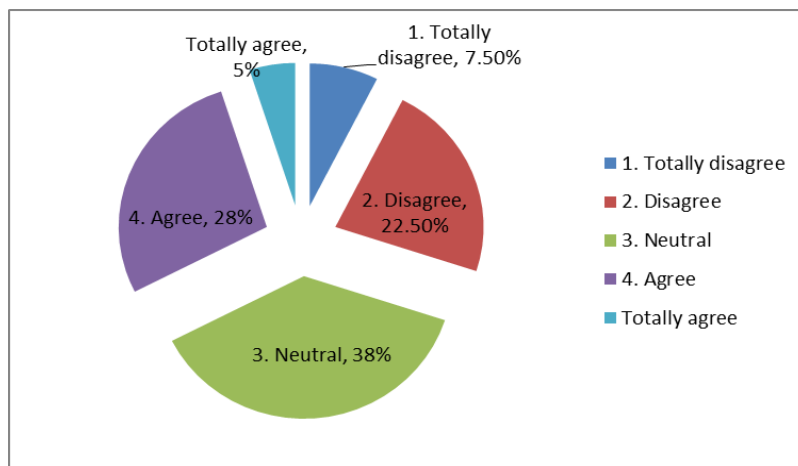


FIGURE 19

Eighteen respondents agree that Black Owned companies are capable of delivering quality goods and services on time. Sixteen respondents disagreed with the above statement. A group mean of 3.03 indicated that the majority of the respondents agreed with the statement while six respondents remained undecided.

Statement 10

Black Owned companies uplift communities through job creation

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
1	13	3	15	3

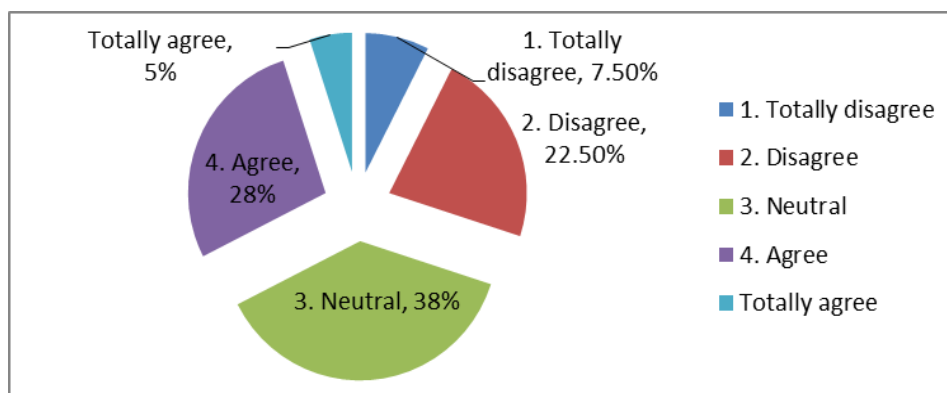


FIGURE 20

Twenty respondents agreed that Black Owned companies uplift communities through job creation. A group score mean of 3.18 revealed that more respondents agreed with the statement that Black Owned companies create jobs.

Statement 11

Politicians play a major role in influencing processes at the Department of Education through BEE

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
2	13	10	6	4

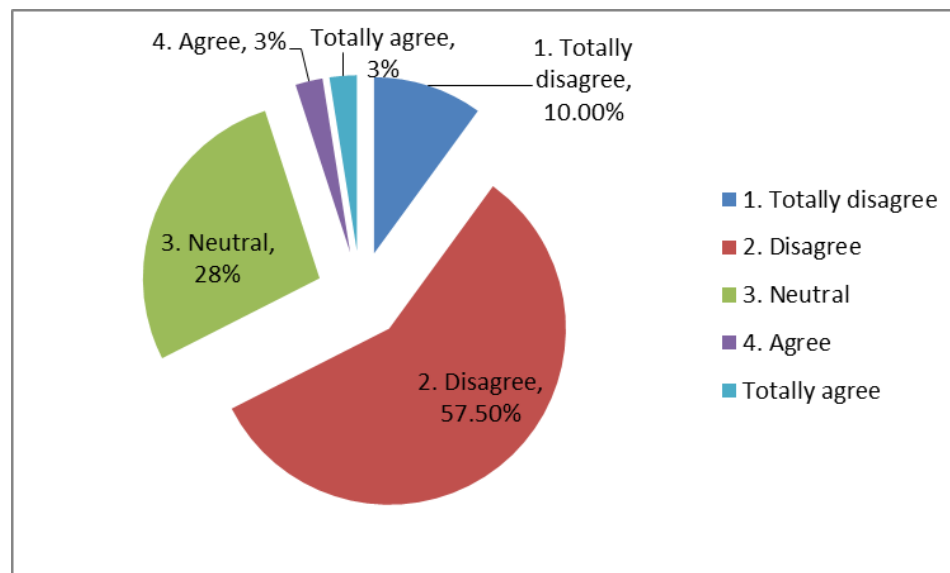


FIGURE 21

Eighteen participants disagreed with the above statement. It could be said that the politicians do not have much influence at the Department of Education with the BEE processes. The group mean of 2.88 revealed that more respondents disagreed with the statement.

