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Broad Based Black Economic Empowerment (BBBEE) Act in the South African Public Sector

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Protocol number: (Ethics clearance number)

DECLARATION

I, ___Zanele Sokutu _____, declare that this research article is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Zanele Sokutu

Signed at ……

On the …….. day of …… 20…..

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ABSTRACT:

After 25 years of freedom, racial inequality is still a major challenge facing South Africa. Post-apartheid, in 1994, the government introduced policies to provide opportunities to the previously disadvantaged groups to participate in the economy of the country. This research assesses the contribution of Broad Based Black Economic Empowerment (BBBEE) Act through preferential procurement to reducing past racial imbalances caused by the Apartheid regime. The BBBEE preferential procurement element is used as a vehicle to drive the BBBEE Act's objectives through prioritising the selection of small and medium black-owned enterprises to enter public procurement.

This research was done using a literature review .The interviews were conducted with relevant stakeholders who are involved in the implementation of preferential procurement in the public sector. The findings revealed that government has done its best to put policies in place to reduce racial inequalities, however not much progress has been made in the implementation of the BBBEE Act to achieve this objective. The contribution of preferential procurement towards the BBBEE Act's objectives has been minimal due to different challenges experienced by all stakeholders during implementation. Practical recommendations were made to the government, represented by the Department of Trade and Industry, and to stakeholders in the public sector to alleviate some of the challenges experienced in the implementation of the preferential procurement.

INTRODUCTION TO THE RESEARCH

1.1 Background

South Africa has gone through many changes since its transition from apartheid to a democratic country. During the apartheid era, certain policies were put in place to ensure that black South Africans were denied access to skills, jobs and wealth. Black South Africans, as a result, had limited participation in the economy of the country (DTI, 2007a).

Post 1994, the South African government, in its quest to reduce inequality and promote economic growth through the participation of those who were previously disadvantaged, introduced the Black Economic Empowerment Act (BEE). The BEE Act requires both public and private companies operating in South Africa with an annual turnover of over R5 million to make contributions towards the objectives of the Act (DTI, 2007a). Kroukamp (2009) states that one of the objectives of the BEE act is to increase the access of the previously disadvantaged group to economic activities, skills development, ownership and management of old and new entities. The Department of Trade and Industry (DTI) is mandated to drive the country's economic growth and it was tasked with administering all the legislation that governs the Black Economic Empowerment Act (Kruger, 2014).

When South Africa moved towards an integrated society, the BEE Act was changed to the Broad Based Black Economic Empowerment Act (BBBEE) which aims at broadening the distribution of the wealth across all races. The BEE Act focused on empowering the black community to redress the imbalances of the past. To provide a framework to measure the BBBEE in all sectors, the codes of good practice emerged in 2007. The codes cover five elements of the scorecard: Skills development, ownership, management control, supplier development and socio-economic development (DTI, 2013). Supplier development is then further divided into two sub-elements: enterprise development and preferential procurement.

According to Jack (2007), each of these elements plays an important role in driving the objectives of the BBBEE Act and Supplier development measures the extent to which the enterprises buy goods and services from suppliers with strong BBBEE scores on

procurement. Enterprise development measures the extent to which enterprises carry out the initiatives to assist and speed up the development of other enterprises.

This study focused on the implementation of the preferential procurement element, specifically in the public sector.

1.1.1 History of the BBBEE Act

According to Booysen (2007), the BBBEE Act was developed from the framework of the BEE Act that was initially promulgated in 1994. He mentions that the BEE act had a scorecard, however it was not specific in stipulating how the scorecard would be measured and implemented and only when its shortcomings were realised, a new inclusive approach called the BBBEE act was introduced in 2003 (Booysen, 2007). Booysen (2007) agrees with Havenga (2005) and states that this new approach shifted focus from ownership to other components such as skills development and enterprise development. The document called "a strategy for Broad Based Black Economic Empowerment" was then released (DTI, 2005). BBBEE came up with a balanced scorecard that helps measure the progress made by sectors in achieving empowerment. The draft codes of good practice were then developed and released in 2007 to provide the standard principles to be used to measure BBBEE across all sectors and help in speeding up the BBBEE Act in a sustainable way (DTI, 2007). These codes were further amended in 2013, the components of which were reduced from seven to five and the thresholds to determine the BBBEE status were adjusted (Jack, 2007). The changes were done to emphasise priority elements. The priority elements are skills development, ownership, enterprise and supplier development.

Figure: 1

Elements of the BBBEE Scorecard

Element	Up to 2010	2011	Proposed changes 2012
Ownership	20 Points	20 Points	1. Ownership
Management Control	10 Points	Consolidated with Employment Equity	Combined to form "2. Employment Equity"
Employment Equity	15 Points	15 Points	
Skills Development	15 Points	15 Points	3. Skills Development
Preferential Procurement	20 Points	25 Points	Combined to form "4. Supplier Development"
Enterprise Development	15 Points	20 Points	
Socio-Economic Development	5 Points	5 Points	5. Socio-Economic Development

Source: Empowerdex (2007)

Failure to comply with 40% subminimum in any of these elements results in a deduction of 1 level BBBEE contribution. The overall BEE score for an enterprise is used to determine the BEE Status. The higher the score, the higher the entity's BEE status. Entities are encouraged to procure from other higher scoring entities in terms of BEE to boost their own BBBEE recognition (Empowerdex, 2007). The entity's BEE status is categorized into the following levels:

Figure 2

BEE Recognition Levels

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	≥100 points on the Generic Scorecard	135%
Level Two Contributor	≥85 but <100 points on the Generic Scorecard	125%
Level Three Contributor	≥75 but <85 on the Generic Scorecard	110%
Level Four Contributor	≥65 but <75 on the Generic Scorecard	100%
Level Five Contributor	≥55 but <65 on the Generic Scorecard	80%
Level Six Contributor	≥45 but <55 on the Generic Scorecard	60%
Level Seven Contributor	≥40 but <45 on the Generic Scorecard	50%
Level Eight Contributor	≥30 but <40 on the Generic Scorecard	10%
Non Compliant Contributor	<30 on the Generic Scorecard	0%

Source: Empowerdex (2007)

This study assesses the process followed by the public sector to implement preferential procurement in Gauteng province. As Cross, et al. (2005) stated, Gauteng is the most economically active but smallest province in South Africa that is highly populated compared to other provinces. According to these authors, a study that was done on the urban and rural development state in 2005 determined that Gauteng has to take a lead in projects in South Africa, providing the poor with a decent life and hence it is relevant for the study to be undertaken in this region.

Gauteng is also regarded as the economic hub of South Africa. Gauteng provincial treasury is responsible for supply chain management and the procurement of goods and services for government departments in Gauteng province. The researcher also works and resides in Gauteng which makes it convenient for her to access information for the study.

1.1.2 Poverty and reduction of Inequalities in South Africa

According to Bhorat et al. (2009), South Africa has been ranked as one of the countries with the highest levels of inequality. These authors are of the opinion that even the impact of the improved economic growth in South Africa post 1994 has been minimal.

Analysis of the distribution of consumption expenditure per capita in the living conditions survey done by Stats SA (2017) showed that the Gini Coefficient for the country increased to 0.63 by 2015, the highest in the world. According to the report, even though improvements on poverty levels were seen between 1994 and 2011 as a result of economic growth, the reduction of poverty has since been reversed. In 2015, more than 55% of the population in South Africa was living at an upper bound poverty line of R992.00 per person (World bank, 2018). Poverty levels are increasing whereas the 2012 National Development Plan aimed to reduce poverty and inequality in South Africa by 2030 (National Planning Commission, 2012).

Job creation and skills development are critical in accelerating the reduction of inequalities and poverty in South Africa. The World Bank (2018) outlines that the economy is not producing sufficient jobs and the shortage of skilled workers is still a challenge. Stats SA (2017) revealed that levels of unemployment reached 25% in 2015 and went up to 27.1% in 2017. According to the World Bank (2017), unemployment rates are still escalating and while it is difficult to find skilled labour, unskilled labour is highly supplied, compared to its demand in South Africa. According to the report, economic growth is still too low to generate sufficient jobs.

1.2. The research problem statement

Inequality amongst different races and genders in South Africa was created by policies and legislation that were enacted during Apartheid to systematically deny black South Africans access to economic resources and skills (DTI 2016). It was after the country converted to a democratic state that these socio-economic challenges were realised and the new government mandated the National Planning Commission (NPC) to draft a National Development Plan (NDP) vision 2030, to address these challenges (NDP, 2012). Similar to the NDP, the BBBEE Act has the same objective of addressing the inequalities

in South Africa (DTI, 2003). The NDP's objective is to reduce the inequality as measured by a Gini co-efficient from 0.69 to 0.6 by 2030 (NDP, 2012). The inequality is related to levels of poverty, unemployment rates and lack of skilled labour (NDP, 2012). In 1995, 58% of all South Africans were poor with zero percent poverty amongst white communities, the Gini coefficient was at 0.56 whilst the unemployment rate was hovering between 30-40% (Hoogeveen & Ozler, 2005).

Stats SA (2017) shows that the proportion of people living in poverty decreased from 66.6% in 2006 to 53.2 % in 2011 and then increased to 55% in 2015 (Stats SA 2017). The report shows that those who are still vulnerable to poverty belong to the previously disadvantaged groups. Since 1994, the unemployment rate in South Africa has increased from 22% to 26.7% in 2018 (World Bank ,2018).

Preferential procurement contributes towards the reduction of inequalities and provides bidders with access to the economy through the awarding of public sector procurement tenders. The evaluation of the implementation of the BBBEE act has been covered by many studies, however the contribution of preferential procurement towards the BBBEE act objectives has not been studied fully. This study evaluates the implementation of preferential procurement in the public sector in Gauteng to determine whether it contributes to the objectives of the BBBEE Act. The study makes recommendations based on the analysis of the data collected from the interviews with the participants which are aimed at easing the impact of the implementation of the act.

