

Limitations of Decentralised Procurement in The South African Public Service

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Abstract

The pre-democratic South Africa was characterised by the centralisation of the procurement system through the *State Tender Board Act 86 of 1968*. The legislation had its challenges, including the exclusion of majority in the government procurement system. To this end, the *Public Finance Management Act 1 of 1999* (As amended) was introduced in the first phase of the democratic era, post 1994; seeking to decentralise the public procurement system in the South Africa public service, amongst many other objectives. However, many limitations associated with this introduction exists. This is not to conclude that there are no benefits of decentralisation, as far as public procurement is concerned. This qualitative conceptual paper points out the limitations and further propose recommendations to address the identified limitations. This was done by reviewing existing literature on the South African public procurement system. Some of the pinpointed limitations in the government institutions include the following aspects: Minimal capacity, lack of consequences to those who contravene policies and severe corruption. For recommendations, accountability mechanisms to detect corruption and maladministration should be implemented, enhancing capacity through training and awareness as well as introduction of consequence management.

Key words: *capacity, corruption, decentralisation, limitations, public procurement.*

Introduction

Public procurement is a necessary function which seeks to acquire goods and services that government is unable to produce or render (Van der Waladt, 2016). Many of the public services are rendered to the public through public procurement, including but not limited to building and maintenance of schools, hospitals, clinics and low cost housing. However, the South African national government lack requisite technical skills and capacity to render some of the services the *Constitution of the Republic of South Africa of 1996* (hereafter referred to as *1996 Constitution*) enshrined on it. It is even worse when some of these procurement functions are decentralised to lower structures in the public services such as hospitals and clinics. Amongst other many objectives of *Public Finance Management Act 1 of 1999*, it was meant to decentralise public procurement as opposed to *State Tender Board Act 86 of 1968* which centralised it. This decentralisation came with multiple limitations which made public procurement not to be able to achieve its intended objectives, namely, transform government procurement, empowerment of those who were previously disadvantaged, redressing imbalances of the past, and introducing systematic approach to procurement. This paper is conceptual in nature and it reviews existing literature with the purpose

of identifying limitations to decentralised public procurement in South Africa. The paper further proposes recommendations to address the identified limitations. The procurement processes, legislative frameworks and the Fiscal Decentralisation Theory was adopted as lenses with which reality of decentralised public procurement in South Africa is viewed. Moreover, for a better understanding of the discussion, public procurement is conceptualised in the ensuing section.

Understanding Public Procurement

Public procurement plays a critical role in the public service delivery in South Africa. In the main, government including other public institutions do not have requisite capacity to render certain services to the public as mandated by the *1996 Constitution*. Some of the services are rendered by private or external service providers that are sought through public procurement processes. What is public procurement? Public procurement refers to a system used by the state to acquire goods, services, development and construction projects from suppliers who could either be local, national or international (Ambe & Badenhorst-Weiss, 2012). Mazibuko's (2018) definition of public procurement also refers to the acquisition of all necessary goods, works and services by the state and its organs when acting in public pursuit or interest. Subsequently, Mazibuko (2018) posits that it is paramount to consider that the price to procure product is not disproportionate to the value of the product acquired. One way of ensuring that there is value for money is by adhering to one of the constitutional provision of competitiveness of the procurement system (Doyle, 2012). With competition comes lower prices and quality because credible and relevant service providers are easily identified and appointed. Bolton (2006); Ambe and Badenhorst-Weiss (2012) have also alluded to the fact that public procurement is not only meant for acquisition of good and services but for undoing the imbalances of the past (Pre-democratic injustices) by offering empowerment opportunities to those who were previously disadvantaged.

Arrowsmith (2010:1) and Moeti (2014:141) are of the view that beside for acquisition of good and services and redressing the imbalances of the past, procurement by public institutions is for rendering necessary public services. This is done by way of inviting potential bidders to apply to render a service like building a clinic or a school, and then public institution will select the suitable service provider based on the set criteria to build such a clinic or school on behalf of that public institution. Procurement is also referred to as the purchase of goods and services at the best possible total cost of ownership in the right quality, quantity, time and place (Ababio, Vyas-Doorgapersad & Mzini, 2008). Considerably, most often than not, public sector procurement is undertaken by a contract. There are other means in which procurement could be undertaken including quotations which is for small items with little value. Even though the meaning of procurement differs from one author to another, there are underlying factors to most of the definitions, namely, acquisition of goods and service for the purpose of redress, creating opportunities and providing public service delivery. The operational definition adopted in this paper incorporates all the highlighted elements and refers to public procurement as that system guided

by certain policy frameworks that is used to acquire good and services to be able to render basic services, redress imbalances of the past as well as creating opportunities for empowerment in the main.