Statement 12

Black Owned companies in SA are competent and structured to become more competitive

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
3	10	7	15	0

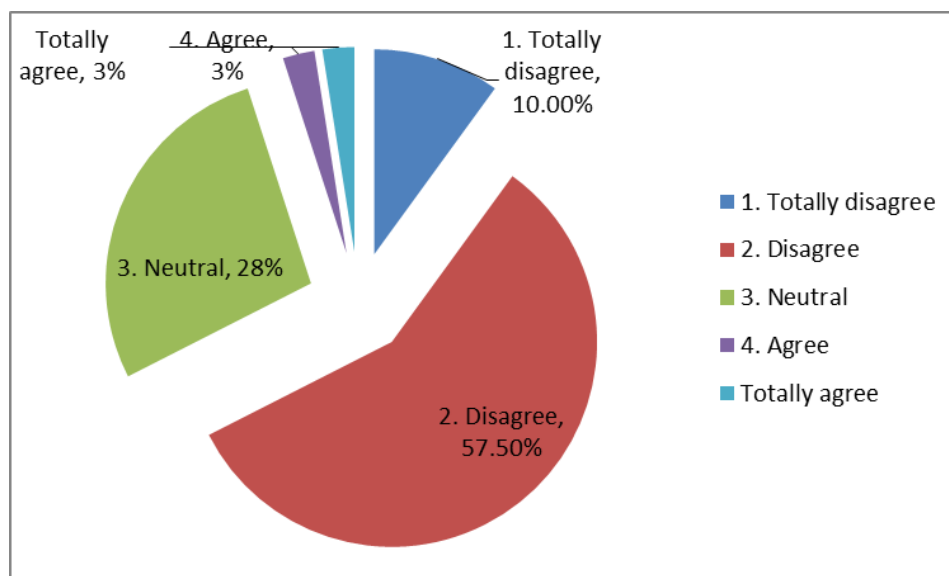


FIGURE 22

Seventeen respondents agreed that Black owned companies are structured to be competent and more competitive. The group mean of 2.98 revealed that more people agreed with the above statement. Thirty percent of the respondents disagreed with the statement which could imply that more has to be done to structure South African Black Owned companies to be more competitive.

Statement 13

BEE contributes towards to LED (Local Economic Empowerment), in the NWP

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
2	11	9	11	2

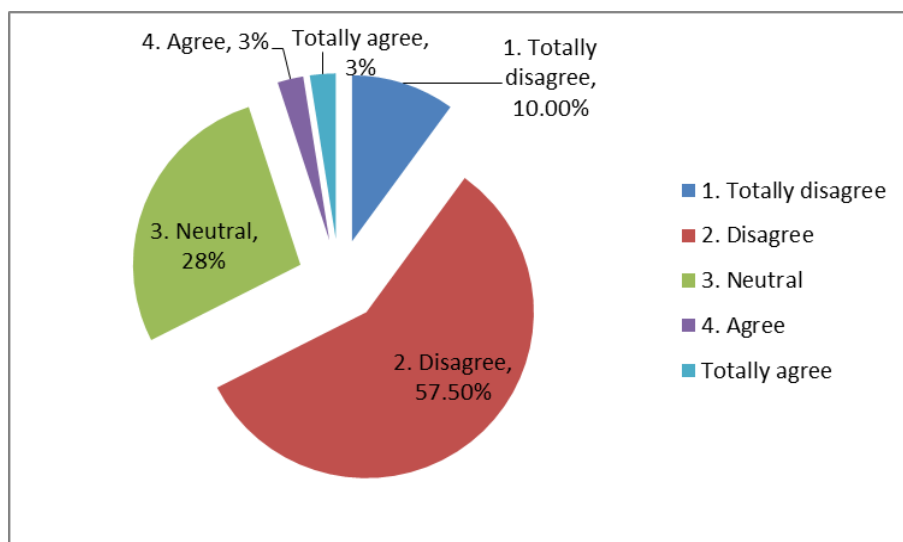


FIGURE 23

The response to the above statement revealed an even response of twelve respondents agreeing and twelve disagreeing that BEE contributes towards local economic development in the NWP. A group mean of 3.00 revealed an equal split to the statement.

Statement 14

I understand the vision and mission of the BEE policy in the NWP

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
4	19	10	1	1

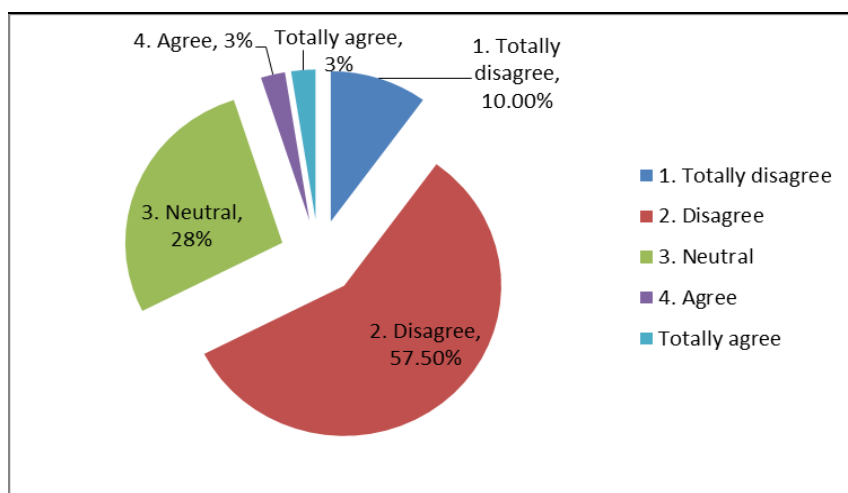


FIGURE 24

Twenty seven respondents don't understand the mission and vision of BEE policy while 57 percent of the respondents are not familiar with the mission and vision of BEE policy. It would be wise to communicate this response to those who have direct dealing with BEE companies.