1 3. The research purpose statement

The purpose of this study was to assess the implementation process of preferential procurement within the public sector in Gauteng province. The study was done to determine whether the BBBEE Act promotes participation of the previously disadvantaged group in the economy through supply chain management (SCM) in the public sector. The implementation process of the preferential procurement component has been assessed throughout the study to highlight the successes and challenges faced within SCM in the public sector.

1.4 The research questions

The main research question of the study was: Has the preferential procurement element of the BBBEE Act within SCM in the public sector been able to contribute towards the reduction of inequality?

Sub-questions are:

1. How has the preferential procurement element of the BBBEE act been implemented within SCM in the public sector?

2.What are the compliance challenges faced in implementing preferential procurement in SCM within the public sector?

3 .Does the BBBEE framework provide any form of accountability in terms of public funds usage?

1.5 Delimitations of the research

The BBBEE Act is broad and is intended to address many issues through five elements of the code: Ownership, supplier development, socio-economic development, management control and skills development. This study is limited to the aspects of the preferential procurement element which is a sub-element of supplier development. The study assesses the implementation of preferential procurement in the public sector in Gauteng province .

1.6 Justification for the research

Preferential procurement is supposed to ensure that all public funds are spent to ensure that the South African population benefits through job creation and commercial activity (Taylor & Raga, 2010). It is therefore in the interest of the taxpayers and government to ensure accountability and governance around the procurement policies of the country. The BBBEE act is a government framework and it is imperative to assess whether the public sector complies with the regulation. The NDP and the BBBEE Act are tools used to grow the economy of the country, therefore it is key that the implementation of these tools is continuously assessed to ensure targets are being achieved. The NDP has set a goal to get small and medium enterprises to create 90% of new jobs by 2030 (National Planning Commission, 2012). These businesses need to be independent and sustainable to be able to contribute towards these targets. The proper implementation of preferential

procurement is key in driving this objective. Kruger (2011) describes the BBBEE Act as a concept mainly found in South Africa. His view is that other aspects of the BBBEE Act have been covered, however the contribution of preferential procurement has not been effectively assessed. It is therefore critical to study this topic for the benefit of the citizens of this country.

2. LITERATURE REVIEW

This chapter provides the theoretical base and literature review for the research conducted on the implementation of the preferential procurement element of the BBBEE Act in Gauteng province. The review was guided by the research objectives and the research questions that were developed. The intention of the study was to assess the process taken by relevant stakeholders to implement preferential procurement which will ultimately evaluate whether the implementation was done properly to reduce racial inequalities, unemployment and poverty in Gauteng province.

2.1. Unemployment, skills development and poverty in Gauteng

Unemployment is still a challenge that affects South Africa. Under the apartheid regime, black South Africans were prevented from meaningfully participating in the economy of the country (DTI, 2003). Access to skills, employment and wealth creation was given to the white majority.

Linked to unemployment is a lack of required skills. According to Juggernath et al. (2011) there is misalignment between available and required skills in South Africa. South African companies spend between zero and one percent on skills development, which is inadequate for a modern economy (Jugernath et al, 2011). The labour force survey in Q1 of 2018 pointed out that South Africa's unemployment rate was at 26.7%at end of 2017 and Gauteng had a higher rate at 28.6% (World Bank, 2018). The unemployment rate amongst black South Africans was found to be high at 28.6% at the end of 2015, compared to White South Africans at 5-6% (World Bank, 2018).

According to the Quarterly Labour Force Survey (QLFS) data, small and medium enterprise's (SMME) job creation declined from 68% in 2005 to 62% in 2016. Over 70% of SMMEs' employees are functioning in low- to medium-skill level occupations. The World Bank report (2018) has found that the increase in skills is greater for large firms than small firms.

According to the World Bank report (2018), the public sector added 700 000 jobs in 2005. Location still matters in the labour market, i.e. people in urban areas have more chance of getting formal employment than those in rural areas. Race still matters in getting employment including the wages paid after getting the job. Black South Africans still earn much less on average compared to whites who earn 87% higher. Employment growth has also not matched the population growth of worker supply since 1994 (World Bank, 2018). Previous studies like Inter Ambe and Bardenhorst-Wess (2012) have revealed that despite the efforts to up-skill the government practitioners with knowledge, execution of training in the public sector is still an issue.

The report by the World Bank (2018) outlines that in 2015, poverty in rural areas reduced while the proportion of people living in rural areas also decreased from 41% in 2006 to 36.5 % in 2015. Gauteng has the largest population amongst all provinces and also accounts for one third of all household expenditure in the country (Stats SA, 2014). People move from the highest poverty provinces to Gauteng as it is the economic hub of the country in search of job opportunities. Gauteng's poverty levels have been consistent at 19% as of 2015, compared to other provinces in the country (World Bank 2018). The statistics indicate that Gauteng is one of the provinces with the highest proportions of poverty in South Africa (World Bank, 2018).

2.2. OBJECTIVES OF THE BBBEE ACT.

According to DTI (2003), BBBEE is defined as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa. BBBEE is meant to bring significant changes in the number of black South Africans that manage, own, control the country's economy as well as significant decreases in the income inequalities (DTI, 2003). Esser and Dekker (2008) indicated that the BBBEE Act does not only aim at correcting the racial inequalities but serves to promote empowerment of the community. Juggernath, Rampersand and Reddy (2011) pointed out that the BBBEE Act is a pragmatic growth strategy that aims to realise the country's full potential, helping the majority to participate in the economy.

The BBBEE Act was formed with the following objectives in mind, according to article 2 of Act 53 (2003, p. 12-13):

- Promoting economic transformation in order to enable participation of Black South African in the economy.
- Empowering rural and local communities by enabling access to economic activities.
- Increasing the extent to which the communities, co-operatives, workers and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training .
- Increasing the extent to which black women own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training.
- Promoting investment programmes that lead to broad based and meaningful. participation in the economy by black people in order to achieve sustainable development and general prosperity .
- Accelerated and shared economic growth .
- Increase in income levels and decrease in inequalities in income levels .
- De racialisation of the South African economy through a change in ownership and management and in the skilled occupations of the existing and new enterprises.
- Promoting access to finance for black economic empowerment.
- Improving the quality and transparency of all economic activities (governance). (DTI , 2003:12-13).

2.3. Preferential Procurement

The BBBEE strategy in 2007 indicated that preferential procurement is one of the elements identified to play a key role in driving the growth of the economy through increased participation of the previously disadvantaged and nurturing emerging black enterprises (DTI, 2007). The BBBEE Act 53 0f 2003 refers to preferential procurement as the effective and efficient way to drive the BBBEE strategy with the objective of providing new and old enterprises with opportunities to participate in the economy (DTI, 2003). Section 13 of the South African Constitution, Act 108 of 1996, requires that all institutions contracting for goods and services should do so in accordance with a system that is fair, equitable, transparent, competitive and cost efficient.

Preferential procurement is a selection mechanism that was introduced to the procurement of goods and services for the public sector. The mechanism is used to target and engage SMEs owned by those who were previously disadvantaged for procurement activities to generate income and increase employment (Taylor & Raga, 2010). According to DTI, SMEs are BBBEE owned businesses with an annual turnover of less than R5M (DTI, 2003). These companies are normally small in nature due to the number of employees or annual turnover. According to Kruger (2011), the BBBEE Act is meant to influence the way businesses are operating and preferential procurement through Supply Chain Management (SCM) is one of the tools that can be used by businesses to drive the objectives of the BBBEE Act.

According to Ambe and Bardenhorst-Wess (2012), SCM requires collaboration between direct and indirect parties who are involved in the processes such as suppliers, customers and third parties. The Preferential Procurement Policy Framework Act of 2001 (PPPFA) and the National Regulations Framework for SCM (2001) are the regulations used as guidelines for best practice for businesses in the public sector in South Africa to ensure procurement compliance to the BBBEE Act.

2.4.1 South African legislative framework on Preferential Procurement

In 1995, the Department of Public Works developed a 10-point plan which provided a policy used to guide procurement processes in the public sector in South Africa (Taylor, & Raga, 2010). This policy was also meant to favour the historically disadvantaged group in the awarding of state tenders to reduce past racial imbalances caused by apartheid (Taylor et al., 2010). According to Taylor et al. (2010), good governance for the implementation of this policy was not clear, and the Preferential Procurement Framework Act 5 in 2000 and the Preferential Procurement Regulations (2001) were then promulgated.

To further align the government's objectives in preferential procurement with the BBBEE Act's objectives, the preferential procurement regulation (PPR, 2009) was developed. This regulation stipulates that the BBBEE scoring of the bidder should be used in determining the preference points for awarding a tender instead of the status of

the disadvantaged individual. BBBEE rating for each company is measured according to the extent to which the company complies with the codes and, for procurement, the act requires the companies to buy from other BBBEE compliant companies (Ponte, et al., 2007). According to Juggernath et al. (2011), for private companies, it is not a legal requirement to comply with the BBBEE Act unless the company intends to participate in procurement for government entities. For this process to happen, the company would need a higher BBBEE score to be considered for tender awards, meaning they would end up complying only for commercial purposes (Juggernath et al., 2011).

For acquisition of goods and, depending on the value, the preference point system (80:20) or (90:10) that incorporates the BBBEE rating of the entity is applied (PPR ,2009). A maximum of 20 points is awarded based on the BBBEE level of the entity with the rest of the points awarded for price for tenders with Rand values between 30 000 and 50 million (PPR 2017). The 90/10 preference point system is applicable to bids with a Rand value above R50 million (all applicable taxes included) (PPR 2017).

2.4.2 Implementation of Preferential Procurement Element

According to Juggernath et al. (2011), neither literature nor statistics has quantified the success of the BBBEE Act, however Jack (2007) highlights the fact that empowerment awareness has risen since inception which is part of the success of the BBBEE Act. He argues that when it comes to developing small enterprises, there is still a lack of understanding from companies on how to implement the BBBEE Act. Vilakazi (2008) blames the failures of the BBBEE Act on the weaknesses of the codes that subject the implementation of this act to manipulation. Most successes are directly linked with ownership than preferential procurement as supported by the increase in the statistics of the JSE for direct black owned companies from 2% to 10% as per Wu (2008).