Public Procurement Practice in South Africa

As Osei-Kufuor and Bakare (2013:37) note “decentralisation in any particular locality can only be understood against the background of the distinct socio-economic conditions, political process, history and cultural context of the area”. What follows is an overview of South African public procurement processes. The present form of decentralised public procurement can be summarised into planning, specification, supplier selection, contract management and supplier evaluation phases.

Planning

Planning is the first step of the procurement process. A strategic planning process should result in a strategic plan that identifies relevant activities that must be performed. In practice, procurement planning tends to not be linked to strategic plans (Public Affairs Research Institute, 2014; Munzhedzi & Phago, 2020). The Public Affairs Research Institute (2014) found that procurement planning occurs in a largely *ad hoc* manner. After financial authorities or supply chain management (SCM) practitioner issue a notice requesting a list of procurement needs, these are provided but rarely based on strategic plans. After needs are identified, it is determined whether the need can be fulfilled internally or by a private service provider. Often private sector service providers are preferred for service strategies partly due to internal lack of capacities as well as “illicit enrichment” incentives (Public Affairs Research Institute 2014). The procurement requests, along with cost estimates are submitted to financial authorities and SCM office. Where the requests exceed the budget, the responsible authorities prioritise with the assistance of relevant and available expertise. At the end, a procurement plan which should be adhered to is produced, albeit weak or incomplete.

Costing and specification

Once the procurement plan is produced, the procuring of items can begin. Items are costed (through research, historical purchases or use of costing models) and specifications are determined (Moeti, 2014). The item costing determines the purchasing procedure to be followed later as costing determines the value threshold within which items fall. These value thresholds then set the purchasing procedures. As the cost of items increase, the procedures for purchasing become more restrictive.

Supplier selection

After specifications are prepared, private sector service providers can be approached in line with procurement procedures. According to prices thresholds for procurement of goods and services set by National Treasury, costs between R2 000 and R1000 000 must be quotation-based (National Treasury, 2021). At least three quotes should be provided from service providers already registered on the official supplier database. The accounting officer may procure using petty cash for any amount not exceeding R2000. For costs, above R1000 000, a competitive tendering process is necessary in terms of relevant policy prescripts including but not limited to Treasury Regulations

(National Treasury, 2021). A public advertisement is published in the tender bulletin and other open media. After advertisement, interested prospective suppliers purchase a bid pack which contains information on the nature of contract sought and prescribed forms. They are given a set time by which to respond and late bids should not be accepted. The completed bid packs are delivered to the procuring institution (usually left in a locked tender box). The bid packs are meant to be opened at the same time and in public (Moeti, 2014). Once opened, bid packs will be checked for compliance and completeness.

In addition, SCM practitioners are meant to verify whether the bidders are on the Register for Tender Defaulters and Database of Restricted Suppliers administered by National Treasury. If not on the Register or Database, the supplier should be disqualified. Complete and compliant bids then move on to a bid evaluation committee. The committee should be a mix of financial, SCM, technical and operational personnel although their composition is not prescribed in legislation. The bid evaluation committee assesses the bidders' ability to deliver based on the criteria set in the original bid pack. If deemed necessary, the committee can arrange a physical inspection of the bidder. After the assessment, a list of compliant businesses is produced. These are then scored out of 100. Following this, the bid evaluation committee forwards its recommendation for the tender award to the bid adjudication committee. The bid adjudication committee will check that the assessment was properly completed then make a decision. The decision may be contrary to that of the bid evaluation committee. However, in such instances, justifications must be provided to the appropriate treasury and the Auditor-General.

Contract management

At this stage, contracts are prepared. Experts who are legal practitioners tend to handle this process. The final contract is sent to the successful bidder and then they return an acceptance letter, confirming that they accept the terms and conditions (Horn & Raga, 2012; Moeti, 2014). An effective contract management system should be in place to ensure that contracts are regularly monitored and reported on and that measures are taken when there is non-performance or underperformance or contracts expire (Horn & Raga, 2012).