Statement 15

Senior management in DR KK is reluctant to implement basic guidelines of BEE

1. Totally disagree	2. Disagree	3. Neutral	4. Agree	5. Totally agree
2	8	13	10	2

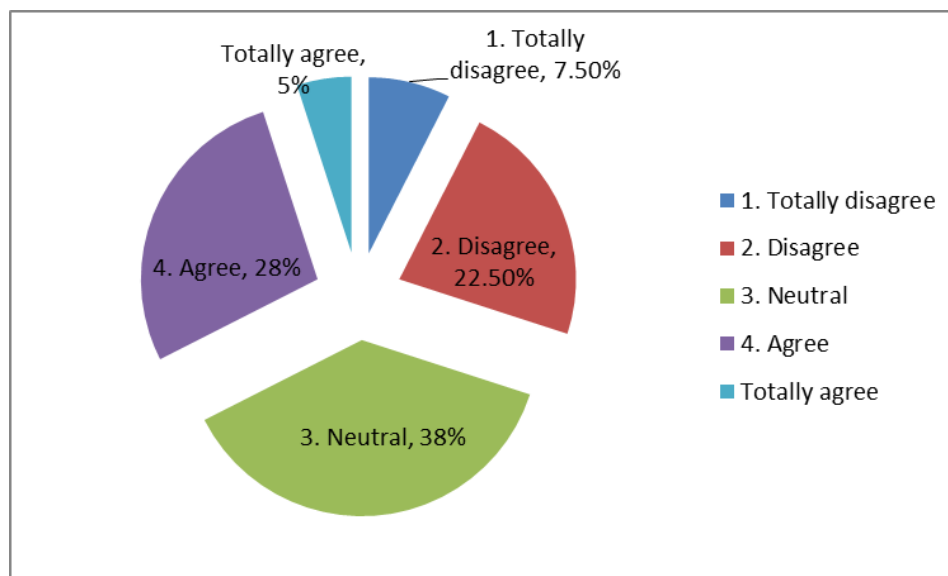


FIGURE 25

Thirteen respondents remained neutral. A group mean of 3.00 revealed that the respondent both agreed and disagreed with the statement above. Thirty-three percent agrees that management is reluctant in implementing BEE guidelines compared to Thirty percent that disagree saying management do implement BEE guidelines.

4.4.3 Section C: Open-ended questions

In this section, the respondents were asked questions to express their opinions about the BEE in the Dr Kenneth Kaunda District Department of Education in order to determine the respondents experience with BEE compliance.

QUESTION C1: *In your opinion, what are the main three challenges in the implementation of BEE policy in line with what the South African government envisaged the BEE to achieve?*

This question sought to determine the challenges in the implementation of BEE policy as envisaged by the South African Government. The respondents were expected to mention three challenges experienced in the implementation of BEE policy. The following reasons were provided as constraints to BEE policy implementation:

- Most of the BEE companies that bid for tenders are not registered with the South African Revenue Services (SARS).
- Corruption among officials who serve on tender committees, nepotism and bribery among the officials as well as bidding companies.
- Lack of experience among bidding companies, lack of resources to complete the project which results in incomplete by the tender- winning company.
- Lack of transparency during tender processes which lead to corruption.
- Lack of evaluation and monitoring after the awarding of tenders.
- Price hikes by BEE companies which cause payment problems during awarding tenders.
- Lack of understanding of the BEE policy by those responsible for its proper implementation.
- BEE, is not appropriately merged with the Integrated Developmental Plan (IDP) on the local sphere.
- Lack of proper screening of the BEE companies bidding for a project.

Interpretation of responses:

Based on the above responses, there are various constraints for the proper implementation of BEE as envisaged by the South Africa government. However, the problem is prevalent between the companies bidding for tenders and those responsible for awarding tenders. The companies bidding for tenders face problems such as the lack of registration with SARS and adequate resources to complete the projects. The biggest constraints lie with those responsible for awarding tenders. There is distinct lack of transparency which leads to corruption and unfamiliarity with the BEE implementation processes.

Question C2: *In your opinion, do government officials involved in the implementation of BEE understand their mandate and their role? If so, what needs to be improved? If not, what do you regard as a gap?*

The question sought to determine whether the respondents perceive the officials responsible for the implementation of BEE understand their role. The respondents could respond either 'yes' or 'no'

and substantiate their choice. Of the 34 questionnaires that we returned, 29% of the respondents responded 'Yes' while 71% responded 'No'.

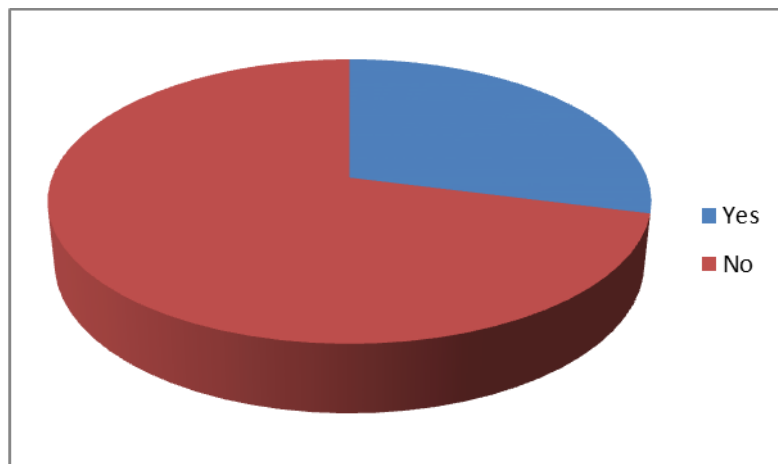


FIGURE 26: Percentage of whether the Government officials involved in the implementation of BEE understand their mandate and their role

If the government officials understand their mandate and their role, what needs to improve?

The respondents provided the following motivations:

- Professional approach by government officials responsible for the implementation of the BEE policy.
- Improve transparency which in turn will combat fraud, corruption and bribery.
- Improve service delivery to the companies through timeous settlement of accounts as well as monthly monitoring and evaluation assessments.

Those who responded 'no' were given an opportunity to indicate 'what do they regard as a gap?'

The respondents provided the following motivations:

- Government officials drive self-interests through nepotism, bribery and corruption.
- Lack of understanding of BEE Act by government officials responsible for implementing the policy.
- Lack of skills in terms of procurement process.
- Lack of consistency in applying the pro-quote system or not applying it at all.
- A criterion for awarding tenders is not applied correctly. The criteria for awarding tenders should be revised.