The Construction of the Gauteng Rapid Rail link in 2007/2008 is an example of a project that was developed with the intention of developing the country's infrastructure (Migiro, 2010).The Gauteng provincial government spent R1.89 billion on procurement by subcontracting to BBBEE companies (Migiro, 2010). The study raises a number of challenges that were faced by the small BBBEE business in this project like poor understanding of tender and documentation requirements (Migiro,2010). The article also

highlights Shilowa's view with regards to Gauteng province bearing high levels of inequality and poverty as a result of mismanagement of this project (Migiro,2010) .

2.4.3 Empowerment

The World Bank (2002) describes the aim of economic empowerment as that of transforming social and economic institutions through skills development, capability and control, self reliance, independence, and access to resources. To empower the previously disadvantaged group, the BBBEE act should thus focus on skills development, increase employment and alleviate poverty through transfer of wealth. Sanchez (2011) supports this view and emphasises that for economic empowerment to be successful, government needs to be the main driver and should clearly set objectives and timelines to monitor its progress. Historically, black women in South Africa had limited opportunities as compared to men due to the apartheid regime and, as a result, gender inequalities between men and women were increased (Andrews, 2008). The BBBEE Act (2003) categorised black women as a designated group (DTI 2003). This implies that where pre-qualification criteria in the public sector procurement is applied, tenders will be awarded to businesses which are at least 51% owned by black women. Whitely (2007) is of the view that most women have not participated due to poor communication about this act. Empowerment of these designated groups has become a key driver of preferential procurement.

According to Herrington et al. (2009), lack of access to finance is a hindrance to the progress of transformation and growth of black owned businesses in South Africa. The FinMark Trust (2006) finds that only 2% of new SMEs in South Africa are able to access bank loans. Banks are wary of lending money to SMEs due to the risk that is associated with them. This was also pointed out by the BBBEE strategy document (DTI, 2007).

An implementation guide for preferential procurement regulation was also developed in 2017 to assist the implementers of preferential procurement regulations. Part of the guide stipulates subcontracting as a condition of tender for procurement above R30 Million (PPR ,2017). The intention is to empower the small and medium companies to gain access to the economy and develop their skills from bigger companies. According to the regulation, responsibility to determine feasibility in the application of subcontracting rests with organs of state preparing the tenders (PPR, 2017). A minimum of 30 % compulsory subcontracting for projects below R30 million is required by the regulation for organs

of state to ensure implementation. The regulation requires tenderers to submit proof of subcontracting arrangements between the main tenderer and the subcontractor. Proof of subcontracting arrangements may include a subcontracting agreement between the main tenderer and the subcontractor (PPR 2017).

Manyi (2008) blames the slow progress of the BBBEE on the corporates who do not want to use inexperienced companies as their service providers . This is supported by the findings of Mohammed & Roberts (2008) to evaluate the implementation of different elements of the BBBEE Act in the metals and engineering industries. Local and foreign owned firms which supply mining, petroleum firms and state owned companies in this industry were interviewed and the findings for preferential procurement were that foreign owned companies were still more likely to sell to the SOE's than locally owned companies due to them dominating the capital equipment and technology in South African market (Mohammed et al., 2008). From this study, it was also discovered that most companies are monopolies and therefore were not affected by the impact of preferential procurement as the customers have no choice but to procure their material from them (Mohammed et al., 2008). The study went further and evaluated the procurement of goods and services by those firms in this industry and it was found that the only services that are being procured from BBBEE compliant companies are the non-essential services such as security and cleaning as it is believed that the independent BEE firms had no capabilities to do research, design and engineering of the intermediate and supply of highly technical final goods (Mohammed et al., 2008). Those who claim to be procuring from BBBEE compliant companies were found to have misrepresented the supplier credentials. For some firms, procurement decisions are still based on price, quality and technological capabilities which require suppliers to be accredited with international quality standards which become barriers for start-up companies (Mohammed et al., 2008).

The evaluation of the public sector commission (2009) also reveals shortcomings in the application of the acts that relate to supply chain management (Ambe & Bardenhorst-Wess, 2012). Ambe & Bardenhorst(2012) concluded that despite the use of SCM in managing public procurement, lack of proper knowledge and skill, fraud through fronting, corruption and accountability, are still challenges to the process .

2.4.4. **Fronting**

According to Jugernath, et al. (2011), fronting and the criticism of tenders benefitting the elite rather than the previously disadvantaged has been the biggest challenge of the implementation of preferential procurement. Bolton (2006) describes fronting as the practise of black people being signed up as fictitious shareholders in essentially white-owned companies. This, according to him, serves as a barrier to the efficient use of procurement as a policy tool, however the DTI drafted codes of good practice to assist in combating fronting practices (Bolton, 2006). The DTI (2003) describes fronting as the transaction, arrangement, or other act or conduct that directly or indirectly undermines or frustrates the achievement of the BBBEE objectives. According to the act, only companies that comply with the codes should be awarded contracts and those that are found to use fronting as a way of being awarded tenders should be disqualified and charged for fraud (DTI 2003). A company, could misrepresent its ownership as if it is owned by a previously disadvantaged group while being controlled by a white majority, just to score BBBEE points and qualify for tenders awarded by the state (Jugernath et al., 2011).

The provisions of the BBBEE amendment act determine that any person convicted of an offence may be liable to a fine or a maximum prison sentence of 10 years, or in the case of a juristic person, a fine of up to 10% of its annual turnover (DTI, 2003) . This person may not for a period of ten years from the date of conviction, contract or transact any business with any public entity and will be registered in a register of tender defaulters with the National Treasury (DTI, 2003). By putting these policies in place, the Amendment Act sought to reduce fronting and created an offence for individuals who do not take proactive steps to ensure that fronting is not taking place in any ventures they may be involved in .

2.4.5 Corruption

Munzhedzi (2016) refers to corruption as an abuse of official authority with intent for personal advantage. With the high financial value contracts that are used with suppliers for procurement of goods and services for the public sector, Bolton (2006) is of the opinion that implementers can be tempted to find ways to commit corruption for their own purposes through these contracts. This, according to him, could be done through the payment of bribes by contractors to implementers for giving them preference during

tender awards (Bolton, 2006). He is of the opinion that prices could also be inflated and tenders could be awarded to friends and family members who do not qualify (Bolton, 2006). The implementers with authority could overstate the time required to execute the project to motivate for the inflated costs for tenders to be awarded to their preferred contractors for their own benefit. Information about the details of the tender could be given to the preferred contractors by implementers in return for bribes prior to the tender being published (Bolton, 2006). This would give the contractors advantage over competitors as they would have more time to prepare and stand a better chance of winning the tender. The use of fake BBBEE certificates by entities in order to secure the procurement contracts is also a corrupt activity in public procurement.

Ambe (2016) is of the view that there is a constant increase in the government spend while there are also concerns around the current procurement process with high allegations of corruption. He refers to the significant number of service delivery protests in the country as evidence (Ambe, 2016). A 62% rise in irregular government spending in 2011 compared to 2010 as reported by the Business Day in 2011, was linked to corruption, incompetence and ignorance from the government officials who are involved in the procurement processes (Ambe, 2016).

2.4.6 Accountability, monitoring and evaluation

Jeppesen (2010) is of the view that without an accountable and transparent system, the vast resources channelled through public procurement stand a chance to be entangled in increased corruption and misuse of funds. The findings from the auditor's report for 2017-2018 year for the performance results of Gauteng provincial treasury pointed out that Irregular expenditure disclosed in 2017-18 remained high at R6,4 billion, of which R4,9 billion (77%) was related to non-compliance with SCM requirements. Of the R4,9 billion in SCM-related irregular expenditure, R2 billion was due to multi-year non-compliant contracts awarded in previous years to Health and Education departments.

From the above, it can be concluded that there are still serious compliance issues that need to be dealt with when it comes to implementation of procurement processes in the public sector and the procurement process has not been an enabler for growth for the

small companies, especially in the metals industry as they opt to participate in the non-essential services as it is an easier and cheaper route for them. This, according to Mohammed et al., (2006) is done at the cost of reducing salaries to the staff so as to reduce costs charged to the supplier to be competitive.

As mentioned earlier, the study evaluated the contribution of the preferential procurement in reducing inequalities in South Africa. The literature review has provided insight to the contribution that BBBEE is making. It is evident that the Policy has been assessed and reviewed on several occasions due to its lack of alignment between the objectives and compliance of companies towards it, however there is a still a lot of criticism with regards to the implementation of the act.

3. RESEARCH METHODOLOGY

3.1 Research strategy

This study utilised a qualitative research methodology to collect appropriate data to answer the research questions. Bryman (2012) defines qualitative method as a research strategy that emphasises words rather than quantification in the collection and analysis of data. According to Filstead (1971), the researcher is able to develop analytical, conceptual and categorical components of explanation from data itself through qualitative methodology. During the interviews, probing questions were asked to enable the researcher to do an in-depth analysis of the data provided. The interviews were held with both senior and junior management of the Gauteng provincial Treasury(GPT) Department, the employees of the BBBEE regulator (BBBEE Commission), the senior executives of the Department of Economic Development (DED) who have oversight on the implementation of the Act and the owners of the small and medium enterprises which participate in government procurement tenders issued by GPT. The qualitative research methodology helped the researcher to create a coherent story that represents the actions and experiences of the participants (Wagner, Kawulich & Garner, 2012).

3.2 Research design

A cross-sectional study was used and observations were made in relation to the study at a point in time. Levin (2006) stated that cross-sectional studies entail the collection and the analysis of data from two or more sources at a single point in time or over a short period. This according to the author, provides a snapshot of the outcome and characteristics associated with data.