Supplier performance evaluation

Evaluation is part of control which is an administrative and management function (Van der Walddt, 2016). Evaluation is undertaken with a sole purpose of assessing if the planned activities were implemented the way they were supposed to in terms of the plan. In the context of public procurement, the purpose of the process is to ensure that suppliers perform and if they do not, corrective measures should be followed (Ambe, 2016). The goods or services should be inspected to ensure they meet the relevant standards.

Policy Framework Underpinning the Procurement Process in The Public Sector

Procurement function or process in the public sector is not done using instincts, but policies enacted by parliament, National Treasury and respective government departments and institutions. There are body of policy frameworks that guides the entire process of decentralised procurement, namely, planning, specification, supplier

selection, contract management and supplier evaluation phases (Ambe, 2016). To avoid loopholes in the whole process, the policy frameworks actually dictate how the process should be undertaken. To even better the situation, monitoring and evaluation is part of the entire procedure so as to identify anomalies and mishaps for correction purpose. Monitoring is undertaken during the actual procurement process while evaluation is at the end of the process. However, lessons of evaluation would still be noted for use in the next project or procurement. The said policy frameworks include the *Constitution of the Republic of South Africa of 1996*, *Public Finance Management Act 1 of 1999*, *Local Government: Municipal Finance Management Act 56 of 2003*, *Preferential Procurement Policy Framework Act 5 of 2000*, *Prevention and Combating of Corrupt Activities Act 12 of 2004*, and *Promotion of Administrative Justice Act 3 of 2000*. All of these policies make certain provision regarding procurement in public institutions. The subsequent paragraphs discuss these policies in detail.

Constitution of the Republic of South Africa, 1996

The *Constitution of the Republic of South Africa of 1996* (hereafter referred to as the *1996 Constitution*) is the supreme law of the land which makes all other policies subordinate to it. The provisions of all other policies that may infringe the *1996 Constitution* are declared null and void. It is for this reason that the Constitutional Court ruled that the 1996 must not be referred to as an Act of parliament because it was not passed by the normal processes of parliament but by the Constitutional Assembly in 1996 (Republic of South Africa (RSA), 2005). Section 217 of the *1996 Constitution* makes a provision that the principles of fairness, equity, transparency, competitive and cost-effectiveness must continuously be observed during the public procurement process (RSA, 1996; Munzhedzi, 2016).

Fairness refers to an impartial treatment of all potential service providers while equity is about giving preferential treatment to those who were previously disadvantaged including Africans, Indians, Coloured, women and people with disability. The procurement environment must constantly be competitive meaning that the spirit of competition must be encouraged while the entire process is transparent for all to see including the public and the bidders (Ambe, 2016). Cost-effectiveness in relation to public procurement is about ensuring value on all public expenditures relating to procurement to avoid corruption and price adjustment in the main. These principles must guide the procurement process as all times to avoid the negative effect that comes about with maladministration of the procurement process. Mazibuko (2018) posits that the *1996 Constitution* lays the foundation for procurement and all other policies must adhere to it or be declare invalid if they are not consistent with it.

Public Finance Management Act 1 of 1999

The procurement process in the South African public sector was undertaken in terms of the *State Tender Board Act 86 of 1968* during the apartheid era up until the early stages of the democratic dispensation. This legislation basically centralised the procurement authority to the Tender Boards at the central office. However, *Public Finance Management Act 1 of 1999* was then introduced with an aim of decentralising procurement, and further creating employment and empowerment opportunities (Ambe & Badenhorst-Weiss, 2012). *Public Finance Management Act 1 of 1999* seeks

to modernise public financial management at the national and provincial spheres of government. One way of doing so is by determining a suitable framework of procurement that is fair, equitable, transparent, competitive and cost-effective (Doyle, 2012:221). The Act established procedures and processes to follow when public procurement process is being undertaken so as to avoid irregular expenditure.