Interpretation of responses to C2:

Seventy-one percent of that the respondents who answered no, correlates with the reasons the respondents provided to **question C1**. The responses revealed that the biggest problem with the implementation of the BEE policy lies with those responsible for its implementation. One of the reasons is for self-interest which in turn leads to corruption and nepotism and lack of procurement skills by the government officials.

QUESTION C3: *What do you regard as the major role of Dr Kenneth Kaunda District officials in the Department of Education, and in your view, are they capable of delivering on what they have been mandated to do?*

This question sought to determine whether the respondents are aware of the role of Dr Kenneth Kaunda District officials in the Department of Education and establish the official's capacity to deliver on that mandate.

The participants responded as follows:

- Provision of effective and efficient service to the public particularly schools in the district.

The respondents were asked whether the officials are capable to deliver services. Fifty-five percent of the participants agreed that the officials are capable of providing services to the schools while Forty-five percent of the respondents disagreed.

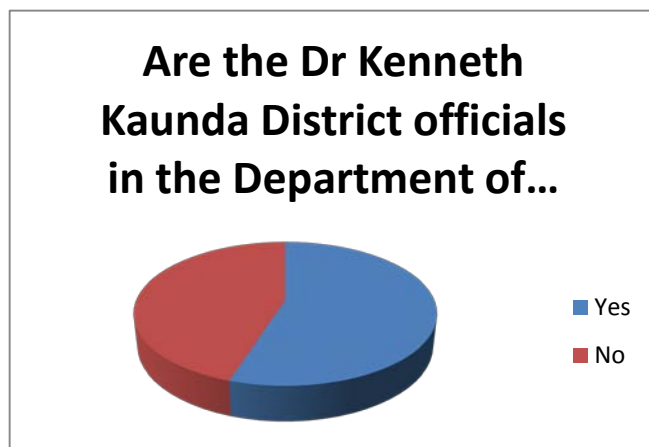


FIGURE 27

The participants who responded 'No' gave the following reasons:

- The officials do not adhere to the *Batho Pele* Principles.

- Corruption and fraud are the major obstacles to service delivery.
- Lack of resources makes it difficult for the officials to accomplish their daily tasks.

The participants who responded 'Yes' gave the following reasons:

- Adherence to the *Batho Pele* principles.
- Proper leadership which ensures delegation and effectiveness.
- Integration between national legislation and provincial legislation in terms of basic education.

Interpretation of responses to C3:

The above responses revealed that the respondents are aware of the responsibilities of the officials at the Dr Kenneth Kaunda District Department of Education. However, whether they fulfil that role is questionable. The majority (55%) of the respondents felt that the officials do fulfil their role whereas 45% of the respondents felt that the officials don't fulfil their roles. The foremost reason being corruption and the lack of understanding their role.

QUESTION C4: *What is your view of Black Owned companies conducting business with the Department of Education, North West Province?*

The question sought to establish the views with regard to Black Owned companies conducting business with the Department of Education, North West Province.

Some of the participants responded positively while others, as expected, negatively. Below are several of the responses:

- Black Owned companies fail to deliver and the majority of the projects they handle are unfinished.
- Black Owned companies lack experience.
- Perpetuate nepotism and corruption in the public sector.
- Black Owned companies don't have necessary resources and skills to finish projects.
- They don't empower the masses but only connect to a few.
- It is a great idea for empowerment since most are micro companies, great assistance must be exerted.
- Black Owned companies must be given an opportunity to conduct business in order to improve their experience and skills.

- Black Owned companies must be trained (workshops) to ensure that they improve service delivery.
- Black Owned companies doing business with the Department is a good initiative as it will bring employment and skills development.
- Black Owned business, especially women should be supported because they reduce poverty and unemployment in the province.
- Black Owned companies doing business with the department is a good thing but the companies must adhere to deadlines.

Interpretation of the responses to question C4:

The responses revealed positive and negative reactions to the question of Black Owned companies. The respondent held the opinion that Black Owned companies perpetuate corruption and fail to complete projects. Some believe that Black Owned companies contribute to employment creation and skills development.

Question C5: *In a few words, what do you think of the status of BEE in Dr Kenneth Kaunda District in the Department of Education?*

This question sought to establish the view of the respondents about the status of BEE in Dr Kenneth Kaunda District in the Department of Education.

The participants furnished the following responses:

- At an advanced stage. The BEE status is fully practiced in the department.
- It should be improved in order to meet required standards.
- Service delivery is not up to par.
- Poor state, delays in terms of payment to companies that have finished the project.
- Benefits only politically connected and full of corruption activities.

Interpretation of the results to question C5:

The above responses revealed that the status of BEE in Dr Kenneth Kaunda District in the Department of Education is insecure. The respondents claimed that service delivery is in a poor state, and the department fails to settle its accounts timeously.

Question C6: *Should policy makers abolish BEE? Substantiate your response.*

This question required a 'Yes' or 'No' answer and substantiation of for the response. Sixty-five percent of the participants responded 'No'. They do not want the policy makers to abolish the BEE policy. Thirty-five percent of the respondents favoured the abolishment of the BEE policy.