This design allowed for data to be collected at the same time as when the interview was done. The advantage of this study is that it can estimate prevalence of outcome of interest as a sample is taken from the whole population however that they are carried out at a certain point in time and therefore give no sequence of events could be a disadvantage.

The perceptions and the attitudes of public servants who are implementing the BBBEE Act, the beneficiaries of preferential procurement and those who play an advisory and oversight role on the implementation of the act, have been assessed and analysed.

3.3. Research procedure and methods

3.3.1. Data collection instrument

The data in this study was collected through face-to-face interviews using an interview schedule for basic questions. The interviews were semi-structured to enable the participants to be comfortable and express their views on their terms as the follow up questions were informal. This allowed the interviewer flexibility to ask further questions as issues emerged for further understanding (Wagner et al., 2012).

The questionnaire was divided into two parts. The first part of the questionnaire addressed demographic information of the participants. The second part posed open-ended questions about the experiences and views of the participants on the topics underpinning the study. Prior to conducting interviews, the researcher requested approval from the head of GPT . Approval was granted after few weeks of request and with the help of the human resources department, the researcher was able to identify a list of participants to be interviewed.

The participants were chosen based on how relevant their role was towards addressing the questions of the study. The researcher also took into account the participants' years of experience and their ranking in the department. The researcher sent emails to the participants to set up appointments for interviews. In the email the researcher introduced the research together with the set questions, including the time it would take for each interview. The follow-up phone calls were made to finalise the date for appointment with participants. Before the interviews were conducted , the researcher read through the consent form to the participants and advised the participants of their rights to withdraw from participating when they felt the need. The researcher also explained how the data was to be stored privately and be protected for safety reasons. The interviews were recorded using a password protected cellular phone and important points were written down and transcribed to a computer that is password locked. The interviews took forty five minutes on average.

3.3.2 Target population and sampling

This study utilised a non-probability technique to choose the target population. Participants were selected based on their direct involvement and experience in the implementation of the preferential procurement element of the BBBEE Act in the public sector. To be able to dig deep into issues of BBBEE, it is key to choose relevant stakeholders within the public sector and purposive sampling was therefore used. This method is considered as the most useful technique of non-probability sampling commonly used in the qualitative studies and hence it was relevant for this study (Wagner et al., 2012).

The target population of the study was the participants of the preferential procurement component of the BBBEE Act for the public sector in Gauteng Province. Thirteen participants were interviewed. Three of the participants are senior directors in GPT and one is from DED. All four of these participants have been working in both departments since BBBEE Act inception. They started at lower levels and worked their way up in the departments. One of the directors deals with setting up procurement strategy for the public sector taking into account the requirements of the BBBEE Act. Two other directors report on progress of supplier development programmes in line with the BBBEE targets.

They all gave insights regarding challenges with implementation of the BBBEE Act in their areas. Two participants are at junior management level and their role is to give office advisory and monitoring and evaluation support to the supplier development division. They were interviewed to give their views on challenges facing the department, especially on monitoring and evaluation process of the implementation of the BBBEE Act.

Four of the participants were owners of small and medium enterprises which are actively participating in tenders that GPT issues for procurement services for government departments. They all have more than three years of experience in the tendering business.

They gave insight in terms of what their experiences are as small businesses in processes taken by GPT in implementing the act and what they think are successes and failures of the implementation of preferential procurement element in contributing to the overall objectives of BBBEE Act.

Two of the participants came from the BBBEE Commission. These employees have been working in the department for more than three years. The BBBEE commission is an entity within the Department of Trade and Industry that was developed in 2013 to oversee the implementation of the Act, which includes investigations on any matter arising from the implementation of the act. The high level insight of the findings of the BBBEE commission since inception were provided during the interviews with the participants.

3.3.3 Ethical considerations when collecting data

The researcher took into consideration and complied with the ethical aspects of the data collection for research as stipulated by Bryman (2012). The researcher ensured that the participants were informed and willing to participate with data collection for the study through written consent from the participants.

The researcher introduced herself to the participants and outlined the details of the study prior to the interviews. The researcher ensured that the study would not cause any harm to the participants and the privacy of the information offered was protected.
Wits university code of ethics for research as provided in the ethics form is also in agreement with Bryman's (2012) ethical aspects and further requires that where there are issues of conflict of interest, the participants' inputs should not to be considered for the study. Wits Business school ethical clearance forms were completed and submitted before continuing with data collection for the study and none of the participants had any conflicts of interests with regards to the study.

3.3.4 Data collection and storage

Collection of data was done through interviewing the participants face-to-face. Appointments were secured with the participants prior to the interviews and participants were advised of how long the interviews would take so as not to disrupt them from doing their daily work. With the consent of the participants, the

interviews were recorded and notes were taken to assist the researcher with the analysis of data afterwards. Body language of the participant was also observed and data was collected around it. Data is kept secured with password protection and assurance was given to participants with regards to this.

3.4Data processing and analysis

3.4.1Description of the respondents

The targeted respondents were employees of the supply chain department in GPT who are at different levels and are directly involved in the procurement process . This department is responsible for procurement of goods and services for government departments including supplier management and development , strategic sourcing , monitoring and evaluation of supply contracts in line with the BBBEE Act requirements .The participants were two senior managers, two middle managers and the rest were implementers and administrators. These participants have experience in this field and some of them were part of the department when the provincial supply chain management procurement unit was established. Since some of the participants from this department could not be reached, it became necessary to include the regulators and the beneficiaries of the preferential procurement element to get their perspective for the study. Relevant participants in this targeted group were identified and approached through the same process as the department participants and were able to avail themselves for interviews.

All participants gave inputs on the implementation of the preferential procurement element of the BBBEE Act, specifically in the tendering process for government procurement.

The researcher transcribed the information to identify similar views that seemed to address the research questions. The views from the respondents were then grouped into small chunks called codes. The codes were developed and modified as the process continued and there were no pre-set codes. The codes were then examined further to develop themes.

As Braun and Clarke (2006) explain, a theme is characterised by its significance and is a pattern that captures something interesting about data, specifically relating to research questions in this case. Responses from the interviews were categorised into themes that emerged from interviews which were similar to the attributes of the literature of the study in section two.

3.4.2 Research reliability and validity measures

Reliability can be defined as the extent to which results are consistent and yield the same results on repeated trials (Neuendorf, 2016). Stenbacka (2001) says that since reliability issue concerns measurements, then it has no relevance in qualitative research. For qualitative study, reliability cannot be achieved. Qualitative methods rely more on rich description than accurate numeric description as in quantitative study .This makes the qualitative study less reliable .

Validity, according to Bryman (2012), refers to whether an indicator that is meant to measure the concept really does. According to Lincoln and Guba (1985), there can be no validity without reliability and a demonstration of validity is sufficient to demonstrate reliability. Patton (2001) also states that reliability is a consequence of the validity in a study.

The internal validity was tested through the structure of the interview questions that was similar for all respondents to ensure uniformity on the data collection. According to Bryman (2012), when the sample has been randomly selected, external validity becomes strong and in this study, purposive sampling was used.

In the case of the BBBEE Act implementation, respondents might not agree that the number of tenders awarded to small and medium black owned companies correlates to a success in implementation of the BBBEE Act, however it would be agreed that it does promote participation of the previously disadvantaged group in the economy and give some temporary relief in unemployment and poverty in Gauteng. The issue with reliability is subjectivity of the respondents as they would mostly respond based on their attitudes .This confirms that for this study validity was achieved .

3.4.3 Research limitations

The concept of a BBBEE study is a broad topic that requires the full engagement of all stakeholders involved in the process as they would hold different views considering the levels of compliance and benefits. This study has focused on one aspect of the BBBEE Act in the public sector. The geographical area on which the study focused is Gauteng and as a result, the sample cannot be considered as representative of the implementation of preferential procurement in South Africa as a whole. The study also relied on the availability of the relevant people in the procurement department of the public sector and time was a limiting factor. The researcher does not work for the same sector and to obtain access to certain individuals became a challenge. Some of the potential interviewees for the department could not be reached as they moved offices for months to work from home due to the safety inspection requirements of the building in which they work in. In the interest of time, it was therefore necessary to include the regulators and the end users of the preferential procurement element to get their perspective for the study.

4. PRESENTATION OF FINDINGS

4.1 Introduction

This section presents the results of the in-depth interviews that were held with participants. It was a requirement that the researcher applies for approval to conduct the interviews within the department to the head of the department. Once the approval was given, the researcher sent an introductory email to potential interviewees, introducing herself and providing them with the background to the research. A request for interviewees to assist with the interviews was also included in the email.

When the researcher conducted interviews, it became necessary to include the independent government bodies that are responsible for monitoring and regulating the implementation of the BBBEE Act and the bidders who participate in state tenders to get their perspective on the topic. The BBBEE Commission is the regulator of the BBBEE Act which was appointed by section 13 B of the BBBEE act 46 of 2013 to oversee, supervise and promote adherence to the Act. They are also responsible for promoting good governance and accountability for implementation of the BBBEE Act throughout the country. Investigation of complaints concerning the implementation of BBBEE Act forms part of their role and they receive and analyse compliance reports in line with BBBEE act from entities.

The Department of Economic Development (DED), the BBBEE Act unit officials were also interviewed. They are responsible for advising the government departments on the implementation of the BBBEE Act. The DED's mandate is to implement BBBEE policies, monitor and evaluate government departments, municipalities and agencies to see whether they comply with the BBBEE Act.

The interviews were held with six officials of GPT who are responsible for the implementation of the BBBEE Act , Four bidders who participate in the public tenders issued by the department ,two employees of the BBBEE commission and one senior official from DED . Prior to the interviews, the questionnaire was sent to the participants . During the interviews , follow-up questions were asked in relation to the

topic. The data from the interviews was collected and transcribed from the recordings. Themes emerged from the interview questions and analysis.