Local Government: Municipal Finance Management Act 56 of 2003

Unlike the *Public Finance Management Act*, the *Municipal Finance Management Act 56 of 2003* has its focus on the local sphere of government. This is inclusive of municipalities and municipal entities like City Power and Pikitup in the City of Johannesburg. *Municipal Finance Management Act 56 of 2003* seeks to modernise municipal budgeting and municipal financial management by ensuring that municipalities have capacities to manage their finances in the sustainable manner (Munzhedzi, 2016). The Act also requires municipalities to manage their financial affairs in the transparent and sound way. Most importantly is to ensure that capacity of municipalities is maximised.

Preferential Procurement Policy Framework Act 5 of 2000

The *Preferential Procurement Policy Framework Act 5 of 2000* expanded on the constitutional provision of equity. The focus of this policy is that the previously disadvantaged category of people in South Africa should receive preference in as far as being selected as service providers. The main objective of the policy is to empower and give opportunities to the previously disadvantage groupings so that they may at least be equated with white males who have had opportunities in the pre-democratic era. In the main, *Preferential Procurement Policy Framework Act 5 of 2000* seeks to redress the imbalances of the past.

Prevention and Combating of Corrupt Activities Act 12 of 2004

It is in the public procurement process where major part of the South African budget is spent (Ambe & Badenhorst-Weiss, 2012). Such an expenditure which is in billions of Rands goes into building schools, dams, bridges and low cost housing for the poor. However, it is in such expenditure where corruption is found. The 2016 Corruption Perceptions Index released by Transparency International shows that South Africa is ranked very high in as far as being a corrupt country is concerned (Mazibuko, 2018; Munzhedzi, 2021a). Munzhedzi (2016) goes to an extent of arguing that public procurement and corruption are like inseparable twins. This means that most of the procurement processes in the public sector is often associated with corruption in that there is bribes, kickbacks and nepotism in the appointment of service providers. *Prevention and Combating of Corrupt Activities Act 12 of 2004* has been introduced to curtail corruption or at least reduce it by criminalising corruption and establishing a register to enlist name of those found to be corrupt by the court of law (RSA, 2004).

Promotion of Administrative Justice Act 3 of 2000

At times, potential bidders and members of the public do not find joy in the decisions of government institutions in as far as selection and appointment of service providers is concerned. In such instances, the *Promotion of Administrative Justice Act 3 of 2000*

gives rights to those adversely affected to apply for written reasons from that public institution (RSA, 2000). Such a right is extended to applying for review of such an administrative action by a court of law for a possible rescission of a decision taken. At times, procurement decisions are unlawful, unreasonable and procedurally unfair (Ambe & Badenhorst-Weiss, 2012; Munzhedzi, 2021b). For this reason, public institutions must explain themselves and ultimately the court of law may review and annul their decisions on these grounds. As stated in the subsequent paragraph that public procurement in South Africa is an inseparable twin of corruption, *Promotion of Administrative Justice Act 3 of 2000* comes in handy as a corrective measure.

Public Administration Management Act 11 of 2014

With the purpose of instilling section 195 of the 1996 Constitution values and principles, *Public Administration Management Act 11 of 2014* was enacted. The Act also seeks to address the matter of state officials doing business with state institutions which was identified as a contributing factor to corruption in South Africa (RSA, 2014). The Act further establishes units to deal with ethics, integrity and disciplinary related issues particular as a measure to address underlying corruption related matters. The relationship between public procurement and corruption has already been discussed in the preceding section of the paper.

Public Procurement Bill of 2020

Public Procurement Bill was introduced with the purpose of regulating public procurement. Unlike the *Public Finance Management Act 1 of 1999* which focuses on general financial matters including but not limited to budgeting, National Revenue Fund and financial misconduct, the *Public Procurement Bill* has its focus specifically on public procurement matters. The Act also prescribes a framework to be used by state institutions when developing their own internal procurement policies envisaged in section 217(3) of the 1996 Constitution.

All these policy frameworks discussed in the preceding paragraphs play a pivotal role in shaping the public procurement in South Africa. As highlighted above, public procurement in South Africa was centralised in terms of *State Tender Board Act 86 of 1968*. However, *Public Finance Management Act 1 of 1999* sought to decentralise public procurement with a purpose of transforming government procurement, empowerment and creating a common understanding of public procurement and preferential procurement. The ensuing section discusses the kind of limitations brought by decentralised procurement.

Decentralisation Practices and Applicable Theory

The decentralisation practices, applicable theories and legislative frameworks has evolved over the years largely due to a range of factors including economic crisis, inefficiencies of government and the promotion of the concept as a key element of good governance by international institutions such as the World Bank (World Bank, 2011). Broadly, decentralisation involves devolving power from a central government level to lower levels in administrative and territorial hierarchy (Van der Walddt, 2018). Local actors are offered more powers and given abilities to shape processes and outcomes. It is meant to enhance citizen and government relations through improvement in accountability and responsiveness offered by local government and it is assumed to

result in processes that better cater for local circumstances.

Osei-Kufuor and Bakare (2013:33) further note “contemporary critical thoughts about decentralisation centre on mechanisms to improve citizens’ engagement, and governance processes and on further strengthening decentralised institutions”. In theory, decentralisation should enhance access to information about local needs, priorities and situations, localise power to make and implement decisions, improve the amount of existing resources for implementing programmes and improve administrative performance (Conyers, 2007). However, empirical research points to mixed results of decentralisation depending on the form of decentralisation adopted (Ambe, 2016).

The main forms of decentralisation generally adopted administrative, fiscal, market and political decentralisation. Administrative decentralisation aims to redistribute authority, responsibility and resources for public service provision to different levels of government (Walcherberger, 2015; Mbate, 2017). Responsibilities are transferred from central government to lower levels of government. The three forms of administrative decentralisation are deconcentration (Entails redistributing financial, decision making authority and management responsibilities between central government levels), delegation (Central government transfers decision making and administration of public functions responsibility to semi-autonomous entities not entirely controlled by central government but are accountable to it) and devolution (Central government transfers financial, decision making and management responsibilities to local governments which have legally recognised geographical boundaries over which they control) (Schneider, 2006).

The fiscal decentralisation refers to “resource reallocation to sub-national levels of government, including the delegation of funds within sector ministries to the deconcentrated levels” (Osei-Kufuor & Bakare, 2013). Market decentralisation involves deregulation and privatisation as responsibility for functions shifts to the private or non-governmental sector. Deregulation enables competition amongst private service providers for services previously provided by government as specific controls imposed by government on market interactions are relaxed. Privatisation involves a ranging scope of the transfer of public service functions or assets from the public to private sector.

All forms of decentralisation can play a positive or negative role in countries’ economic, social and political functioning. The positives that can be derived include increased local participation, enhanced accountability, improved responsiveness to local needs and effective use of resources. The negatives can comprise lack of control over limited financial resources, less efficient and effective service delivery at local levels, increased complexity in coordinating the implementation of national policies, a rise of local elites, lack of cooperation between the private and public sector at local levels and entities meant to perform responsibilities on behalf of public sector may not fulfil their responsibilities (Osei-Kufuor & Bakare, 2013). Moreover, ensuring the success of decentralisation requires thorough analysis of capacities and resources to decentralise as in some cases, not all functions can be decentralised and a balance of centralisation and decentralisation may be more appropriate (Ambe & Badenhorst-Weiss, 2012). Larson and Ribot (2013:8) reveal that the extent of decentralisation

is shaped by numerous factors such as “local capacities; incentive structures; ideologies; political and social histories; forms of local social organisation; degrees of local stratification; unresolved land and forest tenure relations; failure to account for time and insecurities (And often retrenching) produced by change; the strength and manipulations of elite actors; state and government resistance; and government, NGO and development agency commitment to ‘traditional’ or private and third sector institutions over democratic institutions” (Larson & Ribot 2013).

Presently (2021), no single theory can aptly explain decentralisation in the context of emerging democracies like that of South Africa (Walcherberger, 2015; Mbate, 2017). Some key tenets of decentralisation theory included increased local participation in decision making, greater understanding of local needs such that these are better met by government entities. For this article, fiscal decentralisation theory will be summarised to enable the critique of the existing limitations of decentralised public procurement processes presented later.

Theoretical application: Fiscal Decentralisation Theory

According to Mbate (2017), Fiscal Decentralisation Theory makes a provision that sub-national governments or units who received power from the higher structure of government have the autonomy regarding the financing and provision of public goods and services. This means that the sub-national governments or unit are in charge of their own allocated budget and programmes without the constant interference from the central government (Walcherberger, 2015; Mbate, 2017). However, this does not mean that there is no supervision by the higher hierarchical structure. In fact, there are two schools of thought, namely, those who agrees and supports fiscal decentralisation versus those who criticise and rejects fiscal decentralisation as a means of improving good governance. Those who criticise it claims that this theory worsens governance outcomes and often results into lack of public accountability and poor provision of basic public goods and services (Rodden, 2006; Mbate, 2017).

Voters often fails to appreciate the difference on the different spheres of government or hierarchies within the same government department. What is worse with fiscal decentralisation is when sub-national governments or unit are more likely to overspend the allocated resources or participate in corrupt activities with a believe that the higher structure of central government will bail them out (World Bank, 2011; Mbate, 2017). This often results in fiscal deficits. The World Bank (2011) posits that sub-national governments or units often lack technical skills and capacity to perform certain core government functions including but not limited to public services delivery and administrative expertise. This is supported by Ambe and Badenhorst-Weiss (2012) who postulate that decentralised procurement in the public service is often compromised by lack of technical skills and capacity to render certain functions. For example, a rural hospital or municipality may lack an accountant, engineer and risk experts to conduct credible evaluations and adjudications. Human resources practitioners may not be able to evaluate and adjudicate engineering related bids. Munzhedzi (2016) also associates the public procurement with corruption because most of the corruption cases in South Africa are often found in public procurement. From Nkandla case (Case CCT 76/17), which involved former President Jacob Zuma to Digital Vibes scandal which involved former Minister of Health Zweli Mkhize

and Personal Protective Equipment (PPEs) scandal which involved Gauteng former Member of the Executive Council (MEC) of Health Bandile Masuku. However, the main argument in the fiscal decentralisation theory is that there are good and bad effects in as far as decentralisation is concerned. For example, the processes are much faster with decentralisation while skills, capacity and expertise lack massively. Therefore, it can be confirmed that decentralised public procurement has its own advantages while there are disadvantages as well.

Identified Limitations of The Decentralised Public Procurement

A range of limitations were identified in relation to the existing decentralised procurement process in South Africa.

Deviations from prescribed procurement processes

Deviations from the procurement processes are a common occurrence. As noted by the Auditor General (2016/17) consolidated report, while deviations were allowed, often these take place without approval or justification. Ambe and Badenhorst-Weiss (2012) claim that public service institutions often deviate from the provisions of the policy frameworks. An example of such is when contracts exceeding one million rands (R1000 000) not being advertised for the purpose of fairness and accessibility (National Treasury, 2021). Lack of management discernment in the procurement processes especially lead to these deviation and failure to ensure compliance with relevant legislation.

Waste of financial resources

Over the years, the Auditor General has reported numerous cases of irregular expenditure, unfair and uncompetitive procurement processes leading to higher prices for goods and services, unauthorised expenditure, fruitless and wasteful expenditure and material adjustments to financial statements (Munzhedzi & Phago, 2020). Overriding the financial losses is non-compliant with supply chain management and procurement regulations.

Weak procurement planning

Poor procurement plans contribute to procurement process irregularities. These plans should be guided by needs, aligned to strategic plans but they are often as a result of unanticipated situations, and are not aligned to strategic plans and are incomplete. The Public Affairs Research Institute (2014) declares that procurement planning occurs in a largely *ad hoc* manner. Information on which the development of these plans rests tends to be dated and incomplete.

Opportunities of misapplication for costs

Procurement procedures are less restrictive when the amount is below R1000 000, therefore a range of incentives for private gain by public servants are created (Horn & Raga, 2012). For example, through a failure to retain up to date and complete information for specifications, private service providers will end up being preferred and subsequently, channels to benefit privately are created. Public servants can leak information to private sector bidders so that they end up matching specifications or adjusting their prices in order to be a preferred provider. Further, the leniency around processes breeds forms of corruption such as bribery, fraud and misappropriation of

resources.

Unfair and uncompetitive processes

Non-compliance with public procurement policies discussed above leads to unfair and uncompetitive procurement processes. As noted in the 2018-2019 Auditor General report, this is resulting in material financial losses (Auditor General, 2019). Munzhedzi (2021a) also concurs that noncompliance with policy prescripts often leads to corruption and maladministration.

Lack of remedial action for legislative contraventions

Despite repeated disclosures of failures to follow procurement processes, decisive action against transgressors rarely occurs. Very few are held to account for the financial and non-financial losses of the continued disregard of key legislation (Munzhedzi, 2021b). The relevant accounting officers fail to exercise their authorities as set out in section 51 of the *Public Finance Management Act 1 of 1999*. Consequently, public procurement failures repeatedly occur as evidenced by the recurring misdemeanour findings by the Auditor General over the years (Auditor General, 2016; Auditor General, 2019).

Minimal capacity

Lower structures of the government institutions including but not limited to hospitals, schools and districts offices often lack requisite capacities to render certain legislative obligations (Ambe & Badenhorst-Weiss, 2012; Horn & Raga, 2012). Such offices do not have accountants and engineers for example. It is in few instances where senior officials from head office are deployed to capacitate district offices and hospitals in as far as management, financial and procurement issues are concerned.

Severe corruption

Ambe and Badenhorst-Weiss (2012) posit that decentralisation of public procurement may results in massive corruption and maladministration. This might be due to lack of understanding of policy prescripts regulating the public procurement or intentional defiance for personal gain. Munzhedzi (2016) has argued that public procurement and corruption are like inseparable twins.

The limitations discussed in the preceding paragraphs are a huge limitation in as far as decentralised public procurement is concerned. Without a properly developed procurement plan at the hospital and district offices, implementation of such a plan often proves to be a problematic exercise. These lower echelons of the structure often have limited capacity as compared to the head office which has skilled senior managers with capacity and expertise. The ensuing section proposes recommendations to address the identified limitations.

Recommendations

Possible solutions in the forms of recommendations are developed to effectively address the identified limitations to decentralised procurement processes in South Africa.

Enhancing training and awareness of procurement policies

Deviation from the procurement plan as well as weak procurement planning may be remedied through the enhancing of training programmes and awareness of procurement policies. Public officials at the districts and local offices should

be regularly made conscious and be trained on policy provisions. They must be made to understand all policies regulating public procurement to prevent constant contravention of these policies. Munzhedzi (2017) posits that training could be in the form of workshops, mentoring, coaching or granting bursaries to study at institutions of higher learning.

Strengthening accountability mechanisms

Lack of accountability, severe corruption as well as noncompliance with policy prescripts could be arrested through strengthening of accountability mechanisms. Structures should be put in place to ensure that those involved in massive corrupt activities are held to account by higher structures at head offices. Procurement cases at these local and district offices should be regularly audited to identify any deviations, noncompliance and corruptions. Those involved must be punished using relevant policy prescripts including but not limited to *Prevention and Combating of Corrupt Activities Act 12 of 2004*.

Consequence management for noncompliance

Those who are found to have contravened the policy prescripts must severely suffer the consequences. This could be in the form of suspensions, demotions or dismissal. The kind of consequences suffered by perpetrators of these crimes must be effective enough to set a good example to potential offenders. Such must make the potential offenders think twice whenever they think of contravening any policy prescripts during the public procurement processes.

Control measures for detecting anomalies

Public institutions should adopt monitoring and evaluation mechanisms that are capable of detecting anomalies as and when they occur so that corrective measures could be effected. Anomalies may be detected during the process through the monitoring tools or at the end of the process through the evaluation tools. Detection of anomalies is undertaken for the purpose of effecting corrective measures. These detections would assist local and district offices in minimising deviations from policy prescripts.

The implementation of these recommendations which seeks to address limitations of decentralised public procurement by public institutions may effectively reduce or curtail challenges of decentralised procurement. Training and capacitation of local and district offices may very well enable them to apply policy prescripts without fail. Equally important is that offenders should be severely punished to prevent future occurrence of the same contraventions.

Conclusions

This paper which is conceptual in nature discussed the limitations of decentralised public procurement in South Africa and also sought to propose recommendations to address such limitations. A review of existing literature on the South African public procurement system was undertaken with a purpose of comprehending the current picture. The decentralised public procurement came about with the introduction of *Public Finance Management Act 1 of 1999* few year after the democratic dispensation. Some of the identified limitations in public institutions include minimal capacity, lack

of consequences to those who contravene policies and severe corruption. As a way of effectively addressing the said limitations, the paper recommends that accountability mechanisms to detect corruption and maladministration should be implemented, enhancing capacity through training and awareness as well as introduction of consequence management.

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