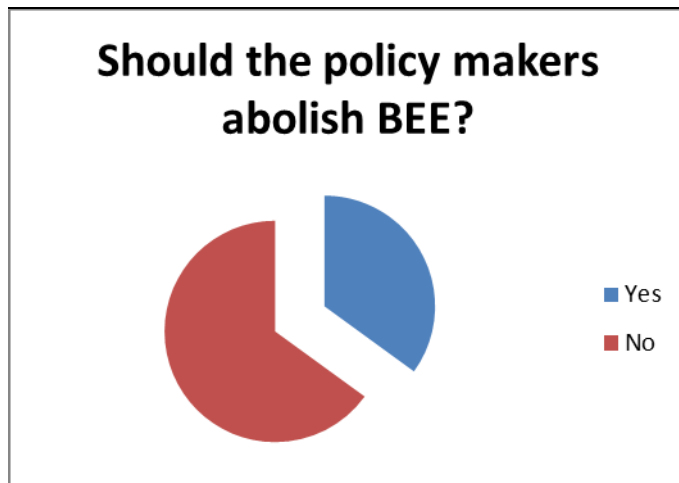


FIGURE 28: Percentage of whether policy makers should abolish BEE

The respondents provided the following reasons:

NO:

- Tender process must be transparent and do away with political influence.
- BEE must be beneficial to all previously disadvantaged people, not only a few politically connected.
- The process and projects must be thoroughly monitored and evaluated.
- Strict regulations must be applied regarding the process of awarding tenders.
- The policy must be revisited.
- BEE helps create employment and also a tool to redress past injustice and as such can't be abolished, just better implementation.
- BEE companies must be supported financially and get a better training in order to compete with big business.

YES:

- BEE perpetuates corruption and nepotism in the public sector.
- BEE does not fulfil its objectives, as such it should be scrapped.
- BEE is not relevant anymore and only benefits the political elites.
- BEE is being used by whites to hijack business with the public sector i.e. fronting or rent a black system.

Interpretation of the results to question C6:

The above responses disclosed that even though the respondents are dissatisfied with the implementation of BEE in South Africa, particularly in Dr Kenneth Kaunda District, they do not want BEE abolished. The responses revealed that the participants feel that BEE should be managed and applied properly for it to be effective and responsive to the Blacks in general. The responses revealed that transparency and eliminating political influence is imperative for the successful implementation of BEE.

Question C7: BEE was introduced to ensure participation of the previously disadvantaged in the South African economy. In your opinion, how successful has this process been in achieving this objective?

This question sought to establish whether BEE has/is achieving its objective. The question required a 'Yes' or 'No' response as to whether the respondents agreed that BEE has/is reaching its objective. Sixty-eight percent of the respondents claimed that BEE has not reached its objective while Thirty-two percent of the respondents agreed that it has.

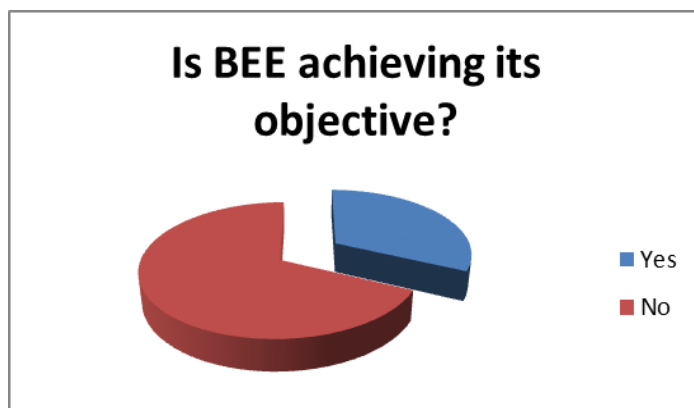


FIGURE 29: Is BEE achieving its objective

The respondents provided the following reasons:

NO:

- It's only benefiting few previously disadvantaged people with political connections.
- Because of fronting, the previously advantaged people are taking advantage of the policy and derailing the whole process.

YES:

- But it should be regulated properly to ensure that there is no political influence and that it is transparent.

Interpretation of the results to question C7:

The above responses revealed that BEE as a policy has not/ is not reaching its primary goal of ensuring participation of the previously disadvantaged in the South African economy. Fronting by white businesses and only few who have direct links with the politicians were cited as reasons. The respondents held the view that that improved regulations would change the current scenario.

Question C8: *To secure a tender, one has to be aligned to the political party in power as well as with specific politicians. What is your view?*

This question sought to establish whether the respondents agreed with the statement. 97 percent of the respondents agreed with the statement while 3 percent disagreed.

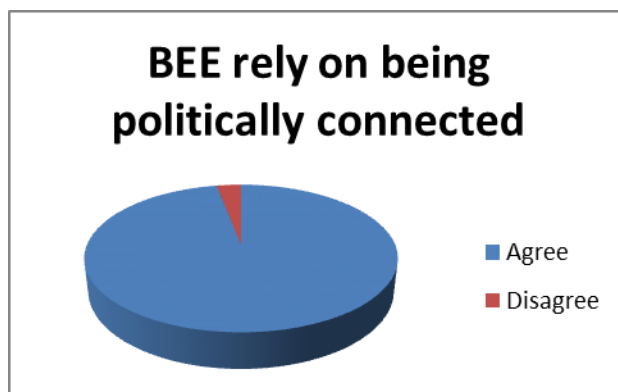


Figure 30: BEE relies on being politically connected

The respondents provided the following reasons:

Agree:

- This perpetuates corruption and nepotism in the public sector.
- This damages the process of service delivery in the public sector.
- Causes the BEE policy to fail.

Disagree:

- Some have been awarded tenders on merit.

Interpretation of the results to question C8:

Ninety-three of the respondents agreed with the statement that awarding BEE tenders rely heavily on being politically connected which correlates with the reasons given in **questions C6 and C7**. This is one of the problems identified by analysts as a constraint in the implementation of BEE.

Question C9: *In your opinion, can Black Owned companies deliver on its objectives?*

The respondents were requested to provide a 'yes' or 'No' response to the question. Eighty-five percent of the respondents said 'Yes' that Black Owned companies can deliver on its objectives while Fifteen percent said 'No'.