4.2 Demographic information

There were 13 participants interviewed in total, consisting of 12 males and 1 female. The majority of the participants at 93% were males with 7% of the participants being females. This gender split was mainly based on availability of those who were willing to participate in the study and the composition of male to female for relevant roles that were identified to support the study . One female is an employee of GPT.

The demographic section describes the age, gender, education, ranking and years of experience of the people who participated in the interviews. Their age profile ranged from 25 to 55 years and this shows low participation of youth .

Age	Male	Female
25-35 Years	7	0
35-45 Years	2	1
45-55 Years	3	0
Total	12	1

All participants had a post matriculation educational qualification with six of the participants having completed master's degrees. The education level of the participants provides the study with a link between their seniority and their qualifications. Four of the six GPT department employees hold senior management positions while the rest are at junior level. They all have more than three years of experience in their roles. This is of importance as it is linked with credibility of information provided and the level of skill and empowerment the participant have in their roles.

4.3 Themes emerging from the interviews with GPT officials

The GPT employees who were interviewed are all at management level. Five of them were males and one was a female. The participants were all between the ages of 35 and 55 years. Five of the six participants have been in the department for more than five years

and only one of them has been there for less than two years. This indicates that the respondents were in the department long enough to give credible information about the subject. The department is responsible for management of the procurement process for goods and services of all the government departments in Gauteng . It was critical to get the department's perspective on issues pertaining to the implementation of the preferential procurement element of the BBBEE act when it comes to the public sector.

The themes that emerged from this section are sector implementation challenges, skills development, accountability and monitoring and evaluation of the implementation of the BBBEE Act.

4.3.1 Sector implementation challenges

The respondents mentioned that there are many policies and regulations that are used to guide the implementation of the BBBEE Act objectives using preferential procurement. According to them, policy interpretation is still a challenge. All of the respondents said that both bidders and GPT implementers lack an understanding of what the policy requires. Four of the respondents were of the view that the implementation guide for preferential procurement regulation is not clear on how to implement prequalification and subcontracting and this leads to misinterpretation. These respondents stated that the requirements for prequalification and subcontracting are not clearly understood. The respondents made an example of the fact that the policy requires the implementers to identify opportunities for tenders where prequalification can be implemented and, according to the respondents, there are no specific industries and commodities designated for prequalification. The respondents said that they still cannot set aside for tenders as most of them do not understand how to put the requirement on tenders. The respondents raised the fact that the implementation guide and the act itself is not clear on what documents are that are required to qualify the bidders.

The four respondents raised the fact that the implementation of 30% sub-contracting clause is vague. The word "feasible" makes it difficult for organs of state to implement as there is no clear guideline or commodities designated for sub-contracting and therefore defeats the purpose for what the clause was intended. According to them, this opens up room for non-compliance as it is difficult for them to identify feasible tenders.

Two respondents mentioned that it is Small and Medium Enterprises (SME's) who are mis-reading the subcontracting clause and are claiming to get 30% of subcontracts as stated in the Regulation. The respondents indicated that for them, the policy is clear, however, the issue is that even when the requirements are sent out properly on tenders, the evaluation of SME's becomes an issue. The respondents mentioned that the completion of forms by bidders is still a challenge. In some cases, the SMEs would submit the BBBEE certificate when the affidavit is the one that is required to qualify them and this would defeat the purpose of the tender.

Another challenge the respondents mentioned is the amendments to the policy and regulations that govern preferential procurement. All the participants were of the opinion that while there is still misalignment between implementers and the end users in terms of how the current policy should be implemented, government made changes to the act itself. Parallel to this, the regulatory framework is also not flexible, as different regulations will be passed at the same time while implementers are still trying to familiarise themselves with the changes in the Act. The participants outlined the fact that different regulations are still being passed while there is still delayed implementation of some of the sections of the code. Three of the participants mentioned that even when the changes are made, the communication on changes is not done on time, as a result implementers are not given sufficient time to educate themselves and look at technicalities before implementation .

When a question was asked as to whether the preferential procurement is contributing meaningfully to the BBBEE Act and what the sector has been able to achieve, all the participants were in agreement to a certain extent, though, as they mentioned, some improvements have been seen. Four of the participants were of the view that there are technicalities the government needs to work on regarding the implementation challenges. Two participants disagreed and voiced that the government has done enough to put policies in place to ensure that preferred procurement drives the BBBEE Act objectives; it is the implementers and beneficiaries who need to change their attitudes towards the implementation of this policy. The two participants pointed out that implementers are also doing enough to educate the people and have put programmes in place, however the onus is on the small and medium business owners to ensure that they are aware and well educated about the requirements of the Act.

4.3.2 Skills development

All the participants raised the fact that most SMEs can still not compete with the well-developed businesses due to the shortage of experience and skill set required to deliver quality work required for public procurement tenders. One of the respondents further mentioned that in other sectors like health, due to sensitivity of the services required, small players are only participating as distributors as they never received the expertise to be at the front of the chain.

Two of the respondents pointed out that there is also misalignment in terms of what the supplier development programmes are intended for and what the small business owners perceive them to be. According to the two respondents, business owners who attend the supplier development programmes always think that after attending them they automatically qualify to be awarded jobs without having the skill set. They demand to be awarded tenders after this process even if they do not meet the full requirements. According to the two respondents, these small business owners are entirely dependent on government tenders for business and they feel a sense of entitlement. One of the two respondents even made an example of bidders who will call demanding to be issued a tender after attending a community forum where a government official made an announcement that there are opportunities for all. Another respondent mentioned that as the government tenders are open to everyone, most people are seen to register companies in the supplier database for the sake of doing so. The services they can offer are not what government tenders are looking for most of the time.

Four of the respondents alluded to the fact that even though the Act stipulates that certain tenders can be set aside for designated groups, this cannot be done as yet due to lack of skill set for those tenders. Lack of skill and experience of small businesses results in the tenders being awarded to a previously advantaged group.

All of the respondents were in agreement that there is no sustainability in developing the small companies to specialise in a specific skill as most of them get driven by where the big profits are. The respondents were of the view that small businesses end up diversifying quite quickly without gaining proper knowledge in the line of work where they started as a business.

When the respondents were asked whether the BBBEE Act has been successful in achieving its objective to reduce unemployment in the country, all of them acknowledged that the way the policy itself is drafted has good intentions. Two participants pointed out that the introduction of township economy revitalisation by government increases the chances of employment to the disadvantaged group. One of the participants did not agree with this view. The participant raised the fact that this employment is not sustainable due to economic challenges the country is facing. Three of the participants were concerned about the fact that township revitalisation is not clearly stipulating who should be benefiting. They raised the fact that the influx of the foreign nationals is hampering the intention of the BBBEE and the designated groups are suffering as a result.

All of these respondents were in agreement that there are not enough programmes to speed up the skills and development for small businesses. One respondent alluded to the fact that the BBBEE Act has not been successful as it is not the only tool meant to reduce the unemployment and the economic state of the country is also limiting the opportunities that could be created for job creation.

4.3.3. Monitoring and Evaluation

Five of the participants raised concerns around the fact that only the BBBEE spent is used as a key performance indicator to determine if there is progress in the implementation of preferential procurement. They all agreed that the monitoring aspect is not applied properly, as there needs to be a sustainable way to monitor this. All five of the participants had the view that even though there are subcontracting requirements for larger companies, there is minimal to no monitoring measures on how they implement it. According to the five respondents, implementers have no oversight on the contracts signed by big companies with smaller companies for subcontracting. What is required by the regulation is evidence that there is a subcontracting arrangement between the bidder and the small company but the regulation itself does not stipulate what requirements the subcontractor should meet to qualify. One respondent mentioned that it is still unclear whether the big companies are indeed sharing the skills and if the subcontractors are paid well for their inputs.

The five participants also mentioned that due to the shortage of the skill set required for certain services, the companies with experience, but who do not meet the BBBEE requirements are taking advantage of the smaller companies through fronting for their own benefit.

4.3.4 **Accountability**

When a question was asked whether the participants are held accountable for the implementation of the Act, they all agreed that the implementers are held accountable but to a limited extent. All participants agreed that internal auditing for each tender is done every year to check if they implemented the regulation accordingly and if the bidders complied. Findings of the auditing are addressed with relevant heads of departments however, three participants mentioned that the lines of reporting become a hindrance to the progress of some of the projects. The implementation of the projects are limited due to funds. Due to the misalignment of departmental KPI's, the chief finance officer focuses on cutting costs rather than enabling the BBBEE act objectives. The other three participants raised the fact that the Department of Trade and Industry does not have much influence to hold the implementers accountable. The implementers are accountable to their political bosses who might give them different KPI's which are not necessarily in line with the BBBEE Act's objectives.

All participants raised the fact that when it comes to holding the bidders accountable, within a certain period after the tender has been awarded, the contract management unit will review the KPI's set versus what has been delivered. The quality management sector also checks the capability of service providers. Four participants raised the fact that tenders do get cancelled with some going to court for those that under-delivered while two other participants were of the view that the process solely depends on the department the service is rendered for. One participant mentioned that if the department does not report the under-performance of the contractors, nothing will happen. The participant was of the view that even when the under-performance is raised, there is no summary judgement, the court process is long and it delays the finalisation of the projects as the contractors cannot be written off until proven guilty. The contracts management follow up on the breach and only once the breach has been investigated, can the contract be

called off. Another participant raised that bidders are given a chance to remedy the situation before the contract is called off.

4.4 **Themes emerging from the interviews with the bidders of the public tenders.**

Beneficiaries of the preferential procurement policy are the bidders who own SMEs who participate in the tenders issued by the provincial supply chain management department in GPT .Three of the four respondents have been owning their companies for more than five years with one having been in business for two years. The themes that emerged from this section are Preferential procurement challenges, and Empowerment.