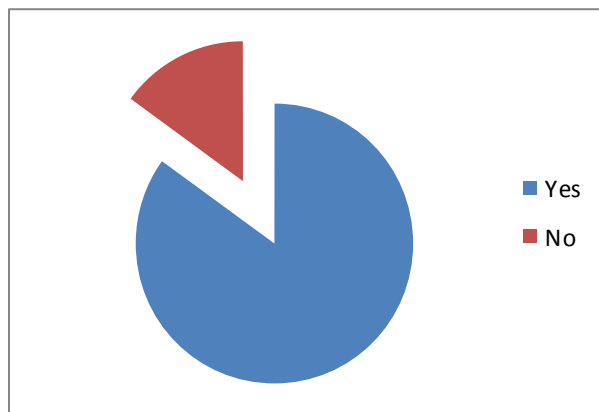


FIGURE 31: Can Black Owned companies deliver on its objectives

The participants responded as follows:

YES:

- But must adhere to deadline.

- But must be monitored and evaluated properly.
- Criteria should be followed when awarding tenders.

NO:

- They never adhere to a deadline and deliver quality service.

Interpretation of the results to question C9:

85% of the respondents agreed that Black Owned companies can deliver on its mandate but must adhere to deadlines and required criteria to complete the project. The response also highlighted that Black Owned companies lack business skills as well as resources for which they should receive support.

Question C10: *BEE is regarded as flawed with irregularities and corruption. What would be your three main recommendations to the Department of Education, North West Province with a view to improving procurement processes in the Dr Kenneth Kaunda District?*

The following recommendations were provided by the respondents:

- Clear assessment of companies to ensure that they will be able to deliver service.
- Non-performers must be identified and blacklisted by the Department.
- Follow the proper procedures and ensure that companies are accountable of any mistake that can arise during the process of tenders.
- Continuous involvement of internal and external auditors.
- Regular inspection of the work of the Black Owned companies.
- Serious engagement on what is expected on potential service providers.
- Use of pro-quota system consistently.
- Timely payment of service providers.
- Corruption should be intensely investigated and offenders punished.
- Department should publish the companies that have won tenders.
- Employees of government must not be given tenders and that include their friends and families.
- No political influence.
- Rotation of companies doing business with the department
- Transparency during tender process.

Interpretation of the results to question C10:

The above recommendations correspond with the constraints the respondents provided in section C of this chapter. The respondents emphasised the issue of proper regulation and monitoring of procurement processes which would curb corruption and nepotism. The respondents also made an intense plea to eradicate political interference in the tender bidding processes. Furthermore, monitor companies and projects to ensure that deadlines are adhered to.

4.5 SUMMARY OF STATEMENTS AND RESPONSES FROM OPEN-ENDED QUESTIONS AND COMMENTS

In this chapter, the researcher analysed data gathered from the respondents and relevant interpretations were presented. In section A, the demographic data was analysed and interpreted. In section B, the Likert-Scale statements were evaluated and interpreted while section C comprised the open-ended questions and a combination of questions to which the respondents provided their opinions about the status of BEE compliance in Dr Kenneth Kaunda District Department of Education. The information was necessary to determine the perceptions of the respondents. With regard to the status of BEE compliance in the Dr Kenneth Kaunda District Department of Education, it is clear that the respondents are of the view that BEE compliance is poor.

4.6 CONCLUSION

This chapter analysed and interpreted the empirical findings from the responses to questionnaires distributed among the companies that undertake business transactions with Dr Kenneth Kaunda District Department of Education. Furthermore, the aims and objectives of this research, methodology used and primary and secondary sources and data collection processes were discussed. This chapter also provided an analysis and interpretation of the data collected using pie chart and doughnut.

In the next chapter the researcher provides a summary of the research, findings, major conclusions and recommendations.

CHAPTER 5: FINDINGS, RECOMMENDATIONS, AND CONCLUSION

5.1 INTRODUCTION

The central problem statement addressed in this mini-dissertation was the assessment of the status of Black Economic Empowerment, the case of Dr Kenneth Kaunda District of Department of Education, North West Province. BEE is defined as a tool to redress the past injustice and ensure participation by the previous disadvantaged citizens of South African the economy. The previously disadvantaged are defined as African, Coloureds, Indians and Chinese before 1994. Measures such as skills development, employment preferences, ownership management, socio economic development and preferential procurement are included in the BEE. BEE is part of the policies formulated by the government which is responsible for the creation of non-racial, non-sexist and prosperous society.

This chapter provides the findings, conclusion and recommendations drawn from the literature review and data received from questionnaires and semi- structured interviews with randomly selected respondents. The recommendations focus on the possible solutions to the problem identified by the researcher during the research. The main outputs of the literature review, the empirical investigation and research objectives and findings are presented in this chapter. These findings, including the literature study forms the basis on which the recommendations are made.

5.2 SUMMARY OF THE STUDY

Chapter 1 provided an orientation and problem statement, study objectives, research questions, the hypotheses, research methodology as well as methods utilised for the research and procedures. Furthermore, it also explained the reason for the study of BEE compliance in the Dr Kenneth Kaunda North West Province Department of Education.

Chapter 2 presented the background of BEE at the provincial and local spheres of government. The chapter defined and discussed the nature and extent of the BEE in South Africa. The history of the BEE, and its policy objectives which ensures BEE evaluation were also discussed. Furthermore, BEE ethics and public sector procurement guidelines which comprise five pillars: Value for money, open and effective competition, ethics and fair dealing, accountability and reporting, and equity was expounded upon. Procurement to achieve socio-economic objectives, elements of the BBBEE on the scorecard, and public-private partnership was also discussed.

Chapter 3 focused on the assessment analysis of the BEE processes at the Dr Kenneth Kaunda District Department of Education. Policies and regulations which govern the BEE at the Dr Kenneth Kaunda District Department of Education were discussed. The discussions entailed the organisational structures involved in the BEE process and the actual process employed by the Dr Kenneth Kaunda District. Norms and standards for BEE processes which ensure transparency and effectiveness were also discussed.

Chapter 4 investigated the compliance of BEE by the Dr Kenneth Kaunda District Department of Education. This chapter also provided detailed explanation of the data collection methods obtained through questionnaires, semi-structured interviews, research design and the target population. There was scientific analysis of findings with the help of Statistical Consultation Services at North West University, Potchefstroom Campus.

The researcher used questionnaires to conduct semi-structured interviews with the respondents that do business with Dr Kenneth Kaunda District Department of Education. The questionnaires were divided into three sections A, B, and C which are discussed below:

Section A contained biographical questions which were designed to obtain demographic information from the respondents such as gender, level of education, position and number of years in the particular position, and relationship with the Department of Education Dr Kenneth Kaunda District.

Section B contained Likert-scale and section B of the questionnaire determined the level of the respondents' on the BEE compliance in the Dr Kenneth Kaunda District Department of Education. The respondents were requested to indicate whether they 'strongly disagree', 'agree', 'disagree', and 'strongly disagree' with the statements.

Section C entailed open-ended questions. The respondents were requested to express their views regarding BEE compliance on Dr Kenneth Kaunda District Department of Education. The participants provided an overview of the constraints encountered with the implementation of the BEE policy in the Dr Kenneth Kaunda District.

Chapter 5 provides a summary of the study and discusses the results of the empirical study. Through interpretation of the results, conclusions can be reached as to whether the study had achieved its objectives. The findings, collected throughout the research, literature study and empirical research (questionnaires and interviews) were distributed by the researcher and are summarised in the next section.

5.3 KEY FINDINGS

The research findings were based on the research objectives and the researcher analysed each objective.

The primary objective of this study was the assessment of the state of BEE, the case of Dr Kenneth Kaunda District Department of Education.

Objective one was to establish: *What does BEE entail within the context of the provincial and local government spheres?*

This objective was achieved in chapter two with the discussion of BEE history and the nature and the extent of BEE in South Africa.

Objective two was to determine: *What BEE implementation procedures exist at the Dr Kenneth Kaunda District Education Department?*

The objective was achieved in chapter three which entailed a discussion on policies and regulations that govern BEE policy in the Dr Kenneth Kaunda District Department of Education.

The literature study revealed that the legislation and policies (theory) responsible to guide BEE implementation is available but the implementation by the government official is lacking. One of the reasons provided is that government official's lack the knowledge of the BEE Act and most of the officials are championing their personal interests with regard to awarding tenders.

Objective three was to investigate: *The status of BEE compliance at the Dr Kenneth Kaunda District Education Department.*

This objective was achieved by using questionnaires as part of the empirical study in chapter 4 and through face-to-face semi-structured interviews by posing open-ended questions to the respondents. The responses in the questionnaires revealed the challenges in terms of BEE compliance in the Dr Kenneth Kaunda District Department of Education in particular and in South Africa generally.

The respondents identified two aspects of the problem in relation to BEE compliance. The first aspect is the government officials responsible for the implementation of the BEE policies. According to the respondents, the officials are prone to political influence and nepotism. The consequences

result in inefficient and ineffective service delivery. The lack of transparency by the government officials encourages corruption.

The second aspect of the problem is the companies which bid for tenders. The respondents claim that most of the Black Owned companies don't meet the requirements which make it difficult for BEE compliance. Most of the tender winning companies don't have the skills, resources or training required to complete a project which makes service delivery difficult after the tender is awarded to a particular company. The respondents also claimed that some companies 'rent' Blacks to win tenders. Consequently, it is strongly recommended that all companies are screened before tenders are awarded.

BEE is seen a probable solution for the injustices of the past and according to the respondents, it needs to be effectively and efficiently regulated in order to achieve its primary aim. BEE companies are also charged with poverty reduction and job creation.

Objective four sought to establish *recommendations to improve BEE at the Dr Kenneth Kaunda District Education Department?*

This objective was achieved in chapter five. The recommendations were based on the findings regarding the status of BEE compliance in the Dr Kenneth Kaunda District Department of Education.

5.3 TESTING HYPOTHESIS

The hypothesis of the study was formulated as follows: "The Dr Kenneth Kaunda District Education Department has apt BEE guidelines in place but compliance to, and implementation of the BEE guidelines appear to be flawed"

BEE guidelines have been put in place by government to ensure that public officials comply with the guidelines. When testing this hypothesis respondent clearly demonstrate that BEE need to be abolished but should be redefined and ensure that it achieves its objectives. BEE has been implemented to offset policies of the apartheid regime and it is meant to uplift previously marginalised groups.

Based on the literature review and empirical results the hypothesis was true. Respondents agree that government should scrap BEE because it benefits few people with strong political connection.

Majority don't understand the mission and vision of BE. Management dismissal fails to implement BEE guidelines

5.4 RECOMMENDATIONS

The following recommendations are based on the findings of the literature review and the empirical study, in order to improve BEE compliance in the Dr Kenneth Kaunda District Department of Education.

- The government officials should adhere to the *Batho Pele* Principles which entail openness and transparency, redress, consultation, service standards, access, courtesy, information, and value for money and adhere to norms and standards for the BEE process (fair and equitable, transparency, competitive/cost effective).
- The government officials should adhere to the five pillars (Value for money, open and effective completion, ethics and fair dealing, accountability and reporting, and equity) of public sector procurement guidelines.
- The respondents indicated that BEE is a good initiative from the democratic government but it should be regulated properly in order to achieve its primary objectives.
- The respondents also indicated that government officials responsible for BEE implementation are not really *au fait* with the BEE Act and the procurement processes. The government must ensure that its officials are trained properly in terms of procurement management.
- The government officials and their friends and relatives should not benefit from tenders and this could be avoided through thorough screening of each company and transparency.
- Tender processes should be free of political interference which could reduce corruption.
- Publication of the tender processes (companies bidding and people on tender board), could ensure transparency.
- Proper screening of companies bidding for the tender. Any company that has committed fraud against the state must not ever be allowed to bid for tenders.
- Monitoring and evaluation of the work by tender winning companies must be undertaken regularly to ensure that the projects are completed according to the specifications, timeously.
- The Department must deal with corruption and corrupt individuals decisively.

5.5 FINAL CONCLUSION

The study focused on the state of BEE compliance in the DR Kenneth Kaunda District Department of Education.

The research results revealed that the respondents perceive the BEE Act as a good initiative which should be regulated in order to achieve its primary objectives. The researcher found that the state of BEE compliance in the DR Kenneth Kaunda District Department of Education is unsatisfactory. Most of the problems lie with the government officials. The respondents have also claimed that some BEE companies or Black Owned companies struggle to achieve its service delivery objectives therefore, the government or Non-Governmental Organisations (NGOs) should provide training and financial assistance.

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ANNEXURE

The questionnaire below was utilised to gather data from the respondents. The questionnaire consists of three sections: Section A: biographical information, Section B: Likert scale, and Section C: open –ended questions.



QUESTIONNAIRE

Assessment of the state of black economic empowerment: the case of the DR Kenneth Kaunda District of NWP Department of Education.

Introduction

The researcher is a student currently pursuing his studies towards a Master's Degree in Public Administration at the North-West University. The purpose of the questionnaire is to evaluate the current state of black economic empowerment in the DR Kenneth Kaunda District in the Department of Education. Your participation could make an invaluable contribution towards this study.

Kindly take note that the information obtained will be used only for research purposes and no names or any identification regarding the participant will be revealed. Furthermore, participation is voluntary and the researcher undertakes to share the findings with all the participants once the study has been completed.

Kindly complete all the questions below. If the space provided is inadequate, you are welcome to write on a separate page.

SECTION A: BIOGRAPHICAL INFORMATION

Mark with an **X** in the relevant box

1. What is your gender?

MALE	FEMALE
------	--------

2. What position do you currently occupy?

General worker	Manager	Supervisor	Administrator	Contract Employee
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3. What qualifications do you currently hold?

Post Graduate	Graduate	Matric	Other
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4. How long have you been employed or contracted in your current occupation?

1-3 years	4-6years	7-9years	10 years +	Not Applicable
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5. How long have you been involved with the procurement of stationery for the Department of Education?

1-3 years	4-6years	7-9years	10 years +	Not Applicable
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6. What is your relationship with Department of Education in the Dr Kenneth Kaunda District?

Management	Department of Education Contracted company	Independent contractor	Department of Education Employee
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SECTION B: CLOSED QUESTIONS

Scale

Strongly agree (SA)	1
Agree (A)	2
Disagree (D)	3
Strongly disagree (SD)	4
Don't know (DK)	5

Mark the appropriate block with an **X**, referring to the scale in the Table above

		SA	A	D	SD	DK
7.	Government should scrap the BEE policy.	1	2	3	4	5
8.	companies conduct proper business with the Department of Education.	1	2	3	4	5
9.	BEE cannot uplift the historically disadvantaged from poverty. Only the few connected with influential government official's benefit from it.	1	2	3	4	5
10.	BEE contributes towards equality among the citizens of South African society.	1	2	3	4	5
11.	BEE has created an opportunity to increase ownership and control of the country's economy for the historically disadvantaged, especially Black South Africans.	1	2	3	4	5
12.	BEE contributes towards the development of the previously disadvantaged individuals; socially, economically and politically.	1	2	3	4	5

13.	Department of Education conducts business with companies in a cost effective manner.	1	2	3	4	5
14.	Companies uplift the communities through job creation.	1	2	3	4	5
15.	Politicians play a major role in influencing the process at the Department of Education through BEE.	1	2	3	4	5
16.	Companies in SA are competent and structured to become more competitive.	1	2	3	4	5
17.	BEE contributes towards LED (local economic empowerment).	1	2	3	4	5
18.	I understand the vision and mission of the BEE policy.	1	2	3	4	5
19.	Senior management in DR KK is reluctant to implement basic guidelines of BEE.	1	2	3	4	5

SECTION C: OPEN ENDED QUESTIONS

1. In your opinion, what are the three main challenges in the implementation of BEE policy as envisaged by the South African government envisaged the BEE to achieve?

a) _____

b) _____

c) _____

2. In your opinion, government officials involved in the implementation of BEE understand their mandate and their role? If so, what needs to be improved? If not, what are the gaps?

3. What do you regard as the major role of Dr Kenneth Kaunda District officials in the Department of Education? In your view, are they capable of delivering on their mandate?

4. What is your view of companies conducting business with the Department of Education, North West Province?

5. State briefly your opinion of the current status of BEE in the Department of Education in Dr Kenneth Kaunda District. ?

6. Should policy makers abolish BEE? Substantiate your response(s).

7. BEE was introduced to ensure participation of previously disadvantaged people in the South African economy. Would you say it's achieving that?

8. Awarding of BEE tenders rely heavily on being in good relationships with the politicians. What is your view on this?

9. In your opinion, can companies deliver on its objectives?

10. BEE has been regarded as flawed with irregularities and corruption. What would be your three main recommendations to the Department of Education, North West Province with a view of improving procurement processes in the Dr Kenneth Kaunda District municipality?

- a)

- b)

- c)

May I take this opportunity to thank you for your time and contribution in this exercise.

MS MATSILE

RESEARCHER

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15 June 2014

To whom it may concern

This letter hereby serves to inform you that Mr MS Matsile (student number: 10962018) is currently enrolled for his Masters Degree in Development and Management at the North-West University, Potchefstroom Campus.

The topic of his research is: *Assessment of the state of black economic empowerment in the Dr Kenneth Kaunda District of North West Province Department of Education.*

He is required to submit his final mini-dissertation on the 25 of October 2014.

In order for Mr Matsile to successfully complete his research, he will require access to the Department.

Your understanding and co-operation in this regard will be highly appreciated.

Yours faithfully

Prof Eric Nealer

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