4.4.1 **Preferential Procurement Challenges**

Three of the respondents were of the view that the implementers of the Act are just ticking the boxes when it comes to tender process as they do not explain the bigger intention of where they want the smaller companies to take the BBBEE objective to in future. They raised the fact that as long as the small companies have a BBBEE certificate that qualifies them for tender award, the implementers are happy and they will not follow up and track the company's BBBEE status in the midst of the contract term. The participants believe that as a result of this, the vision of the BBBEE Act to further empower the majority of the previously disadvantaged group is not fulfilled. The three respondents shared their concerns regarding the sustainability of the intention of the act. One respondent was happy and disagreed with the other participants on their views. The way the process is implemented was not an issue for him. He has been participating in tenders for years and he has diversified from electrical services to mechanical tenders. He did not struggle in delivering the services after being awarded the tender and the non-sustainability of the BBBEE Act has not been an issue for him.

Two participants mentioned that, at operational level, progress of the project and quality of services is monitored by the departments the service is rendered for. According to these participants, the departments do not have a broader view of the BBBEE Act objectives and tend to drive their own KPI's. One of these participants was awarded a tender before and since the department doubted his capabilities, they prioritised services of the well-developed entity with whom he shared the tender. Two other participants

pointed out that for every project a transversal project manager is appointed by treasury department to oversee the progress and assist suppliers with any challenges they might face. One of the participants confirmed that he had a challenge with the main supplier who he had confirmed on the tender that he would use and the department was flexible to have him change that supplier to a reliable supplier during the course of the project.

All respondents raised corruption as the biggest factor that slows down the contribution of preferential procurement to the BBBEE act objectives. They mentioned that tenders are awarded, based on who you know, instead of what you are capable of doing. The participants believe that there is a trend that one bidder gets awarded tenders that require completely diverse skills because of his political connections. They are of the opinion that the big corporates are still finding loopholes within the codes of practice. The big companies use these loopholes to their advantage to gain more scores for BBBEE through fronting.

4.4.2. **Empowerment**

All four respondents had the same view on selection criteria used for tenders. They were not satisfied with the fact that they are still set up to compete with big companies on tenders. Two of them described the selection criteria as a hindrance to small companies as some government departments still have no confidence in the capability of these companies. Another one made an example of tenders that are not awarded at 100% to small companies even if the small companies have capabilities to manage the service. Some tenders are still shared between the big and small companies using a percentage split and this opens room for departments to have a choice of whose services to use which further limits opportunity for smaller companies to gain experience and credibility for doing the service. This also puts smaller companies at a disadvantage as they are expected to compete with the well-developed businesses that have more resources.

One of the respondents raised the fact that in his case, he was once awarded a tender to supply gas to the hospitals. The respondent has to source the gas from the same well-developed businesses he was competing with on the same tender. The 80% price and 20% BBBEE status preference point system used as a criteria to evaluate the tenders puts his company at a disadvantage. The well-developed businesses that produce the gas

would add a margin to his price and that makes him uncompetitive on price offer for the tender .

When it comes to skills provision, the respondents pointed out that preferential procurement is not enabling the bidders to develop skills. Subcontracting is a tool that is supposed to drive the skills development but this is not happening. Three of the respondents mentioned that government does not have an oversight over the subcontracts the smaller companies get from big companies. The respondents are exploited by the well-developed businesses to facilitate their tenders. The participants confirmed that they participate on the subcontracts just to get the share of the funds, since they are desperate. One of the participants pointed out that, the contracting companies are not interested in developing the smaller companies as there is no benefit for them except for the BBBEE points and access to tenders for government. Subcontracting is not compulsory for tenders at a value lower than R30 million .The monitoring and evaluation of the contract between the small companies and the big companies is left in the hands of the contracting entities which puts the smaller companies in a disadvantageous position.

When respondents were asked if preferential procurement is contributing to the BBBEE Act objectives to reduce inequalities and increase employment, 50% of the respondents agreed that preferential procurement does contribute through awarding of tenders, however small companies are not given a chance to acquire the full skill and experience they need. One of the participants pointed out that he has managed to employ 10 employees after he got awarded part of the tender to supply gas to hospitals by government. When the department chose supply from the well-developed businesses instead of his small company, he had to get rid of other employees as he had no means to pay their salaries anymore. The remainder of the participants disagreed with the view that preferential procurement contributes in increasing employment. These participants mentioned that funding is still a challenge for the small companies. They require funding to deliver services, their experience is that government is only supporting the businesses that are already operating and not start-ups. The banks require the start-ups to have guarantees in place before they fund them. Start-ups do not have many assets as guarantees to get funding. As a result of this, more start-ups are not sustainable businesses. This does not help to reduce the high unemployment rates in the country. One of the

respondents alluded to the fact that even with the entities like NYDA that are supposed to assist start-ups with funding, it becomes a matter of who you know before you can be awarded with some funding .

4.5 **Themes emerging from interviews with the BBBEE Act Regulators and the advisors to the sector.**

This section describes the findings from two employees of the BBBEE commission, the BBBEE Act regulator and a senior employee of the Department of Economic Development in the BBBEE section. The senior director from the Department provided good insight on his experience of oversight of the implementation of the BBBEE Act by the department. These participants have been working in their departments for more than three years. The themes emerging from interviews with the participants were compliance challenges and skills development.

4.5.1 **Compliance Challenges**

All respondents raised fronting as an issue that hinders the intention of the act. The respondents from the BBBEE commission pointed out that they receive complaints from black companies that are used by white owned companies to facilitate the tender projects. These companies complain that the white owned companies are using them to gain BBBEE points and do not pay them for the services provided. The small businesses are not involved in the execution of the awarded tenders but are used as subcontractors due to their BBBEE status. According to the respondents, in some cases it was found that black people agree knowing that they are being used for fronting because of being desperate for business. Other black people would front for other black companies as those that get awarded tenders get them through connections with high powers.

All the participants raised that the regulation does not force entities that are not compliant with the BBBEE act to comply . Another participant was of the view that for government entities that are supposed to lead by example, there are no punitive measures to ensure that they have BBBEE certificates to comply. The BBBEE commission employees pointed out that they will be forcing the government departments from 2019 onwards to produce valid BBBEE certificates. The two participants pointed out that some small

companies are providing fraudulent BBBEE certificates to gain business, however the BBBEE commission has developed a BBBEE IT portal to assist the qualified verification agent to verify the credibility of the BBBEE certificates received from entities. All participants raised the fact that the implementers in the department do not seem to understand their responsibility to drive the objectives of the Act and hence they fail to comply with the requirements of the BBBEE Act. The commission has also seen some improvements in the number of enquiries from the entities for clarity on what the act requires including advisory requirements. This according to them, is a positive sign that entities are starting to consider complying with the requirements of the Act, however it does signal a lack of knowledge about BBBEE act from entities.

One participant pointed out that that the selection criteria for awarding tenders does not recognize those with skill instead the middle men with no skills end up benefiting financially while direct manufacturers suffer. This makes the BBBEE Act objective unsustainable. The participant was of the view that that the department is not using the supplier and enterprise development budget as a tool to empower the small and medium enterprises with resources and skills to ensure that they are competitive.

5. DISCUSSION OF RESULTS

5.1 Introduction

The purpose of the study was to evaluate whether the implementation of the preferential procurement in public procurement in Gauteng contributes to the reduction of inequalities as set out by BBBEE act objectives.

The themes were skills development, empowerment, BBBEE implementation challenges, monitoring and evaluation and accountability. The analysis was done based on demographic questions and the four research questions that were asked in chapter 1 .

5.2 Demographic Themes

The analysis of the results from the demographic theme revealed that there was less participation of women in BBBEE compared to men. As stipulated in chapter 2, one of the objectives of the BBBEE act was to increase the level of participation of black women in ownership and management of existing and new enterprises to increase their access to economic activities, infrastructure and skills training (DTI , 2003). Based on literature reviewed in chapter2, where prequalification of tenders is applicable, tenders should be awarded to businesses that are at least 51% black women owned. When potential candidates from small enterprises were approached for interviews, the majority of those to whom the researcher was referred, who were participating in government tenders were males. The researcher's experience in dealing with women in the supply chain sector are those that are actively participating in procurement tenders for tenders issued by state owned entities and not the public sector. Participation in public procurement demotivates them due to the nature of challenges faced in bidding process for public procurement tenders. The interviews revealed that it is still a challenge for implementers to apply prequalification on tenders due to limited availability of designated groups who qualify. This supports the notion as stated in chapter 2, that the levels of women participation to main stream economy have not been improved.

Themes discussed in this chapter are from the four research questions posed and asked in chapter 1 of the research.

5.3 . **Has the preferential procurement element of the BBBEE Act within SCM in public sector been able to contribute towards the reduction of inequality ?**

NDP's 2030 vision is to reduce inequalities and unemployment levels in South Africa and this is in line with the objectives of the BBBEE Act. For this vision to be realised, the creation of more jobs through proper skills development and empowerment of the previously disadvantaged group of the country is required. This question was posed to determine whether the preferential procurement has assisted the BBBEE act in reducing the inequalities and unemployment in the country. The themes from the study that address this question are skills development and empowerment.

5.2.1 Skills development

As outlined in chapter 2, one of the objectives of the BBBEE Act, is to ensure increased participation of the black community in the economy through more ownership of small and medium enterprises and skills training (DTI, 2003). One of the principles that was stipulated by the 10 point plan developed by the Department of Public Works in 1995 to simplify the issuance of tenders to small and medium enterprises is to ensure that the training and institutional support is offered by entities to these companies. Findings from the interviews revealed that small companies are not fully equipped with the right skills and resources. The current supplier development programme offered by the supply chain department in Gauteng Provincial Treasury (GPT) monitors and trains bidders on tender compliance requirements which include bidding process for quotes and proposals, filling of tender forms, pricing for tenders, tax rules and legislation. They have a programme running every Wednesday over a five week period. This is a short period to train anyone about full participation and compliance requirements on tenders. The research indicates that small business are expected to be fully competent to deliver quality work for procurement projects issued by public sector while access to training is limited. The GPT 2017/18 annual performance plan set a key performance indicator for the department to develop the township suppliers. The development was to provide training and workshops to township-based suppliers on public procurement to enhance their participation in economy. The performance management report for the department for 2017/ 2018 year has shown that the targeted number of registered suppliers to be trained was not met due to some suppliers not finishing the supplier development training. The

interviews with the participants revealed that the supplier development training was not effective. According to this report, the availability of skilled suppliers for highly valued commodities in black communities is still a constraint and as a result, the spending on township suppliers for 2017/ 2018 was not met. The recommendation made from the performance management 2017/18 GPT report was that GPT should increase township supplier development training initiatives for these commodities in the black community. The interviews with the bidders shared the same sentiments regarding the effectiveness of the supplier development training. This supports the notion that the supplier development programme is not reaching its intention to develop these entities with a proper skill set.

5.2.2 Empowerment

The results from the interviews revealed that small and medium enterprises are not able to compete on tenders with the well-developed businesses in most sectors, such as manufacturing and health. As stated in chapter 2, one of the aims of economic empowerment is to transform the institutions through access to resources (World Bank, 2012). Small entities do not have the economies of scale, the skill and the equipment required to enable them to be competitive on public procurement tenders. The SMEs are required to provide guarantees of how they will finance the projects as payments are made in tranches throughout the phases of the project by government. Reliance of small entities on well-developed manufacturing businesses for supply of goods for public procurement participation is still a challenge. The results of the interviews revealed that that the well-developed manufacturing businesses offer a higher price for supply of goods to the SMEs they are competing with. The bidders stated that when tenders are divided in smaller contracts as the preferential policy implementation requires, the well-developed businesses are invited to participate on the same tender to compete with SMEs. This reduces their chances to win the tenders taking into account the preference point evaluation system used to award tenders. Some government departments still prefer to work with well-developed businesses for procurement services than SMEs. The departments still doubt the capabilities of smaller companies in delivering quality work.

The Implementation guide for preferential procurement regulation (2017) stipulates the guidelines that are to be used for the implementation of mandatory subcontracting in an

attempt to accelerate the skills development of the small and medium enterprises in some sectors. From the interviews it became evident that the implementation of subcontracting is self-monitory by these entities. Government is a custodian of the BBBEE Act, however, according to the results, they play a facilitation role and they are not involved in monitoring. This makes room for entities to exploit the small and medium enterprises.

The preferential procurement policy requires subcontracting documents to be submitted by tenderers as proof where subcontracting is a prequalification requirement. The policy is too open and vague and it does not enforce entities to submit the detailed subcontracting agreement between main tenderer and subcontractor. According to the results, the policy is misinterpreted and the contracting companies can choose not to submit the subcontracting agreement when bidding for tenders. The responsibility to manage the subcontracting agreement and to ensure that the subcontractor is competent is also left with the contracting company. The responsibility to evaluate the feasibility of sub-contracting for tenders over and above the threshold of R30million is left with the implementers.

One of the principles of the 10 point plan (1995) is a requirement for funders to waiver surety for SMEs when they are granted loans to start projects. This would enable the SMEs to access funding for projects and participate in the economy. The results from the interviews with implementers revealed that some of the SMEs are still asking to be paid in advance for the tenders awarded to them. The bidders also pointed out that financial institutions are not prepared to offer loans without guarantees in place. The contracting firms require guarantees for insurance and the supply of goods up front. During a bidding process, entities are required to submit proof of their plans to finance the projects as payments are made in tranches. The SMEs are not getting the financial benefit and skills development through subcontracts.

The interviews from the implementers revealed that the budget for enterprise development is not moving because enterprises are not being developed. For those who have been awarded business, the study revealed that they are struggling to self-fund their businesses as they do not get paid on time from the projects. National treasury enforces the 30–day payment rule however, the SMEs are affected by late payments. According to the bidders, the departments are not complying and this is impacting the operations,

financial position and sustainability of the SMEs. Because the small entities are desperate for business and they do not want to be overlooked for potential tenders, they do not complain and end up taking any offer regardless of the benefits. Sustainability of these business is compromised.

Government has done a good job in setting up the policy to redress the imbalances of the past however it is the implementation of the policy that is flawed. Public preferential procurement is not fully contributing to reduction of inequalities and unemployment due to these challenges. Unlike how state owned companies apply the implementation of the BBBEE Act, the public sector is relying on the provision of a BBBEE certificate for qualification of SMEs to tenders. Government has no mechanism to determine where small enterprises should be in the future in terms of growth. Skills transfer and development from big companies to small companies is not achieved through subcontracting as there is no oversight of these subcontracts by implementers. Job creation is not improving as the SMEs are not empowered with skill sets and funding support.

5.3 How has the preferential procurement element of the BBBEE Act been implemented within SCM in the public sector?

Since inception, the BBBEE policy has been strongly criticised for the extent to which it meets its objective of alleviating poverty in the country. Procurement deals have been observed as a way of speeding up the creation of a black elite group (Hamann et al., 2005). The effectiveness of the preferential procurement is affected, amongst others by implementation challenges such as policy implementation, non-compliance of implementers and entities to the Act and lack of accountability of stakeholders.

5.3.1 Implementation Challenges

Different policies from the 10 point plan in 1995 to preferred procurement regulation (2017) were developed to stipulate the implementation of preferential procurement in the public sector. In the government gazette (No.17923, 14 April 1997, p.33), the prospects of the preferential procurement were to facilitate growth and efficiency in terms of the number of enterprises owned by the previously disadvantaged group. All the

preferential procurement policies have gone through revisions to ensure that they take into account external constraints. The revision of the codes of good practice in 2012 is an example of a policy revision as a result of some serious implementation challenges that were experienced. The results revealed that there is insufficient time given to implementers to familiarise themselves with the changes of the policy before the effective date of change. There is also misalignment between the bidders and the implementers on the interpretation of the policy. During the interviews , one of the implementers mentioned that 'the subcontractors think they are eligible to get 30% of the value of the contract when awarded a subcontract'. The subcontracting clause requires the entities to subcontract 30% of the business for all contracts more than R30 million when it is "feasible to do so", which does not necessarily mean subcontractors will be paid 30% of the value, as they interpret it . It was pointed out that there is still a gap in terms of the understanding of tender documents by bidders. The bidders are still providing wrong documents for tenders, where the affidavit is required for SMEs, they are providing BBBEE certificates.

There is still a limited understanding of the policies by both implementers and beneficiaries. The implementers still cannot set aside certain tenders to designated groups due to poor understanding of the policy. The interviews revealed that Government is also too quick to amend the BBBEE policies and the implementers who are trying to catch up with the changes and the bidders who are supposed to be educated on the changes before implementation, become more misaligned in interpreting the requirements. All these challenges affect the progress of the Act and more policy education is still required to ensure alignment of all the stakeholders.

5.4 What are compliance challenges faced in implementing preferential procurement in SCM within the public sector?

The purpose of this question sought to provide the perceptions of the participants with regards to compliance challenges. Corruption and fronting were sub-themes that came up from the interviews with the participants. These sub-themes are directly linked to non-compliance by both implementers and beneficiaries of the BBEEE Act.

5.4.1 Corruption

There were allegations that implementers are biased towards bidders who are politically connected. The study also revealed that the BBBEE Act is enriching only the elite regardless of their credentials. An act, the Prevention and Combating of Corrupt Activities, Act 12 (2004), was developed to hold certain people accountable to report corrupt transactions. The interviews revealed that the bidders from small companies are scared to report incidents of corruption as they feel they would be side-lined by implementers of future tenders. The implementers were of the opinion that corruption can only be curbed when reported. The interviews with respondents from the commission revealed that most reported cases lack evidence and sufficient information to proceed with the investigation. The implementers are demanding bribes and the bidders are offering bribes in exchange for getting information prior to publication of tenders for them to stand a chance of winning tenders. This compromises the credibility of government services and defeats the purpose of this Act.

5.4.2 Fronting

The interviews with the BBBEE Commission revealed that they are still receiving a high number of complaints, mostly related to fronting from entities. The small and medium enterprises are agreeing to being used for fronting purposes just to get commission on tenders. Fronting is problematic, because it slows down the socio-economic progress that BBBEE is intended to create. The SMEs are used as a procurement vehicle by bigger companies to win tenders with no skills being transferred to them. They are not actively involved in the execution of the awarded tenders, everything is on paper and they are happy to receive commission for their appearances.

The BBBEE Act requires that a company that is found to be fronting pays a penalty of 10% of its turnover. Those who are found to be corrupt can also be imprisoned for up to 10 years or fined, according to the Act. The parties can also be removed from the procurement database and be blacklisted for 10 years from doing business with the government. The study revealed that contracts do get cancelled and bidders are written off the central databases system for 10 years for those who delivering substandard work. The participants from the BBBEE commission were of the view that most of the investigations for fronting and corruption incidents end up incomplete due to lack of

evidence. This was supported by the implementers and they mentioned that as much as the reported incidents are investigated, there is no summary and the court process is long. The Act provides for implications to those who are undermining its objectives. Those who are found guilty go through the court process and National Treasury has a list of those who have offences. The BBBEE commission provides measures and procedures for reporting transgressions and that is when there can be accountability.

The findings revealed that the preferential procurement element in its current form is such that the entities need to self-regulate. The rationale is that through procurement from other entities with a higher BBBEE scoring, the BBBEE contribution level of the entity grows and that gives it more access to the economy. Self-regulation opens a loop hole for entities to take advantage of the smaller players and fronting is one example of such activity. Non-compliance to preferential procurement regulations undermines the broader intention of the BBBEE act to reduce unemployment in the country.

5.5. Does the BBBEE framework provide any form of accountability in terms of public funds usage?

Public procurement accounts for a higher percentage of tax payer's money in South Africa and it is of key importance to ensure that these funds are spent wisely for the benefit of the country. According to the SCM practices, accountability refers to the implementers and stakeholders being answerable for their behaviour and actions to their reporting structures through openness and transparency.

Each stakeholder needs to be held accountable for not operating at the expected levels in SCM and there must be consequences for such instances. This question sought to determine whether the participants of this act are held accountable, considering that procurement facilitates government strategy through direct utilisation of public funds. It is stipulated that due to inconsistencies in policy application and accountabilities, Treasury initiated many financial and budgetary reform processes for public procurement immediately after taking office in 1994 (Badenhorst-Weiss, 2012). This affirms the importance of public procurement towards the development of the country, which other authors claim that in other industrialised countries accounts for 5-8% of the GDP (OECD, 2007).

The respondents voiced their concerns around the Key performance indicators (KPI's) used to monitor the progress of the BBBEE Act as broad and not being sufficient. BBBEE spending is the only KPI that is set by Treasury to measure progress on preferential procurement targets. BBBEE spending could be higher than the target but this does not necessarily mean that all the intended outcomes are met. This is evidence of insufficient accountability that implementers have over the policy. Public funds could be spent through the BBBEE compliant entities, however this does not necessarily mean that the implementation is properly handled.

The interviews with the bidders revealed that operational challenges are not quickly resolved. Bidders have to deal with the tendering government department once the tender is awarded. Mostly the departments do not have the broader view of driving the BBBEE objectives. The intention of GPT to promote small BBBEE companies through the procurement process is always destroyed when departments get involved. Departments are only focused on their own KPI's which might be misaligned with the BBBEE Act objectives. There is no follow-up done to look at how the process can be improved for the BBBEE objectives to be achieved at a broader level.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

6.1.1. Objectives of the BBBEE Act

It can be concluded that lack of skills and inadequate expertise for SMEs and implementers to be able to deliver on some public procurement tenders is hindering the objectives of the Act. The supplier development training is not achieving the intended objectives of providing small entities with proper knowledge and skills to enable them to participate in the economy.

Implementation of the subcontracting framework is failing to empower the small entities with proper skills and knowledge to be self-sufficient and to participate in the mainstream economy. From the findings of the study it is clear that lack of finance is hindering the small and medium enterprises from accessing funds to enable them to participate in public procurement . It is a few well-developed companies that are fully skilled against many upcoming SMEs .

6.1.2. Implementation

There are still major challenges that affect the objectives of the preferential procurement element in South Africa. The two challenges that were noted are policy implementation and compliance related. Policy stakeholders lack an understanding of how to apply the current policies and BBEE policy makers do not provide a proper implementation plan of certain elements. Misalignment between bidders and implementers on policy requirements and interpretation is also a challenge. Non-compliance to the regulations, like fraud and corruption of the participants through fronting and exchange of bribes is still undermining the intention of the act. Accountability of the implementers and the bidders towards the act is also a challenge that needs to be tightened up to reduce value leakages on usage of state funds .

6.2.3 Recommendations :

Skills Development :Sufficient training programmes are required by bidders to give them a platform to address their uncertainties on the interpretation and implementation

of the policy. Government should offer incubation for a specific skill to SMEs. GPT employees also need to go through proper training to be able to understand the contents of the policy and for them to implement the policy better . This will help address the misalignment on the expectations of the small enterprises regarding the intent of the tendering process.

Empowerment :Collaborations between government, public and private sectors are required in order to provide proper skills, according to the demand and needs of the sectors . Enterprise and supplier development needs to be mandatory for both private and public entities.

The government should introduce tenders that are specifically targeting SMEs to allow competition amongst entities of similar skill and economies of scale. This will also minimise the chances of small business owners diversifying to all types of tenders regardless of the skill set they have.

Government should also provide ways of funding SMEs, especially those who have undergone skills training for public procurement tenders. Payment terms for tenders should be implemented to allow small businesses to participate and be able to finance the projects . The preferential procurement implementation guide needs to be reviewed to ensure that government puts compulsory measures in place and takes full responsibility of oversight on sub-contracts.

Implementation Challenges :The challenges experienced in the implementation of the policy can be overcome through the initiation of rigid implementation strategies. An inclusive approach is required in policy amendments to ensure that the implementers and the bidders are involved from the start as this will allow them to have a voice and will minimise misalignment in the interpretation of the policy. Government needs to provide sufficient time to implementers to familiarise themselves with the changes on the policy before the policy changes can be effected. Government also needs to tighten internal controls to manage fronting and corruption. Proper background checks on bidders are required to ensure that contracts are awarded to deserving previously disadvantaged groups and to avoid fronting.

Accountability :Reporting structures on all departments who have tender projects should be through the portfolio committees. The committees will report to the cabinet on the funds and play an oversight role in terms of ensuring that the departments utilise the funds according to their procurement plans. Stricter measures should be put in place to ensure that policy is adhered to. Rigid monitoring of the sub-contracts and government involvement should lessen the levels of corruption, monitoring and evaluation of projects exercises should play a major role State officials doing business with the state should declare this. Should these officials not follow proper procedures and based on the severity of the matter, they should be dismissed . Boards of authorities should be nominated to approve such tenders to avoid corruption.

7. CONCLUDING REMARKS

The purpose of the study was to evaluate whether the implementation of preferential procurement contributes to the reduction of inequalities. The South African government has properly set the BBBEE Act to ensure the inequalities are redressed, however the implementation of this act is flawed and thereby undermines the intention of the Act.

The implementation of the BBBEE Act needs to be monitored continuously to ensure that it is properly done to avoid fruitless expenditure by government departments. There needs to be a post project evaluation on the BBBEE projects to determine whether there is efficient use of public funds by allocating projects through the BBBEE. The government needs to monitor the allocation of tenders to ensure that the act does not improve lives of only a few individuals, many historically disadvantaged groups should benefit. Periodic evaluation of the contribution of the BBBEE towards the NDP's objective of a reduction of inequalities and poverty alleviation is required. It is the government's role to ensure that the role and the challenges faced by stakeholders of the BBBEE Act are continuously reviewed to ensure that proper measures are in place for the success of the objective of the BBBEE Act to be achieved .

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APPENDIX 1: INTERVIEW QUESTIONNAIRE

Broad Based Black Economic Empowerment (BBBEE) Act in the South African Public Sector.





The information gathered on these interviews will be used for analysis for research purposes only and all responses will be treated as strictly confidential

PART A: DEMOGRAPHIC INFORMATION (please mark with an X where applicable)

1.1 Age Category

17-34 years	
35-40 years	
41-45 years	
46-50 years	
50 years and above	

1.2 Gender

Female	
Male	

1.3 Racial Group

Black	
Coloured	
Indian	
White	
Asians	

1.4 Highest level of Education

None	
Grade 1-9	
Grade 10-11	
Matric	
Post Matric –Degree, Diploma	
Post Diploma-Honours, Masters, PHD	

1.5 What position do you hold in your organization?

Administrator	
Junior Management	
Middle Management	
Senior Management	
Top Management	

1.6 How long have you been working for the department ?

1-2 years	
3-4 years	
5-6 years	
6-10 years	
10 and above	

PART B : Questions

1. What do you think are the preferential procurement Implementation challenges experienced within the sector ?
2. Is the preferential procurement meaningfully contributing as a selection criteria to the BBBEE
   2.1 What has the sector been able to achieve?
3. In your view , has the BBBEE act been successful in achieving its objective of reducing inequalities in the country ? What has happened or needs to happen for the BEE Act to achieve this ?
4. In your view , has the BBBEE Act been successful in achieving its objective of reducing unemployment in the country especially on previously disadvantaged people ? What has happened or needs to happen for the BBBEE Act to achieve this?
5. In your view are the participants of the BBBEE act held accountable for implementation of the act ?
6. In your view , are the process owners of the BBBEE act held accountable for implementation of the act ?

Thank you for your participation

APPENDIX 2 : INFORMATION LETTER

The Graduate School of Business Administration
University of the Witwatersrand, Johannesburg
2St Davids Place, Parktown, Johannesburg, 2193, South Africa
PO Box 98, WITS, 2050

Wits Business School
Sculpting global leaders

Dear Participant,

Title of Study: Broad Based Black Economic Empowerment (BBBEE) Act in the South African Public Sector.

My name is Zanele Sokutu and I am currently undertaking an academic project in the partial fulfilment of the requirements of the Master of Business Administration (MBA) degree at the graduate school of Business Administration, University of the Witwatersrand, Johannesburg (Wits Business School).

Wits Business School MBA students are required to carry out an Applied Research Project on a topic of their choice, which typically requires data collection and analysis grounded in academic literature. The project has been approved by the Wits Business School Post graduate committee and has been granted ethical clearance.
The purpose of this study is to assess the implementation process of the preferential procurement within the supply chain sector, to determine whether the BBBEE Act promotes participation of the previously disadvantaged group in the public sector.

Your participation in this project is entirely voluntary and if you choose to participate it is expected to take approximately 20 minutes. You are free to withdraw from the project at any time. Please note that all responses will remain confidential and will only be used for the purposes of this project. For the purposes of this specific project, the sessions will be video recorded and will only solely be used for the purposes of this project.

Should you have any questions regarding the project please contact the student, Zanele Sokutu or the project supervisor, Mrs Caroline Raseroka as below:

Student: Zanele Sokutu , Cellphone: 0828900684; Email: sokutuz@yahoo.com
Project Supervisor: Mrs Caroline Raseroka , Cellphone: 0781989673, Email: carolrasey@gmail.com

Yours sincerely,
Zanele Sokutu

APPENDIX : 3 PARTICIPANTS CONSENT LETTER

I, the undersigned……. voluntarily agree to partake in the research study.

I have had the purpose and nature of the study explained to me in writing and I have had an opportunity to as questions about the study.
I understand that at any time may I withdraw from the study and refuse to answer any question without any consequence.

I understand that I will not benefit from partaking in the study.
I am aware and agree that the interview will be both audio and video recorded.
I understand that all the information in the study will be treated as confidential.

Signature of Participant:
Date:

Signature of Research student:
Date:

Signature of Research Supervisor:
Date: