



**THE CONTRIBUTION OF PROCUREMENT POLICIES TO THE DEVELOPMENT
OF SMALL, MEDIUM AND MICRO ENTERPRISES IN DEPARTMENT OF
PUBLIC WORKS, KWAZULU NATAL**

By

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DECLARATION

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ABSTRACT

Although the unemployment rate in South Africa had approached 30% by June 2020, it was impossible for anyone to predict the full effect on employment of the prolonged lockdown of the country in response to the Covid-19 virus pandemic. The stark reality is however that there will certainly be major socio-economic challenges of inequality and growing unemployment which will contribute to the pervasive levels of abject poverty. With unemployed person already at almost 7, 2 million, government has identified small enterprises development as a viable strategy in addressing key developmental goals of poverty alleviation, job creation and equality. The objective of this study was to assess the contribution of procurement policies in the development of Small, Medium and Micro Enterprises (SMMEs) at the KwaZulu-Natal Department of Public Works (KZNDPW). A mixed method research approach was used, wherein secondary data from filed documents, expenditure reports and a relevant database was considered. The aim was to establish the budget spending patterns of KZNDPW in relation to government's policies relating to small enterprise development. Structured interviews were also conducted with five KZNDPW senior officials, who were members of bid adjudication committees. The researcher wanted to acquire Departmental official's perspectives on the role and effectiveness of procurement policies in accelerating economic opportunities and growth of SMMEs within the KZNDPW.

The study was based on a population of 3186 emerging contractors that were duly registered in the Eyesizwe Contractor Development Programme (ECDP) database of the KZNDPW. Growth and development of these contractors was assessed based on the number of contractors who moved upwards on the Construction Industry Development Board (CIDB) grading level over the four-year study period. Findings revealed that legislative framework and policies to stimulate SMMEs financial growth and development do exist in SA, and the KZNDPW have implemented legislated procurement policies, and utilised a targeted sourcing strategy during the tender process. However the statistics reveal a small level of growth in SMMEs. The study reveals that lack of financial management skills is one of major causes of failing SMMEs businesses to grow. One of the recommendation is that government institutions need to provide properly structured financial management workshops to SMMEs.

KEY WORDS: Broad-Based Black Economic Empowerment, Preferential Procurement Policy Framework Act, Small Medium and Micro Enterprises, historically disadvantaged, Development, Eyesizwe Contractor Development Programme.

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DEDICATIONS

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LIST OF ABBREVIATIONS

BAS	Basic Accounting System
BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
BSC	Bid Specification Committee
BRICS	Brazil, Russia, India, China and South Africa
B-BBEE	Broad Based Black Economic Empowerment
CIDB	Construction Industry Development Board
CIPC	Companies and Intellectual Property Commission
DPW	Department of Public Works
DSBD	Department of Small Business Development
DTI	Department of Trade and Industry
ECDP	Eyesizwe Contractor Development Programme
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
IDC	Industrial Development Corporation
KZNPEDTEA	KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs
KZNPDPW	KwaZulu-Natal Department of Public Works
KZNPNGDS	KwaZulu-Natal Provincial Growth and Development Strategy
MFMA	<i>Municipal Finance Management Act</i>
NDP	National Development Programme

NYDA	National Youth Development Agency
PFMA	<i>Public Finance Management Act</i>
PPPFA	<i>Preferential Procurement Policy Framework Act</i>
RDP	Reconstruction and Development Programme
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SMC	Small and Medium-sized Contractors
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SMME	Small, Medium and Micro Enterprise
WIMS	Works Information Management System

CHAPTER ONE - INTRODUCTION

1.1 Introduction

The advent of the new South African Constitution in 1996, initiated reforms in government procurement systems that sought to encourage involvement of the formerly underprivileged groups in the South African economy (Ambe & Badenhorst-Weiss, 2012, p. 243) . Numerous pieces of legislation have since been passed in support of this initiative. These include the *Broad-Based Black Economic Empowerment Act No.53 of 2003* (B-BBEE) and the *Preferential Procurement Policy Framework Act No. 1 of 2000* (PPPFA). The South African government has prioritised Small Medium and Micro Enterprises (SMMEs) as one of the key pillars for comprehensive and inclusive financial growth and improvement. To upkeep with this vision, the South African government encourages the general public to participate in job creation instead of being job seekers. SMMEs in South Africa (SA) are estimated to make up more than 89% of formal businesses; creating jobs for about 55% of the work force whilst contributing in excess of 30% to the Gross Domestic Product (GDP) (The Banking Association South Africa, 2018).

This chapter introduces the study and its purpose to assess the contribution and efficiency of procurement policies in the development of SMMEs based in the KZN Department of Public Works as a case study. It gives a short outline of the background to the study, the research problem, the research questions and the importance of the study.

1.2 Research Background

SA is currently confronted with a numerous of socio-economic challenges, one of which is the continuous growth of unemployment level. South African history has contributed to the current economic crises, as apartheid economic policies prevented and marginalised black communities from active involvement in the country's mainstream economy. Under the apartheid regime, whites had exclusive access and rights to the means of production, markets and business ownership. Black people did not own properties, they could develop no business skills and, as a result, they did not have any economic assets to use as collateral when applying for loans for capital investments. Moreover, the *Group Areas Act of 1950* segregated South African along racial lines particularly when it came to accessing land. This exacerbated the limitations of black communities from accessing various markets, hampering opportunities for

growing their businesses. The lack of infrastructure in the townships, resulted in black people running informal small businesses with little potential for future growth (Mtshali, et al., 2017, p. 2). The apartheid legacy resulted in economic imbalances in the country and perpetual poverty amongst Black South Africans (Bezuidenhout, 2018, p. 2).

After the collapse of the apartheid administration in 1994, transformation was needed in SA to turn around the lives of disadvantaged citizens and for the country to re-enter the economic-global markets and to participate competitively with other countries. The new democratic government devised various plans and strategies and passed financial policies to address the inequalities amongst the citizens. Some of these strategies will be discussed below.

a) *National Development Plan vision for 2030*

After the 1994 elections, there was remarkable progress in the country seen mainly in the adoption of *The Constitution of the Republic of South Africa* in 1996, the establishment of the non-racial public service, and the end of political violence which had claimed many lives. The open access to health facilities, education and improvement in water and electric infrastructure was noticeable. However most people remained living under poor conditions, with no improvement in employment (National Planning Commission, 2011, p. 1). President Jacob Zuma appointed 26 people to form a commission to review the country's achievements and shortcomings since 1994 and to devise a strategy to address the challenges. The commission was chaired by Mr Trevor Manuel, and the deputy chair was Mr Cyril Ramaphosa. In 2011 the commission tabled a plan to attend the blight of poor living conditions and inequality amongst the citizens. The vision was to nurture economic growth amongst the historically disadvantaged people, create a cycle of intensifying opportunities, building capabilities by involving people in their own development and, resulting in a rise in the living standards of previously disadvantaged citizens (National Planning Commission, 2011, p. 2)

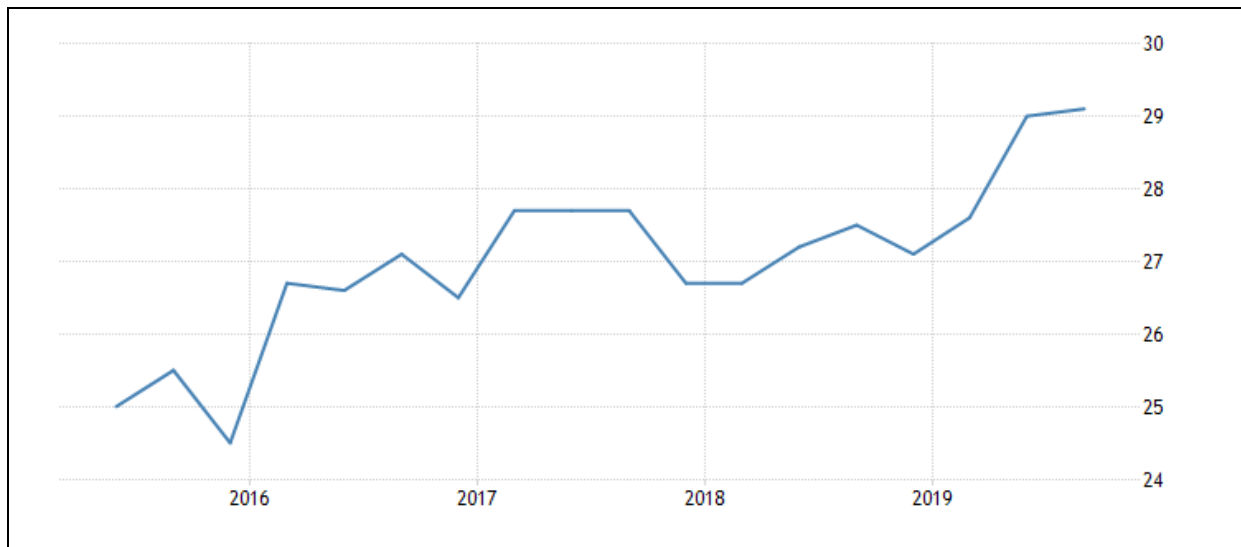
The commission outlined targets and the strategies on how to achieve them by 2030. The first key target was to re-shape the economy. The main focus was to decrease the unemployment rate from 27% in 2011 to 14% by 2020 and to reach 6% in 2030. To increase GDP per capital from about R50 000 in 2010 to about R110 000 per individual in 2030 (The Planning Commission, 2011, p. 28). One of the action plans in achieving

this target was to address the division in government regarding microeconomic reform strategy and its implementation and to set up business incubators for small and expanding firms, providing early-stage entrepreneurial training. The plan also aimed to create an atmosphere conducive for maintainable employment and financial development for the previously disadvantaged (The Planning Commission, 2011, p. 29). The KZN province devised a growth and development plan to achieve vision 2030 of the NDP. This will be discussed below.

b) KwaZulu-Natal Provincial Growth and Development Strategy

In 2016 following the local elections, the province of KZN revised its development and growth strategy, the plan was to expedite the sustainable and comprehensive economic growth, to reduce poverty, to decrease the rising inequality amongst citizens, and to stimulate nature conservation, in line with NDP vision 2030 (Office of The Premier-KwaZulu Natal, 2016, p. 15). The primary objective was to have inclusive economic growth, by developing and stimulating the agricultural potential in KZN, by implementing programmes like one garden one home and to improve the productivity, modernisation and range of government led job creation programmes. It also aimed to promote SMMEs and to enrich the financial knowledge amongst the previously disadvantaged groups (Office of The Premier-KwaZulu Natal, 2016, p. 16). Despite the NDP vision 2030 plan, the economy in SA continues to depreciate. The bleak picture of the inexorable increase in the unemployment rate is graphically illustrated in figure 1 below:

Figure 1.1 Unemployment rate in SA 2015-2019



Source: <https://www.Tradingeconomics.com> (Accessed: 30 January 2020)

With the Covid-19 Pandemic shutdown of many aspects of the economy one can expect a very sharp rise in the unemployment rate for 2020 and for some years to come. The figure 1 above shows a continuous unemployment rate increase in SA from 2015 to 2019. In 2019 the unemployment rate reached 29, 1% from 27, 6 % in the previous year (Trading Economics, 2019). This has negatively affected the country. The figure of unemployed people increased to 6.73 million from 6.0 million in 2018 (Trading Economics, 2019). This led to pervasive levels of the abject poverty in many families, almost 18 million South Africans are dependent on government-sponsored monthly social grants (Fin24, 2019). In the 2019/20 budget speech, finance minister Mr Tito Mboweni announced that R567 billion was set aside for social grants payments (South African Government News Agency, 2020). The major challenge in SA is the high level of joblessness amongst the youth, which is estimated at 38.5% in SA (*Statistics South Africa*, 2018, p. 7).

Figure 2 below illustrates the terrestrial map of KwaZulu Natal (KZN) where the study was conducted, showing all municipalities in the province.

Figure 1.2 KwaZulu Natal Demographics



Source: <https://www.google maps.co.za> (Accessed: 4 July 2019)]

The first democratic elections of 1994 changed the Republic of SA into being an independent democratic government, founded on human dignity, non-racialism and having a multiparty system of democratic administration. The governance is carried out in the three spheres, national, provincial and local (Reddy & de Vries, 2015, p. 148). SA consists of nine provinces, amongst which KZN is the second biggest in terms of population. It has inhabitants of about 11, 4 million people, which is 19.6% of the South African residents (Department: Statistics South Africa, 2018). It consists of the EThekweni Metropolitan Municipality, and ten District Municipalities, namely uMkhanyakude, Zululand, Amajuba, UThukela, uMzinyathi, King Cetshwayo, ILembe, UMgungundlovu with Pietermaritzburg the capital city of the province. Harry Gwala and UGU Districts municipalities are formed by forty three local municipalities (Municipalities of South Africa, 2019). About 49, 5% of KZN population lives under

impoverished circumstances; whilst about 41% of its youth are unemployed (Department: Statistics South Africa, 2018).

One of the priorities of the KZNPGDS is to expedite attainment of comprehensive economic growth through poverty reduction and curbing of inequality (*Office Of The Premier-KwaZulu Natal*, 2016, p. 12).

1.3 Broad Research Problem

Sub-Saharan Africa is marked by many socio-economic challenges of poverty, poor healthcare, joblessness and massive economic decline. This has led to the people migrating to other countries in search of employment opportunities and better living conditions. In most instances, these challenges have preceded many years of military rule, financial mismanagement and poor service delivery under the control of inherited colonial ministerial directives. The abuse of governments' financial resources has resulted in most of these countries remaining underdeveloped, whilst only a few have progressed to the developing stage. Globally there is a decrease in extreme poverty, however the figures of persons living in extreme poverty is rising in Sub-Saharan Africa. The forecast also reveals that by 2030, approximately 90% of the extremely poor persons' in the world will be living in Sub-Saharan Africa (Wadhwa , 2018).

South Africa remains trapped in low job creation economy and high levels of inequality. Out of 101 countries, SA topped the list on high levels of inequality (The World Bank, 2018, p. 24). Inequality levels in SA are seen in social polarisation, wherein there is a small privileged group, a small working class and a big group of underprivileged communities exist in South Africa. The current situation reflects the legacy of the apartheid regime; wherein large groups had fewer assets, lacked technical skills, were unemployed and/or poorly remunerated (The World Bank, 2018, p. 26).

1.4 Problem Statement

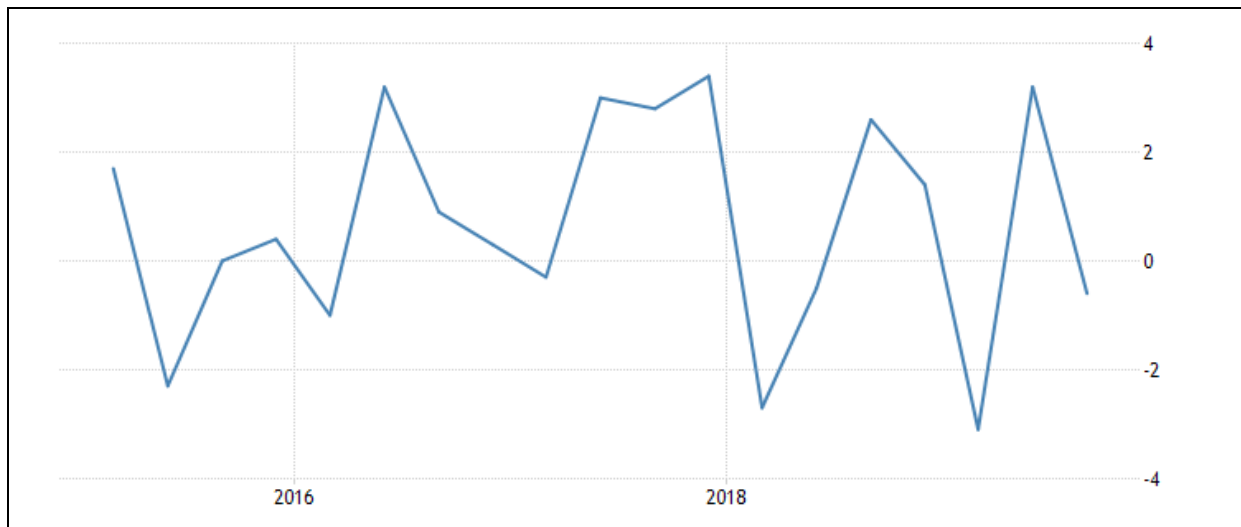
The Small Enterprise Development Agency reported a 1, 4% drop in the number of SMMEs in the first quarter of 2018, contributing to almost 11, 4 % job losses in the country. The employee absorption in the SMME sector contracted by over 20%, which resulted in loss of about 1, 6 million job opportunities. The biggest decline of 15.5% was reported to be amongst the new enterprises between 2 to 3 years of age, which shows that new SMMEs are struggling to survive in the current economic conditions in SA (The Small Enterprise Development Agency , 2018,

p. 6). The statistics show that this sector is struggling to generate sufficient capital to create employment opportunities to grow the economy of the country (Sicetsha, 2018). According to Sicetsha:2018, there are mainly three major reasons SMMEs businesses struggle to survive, the first one is that SMMEs are never paid on time, they spend 6% of their working time chasing payments, which reduces morale at workplace and greatly affects cash flow. With this industry struggling to chase payment, they fail to attract skilled labour. The industry fails to pay the legislated minimum wage to their employees, and this chases away professionals. The scarcity of funding is negatively affecting the business continuance. Most financial institutions are reluctant to finance start-up businesses. These challenges lead to many SMMEs dissolving their businesses in SA (Sicetsha, 2018). Since March 2020 there has been a dramatic change for the worse with the SMME sector being drastically affected by the present lockdown due to covid-19 pandemic. The pandemic has caused gloom in many South African businesses, many small business had to close down their doors and some had to file for bankruptcy protection during lockdown (Business Insider SA, 2020).

The financial status of SA worsened when the rand was relegated to junk status in March 2020 by Moody's rating firm. The country was downgraded from 'Baa3' to 'Ba1', meaning another downgrade could follow if government debts continue to increase and there is no improvement in the economy This impacted negatively in the economic status of the country, as it became more costly for a country to borrow. This bears a negative impact for a country when borrowing it will be more costly (Winning & Kumwenda-Mntambo, 2020) .

Another blow in the status of SA economy was the decline of GDP in the first quarter of 2019, Figure 3 illustrates SA economic status in terms of GDP growth trend:

Figure1. 3 SA GDP growth rate, 2015-2020



Source: <https://www.Tradingeconomics.com> (Accessed: 30 January 2020)

Figure 3, shows a 3.2% decline in the SA economic growth in 2019, compared to the market expectations of 1, 7% (*Trading Economics, 2019*). The economists reported that the decline reflects the effects of ESKOM power cuts in mining and manufacturing industries (*Trading Economics, 2019*). The frustrating economic dilemma of the country was reiterated by the Premier of KZN during the 2019 state of the Province address wherein it was reported that KZN ranked high in failing to enhance entrepreneurial and SMMEs development (KwaZulu-Natal Office of The Premier , 2019, p. 11). This is reflected in the provincial challenge of the continuous increase in the unemployment rate from 21, 8% in 2018, to 26, 1% in 2019 (Singh, 2019). The increase unemployment is expected to get worse in this financial year, 2020/21 with the outbreak of covid-19 pandemic and lockdown measures the government has implemented in trying to curb the spread of the virus. This is hitting hard on the financial state of the SMMEs, and are expected to be closing down the businesses in the near future.

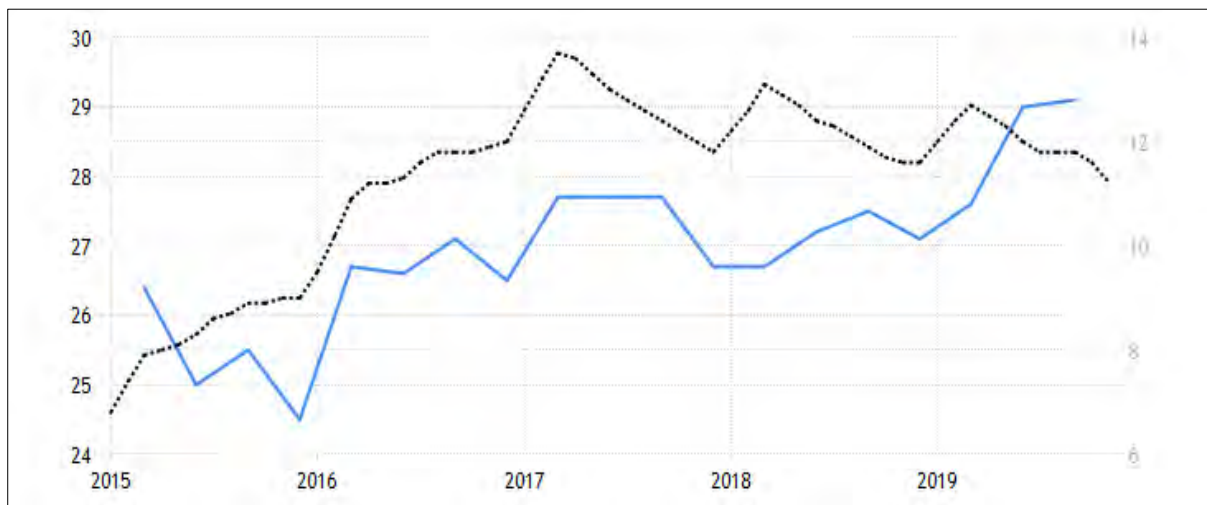
There is therefore a compelling need for data-driven evaluation and assessment of the extent to which government interventions is contributing to the envisaged development of SMMEs. This will have positive contribution on decision making and information on the effectiveness of government procurement policies in resolving socio-economic challenges of joblessness, unfairness and poverty. This will further provide sound and critical guidelines towards the development of new strategies and policies. In this postmodern era of economic volatility, uncertainty, complexity and ambiguity (VUCA), it is prudent that new government policies are informed and influenced by research-based evidence.

1.5 Research Motivation

The researcher's objective is to assess the contribution and efficiency of government procurement policies in stimulating growth and sustainability of SMMEs. Policy analysis is a procedure of producing information on the outcomes that would follow on the adoption of certain policies. It is a rational systematic method to making choices in the public sector. The aim of policy analysis is to assist the decision makers in choosing the most suitable course of action under difficult conditions (Walker, 2017, p. 12). This study was therefore motivated by the gloomy South African economic outlook, compared to the efforts and resources that government is injecting into the economy to effect transformation and development of SMMEs. The focus was on assessing the effectiveness of B-BBEE and PPPFA policies in the development of SMMEs. Jordan-Zachery believes that policy analysis is eclectic, when it is done in the economic discipline it contributes to cost-benefit allocation of resources. Policy analysis includes the process of examining causes, consequences and performance of programmes and public policies. It equips policy decision-makers by generating information regarding the policy-making process (www.encyclopedia.com).

The KwaZulu-Natal Department of Public Works in Pietermaritzburg was utilised as a case study in fulfilling the aims of this research. The SA democratic government believes that more support should be given to SMMEs in order to grow their capacity to sustainably contribute to financial development, poverty alleviation and to the employment rate. It is envisaged that such interventions will have positive spinoffs in curbing unemployment through job creation. Such optimism is derived from countries such as Brazil, Malaysia, Korea and India that have been through similar socio-politico-economic historical backgrounds as SA (Zama, 2017). These countries are currently experiencing substantial economic growth, believed to have been as a result of the active support for indigenous entrepreneurs by their respective governments (Zama, 2017, p. 8). Figure 4 illustrates economic improvements in Brazil, reflected by dropping unemployment rates.

Figure 1.4 SA unemployment rate vs Brazil unemployment rate



Source: <https://www.Tradingeconomics.com> (Accessed: 30 January 2020)

The above figure, reflects unemployment rate in SA versus unemployment in Brazil. In 2019 the unemployment rate in Brazil fell to 11% in the fourth quarter while SA rose to 29, 1%. This resulted in the decline of unemployed people in Brazil by 7, 1 percent and employment rose by 0, 8 percent. While in SA the number of unemployed people increased by 78 thousand reaching 6, 73 million (*Trading Economics, 2019*).

According to the NDP, SMMEs should create more than 85% of the 10 million jobs that are projected for 2030. This is expected to reduce the unemployment rate to 6% (Rachelson, 2018, p. 13). The current financial state of the country, requires aggressive stimulation of SMMEs, with the introduction of lockdown regulation. This research study seeks to contribute information on the effectiveness of government procurement policies towards SMME development and growth, by providing data-based evidence and insight. Such an insight is critical to the development of suitable strategies to address socio-economic challenges of high unemployment rate, inequality and poverty in SA. This will assist the KZNDPW in strategic preparation and decision-making on economic development programmes and procurement policies in alignment with poverty alleviation and unemployment reduction initiatives in the province of KZN in future, and in particular in the face of the drastic effects on the economy that is faced as a result of the lockdown to curb the spread of the Covid-19 virus.

1.6 Purpose of the study

The aim of this research is to assess the contribution of procurement policies to the development of SMMEs in the KZN Department of Public Works. To explore the situation, relevant research questions were formulated;

- Research Questions

1.6.1 What is the legislative framework and what are the policies in place for stimulating SMMEs progressive expansion in South Africa and in KwaZulu-Natal?

1.6.2 How many bids were made and how much of the budget was spent on SMMEs in the previous four financial years, 2015/16, 2016/17, 2017/18 and 2018/19;

1.6.3 What is the contribution of the KZN-DPW to the growth and development of SMMEs in the past four years?

- Research Objectives

1.6.4 To Evaluate the policies and legislative framework in place for stimulating SMMEs progressive financial expansion in KwaZulu Natal and in South Africa;

1.6.5 To establish the number of bids and the amount spent on SMMEs in the Department of Public Works in KwaZulu Natal in the past four financial years; and

1.6.6 To examine how procurement policies have contributed to the growth of SMMEs in the Department of Public Works in KwaZulu Natal.

1.7 Hypothesis

Opportunities are created by contracting small businesses to do work for government in return for financial incentives. There is a positive connexion between newly introduced procurement policies and economic opportunities and growth of small enterprises. Growing small, medium and micro enterprises will curb the unemployment rate in South Africa.

1.8 Research Methodology

A mixed method research approach was adopted for this research. Creswell (2014, p. 16) defines various categories of mixed methods approaches, namely transformative, convergent

parallel, exploratory sequential, explanatory sequential, embedded, and a three-phase mixed methods

The study adopted explanatory sequential mixed methods, wherein a quantitative study is first conducted, then examination of the resultant outcomes shapes the study and indicates gaps that require further answers (Creswell, 2014, p. 15). The researcher initially collected secondary data from the KZNPW related to tender awards during the period of 2015/16 financial year to 2018/19. The researcher had access to the Eyesizwe contractor development programme (ECDP) database, created by the KZNDPW to drive the target procurement initiative. Companies forming the database were targeted contractors starting from grade 1 to grade 6 according to the CIDB grading levels. In addressing spending analysis, data was e collected from expenditure reports. Data was also collected from field records to establish the patterns of bid awards at the DPW. Kumar (2011, p.136) asserts that it is important to go through the existing documents in order to validate statistics and to make arguments based on facts drawn from relevant applicable cases. This was followed by the qualitative approach, whereby structured interviews were conducted with senior officials in the KZNPW who are members of tender committees.

To analyse data collected during interviews, the researcher utilised thematic analysis. This approach narrows the research data down to patterns that can assist the researcher to gain deeper insight into the phenomenon (Clarke & Braun, 2013).

The study utilised a non-experimental correlational method. The level of growth of SMMEs was evaluated based on the CIDB grading. It is mandatory that all contractors tendering for government construction work are registered on the CIBD database. Statistical methods were used to assess the contribution of procurement policies in the growth of SMMEs.

1.9 Study Structure

The structure of the study is sketched below:

Chapter 1: Introduction

The introduction gives an outline of the study, and reflects on the recent economic state of the country. It highlights the background that led to the exploration problem, and it states the

intentions of the study and motivation that led to the undertaking of the study. This chapter consists of eleven sub-sections, namely:

- Research background;
- Broad research problem;
- Report of the research problem;
- The research study motivation;
- The aim of the study;
- Derived study questions
- Research objectives
- Hypothesis
- Study methodology;
- Overall Study outline; and
- Summary of the introduction section.

Chapter 2: Theoretical, Legislative and Policy Framework

In this chapter, the researcher explores various studies conducted previously on the same research topic. The study is founded on the theory of social justice, which is based on the principles that each individual must have the same right to basic freedom well-matched with the freedom of others and the societal and financial disparities are to be set in such a way that they are to every person's benefit and devoted to positions and place of work open to all (Rawls , 1971, p. 213) . This is discussed in this chapter in which the conceptual framework which guides the study is also outlined. The researcher cited relevant policies and the legislative framework passed post-1994, and discusses government initiatives implemented in support of these policies to develop and grow SMMEs, to reduce unemployment and to change the economic inequalities of the historically disadvantaged people.

Chapter 3: Research Methodology

This chapter present a detailed plan on how the scholar aims to do the research. A breakdown on the approach adopted in gathering data is explained. The scholar selected a mixed method approach in the study, consisting of quantitative and qualitative approaches. Secondary information, which already existed in forms, filed documents and reports will be instrumental in answering research questions. Structured interviews, will be conducted with the KZNDPW officials participating in bid committees to gather more data and to gain more understanding. The chapter, describes the data analysis instrument to be used in processing data. It provides an overview of the study site where the study would be piloted. The chapter highlight the potential study limitations that are also deliberated in this chapter.

Chapter 4: Data Presentation, Analysis/ Interpretation and Findings

In this chapter the data is displayed and analysed in the method of tables and graphs reflecting the number of tenders awarded and expenditure analysis during the study period at the KZNDPW. Data presented is based on the tender award activities in the KZN-DPW from 2015/16 to 2018/19 financial year. Statistics and trends are examined and presented. The chapter also details the views and opinions of management staff at the KZN-DPW regarding the growth of SMMEs in the Department. Qualitative data was to be collected through structured interviews. The section also deals with study findings from the secondary data collected and through interviews conducted, and recommendations were drawn from these findings.

In the chapter the aims and the questions of the study are reviewed based on the findings. The aim of the study was to found out if there is a positive relationship between new procurement policies and financial development in the country. The first question of the study was to establish if procurement policies do exist in the KZNDPW and in all SA Departments to stimulate growth of SMMEs or not. Findings showed that B-BBEE, and PPPFA are implemented in all government Departments to give business opportunities to SMMEs and to address economic imbalances of the past. The researcher discovered that the initiative of the KZNDPW in developing SMMEs did not show much growth in SMMEs based on the statistics collected during the study for the past four financial years.

Chapter 5: Conclusion and Recommendation

This section brings a conclusion to the research and the researcher suggests a way forward to improve the situation. Based on the outcomes of the research the scholar concluded that more effort is still required from government to source financial assistance to assist SMMEs build their enterprises. The results shows that most SMMEs do not meet the requirements stipulated by the financial institutions to access capital loans and various other sources of funding. The researcher also recommended that more action is required from government in dealing with corruption in government institutions during the tendering processes. Corruption is seen as hindering the fair distribution of government resources to the targeted beneficiaries. Consequence management is recommended in dealing with corrupt officials.

1.12 Conclusion

In 2019 the province of KZN had about 52% households living below the bread line, with almost 40% of unemployed population and malnutrition affecting about 15% of children below the age of 14 who are classified as stunted (KwaZulu-Natal Office of The Premier , 2019, p. 35) and these figures are likely to be increased significantly for 2020. The link is not so clear whether small enterprises growth leads to financial development of the country, or if it is the established economy in the country that gives rise to successful small enterprises (Ngcobo & Sukdeo, 2015, p. 505). However Zama Wanda, 2017; believes that the South African government should urgently create an ecosystem that will sustain entrepreneurship in order to grow the country's economy (Zama, 2017, p. 9). The study will evaluate progress towards this government strategy in the Department of Public Works, in the KZN province.

The next chapter reviews relevant and contemporary literature on SMMEs and government legislative interventions to support entrepreneurship and small businesses, as well as the effectiveness of current procurement policies. This is aimed at providing theoretical background and different perspectives in formulating evidence-based responses to the research questions.

CHAPTER TWO – THEORETICAL, LEGISLATIVE AND POLICY FRAMEWORK

2.1 Introduction

This section is about the information review undertaken by the scholar to gain more knowledge about the previous studies conducted on a similar topic. The researcher sourced the information from journal articles, books, and relevant pieces of legislation and electronic information with the aim of understanding the research topic in greater detail. In this chapter the new legislative framework and policies are discussed which were approved by the South African democratic administration to uplift SMMEs. The research is instituted on the social justice theory and it will be discussed in this chapter. The chapter also outlines the conceptual framework and gives an explanation of important concepts of the study. In the introduction the chapter gives various descriptions of SMMEs.

2.2 Small, Medium and Micro Enterprises

Various countries describe SMMEs differently, based on different aspects like the entities' turnover levels, total value of assets, and the size the work force entities possess (Bomani, 2017, p. 21). There is therefore no universal acknowledged definition of SMMEs, the World Bank categorises entities into small, medium and micro enterprise, based on their total figures of full-time workers, revenue and total worth of assets owned by businesses (Bomani, 2017, p. 21). The *National Small Enterprise Act 102 of 1996* describes minor enterprise as a unique entity including cooperatives operated by one or more people. This may involve its outlets and/or subsidiaries in any area of the economy (Republic of South Africa, 1996, p. 2). Table 1 below demonstrates the grouping of SMMEs in the South African context;

Table 2.1 **Categorisation of SMMEs**

Business Size	Number of Staff	Twelve-monthly Revenue	Gross Resources, Without Immovable Assets
Micro	Less than 5	Less than R150 000	Less than R100 000
Very Small	Between 10 to 20 depending on the industry	Between R200 000 to R500 000	Between R150 000 to R500 000
Small	Fewer than 50	Between R3m to R25m	Between R2m to R4,5m

Medium	Between 100 to 200	Between R4m to R50m	Between R2m to R18m
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Source: (Local Government Sector Education and Training Authority, 2016/17, pp. 12-13)

The above table outlines categories of SMMEs in SA. These categories will be discussed below.

2.2.1 Survivalist Enterprises

In the survivalist category, there are no paid employees and they have minimal asset value. These enterprises are a means of providing livelihood for the unemployed and their families. They produce income lower than the official minimum revenue and below the poverty line. This group is classified as pre-entrepreneurial and involves subsistence farming, vending and hawking (Zulu, 2017, p. 23).

2.2.2 Micro-Enterprises

These enterprises are not formally registered in terms of Companies and Intellectual Property Commission (CIPS), and their annual revenue is less than the VAT registration limit. They have fewer than five employees, these enterprises include, the taxi industry, traditional herb traders and spaza shops (Zulu, 2017, p. 24)

2.2.3 Very Minor Enterprises

Enterprises under this category hire less than ten workers. However, in the construction, power and mining industry they employ less than twenty workers. These enterprises are familiar with technology; they operate and comply with formal standards of the labour markets. Self-employed entrepreneurs fall under this category (Zulu, 2017, p. 24)

2.2.4 Minor Enterprises

These businesses are more developed than very small enterprises in terms of annual turnover and operations. They employ about 50 employees, and the owners do not manage them directly, but they employ secondary coordinating mechanisms to ensure smooth operation of the business (Zulu, 2017, p. 24).

2.2.5 Medium Enterprises

This category consists of a complex structure, with employees up to one hundred, with various specialists with skills and competencies. These enterprises are directly controlled by the owners; however they delegate executive powers to the management. They are decentralised in nature to ensure the effective and efficient operation of businesses (Zulu, 2017, p. 24). The numbers of SMMEs in SA will be displayed per province in a table below,

Table 2.2 SMMEs by Province

Occupation	2018Q1		2018Q4		2019Q1		Quarterly change		Yearly change	
	Number	Distrib.	Number	Distrib.	Number	Distrib.	Number	%	Number	%
Western Cape	269	11.0%	279 741	10.9%	288 194	11.3%	8 453	3.0%	18 938	7.0%
Eastern Cape	212	8.7%	189 813	7.4%	179 908	7.1%	-9 905	-5.2%	-32 384	-15.3%
Northern Cape	23 904	1.0%	23	0.9%	25	1.0%	1 766	7.4%	1 673	7.0%
Free State	114	4.7%	101 087	4.0%	121 740	4.8%	20 652	20.4%	7 156	6.2%
KwaZulu-Natal	333	13.6%	385 713	15.1%	390 115	15.3%	4 402	1.1%	56 654	17.0%
North West	125	5.1%	126 912	5.0%	126 725	5.0%	-187	-0.1%	1 190	0.9%
Gauteng	847	34.7%	917 023	35.9%	903 220	35.4%	-13 803	-1.5%	55 891	6.6%
Mpumalanga	201	8.3%	228 161	8.9%	219 083	8.6%	-9 078	-4.0%	17 161	8.5%
Limpopo	314	12.9%	305 500	11.9%	295 978	11.6%	-9 522	-3.1%	-18 902	-6.0%
Total	2 443	100.0%	2 557 762	100.0%	2 550 540	100.0%	-7 222	-0.3%	107 377	4.4%

Source: <https://www.qrca.org> (Accessed 26 June 2019)

The above table displays the figures of SMMEs in each province in SA. The figures in table 2.2 shows that in the initial quarter of 2019 Gauteng province had the largest figure of SMMEs

forming about 35%, followed by KZN at around 15% and Limpopo province at 11,5%. At the bottom of the table in terms of numbers is Northern Cape (Small Enterprise Development Agency, 2019, p. 19). The data showing population ownership of these SMMEs will be displayed below.

Table 2.1 SMMEs Owners by Population

Race	2018Q1		2018Q4		2019Q1		Quarterly change		Yearly change	
	Figure	Distrib.	Figure	Distrib.	Figure	Distrib.	Figure	%	Figure	%
Indian/Asian	98 136	4.0%	97 306	3.8%	115 520	4.5%	18 215	18.7%	17 385	17.7%
Coloured	94 252	3.9%	115 633	4.5%	108 631	4.3%	-7 001	-6.1%	14 379	15.3%
White	421 967	17.3%	434 311	17.0%	425 027	16.7%	-9 284	-2.1%	3 060	0.7%
Black	1 828 808	74.9%	1 910 513	74.7%	1 901 361	74.5%	-9 151	-0.5%	72 553	4.0%
Total	2 443 163	100.0%	2 557 762	100.0%	2 550 540	100.0%	-7 222	-0.3%	107 377	4.4%

Source: <https://www.qrca.org> (Accessed 26 June 2019)

The table above shows that the black population dominates in most SMMEs by 75% in ownership amongst other groups. However year 2019 shows growth compared to quarter 1 of 2018 amongst Indians and Coloureds. The growth in Indian ownership is at 18% and 15% in the coloured group (Small Enterprise Development Agency, 2019, p. 20).

2.2.6 Challenges facing SMMEs

The South African government is mindful of the significance of SMMEs in reducing joblessness and in growing the economy, however there are various challenges facing this industry, such as non-existence of management skills and scarce skilled labour, fraud, lack of access to markets, minimal training in technology, and lack of support by the large companies and there is government bureaucracy to contend with in complying with the regulatory frameworks. (*The Banking Association South Africa*, 2018). The business tech article 2017, highlighted five top challenges faced by SMMEs. These are: drawing customers, sustaining profitability, increasing income, insecurity over financial circumstances, and securing capital for growth (*BusinessTech*, 2017). The government has implemented a framework to develop and support their growth, and they will be discussed below.

2.3 Legislative Framework

In expediting the redress of economic imbalances of the past and in stimulating participation of the Black owned businesses in mainstream economy, several items of legislation and policies were introduced and implemented by the government. There are various descriptions explaining a policy;

a) What is Policy?

Policy is defined as a system of ideologies to direct decision making and achieve balanced results. It is a statement of commitment and is introduced as a procedure or practice (www.foodthoughtful.ca). 'Policies are guidelines, directions, rules, regulations, that may guide actions' (Brooks, 2003, p. 16) . Policy occurs at various levels and points of communication, it can be public, in an organisation or personal. A new policy may be developed or an existing policy can be revised when a need arises. Policies are invoked in instances where basic needs are not met, when people have been treated unequally, or when present policies are not effective or enforced, and present or developing conditions pose a risk to public safety, health, education or well-being. All three spheres of government, national, provincial and municipal generate policies to address specific matters through a procedure that includes contributions from government officials, politicians and citizens (www.foodthoughtful.ca).

In the process of policymaking, problems are conceptualised, brainstormed and alternatives are formulated. The best solution is then selected, implemented, evaluated and, if necessary, revised (Sabatier & Weible, 2017, p. 3). Birkland, 2019, describes public policy as 'a sum of government activities, made in response to some challenge that requires government intervention and has influence on the lives of the citizens' (Birkland, 2019). Fischer, 2019 states that policies are designed to facilitate the achievements of accepted ideas, it is also important to have a methodology for policy evaluation (Fischer, 2019). On the other hand author Oni, 2016 describes policy as 'a tool of resource distribution directed through to achieving government goals and objectives' (Oni, 2016, p. 325).

b) Policy Performance Monitoring and Evaluation

The former president Mr Jacob Zuma established the Department of Performance Monitoring and Evaluation in the office of the Presidency. This was done in the face of dissatisfaction expressed by the citizens on public service (*Innovation for successful society*, 2016). The aim was to instil accountability amongst government ministers. The strategy was to monitor and

report on the government key outcomes. Indicators and targets were major priorities to monitor performance (Innovation for successful society, 2016).

‘Evaluation is a process of examining a programme’, it is conducted by collecting and analysing information on activities of a programme and outcomes (Zint, n.d.). It is important to assess and evaluate programmes and policies periodically to ensure that they are effective, hence the researcher conducted this research work to understand the contribution of procurement policies. There are various types of evaluation. In Summative Evaluation, an investigation is conducted to establish whether or not the programme is reaching its short-term or medium-term outcomes. There is also an Impact Evaluation, which determines long-term or broader changes occurring as a result of the programme (Innovation for successful society, 2016).

Various financial and economic policies and strategies which have been implemented and adopted in the new democratic government post-1994 will be discussed below.

2.3.1 National Small Enterprise Act 102 of 1996 as modified in 2003 and 2004

The National Small Enterprise Act 102 of 1996 was the first Act passed on small businesses post-1994, replacing the *Small Business Act of 1981*. The act provides guidelines to government institutions in order to stimulate minor businesses in SA, and to arrange for problems related thereto (Republic of South Africa, 1996, p. 1). The Act was amended in the *National Small Enterprise Act No 26 of 2003* and the effect was to repeal powers of the National Small Business Council, and to allow the Minister to form an Advisory Body to represent the interests of minor enterprises. In 2004, the Act was also amended with *Act No 29 of 2004*, allowing for the establishment of SEDA and this repealed the provision of the Ntsika Enterprise Promotion Agency (Department of Small Business Development, 2018).

2.3.2 Public Finance Management Act No.1 of 1999

The latest updated amendment to the *Public Finance Management Act (PFMA)* was gazetted on 1 April 2010. *PFMA No.1 of 1999* was legislated to control financial administration at national and provincial government levels, by attempting to ensure that all assets, revenues, spending and obligations in these government spheres were to be administered well and competently. The PFMA clarifies the tasks and responsibilities of office bearers in the public sector. The Finance Minister and/or MECs are responsible and accountable for policy

development and for the outcomes thereof. The Minister's responsibility includes provincial budgets' monitoring, encourage and implementation of transparency and effective administration of resource utilisation and acquisition as it is stated in chapter 2 of this Act (National Treasury, 2010, p. 1). The PFMA consists of various chapters that talk directly to the daily management of state resources that attempt to achieve operational and efficient service delivery and to decrease significantly the levels of fraud and corruption in the use of civic assets (Bryce, 2017, p. 21). These chapters will be discussed briefly below:

One of the key chapters of the PFMA is Chapter two, which makes the provision for the setting up of National Treasury department with the Minister of Finance as its political head. National Treasury is given full control over budget implementation and monitoring, including any budget adjustments that may be necessary. To be able to perform its duties effectively, National Treasury prescribes uniform norms and standards which need to be adhered to in all public entities. PFMA allows for the Minister to delegate his/her powers to Heads of Departments and/or Provincial Treasuries to perform all of the above duties. Similarly, a Provincial Finance MEC may duly delegate these duties in terms of the PFMA to his/her Head of Department (National Treasury, 2000, pp. 13-21)

Chapter four of the PFMA stipulates that Parliament and each Provincial legislature must avail annual financial resources for the necessities of the State and its Provinces, respectively. The Minister is accordingly obligated to present an annual budget in the National Assembly prior to 31st of March annually. Similarly, a Finance MEC is obligated to deliver a provincial annual budget in the Provincial legislature within two weeks after the National budget has been presented. Deviation from this may only be approved by the Finance Minister. Each Department is allocated a budget as per their specific needs. Allocated budgets are to be utilised for service delivery projects (National Treasury, 2000, pp. 29-34).

Chapter five of the PFMA, states that all government Departments and/or constitutional institutions must have a delegated assignee for financial management duties, who is the accounting officer. He or she is obligated to ensure the maintenance of effective and efficient management of transparent financial systems. This requires, amongst other things, a comprehensive risk management scheme and internal control practices. As an accounting officer, one is responsible for the establishment of a suitable purchasing system, which is reasonable, impartial, transparent, competitive and economical. This will require an accounting officer to timeously implement corrective measures to prevent fruitless expenditure. A suitably

qualified and experienced Chief Financial Officer (CFO) may be delegated this function by a Head of Department.

The Head of Department has to take appropriate and adequate steps for Departmental revenue collection and for prevention/containment of illegal financial activities. He or she is also required by law to ensure that the entity he/she is responsible for is compliant with the regulations as prescribed by the South African Receiver of Revenue. The accounting officer must implement processes and procedures that allow for checking, evaluation and reporting of monthly expenditure performance that form part of internal controls. Currently, most of the Departments utilise cash flows, which track actual expenditure and remaining balances. The accounting officer must report monthly and annually at National Treasury and submit financial statements during the first quarter of each fiscal year. He or she must publish yearly reports in a format that will reflect performance reporting. Any dereliction of duty is a serious offence that requires appropriate disciplinary action as part of accountability requirements and consequence management. (National Treasury, 2000, pp. 35-44).

Should there be illegal activities in the public institutions identified by overseeing institutions like the Auditor General, and the accounting officer fails to comply and act accordingly, Chapter 10 prescribes the disciplinary measures to be taken. Chapter ten of the Act specifies that an accounting officer is considered to have committed monetary misconduct, if he/she by free will or carelessness makes or allows illegal financial activities under his watch. The Finance Minister is required to make regulations that prescribe the method, form and conditions according to which accusations of financial transgression must be handled. According to Chapter 10 of the PFMA, if an accounting officer is found guilty and convicted of a financial misconduct transgression, he/she may be accountable for a penalty or be kept in custody for a period of not more than five years (National Treasury, 2000, pp. 81-89).

2.3.3 *Municipal Finance Management Act of 56 of 2003(MFMA)*

The aim of the *MFMA* is to safeguard prudent management of revenue, expenditures, resources and liabilities of municipalities. It promotes good governance, by attempting to ensure responsibility and transparency in the economic affairs of the municipality. Local authorities are required according to this Act, to develop policies in Supply Chain Management with a priority for purchasing of goods and services mainly supplied by local SMMEs (Bryce, 2017, p. 22).

2.3.4 *Broad-Based Black Economic Empowerment Act No.53 of 2003*

The South African government has responded to the socio-financial challenges of poverty, inequality and unemployment by initiating several financial expansion policies and programmes including the *B-BBEE Act No. 53 of 2003*. B-BBEE's aim is to implement sustainable avenues of creating economic dependency whilst addressing economic imbalances that are a legacy of the Apartheid system. The B-BBEE policy was implemented to provide financial benefits for historically disadvantaged people and to maximise the citizen's worth. Its main objective is to grow the number of Africans to meaningfully contribute in the financial activities of the state, individuals owning and managing enterprises and black people who are in executive positions and increase their income levels within B-BBEE compliant companies (Pike, et al., 2018, p. 1).

The new democratic administration headed by African National Congress (ANC) has implemented various policies to address the inequalities of the past. Many argue that these policies are based on the foundation of their 1955 freedom charter, which declares that, 'the state's worth and land shall be shared among those who toil in it' (Molo, 2018, p. 24). In 1994 the democratic government introduced a Reconstruction and Development Programme (RDP), the first detailed plan of action for political, social and economic transformation of South African society (Wessels, 2017, p. 3). The RDP was intended to restructure the South African economy by addressing the challenges of gender and racial inequalities in ownership, unemployment, lack of skills, and past industrial policies. The priority was to alleviate the effects of poverty and deprivation (Wessels, 2017, p. 3). The programme was seen as slow in achieving its objectives, and in 1996 it was replaced by a macroeconomic policy framework, Growth, Employment and Redistribution (GEAR) to fast-track the financial growth in SA (*South African History Online*, 2017)

GEAR's objective was also to reduce fiscal shortfall, decreasing inflation, stabilising exchange rates, reducing barriers to trade and accelerating capital flows (*South African History Online*, 2017). GEAR was a strategy to finance growth within government resources, than depending on loans from other countries. GEAR was effective on macro-economic objectives of the country. However it did not solve social challenges of poverty and unemployment (*South African History Online*, 2017).

Several economic policies including B-BBEE and PPPFA were introduced in SA. The PPPFA requires that preferential points be allocated to companies that are B-BBEE compliant; prioritising entities that are owned by previously disadvantaged people during a tendering process. Similarly, B-BBEE's objective is to give economic opportunities to historically disadvantaged groups to actively contribute in the country's economy. It is a socio-economic strategy focusing on encouraging the previously marginalised society to partake in mainstream economic activities and to rebalance the economic landscape of the country (Ngcobo & Radzani, 2016, pp. 15-16). Procurement process is one of the implementation tools utilised in the public sector, to purchase goods and services by government, ranging from buying a pen to purchasing a building (Pauw, et al., 2015, p. 222). It is founded on *Section 217 (1) of 1996*, of the South African Constitution which states that all structures of government when buying goods and services must do so in a way that is transparent, impartial, competitive, cost effective and unbiased (Statutes of The Republic of South-Africa Constitutional Law, 1996, p. 1331).

The South African administration recognises SMMEs as an entry point for the previously excluded community into the mainstream economy (Bryce, 2017, p. 3). SMMEs in South Africa make up 91% formalised trades, offer employment to more than 55% manual workforce and overall financial production accounts for about 33% of GDP (The Banking Association South Africa, 2019). Jili, (2017, p.3) revealed that no matter how small enterprises are, they exist to fulfil a special economic purpose for its owners and the community. Developing SMMEs is part of LED' goals. Local government must ensure that its environment is aligned with regulated legislation and that it supports the SMMEs framework (Jili, et al., 2017, p. 3). In growing this sector, more initiatives have been implemented by national government to open market opportunities for SMMEs and have adopted more aggressive approaches to influence private sector procurement (Rogerson, 2014, p. 137).

Since 1994 Black Economic Empowerment (BEE) has been a main priority for all government institutions, however there was a lack of plan for its execution. In the year 2000, the BEE commission gave an outline of the BEE concept, which led to the implementation of its strategy in 2003. B-BBEE is described as a combined and logical socio-economic procedure that directly contributes to South African financial revolution and grows the number of Africans who manage and control the state's economy, and reduce imbalances in communities (BEEBIZ, 2015). The basis of B-BBEE is found in the equality clause of the *Constitution, Section 96. Section 9(2)* which allows for legislation to safeguard a person or a group of

citizens' underprivileged by prejudice and racial discrimination. The *Constitution* provides that everyone in South Africa is the same before the eyes of the law, has equal protection and equal benefits (Esser & Dekker, 2008, p. 162). B-BBEE was introduced with the aim of allocating the wealth of the nation equally across all colour and gender groups. According to legislation, designated groups are Black people, people with disabilities, Africans, Coloureds, Indians and Chinese South Africans, women, and youth (Horwitz & Jain, 2011, p. 9).

The DTI encourages companies to act in accordance with the B-BBEE legislative regulations through a prescribed scorecard, in order to contribute to social justice in SA. The Generic scorecard works as a tool to assess companies in different codes to be allocated points. For the assessments, the Generic score card focuses on seven fundamentals namely, Employment equity, Proprietorship, Management control, Skills expansion, Enterprise Growth, Socioeconomic Improvement and Preferential procurement. According to the *B-BBEE Act of 2003*, there are different score cards for each sector code, and each enterprise must be assessed under a relevant sector. After an assessment is done, a B-BBEE certificate is issued, reflecting a rating as the outcome in a form of a level 1 being the highest score and 8 being lowest which implies minimal compliance. These regulations were passed by the Minister of trade and industry in 2003 (Department of Economic Development and Tourism, 2011, p. 29). A business with a revenue of a smaller amount than ten million, it is not necessary to have a B-BBEE certificate. They may use Affidavits stamped by a Commissioner of Oaths which reflects that they are exempted micro enterprises. The B-BBEE certificates and affidavits are issued annually with an expiry date as a control measure (Companies & Intellectual Property Commission, 2019).

This has an advantage during the tendering process, whereby companies need to produce their B-BBEE certificates and they are awarded points as per their level (Pike, et al., 2018, p. 1). Small business with an annual revenue smaller than R5million, mentioned as Exempted Micro Enterprises (EME) are automatically given level 1 contributor status with 20 points for work less than R50 million and 10 points for any work above (*Department of Economic Development and Tourism*, 2011, p. 35). However, there has been negative reporting by the Small Business Development Parliamentary Monitoring group who in October 2019 reported that the revised B-BBEE codes focused mainly on enterprise and supplier development, resulting in the establishment of private incubators solely for compliance purposes to the policy, adding little value and not benefiting small enterprises (Parliamentary Monitoring Group, 2019).

In 2018 Bezuidenhout conducted a study in Gauteng province on sole proprietor companies who have been in business for more than ten years, to examine whether or not there were changes between SMMEs prior to B-BBEE introduction and SMMEs after B-BBEE intervention. The researcher wanted further to establish whether or not B-BBEE intervention contributed to business management skills development. The study outcome reflected that 70% of the respondents said there was no change in their businesses since the inception of the B-BBEE. 25% responded that there is a slight change but only in terms of added administration and more activities required to be done by management, and 95% of the participant's responses were that B-BBEE had no effect on their management (Bezuidenhout, 2018, p. 152). Similar outcomes were also tabled by Irene, when she conducted a study on the contribution of B-BBEE in black-women owned businesses in nine SA provinces. The findings reflected that the majority of company owners reported that there is no positive impact on their businesses since the inception of B-BBEE (Irene, 2017, p. 147).

2.3.5 Preferential Procurement Policy Framework Act (PPPFA) No 5, of 2000 and 2017 regulations

The PPPFA No. 5 of 2000 was implemented by the Minister of Finance with the objective of providing opportunities to historically disadvantaged entities when tendering for government projects (*Department of Economic Development and Tourism, 2011, p. 30*). The PPPFA reinforces section 217 of the *Constitution*, where state's institutions are required to purchase goods and services in a method that is unbiased, cost-effective, fair, open, and competitive. This allows public organisations to align their procurement policies and procedures to give preference to HDIs. The framework Act allows contractors who meet qualifying criteria to be allocated points for price during the tender process, and also be allocated points based on their social objectives as stipulated by DTI on their B-BBEE certificates (Reddy & de Vries, 2015, p. 245). The KZNDPW introduced target procurement strategies as part of national reforms to stimulate SMME growth and to address imbalances of the past. The strategies utilised in the public sector for targeted procurement will be tabled below;

Table 2. 2 Targeted procurement strategies

Targeted procurement strategy	Description
Unbundling of contracts	work is fragmented down into smaller projects to enable the involvement of emerging contractors as main contractors
Compulsory subcontracting	A well-developed contractor is expected to subcontract a small portion of work to smaller service providers following proper procurement procedures
Preference	A contractor is awarded points during the tender evaluation process for meeting the set preference criteria for example joint venturing with a smaller contractor
Third-party management	A well-established contractor is appointed as a consultant to offer construction administration support and to guide emerging contractors in performance of work, and to monitor the satisfactory standard in performance and work progress
Tendering equity	Tenderers are required to have a specific level of equity ownership when bidding for specific type of work, for example requirement can be an entity with 51% black ownership
Accelerated rotation	An electronic database with targeted enterprises is utilised in sourcing contractors on an accelerated rotation basis.

Source: <http://www.cidb.org.za> (Accessed: 15 October 2019)

The Minister of Finance provided for regulations in *Act 2000*, to facilitate growth and advancement of SMMEs, prioritising designated groups. These regulations were gazetted in January 2017 and effected on the 1 of April 2017 in all state institutions (National Treasury, 2017). Some of the regulations will be briefly discussed below highlighting the government initiatives in improving procurement processes for the betterment of designated groups.

Regulations 2017, stipulate that an organ of state must identify and define the preference points system in the tender document applicable to the tender prior to the advertisement of the project.

Regulations 6, states that for all bids between R30 000 up to R50 million, the 80/20 preference allocation must be utilised, 80 points for price and 20 points for B-BBEE level on the certificate and it outlines the calculation thereof. *Regulations 7*, states that for all bids above R50 million, 90/10 preference system must be applied during tender evaluation (National Treasury, 2017, pp. 24-27). In the KZNDPW this regulation is applied. Tender documents need to be approved by the BSC. It is a requirement that the method for evaluation must be outlined in the tender document prior to the advertisement. There are three methods of evaluation that can be used as per the KZNDPW Standard Operating Procedures (SOPS), Method 1 evaluation can be done based on price only. The tender will only be evaluated on specification and price. Method 2, the tender will be evaluated based on price and preference, first the document will be checked if they quoted as per specification, then preference points will be allocated for price and B-BBEE level on the certificate. Method 3 allows for evaluation based on functionality, if they do not meet the minimum criteria the service provider will be disqualified. The next phase will be for price and preference. The tenderer scoring the highest point gets the award.

Regulations 4 states that an organ of state must determine whether the prequalification criteria must be applied in a specific tender to advance a designated group. The conditions that may be utilised as a pre-qualifying criteria are; an enterprise with a specified minimum B-BBEE status level, a business classified as an EME or QSE, a bidder subcontracting 30% of work to an EME or QSE which is 51% owned by African people, black people staying in villages or underdeveloped areas or townships, black people who are youth, black females, Africans with disabilities, black people who are military veterans, and cooperatives that are 51% owned by black people. An organ of state can use one or more of these conditions and those who do not meet the pre-qualifying conditions will be excluded on the evaluation of tender. The state institutions must advertise the tender with detailed conditions such as, only companies who qualify with the listed criteria may bid for that project. (National Treasury, 2017, p. 23).

If there are prequalification criteria in a document, they will be the first phase of the evaluation process. A state institution is allowed to advertise a tender with conditions requiring that goods or service should be locally manufactured or produced and state the minimum threshold of the local content as outlined by the DTI and National Treasury. *Regulation eight* promotes locally produced or manufactured goods and services, as another means of growing SMMEs. Tenderers who do not meet the minimum threshold required will be disqualified (National Treasury, 2017, p. 27). *Regulation nine* allows state institutions to use subcontracting as a requirement in tender projects over R30 000 as a means of advancing designated groups. Where

possible state institutions may advertise a tender with a requirement that a successful bidder should subcontract 30% of the work to an EME or QSE which is 51% owned by Black people, black people who are women, black people who are youth, black people living in rural areas or underdeveloped areas or townships, black people who are military veterans, black people with disabilities, and cooperatives that are 51% owned by black people (National Treasury, 2017, p. 28).

According to *Regulation eleven*, an organ of state is allowed to award a company that did not score the top points to achieve the goals of the organisation regarding the advancement of designated groups. The state institution must specify the objective conditions in the tender document in the advertisement (National Treasury, 2017, p. 28). The PPPFA was tested in 2017 when researchers embarked in a study to analyse the effect of government targeted buying strategies on the development of building companies from grades 3 to 6 as CIDB grading. The authors discovered that the execution of tendering equity as a targeted procurement approach has resulted in positive growth in the turnover of the small and medium contractors. This strategy has the potential to address the financial imbalances of the past, however findings show challenges in the implementation of these strategies in the public institutions which disadvantaged minor and middle contractors (Abdurauf & Abimbola Olukemi, 2017, p. 160).

2.3.6 The KZN-DPW SCM Policy for Infrastructure Procurement and Delivery Administration

The National Treasury Instruction note no. 4 of 2015/16 commends over the standard for infrastructure acquisition and provision administration a control framework for preparation, design and implementation of construction work, tracing and monitoring of such projects. The SCM policy for construction is separated from conditions for procurement of goods and services. It is aligned instead to infrastructure delivery which is a combination of planning, supply, building, renovation and alterations, maintenance and disposal of infrastructure (Govender, 2016). In 2016 the KZNDPW approved an infrastructure policy to insert construction delivery administration structure for the Department which is in line with the regulatory context for supply chain management, public sector purchasing and spending control. This policy also allows the National treasury standard for construction sourcing and delivery administration to be applied. Infrastructure procurement activities in the KZNDPW will be discussed in table 2.5 below as guided by the infrastructure policy;

Table 2.3 KZN-DPW Procurement activities

Activity	Sub-activity	Key-action	Responsible Person
Identify what is to be acquired	Attain approval to begin with the purchasing process	Make a choice to continue/not to continue with buying based on the broad scope of project and the financial estimate	Director-Operations Coordination
Select the procurement strategy	Attain authorisation for procurement approaches that are to be utilised, plus relevant authorisations to approach a narrowed market or utilisation of negotiation process	Confirm choice of approaches so that tender offers can be invited	Programme Manager
Source tender offers	Attain endorsement for tender documents	Give authorisation for the distributing procurement documents	Bid Specification Committee (BSC)
	Endorse that budget is available	Endorse that funding is available for purchasing to proceed	Programme or Financial Manager
	Approve recommendations in the tender assessment statement	Examine recommendation of the assessment team and send back for review or motivate	Bid Evaluation Committee (BEC) Bid Adjudication Committee (BAC) reviews BEC reports

Evaluate tender proposals		for the award to be made	and recommends awards to accounting officer
	Attain permission to proceed to the next level of tender process for the qualified, proposal or competitive negotiations	Review assessment statement, endorse recommendations and give permission to proceed to the next level of tender process	Accounting officer
Award contract	Award contract	Officially accepts tender offer on paper and issues a copy of the contract to the contractor	Level 13
	Upload information in the Works Information Management System (WIMS)	Confirm information and upload service provider's details and information relevant to the purchase order	Supply Chain Management
Manage contracts and confirms compliance with conditions	Attain endorsement not claim fines for poor performance reimbursements	Support waiver of fines and poor performance reimbursements	Accounting Officer
	Obtains endorsement to inform and raise the argument to the arbitrator	Give consent for the transfer of an argument to an arbitrator or for final resolution to an arbitrator or to a court of law	Accounting Officer

	Attain approval to go beyond the total price, not including contingencies and price adjustments for inflation, or the period for completion at the award of a project or the issuing of an order up to a required percentage	Endorse time aggregate and cost overruns up to the threshold	Accounting Officer
	Attain authorisation to go above the total of prices, without contingencies and price adjustments for inflation, or the time for completion at the award of a project or the issuing of an order extra by 20% and 30%	Endorse period of time and cost overruns above the threshold	Accounting Officer
	Attain endorsement to make changes a contract	Endorse proposed changes to a contract	Accounting Officer
	Attain approval to terminate or cancel a contract	Endorse total amount	Accounting Officer

Source: <http://www.kznworks.gov.za> (Accessed: 9 May 2018)

The potential SMMEs hold in growing the country's economy it is important to assess the support SMMEs receive in a bid to achieve their potential across the African hemisphere. The

South African government is a member of various international economic bodies, these will be discussed below.

2.4 Government Initiatives and Support Structures

Authors Sabatier and Weible 2017, believe that states learn from one another. They borrow innovations believed to be successful elsewhere and adopt policies proven to be effective or promising in another country. Secondly countries compete with each other, they adopt policies of other countries to achieve economic advantage over each other and to avoid being economically dominated by others. Thirdly, sometimes a country is pressured to adopt existing programmes that have been widely adopted by other countries to conform to nationally, internationally and regionally adopted standards (Sabatier & Weible, 2017, p. 25) The South African government has entered into several financial agreements with other countries internationally in pursuit of betterment of the country's economic state. The government of the day has also implemented several initiatives in support of growing SMMEs, fighting poverty and unemployment to reduce inequality amongst communities of the country. Some agreements and initiatives will be discussed below.

2.4.1 Brazil, Russia, India, China and SA

India, Russia, Brazil, and China (BRICs) were seen as emerging global economic giants in the year 2003. These states started having regular gatherings in 2006. BRICs was formerly constituted in 2009 and SA joined these giants in Senya in 2011 as a fifth country forming 'Russia, China Brazil, India and South Africa' (BRICS). The aim was to build partnerships with these countries in pursuit of increased socio-economic stability, growth and development. The intention of these partnerships was to uphold peace, security, economic development and prosperity in a multipolar, interconnected and globalised world. BRICS collaboration's objective was to strengthen mutual relations among member states. It was focused on promoting economic recovery, reducing prospective financial risks in the international markets and increasing economic growth among state members (BRICS, 2015, p. 3).

BRICS forms about 40% of the world's population, occupying more than 25% of global territory whilst responsible for 22% of the world's GDP and extra than 15% of world trade. BRICS trade has expanded since 2010 from R203, 850, 868, 480.00 to R462, 356, 379, 486.00 in 2017 (BRICS, 2018, p. 9). SA trades mostly with China, followed by India and Brazil SA exports mainly raw materials to BRICS partners like iron ore, manganese and scrap steel, and

imports manufactured and value added goods like footwear, computers, cellular phones, sugar, chicken and rice (BRICS, 2018, p. 9). Benefits of South African BRICS membership can be evaluated by the accomplishment in addressing challenges and objectives of the country's NDP which mainly is to eliminate poverty, inequality and increase economic growth by 2030. South African trade with BRICS slightly increased in 2017 to R461 billion from R426 billion in 2016, and there were about 199 659 tourist recorded in SA from membership States (BRICS, 2018, p. 11).

In 2014 BRICS established the New Development Bank (NDP). Its headquarters is in Shanghai, and its area office is in Johannesburg. The bank will prioritise domestic economic development of states mainly in infrastructure development and industrialisation. NDP has entered into multilateral partnerships with regional, national and private banks to achieve its objectives. This institution has entered into loan agreements with its member states. SA has benefited by being granted a loan of USD 180 million for Eskom in 2016, for integrating renewable authority producers' programmes and expanding communication capabilities to promote expansion of the SOWETO area. South African companies can take advantages of being part of this block by exploring partnership and trading opportunities within BRICS structures and expanding their businesses. In the 2018 summit, the president Mr Ramaphosa re-confirmed SA's long-term commitment to forge stronger partnership with BRICS to distribute wealth and growth to the societies in SA. Some analysts foresee BRICS becoming stronger and bigger as a Group of 7 (Germany, United States of America, Japan, Italy, France and Canada) by 2027 (BRICS, 2018, p. 20)

2.4.2 Southern African Development Community (SADC)

The SADC was started in 1992, as an outcome of the Southern African Development Co-ordination Conference (SADCC) which was originally established in 1980 in Lusaka, Zambia. The main objective of SADCC was to spread the root of nation-wide political liberty in Southern Africa and to decrease dependency mainly on the then apartheid era in SA and to embrace basic development and regional integration. The newly established SADC consist of fifteen members, South Africa, Angola, Botswana, Zimbabwe, DRC Congo, Malawi, Madagascar, Mauritius, Namibia, Lesotho, Namibia, Swaziland, Tanzania, Mozambique and Seychelles. Its main focus is integration of economic development amongst member states (SADC, 2012, p. 1).

The main aims of SADC are to encourage socio-economic growth and sustainable and equitable financial development that will promote poverty alleviation and, if possible, its total eradication, to support the socially disadvantaged communities by regional integration and to better the living standards of the persons in Southern Africa (SADC, 2017, p. 2). Based on the goals and ideas of SADC, in 2003 this region adopted a Regional Indicative Strategic Development Plan (RISDP) for 2005 to 2015. Targets sets for RISDP were to enhance SADC economic development competitiveness and expansion of production structure and exports by 2015 and its integration into global markets. To achieve this, the first step was the completion of the SADC Free trade zone by 2008, the SADC Customs Union by 2010, and the SADC Common market in 2015 (SADC, 2017, p. 2).

A major review was undertaken in 2014 which showed moderate progress towards achieving these objectives. The revised RISDP was approved in April 2015, for a 2015 to 2020 period. It focused on the industrialisation, technology and financial transformation, skills improvement, modernisation, science and technology, economic growth and competitiveness of the region. The plan provided for greater partnership with stakeholders especially the private sector as a key partner to incorporation. It provides a vision of a hopeful future where the state will undergo expansion in productive abilities, manufactured goods, and development in cost calculation and in value chains. The RISDP aims to achieve the dream of SADC forefathers, which is to have a united region where all people enjoy a good standard of living, peace and prosperity (SADC, 2017, p. 2)

2.4.3 Department of Small Business Development (DSBD)

DSBD started operating in 2014 to lead and coordinate the expansion and promotion of new enterprises, entrepreneurship and cooperatives. The main objective of DSBD is to accelerate radical economic transformation by increasing participation of SMMEs and co-operatives in the mainstream economy. In seeking to achieve this mandate, the Department attempts to promote enabling policies and a suitable legislative environment that could allow for growth and sustainability of these businesses (Department of Small Business Development, 2018, p. 1). The strategic aims of the Department consist of policy and planning rationality in the segment that allows an empowering environment for SMMEs and cooperatives, the creation of a fair access to markets, comprehensive governance and optimal usage of available resources, improved involvement to socio-economic advancement in the sector, and achievement of a professional and well-supported small business sector (*Parliamentary Monitoring Group,*

2019). In 2015, Minister of Small Business Development Lindiwe Zulu, stated that it is important for all three spheres of government to work together to achieve business development, and that there should be a partnership between public and private institutions to ensure local economic development (IQ Business, 2017, p. 13).

The DSBD provides direct support to SMMEs through agencies like the Small Enterprise Finance Agency (SEFA), the Industrial Development Corporation (IDC), and SEDA, where the small businesses can access monetary and professional support. These agencies intend to provide expansion support at various levels of the enterprises through training programmes on running a business, skills in marketing a business, soft skills and financial management. (Chopra, 2017, p. 1). A major concern is that most small businesses do not prosper due to lack of a potential market as most SA businesses are monopoly-controlled (*Parliamentary Monitoring Group*, 2019)

The SEDA organises non-financial programmes and interventions to arrange SMMEs to access monies and product markets (Parliamentary Monitoring Group, 2019). It provides support to SMMEs by analysing their businesses to categorize suitable markets for their products, and to do quality checks on their products to ensure that they comply with national and international standards. This improves competitive levels of SMMEs. Recently SEDA has partnered with TVET colleges, and an entrepreneurship training is provided for 6 to 12 months as an incubator programme. This assists in developing business skills for SMME entrepreneurs (Department of Small Business Development, 2018, p. 3) .

There is also the SEDA Construction Incubator (SCI), which was established in 2006 prior to the establishment of DSBD. This organisation mainly started to mentor and grow emerging contractors in SA, through infusion of technical and business administration skills in order to improve the effectiveness and management of their businesses. SCI provides support to emerging contractors during the tendering phase, the construction stage and for the general administration throughout the project. Professional mentors assist them in ensuring that their pricing is correct and that they have clear profit margins. Contractors are provided with technical training in General Structural skills and civil engineering construction in order to complete a SAQA qualification equivalent to NQF level 5, approved by the construction CETA (Seda Construction Incubator, n.d.).

SEFA amalgamated with the South African Micro-Finance Apex Fund (SAMAF) and Khula Enterprise Finance Limited, to provide for the small enterprises needing financial assistance up to a maximum of R3million (Bureau for economic research, 2016, p. 6). SEFA mainly gives bridging funding, wholesale and direct lending to SMMEs, credit guarantors in financial institutions on behalf of SMMEs. They also assist in developing financial partnerships and building relations with financial institutions for easy access to finance by SMMEs (Department of Small Business Development, 2018, p. 4). However there has been repeated concern of corruption of officials within the agency and the parliamentary oversight committee recommended that the agency has to initiate measures to recuperate stolen funds from corrupt officials and middle lenders. The committee also reported that SEFA has suffered challenges in collection of funds from recipients who were unable to honour payback agreements (Parliamentary Monitoring Group, 2019).

Negative findings were also discovered by Vrida Chropa a doctoral student at the University of Cape Town, who conducted an analysis of the government's focus on SMMEs by implementing financial policies and institutions like SEDA and SEFA as a feasible way of decreasing unfairness in South Africa. The author discovered that this approach is only effective on paper, SMMEs are faced with different challenges, one being SA markets do not offer economic opportunities for entrepreneurs who compete with large business enterprises in the same markets. Organizations like SEFA, have requirements such as the provision of financial guarantors. Effectively this blocks access to funding for previously disadvantaged communities (Chopra, 2017, p. 2).

2.4.4 Department of Trade and Industry (DTI)

The strategic objective of the DTI is to expedite the change of the economy to encourage industrial growth, increase employment, and competitiveness and to attract foreign investment. It also facilitates the broad-based financial participation through targeted interventions to accomplish comprehensive development. DTI provides direction and strategies in the designing of policies that stimulate business development, empowerment and fairness in the economy (Department of Trade and Industry, 2018). Certain instruments were implemented through the *B-BBEE Act of 2003* which was modified in 2013, and implemented in 2014 to address the injustices of the apartheid system. The Generic Scorecard was introduced by the Department of Trade and industry, as an instrument to assess companies in different codes and be allocated points. The scorecard in the Act addresses matters such as enterprise development,

skills development and ownership which are important elements for redistribution of wealth, economic growth and the development of previously disadvantaged communities (Bezuidenhout, 2018, p. 5).

2.4.5 Industrial Development Corporation (IDC)

The IDC is a government owned organisation, established in 1940 by an Act of Parliament. The *IDC Act, no 22 of 1940* is a state finance development institution and a key implementing agent of industrial development policy, operating under the umbrella of the Department of Economic Development. Its main objective is to promote local industrial development and capacity by funding companies generating job creation, and the strengthening of economic growth in SA by encouraging the use of locally produced goods. IDC activities are currently aligned to the objectives of National Development Plan (NDP), the New Growth Path (NGP) and the Industrial Policy Action Plan (IPAP). The IDC also plays a critical role in growing black industrialists and SMEs by funding these enterprises through SEFA (Industrial Development Corporation, 2018). In promoting technological innovations and in improving international participation of South African enterprises, the Department of Science and Technology established the Technology and Innovation Agency (Bureau for economic research, 2016, p. 6)

2.4.6 KZN Department of Economic Development, Tourism and Environmental Affairs (KZNDEDTEA)

The KZNDEDTEA vision is to attain a radically transformed inclusive and sustainable economic growth for KZN in order to attend the triple challenges of joblessness, poverty and inequality in the province (Department of Economic Development, Tourism and Environmental Affairs, 2017, p. 4). The DEDTEA objectives are aligned to the NDP goals, and they are expected to contribute to the following outcomes: long-term employment through inclusive growth and the provision of a resourceful, competitive and responsive economic infrastructure network. DEDTEA is also expected to protect and develop environmental assets and natural resources and to provide an efficient and effective governance policy. These plans are the centre of KwaZulu-Natal's Growth and Provincial plans. To achieve the first goal, DEDTEA's objectives are to prioritise economic growth amongst historically disadvantaged groups through enterprise development, economic empowerment and regional and local

economic development (Department of Economic Development, Tourism and Environmental Affairs, 2017, p. 20).

In implementing enterprise development, DEDTEA adopted a strategy to coordinate support and to develop self-sustainable SMMEs and cooperatives in order to create job opportunities. This will be done by providing business skills trainings, creating market opportunities and access to finance and by providing mentorship support to small enterprises (Department of Economic Development, Tourism and Environmental Affairs, 2017, p. 27). Another strategic aim of DEDTEA is to create an enabling setting for economic development for the previously disadvantaged especially youth, women and people with disabilities to be able to contribute in the mainstream of the economy. It is believed that this is achievable through the implementation of the economic transformation policies.

The main priority is to expedite the execution and monitoring of B-BBEE plan and its empowering strategies. The strategic objective of DEDTEA is building and strengthening of Regional local economic development. It is proposed that this be done by providing support to risk-sharing partnerships between enterprises that encourage growth and development and competitiveness within value chains. The intention is also to provide capacity-building education and training, and to create awareness through participation in various stakeholder platforms (Department of Economic Development, Tourism and Environmental Affairs, 2017, p. 28)

2.4.7 Ithala Finance Development Finance Corporation

Ithala Finance Development Corporation was formed in 1999, with its origins dating back to 1959 when the Bantu Investment Corporation was established by the state for the improvement of all black areas in SA. The main aim of Ithala is to drive financial development and empowerment of the people of KwaZulu-Natal by providing them with financial assistance and business support services (Ithala Development Finance Corporation, 2017). Ithala has a support development programme, Siyasebenza which assists entrepreneurs in KZN who are already running their businesses mostly under challenging circumstances. Siyasebenza provides Micro Finance loans from R25 000 to R500 000, and provide SMMEs training workshops on market research, business planning, funding your business and financial record keeping. Siyasebenza aims to stimulate entrepreneurship, to guide and grow business skills development and to contribute towards job creation (Ithala Development Finance Corporation, 2017).

2.4.8 Youth Employment Service (YES)

The minister of DTI issued a practice note for the application of the YES creativity under the modified B-BBEE codes of good practice, and this was gazetted in August 2018 (Department of Trade and Industry, 2018, p. 5). This amendment allows companies to gain more B-BBEE points based on the number of job opportunities formed for the unemployed black youth between the ages of 18 to 35, for a fixed period of twelve months. Most of the unemployed youth do not have any formal education and training skills and do not have matric. To be eligible for B-BBEE YES recognition, the entity must employ youth who were out of employment during this programme and the entity must prove that these youth have spent at least a full eight months on the job. (Empowerdex, 2018).

To participate in the YES Initiative, enterprises will need to be registered with YES non-profit company for monitoring and evaluation of the initiative. The entity must uphold its B-BBEE status level as issued by a SANAS indorsed verified agency, prior to being given points under the YES initiative. Work place experience gained by youth will be checked and assessed by the YES non-profit organisation, and it does not form part of learner ships, apprenticeships or internships (Department of Trade and Industry, 2018, p. 5). Below is a table describing how to gain B-BBEE recognition based on the ‘YES’ initiative:

Table 2.4 B-BBEE Recognition

B-BBEE Credit	
Attain Y.E.S. Targets and 2,5 % Absorption	Increase 1 B-BBEE level up recognition on the tally
Reach 1,5xY.E.S. Objective and 5% Interest	Change 1B-BBEE level up recognition on the scorecard + 3 plus points awarded to the total scorecard
Double Y.E.S. Targets and 5% Absorption	Transfer 2 B-BBEE levels up in recognition on the tally.

Source: <http://www.empowerdex.com> (Accessed: 15 May 2019)

Under the YES initiative entities are eligible to claim up to 50% B-BBEE recognition for skills development, which previously was 15% (Department of Trade and Industry, 2018, p. 6).

2.4.9 Integrated Small Enterprise Development Strategy (ISEDS)

The ISEDS was formed in 2005 at National level, with an objective of creating an atmosphere that lessens inequalities between city and country enterprises and to facilitate accessibility of funds by SMMEs in government programmes. It prepares small enterprises to conform to the challenges of international markets (Bryce, 2017, p. 21)

2.4.10 National Youth Development Agency (NYDA)

The NYDA was formed primarily to tackle youth challenges in SA and mainstream them in society. It was established by *Act no 54 of parliament* in 2008, with a vision to facilitate youth development in all sectors of the society. NYDA aims to support businesses that are owned and managed by youth in the ages of 14 and 35 years and to fund the existing enterprises (Bureau for economic research, 2016, p. 6). The NYDA assists and encourages youth to start-up businesses. It facilitates relations with existing government structures that offer programmes which may benefit youth entrepreneurs (Um, 2018, p. 28).

The NYDA has shifted its core mandate of issuing loans to finance young entrepreneurs to issuing of grants and the provision of education and skills development. Only the existing individual survivalists and youth cooperatives showing potential for growth are issued with grants between R1000 00 to R200 000, for agriculture and technology-related projects the maximum is R250 000. NYDA also offers scholarships to those who excelled at school. It provides career guidance programmes and increases the number of second chance opportunities for matriculants (National Youth Development Agency, 2015).

The government has instituted several initiatives and entered into various international trade agreements to fight unemployment, but the battle has not been won as yet. Stats SA reported that the unemployed rate in SA has increased by 0, 5% in quarter one of 2019 compared to quarter four of 2018, reaching 27,6% unemployment rate. The number of jobless people has increased by 62 000 reaching 6.20 million since the last quarter of 2018. Youth unemployment remains high, of the 20, 3 million youth between the age of 15 and 34, about 40% are unemployed, and there is an increase of 1, 8% compared to the last quarter of 2018. (Lehloenya, 2019). The reality is that these figures will increase dramatically under the present circumstances of the Corona Virus lockdown and great socio-economic repercussions are likely to ensue.

2.5 Theoretical Framework

The Theoretical framework is a blueprint that guides researchers to build their own research inquiry. Adom Hussein and Agyem (2019) compare the role of a theoretical framework to that of a map showing the path for a traveller. A theoretical framework guides a researcher to make acceptable scholarly contributions to research and not to deviate from the accepted confines of theories. It serves as a foundation upon which a research project is built (Adom, et al., 2018, p. 438). The study is based on the Social Justice Theory. B-BBEE policy is the consequence of the historical social discriminations (during the apartheid era), which is still affecting SMMEs in the South African economy (Pike, et al., 2018, p. 2). The theory of social justice will be discussed below.

2.5.1 Theory of Social Justice

‘Social justice is a significant part of social financial progress, economists and policy makers’ emphasis is mostly on social welfare, inequality on income and wealth distribution. The belief is that unfairness rather than inadequacy is the cause of distressed-economy’ (Li & Wang, 2020, p. 1). Social justice covers equity of rights, property and rules (Li & Wang, 2020, p. 4). The discussion earlier on page 12. Rawls, (1971) based the Theory of Social Justice on two principles, the first one states that each individual has to have the same right to basic freedoms compatible with the freedom of others. The second principle is that social and monetary imbalances are to be prepared in such a way that they are to everybody’s benefit and attached to levels and offices open to everyone (Rawls , 1971, p. 213). He defines social justice as the civil rights, fairness and equality in financial distribution. According to Rawls, 1999, social justice is the practise of receiving fairness and parity which is mainly led by government structures that implement the financial policies (Rawls, 1999, p. 234).

Social justice is defined as a fair and equal distribution of resources, authority and responsibilities in a community, irrespective of race or culture, gender, sexual orientation, age, talent, social position and religious or divine background. The principles underlying this theory include values of equal access to resources and opportunities, inclusion, partnership and cooperation. This forms the basis of a democratic society (Ayala, et al., 2016). Successful implementation of social justice requires carefully crafted public policies with nuanced understanding of political, legal and public and monetary systems of the state (Kent University, 2020). It is important for public administrators to embrace diversity during policy making

process, issues of race, gender, religion and cultural differences and sexual orientation must be discussed and understood as they can bar the success of the policies (Kent University, 2020). Public administrators should prevent and lessen inequality and injustice based on social characteristics, and promote social equity by creating equality in access to services, bureaucratic fairness, quality of service and social effects. Inequality diminishes trust in government by communities, diminishes social participation and corrodes social bond (Farazmand, 2017, p. 2)

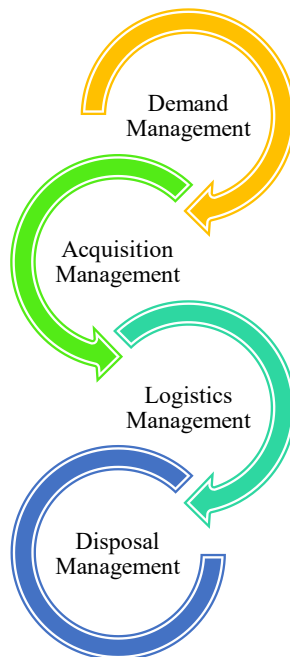
In SA the apartheid period gave rise to societal discriminations in business and job prospects in the financial markets. The African National Congress (ANC) government intended at converting the financial status of the country by enforcing importance on equal rights for all community as stipulated in the *Constitution*. Justice in human rights focuses on the connexion between persons and the government, prioritising protection for basic civil rights namely gender equality, equal admittance to learning and training institutions and economic participation and the respect for freedom (Li & Wang, 2020, p. 4). The government of the day gave priority to empowering SMMEs owned by previously disadvantaged communities to significantly reduce poverty and unemployment. Empowerment can be achieved in social, political or psychological contexts.

Social empowerment is to have access to supportive environment, information and skills, working resources and financial resources. Political empowerment is having a voice in how decisions are made in the administration of the country particularly in those aspects affecting the future, like the right to vote. Psychological empowerment is witnessed in individual strength based on the success in the political and social fields (Mkhize, 2012, p. 37). In advocating social justice it is important for public administrators to promote policies that address systematic barriers, provide equal opportunities and resources focusing on specific needs of communities (Kent University, 2020). B-BBEE is one of the policies which was implemented to address economic injustices of the past, by maximising economic opportunities for the historically disadvantaged communities and to maximise their sense of citizen's worth (Pike, et al., 2018, p. 2). It is important for public administrators to implement assessment tools to measure performance in public institutions and numeric scales to measure poverty in society to establish equality (Farazmand, 2017, p. 4). "Social justice belongs to social significance and financial growth belongs to economic value, both integrated into comprehensive social development" (Li & Wang, 2020, p. 12). The conceptual framework for the study will be discussed below.

2.6 Conceptual Framework

Regoniel (2015) describes Conceptual framework as a combination of various concepts from previous works on how to clarify a phenomenon. It identifies important variables to be investigated in the study and maps out how they each connect. The conceptual framework works as a plan that guides a researcher in realising the objectives of the study (Regoniel, 2015). It defines the connection amongst the key theories of a study. It is organised in a rational way and it presents a structure to provide a clear picture of how concepts in the research connects to one another. A conceptual framework represents a combined method of how a researcher will be exploring a problem in a study (Adom, et al., 2018, p. 438). Supply Chain Management (SCM) is a systematic method of buying goods and services adopted from the world of commerce by the South African government. It is a tool to safeguard uniformity, value for money, ethics and fairness, open advertising and accountability in the procurement process (Ambe & Badenhorst-Weiss, 2012, p. 11005). SCM's conceptual framework consists of four pillars, acquisition management, demand management, disposal management and logistics (Ambe & Badenhorst-Weiss, 2012, p. 11005). The SCM model is illustrated in figure 2.1 below showing flow in the procurement process in government and other institutions:

Figure 2.1 Supply Chain Management Conceptual Framework



Source: Ambe & Badenhorst-Weiss, 2012: p.20

2.6.1 Demand Management

Demand management is the initial step of the procurement procedure where buying preparation is done in the Department. At this stage strategic plans, objectives and budget of the Department are assessed to identify goods and services needed to achieve Departmental goals. An annual procurement plan is compiled, showing all items or projects to be procured, the budget available and the timelines for procurement in the financial year (Department of KwaZulu-Natal Treasury, 2014, p. 4) During this phase the focus is on understanding the future needs of the Department, on conducting market research to understand the range of available commodities on the market and on linking these with the available budget. Demand management ensures that goods are procured on time, in good quality and to the specification that matches the needs of the Department (Ambe & Badenhorst-Weiss, 2012, p. 11005).

2.6.2 Acquisition Management

Acquisition management devises a strategy in what manner the market is to be approached in sourcing goods and services. At this stage invitations for quotations and bids are solicited by advertising in newspapers, via tender bulletins or by fax inviting a minimum of three quotations. The advertising strategy depends on the value of the contract or commodity required (Department of Environmental Affairs, n.d., p. 10). Bid/quotation documents are compiled and made available to potential suppliers. On the closing date, quotations are evaluated based on awarding policy criteria. Orders and letters of award are issued at the end of this phase, and contracts are signed between the Department and the winning bidder (Kruger, 2011, p. 237).

2.6.3 Logistics Management

The function of Logistics is to order goods and to replenish stock, to receive delivered goods, to check if they are according to the specifications and in correct quantities, to sign delivery notes and to receive invoices (Department of KwaZulu-Natal Treasury, 2014, p. 5). All items received are coded, registered on the Departmental asset register, and then distributed to end users. Payment for suppliers is captured on the system, finally, invoices and copies of orders are forwarded to the finance section (National Treasury, Republic of South Africa, 2015, p. 17).

2.6.4 Disposal Management

Disposal management is the fourth pillar in SCM where all assets that are no longer usable, not required, have no value or that are economically expensive to retain are managed. The value of obsolete goods is kept on record (*Department of KwaZulu-Natal Treasury*, 2014, p. 6). A disposal plan is compiled, and a strategy to use in disposing items depends on the condition of assets. Assets still reusable can be donated, or auctioned for the Department to gain money or can be disposed off (*Department of Environmental Affairs*, n.d., p. 12).

2.7 Supply Chain Management Processes and Procurement Policies

Pauw, Woods, Gavin; van der Linde, Fourie, David; Visser, (2015) define procurement as a 'procedure of purchasing goods and/or services by means of commercial transaction'. Public procurement is therefore the buying of all required government services and goods. This may range from the buying of a pen to acquiring a building (Pauw , et al., 2015, p. 222). Proper management of the procurement process is extremely important because every transaction involves spending public money. The former minister of finance, Mr. Nhlanhla Nene, during the 2018 budget speech, reported that, in the 2017/18 financial year, government purchase of goods and services was valued at about R900 billion. The office of the chief procurement officer is responsible for ensuring that this budget is spent legally and is directed to support empowerment (*National Treasury*, 2018).

Public procurement in government institutions is placed within the SCM unit. SCM was implemented in 2003, as per the *PFMA Act of 1999*. The SCM's key aim is to maximise affordability and monetary value in the public purchasing procedure and in the discarding of assets (Reddy & de Vries, 2015, p. 245). SCM attempts to ensure that the procurement processes follow competitive, transparent, equitable, and cost effective and a impartial system as prescribed in *Section 217 of the Constitution* (Ambe & Badenhorst-Weiss, 2012, p. 11006). Without a transparent and a robust control system in SCM, there is a high risk that funds may be misused through corruption (Boshomane, 2016, p. 42). The government's strategy is to gear up procurement processes so that they can provide more support to small enterprises that did not benefit greatly from the award of business opportunities by government institutions before.

In the development of these entities, there are risks that need to be managed in the process. Reddy and Vries (2015) highlighted five risks. The first one is that government organisations need to safeguard that service delivery is not compromised by awarding projects to SMMEs

that do not meet the mandatory job criteria. The second concern is that procurement policies may be ignored in order to accomplish local economic development. Thirdly, the opening up of procurement by discussions of Departmental targets may lead to corruption and unnecessary political influence in tender processes and awards decision-making. Another danger is that sometimes a criterion might be introduced, that will end up benefiting big companies not SMMEs. Another risk is that some SMMEs may end up being dependent on government contracts for survival, which has been seen happening in SA. This dependency syndrome, leads to most small entities and cooperatives failing to grow. There is no sustainability when they fail to secure government tenders (Reddy & de Vries, 2015, p. 244). The tender process followed by government institutions under SCM framework involves three stages which will be discussed below.

2.7.1 Pre-bid

Pre-tender planning is the first stage in the procurement process. That's where a need is identified, what is required, is determined, and when and at what price. It is to be provided. A procurement plan is compiled for the whole institution, listing services and goods to be bought in that financial year and a budget is prepared for all the required services (*National Treasury, Republic of South Africa, 2015*). The bid specification committee (BSC) convenes consisting of four officials from different sections within the Department. The Bid Specification Committee, compiles specifications based on the request submitted by the end-user. BSC together with the end-user compiles functionality criteria to be utilised in evaluation of bids. The BSC compiles a procurement strategy, outlining how the bid will be sourced. When compiling a specification the BSC carefully ensures that the specification is a detailed full description of the commodity which is given in terms of sizes, performance, years of experience required suitable language for the commodity is used, no brand name must be mentioned to avoid bias (*Department of KwaZulu-Natal Treasury, 2014, p. 20*).

2.7.2 Bidding stage

At this stage, the bid is made public, the Department invites bids by advertising in at government gazette, in local newspapers and on the Departmental noticeboard. Bid documents are made available to all interested suppliers. The Department adheres strictly to the closing date and time, and no late bid is accepted (Pauw, et al., 2015, p. 232). On the closing date, a tender box is officially opened by two SCM officials. They record and stamp all documents

received (*National Treasury, Republic of South Africa, 2015*). All bids received will be scheduled for consideration by the Bid evaluation committee (BEC). The BEC consists of five senior officials from different sections including the SCM within the Department. In all committee sittings, there is a secretary responsible for recording minutes (*Department of KwaZulu-Natal Treasury, 2014, p. 20*). The BEC members will evaluate all bid documents received, checking compliance in terms of the specifications, they evaluate the allocation of points based on functionality criteria as listed in the tender document. They take account of the relevant skill and experience required and the financial capability. Suppliers meeting minimum functionality points, are allocated preferential points founded on their B-BBEE ranks and price quoted. The BEC then makes a recommendation to the BAC to appoint the most suitable supplier. The submission is signed by the BEC chairperson (*National Treasury, Republic of South Africa, 2015, p. 18*).

2.7.3 Awarding Stage

The final conclusion to award a tender is taken at a bid adjudicating committee (BAC). The BAC consists of senior managers, including the SCM manager. The BAC reads the reports made by the BEC, however, they are able to differ and to make different decisions from the BEC. The BAC can request BEC members to clarify any issues they are not clear on with regard to the evaluation done. Prior to the award of the bid an internal audit needs to check and verify if the process is was flawed or not. (Pauw, et al., 2015, p. 233). The winning bid must be advertised for 5 days providing an opportunity for any bidder who wants to appeal against the award decision to do so. Intention to award must be advertised in the same media sources used to invite the bids. Should there be an unsatisfied bidder, he or she must write a letter of appeal to the provincial treasury. When there is no appeal, the winning bidder must be issued with a letter of award, an order and a service level agreement, must be drawn up which must also include termination rules in this service level agreement. (*National Treasury, Republic of South Africa, 2015, p. 19*).

2.8 Summary

In this chapter various legislative frameworks were discussed, that were created to address historical economic imbalances of the apartheid era in SA. The chapter covered the SCM processes and procedures which constitute this implementation tool utilised by government to develop and grow SMMEs. However, there are several arguments about the suitability and the success of this strategy. The tender process has been associated with high levels of corruption

in the form of kickbacks received by government officials in return for awarding undeserving service providers. Illegal processes in awarding of tenders, contributes negatively to local economic development and results in poor service delivery and high unemployment (Reddy & de Vries, 2015, p. 335). Corrupt activities undermines the values of democracy, people's rights as outlined in the Basic Human's rights, ethical values and morality and also undermines the rule of law (Reddy & de Vries, 2015, p. 152). The theoretical framework forming the foundation of this study was also discussed in this chapter.

CHAPTER THREE – RESEARCH METHODOLOGY

3.1 Introduction

This section sketches the study method implemented in the research to enable the researcher to find responses to the research questions and to fulfil the research objectives. Research methodology is a technique utilised to classify, choose, process and examine data about the research topic (University of the Witwatersrand, 2019). Creswell (2014) defines research methodology as ‘a plan and a procedure that sketches the stages from broad research assumptions to meticulous methods of data collection, examination and interpretation’. The selection of the study approach is also founded on the type of study problem or concerns being attended, audience of the study and experience of the researcher (Creswell, 2014, p. 3). ‘Study is generally founded on some underlying philosophical beliefs about its validity and appropriateness of its research method that is used for knowledge development’ (Ndlovu, 2016, p. 35).

This chapter presents the methodological approach utilised in this study to collect data, on contributions made by procurement policies to grow SMMEs in the DPW and explains the rationale for using the particular method.

3.2 Research Philosophy

When a study is to be conducted, a researcher has views/ideas about a certain problem and they feel that something needs to be done to address the particular issue, or to prove that the existing theory is correct [or otherwise]. In undertaking a study, the researcher must have an approach concerning the connection of philosophy, study design and detailed method (Creswell, 2014, p. 6). Creswell outlines four different paradigms or worldviews researchers can follow. They are Constructivism, Post positivism, a Transformative viewpoint and Pragmatism. The Post positivist worldview method reduces concepts into minor separate sets to test, such as variables including hypotheses and study questions. It is reductionist and traditional in nature, mostly used with Quantitative research. However, this study adopted both Quantitative and qualitative approaches (mixed methods). In Post positivism a theory exists, then the researcher collects data, which either supports or does not agree with the theory (Creswell, 2014, p. 8). The study adopted this world view, by utilising secondary data, by analysing expenditure reports and by examining filed documents, and it displayed gathered data in the form of graphs and statistics reflecting growth of SMMEs in the KZNDPW.

The research also followed a Transformative worldview, which reflects ideas of critical theorists and participatory action researchers like Adorno, Marcuse, Habermas and Marx who mainly deal with marginalised minority groups of societies, like lesbians, gays, bisexual, transsexual, feminists, and socio economic class, racial and ethnic groups. This worldview focuses on the needs of individuals who might be marginalised or disenfranchised in a society. The research investigates the change in participants' lives, institutions where they live or work, and concentrates on change for the better. A Transformative worldview holds the belief that a research requires to focus on how to politically and socially address these injustices and inequalities at all levels (Creswell, 2014, p. 10). The study aimed to assess procurement policies based on the new legislation, which is supporting the development of historical disadvantaged groups. It aimed to establish if there is a positive or negative change in the economic status of SMMEs brought about by these policies. One of the goals of the democratic government is to transform the economic status and the living conditions of historically disadvantaged groups in SA.

3.3 Research designs

Research designs are types of investigation, which direct a path to be followed when conducting a study. It is a plan to answer the research questions (Creswell, 2014, p. 12). Sekaran (2011: 38) describes research design as a conceptual structure within which a study occurs. It creates the process and the plan for the gathering, measurement and scrutinising of data. The research adopted a Mixed Methods Design. Creswell (2014: 16) defines various types of mixed methods strategies, they are: convergent parallel mixed methods, transformative mixed methods, exploratory sequential mixed methods, explanatory sequential mixed methods, embedded mixed methods, and tipphase mixed methods.

The study adopted explanatory sequential mixed methods, where a researcher first conducts a quantitative exploration, examines the results and then shapes these with more explanation using qualitative research (Creswell, 2014, p. 15). The study adopted this approach because both secondary and primary data are important for this research. The researcher started by gathering secondary data from the KZNDPW payment database from expenditure reports and from filed documents and records. Then, interviews were conducted with relevant senior officials of the KZN-DPW to gather their views on the contribution of procurement policies to promoting SMMEs. Zulu (2017:69) states that the advantage of utilising a Mixed methods tactic is that it yields a more complete analysis of the data, including uncovering patterns,

deductions which involve testing theories and hypotheses, leading to uncovering the best sets of explanations for understanding the results (Zulu, 2017, p. 69) . Further elaboration is given below on the use of this approach in the study.

3.3.1 Quantitative design

Quantitative is described as a design process demonstrating the cause and effect of a relationship. The main aim of this approach is to categorise features, calculate them and create numerical models to clarify what is being detected (Bezuidenhout, 2018, p. 101). The intention of the study is to measure the contribution of procurement policies supported by the new legislation to give preference to historical disadvantaged enterprises during the bid processes in the KZN- DPW. The relationship is characterised by the number of tenders awarded to SMMEs and by the budget spent on these entities. Data was gathered from information systems utilised by the Public Works Department which store the project information from the inception stage, and all payment transactions until the project has been completed, known as Works Information Management System (WIMS).

The level of growth was checked and verified on the CIDB database. The KZN-DPW established the Eyesizwe contractor development programme (ECDP) in 2015, targeting all contractors in KZN who are listed with the CIDB from grade 1 to grade 6. Preference is given to enterprises owned by previously disadvantaged groups, prioritising women, youth, people living with disabilities and military veterans. The programme is aimed at promoting good governance for infrastructure planning and implementation to capacitate, grow and monitor emerging contractors. The study followed an empirical approach, based on archived secondary data. The KZN-DPW populated a closed database for these emerging contractors, with the specific aim of creating an environment that will allow them access to projects, growth and sustainability.

ECDP was designed also to capacitate contractors by providing them with skills training in financial management, knowledge of contract management, building relationships with financial institutions and insurance companies, having access to skilled labour, having financial and project track records, having recognised qualifications and improving their CIDB grading status. Certain projects were set aside for only contractors who are registered on the KZNDPW ECDP data base in each financial year.

3.3.2 Qualitative design

The researcher in a qualitative design focuses on getting an understanding from existing data but then, as the study continues, more analysis is undertaken and new information is gathered. Originally this type of design comes from sociology, anthropology, the humanities and evaluation (Creswell, 2014, p. 14). Crossman (2019) defines qualitative research as a social study that collects non-numeric data in order to understand social life or meaning, focusing on ‘why’ rather than on ‘how’, using a targeted population (Crossman, 2019). Qualitative research is intended to disclose a target audience’s perceptions with regard to particular subjects or matters. It utilises comprehensive studies of small crowds of persons, in-depth interviews with individuals, and group discussions to gather data to guide and support hypothesis. Interviews may be conducted via internet, telephone videoconferencing or can be undertaken person-to-person. The qualitative study results are descriptive rather than predictive (Qualitative Research Consultants Association, 2019). In addition to secondary data, the researcher utilised interviews to collect data from departmental officials.

3.4 Data collection methods

The study follows a mixed methods approach, utilising both a quantitative approach, adopting a deductive descriptive approach, based on longitudinal and document analysis as a means of data collection. The researcher also conducted structured interviews with the DPW to collect data. Creswell, (2014) defines data gathering as a procedure of pulling together information from applicable sources to test the hypothesis, to discover solutions to the research problem and to assess the result. There are two types of data that can be utilised in a research namely, Primary and Secondary data. Primary data is the new information collected during the study, and secondary data is the information that previously existed before the study was initiated and is available for the researcher to use. (Creswell, 2014, p. 112).

3.4.1 Secondary data

The researcher gathered information sourced from the payment system, and expenditure reports in the DPW. The information is longitudinal in nature, collected from 2015/16 to 2018/19 financial years. There are two payment systems in the KZNDPW, Works Information Management System (WIMS) which is an information system utilised by the Department solely for construction projects. It generates reference numbers for each project from the beginning, and monitors the payment stages of the project until the completion. Another system is Basic Accounting System (BAS), this is a government financial management system

introduced by the national treasury in 1992 to cater for the government's basic accounting needs in line with section 40(1) a of the PFMA. Government Departments utilise BAS for financial transactions, to draw up income statements and balance sheets, expenditure records, bank reconciliations and other financial activities. These records are utilised for financial analysis, controls, forecasting utilising the budget stored in BAS in excel format (Young Blood Consultants, 2013). The provincial administration of KZN also utilises BAS to comply with National Treasury Regulation 76 (4) b, which stipulates that an accounting officer must ensure that all financial transaction of an organisation must be supported by reliable and traceable source documents, clearly showing the correct accounting allocation (KwaZulu-Natal Provincial Treasury, 2013, p. 2).

Expenditure reports from WIMS were instrumental in the study, in calculating the amount spent on SMMEs in the DPW in the past financial years being observed for the study. Data was also collected from filed records to establish the pattern of bid awards at the DPW. Kumar, (2011:136) believes that it is important to go through existing documents in order to validate information and to argue points based on the proof drawn from relevant applicable cases. Documents give the correct names, and dates of the incident that happened, and also findings of previous research (Kumar, 2011: 136). Documents can also be utilized in order to make suggestions from other forms of evidence (Yin, 2014: 107). Information from filed orders, tender registers, contract registers, and records of committee minutes, was gathered to check and to verify the list of orders issued to SMMEs in the DPW in the past four financial years.

3.4.2 Interviews

The aim of an interview is to get the views, understanding and beliefs of an individual or a group of people on a particular subject (Bhasin, 2019). An interview is the most suitable method for studying complex and delicate issues, because the researcher has a chance to organise participants and to explain tricky questions to participants personally prior to the start of interviewing sessions. During interview sessions, a researcher can get deep evidence through probing and interrogating the participants. Misinterpretations are minimal, because the interviewer can reiterate a question, or use an example to simplify the question for participants to understand. A researcher can add more information collected from interviews to data collected during surveillance/ observation sessions (Kumar, 2011, p. 142).

Interviews are generally the most common data collection tool utilised, in qualitative study consisting of three styles, the structured interviews, unstructured, semi-structured, and

ethnographic interviews (Creswell, 2014, p. 114). Structured interviews are predetermined, they may not be altered during interview sessions. No follow up questions may be asked by a researcher to get further clarity on the matter. The researcher requires more time to prepare such questions in order to get maximum information from participants. Unstructured interviews are conducted with little or no preparation, they are in a form of regular conversations between two people. Semi-structured interviews are a mixture of both unstructured and structured interviews. It is flexible in nature, the researcher prepares a list of questions for interview and during the session he or she may ask follow- up questions to get more clarity on the matter (Bhasin, 2019).

In this study structured interviews were conducted with five DPW officials who are relevant and members of the bid committees, from SCM, Procurement Infrastructure and BEE administration sections. The aim of interviewing these officials was to get more understanding about the DPW strategies for boosting local economy through SMMEs and their perceptions about the role of procurement policies in accelerating opportunities and growth of SMMEs. The researcher prepared an interview schedule, based on the advantages highlighted by Farooq (2013) on utilising this tool. An interview schedule leads to more responses, accurate information can be collected when utilising this tool, there is less biasness, and there is personal contact between participant and researcher which helps in discussing more difficult matters (Farooq, 2013).

3.5 Unit of analysis

The number of tenders awarded to SMMEs per financial year, and the amount spent from budget on SMME per financial year was used as a unit of analysis in describing the relationship between procurement policies and growth of SMMEs in the KZNDPW. The total number of contractors in the ECDP database is 3186, consisting of 1481 women contractors and 1415 youth contractors. The requirements for contractors to be admitted to the ECDP, include a contractor being registered with CIPRO, CIDB, and the CSD, and to have a valid tax pin supplied by the South African Receiver of Revenue (SARS). If appropriate the company must provide proof of disability or must produce a military veteran's certificate if relevant. The company must not be blacklisted by the CIDB or by the National Treasury as a defaulter. Admitting multiple entities owned by one person in the programme is not allowed. The database was opened only to entities from grade 1 to grade 6 as per CIDB grading system. In

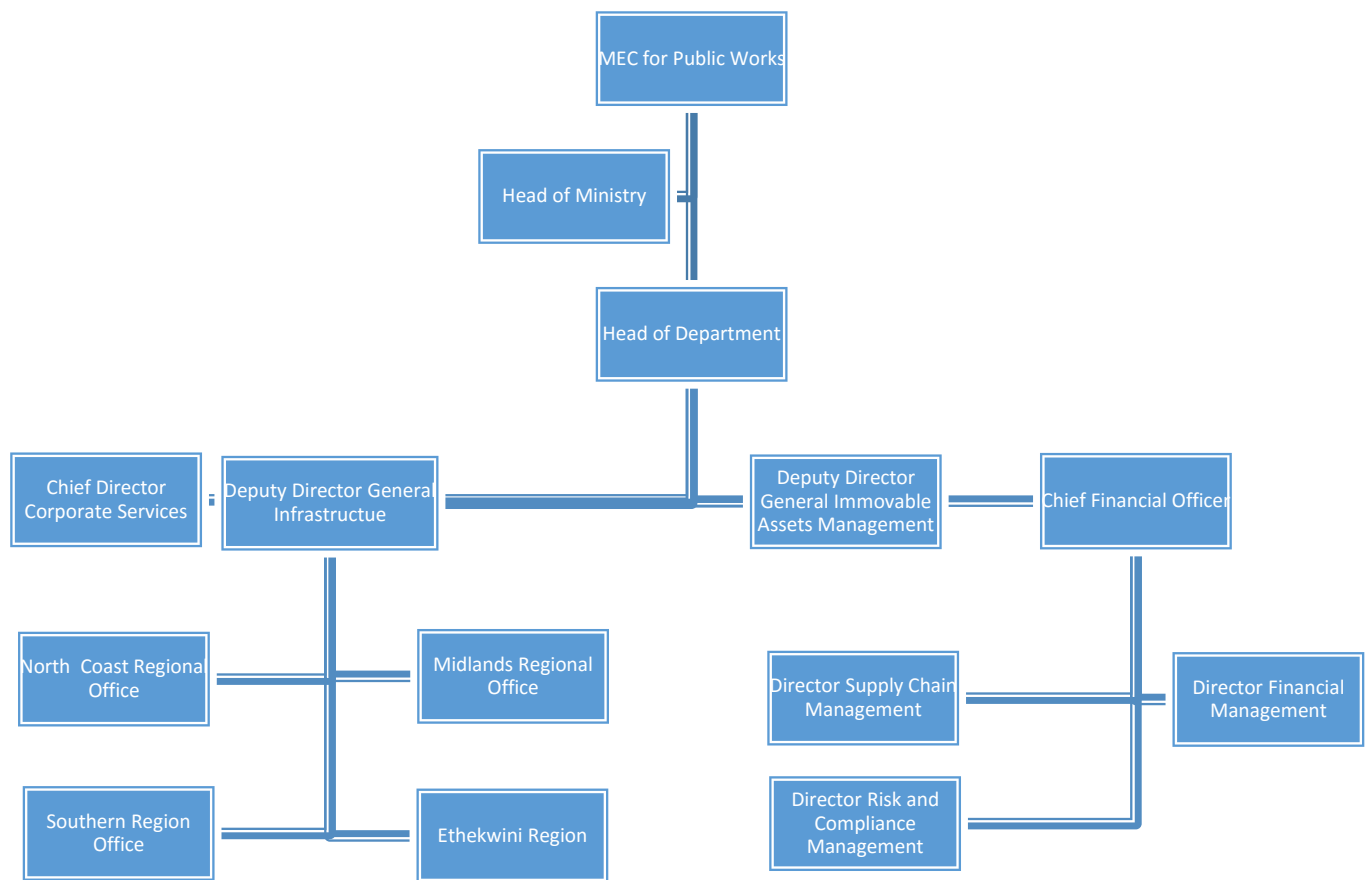
prioritising local economic growth and spreading the work opportunities, contractors' are allowed to register only in one district out of the four regions within the KZNDPW.

3.6 Study site

The study took place at the Department of Public Works head office, in Pietermaritzburg. The KZNDPW's vision is to have an inclusive budget through maintainable construction growth and facilities management. The undertaking is to better the living conditions of the societies of KZN through maintainable construction expansion and facilities management (KwaZulu Natal Department of Public Works, 2016). The KZNDPW operates as an implementing agent on behalf of other Departments. It is responsible for construction works in the province, the biggest clients are the Department of Health and Education. The Client department submits its construction plan plus budget to the KZNDPW a year earlier. The KZNDPW is then responsible for sourcing professionals in the built environment mostly in the form of consultants to do the actual structural plans, project schedule and materials that will be required for that project and to cost it. Thereafter, it must source a suitable contractor to execute the work. The KZNDPW manages the project from the inception until its completion, it can be building, structural or renovations.

Figure 3.1 below presents the layout of the KZNDPW and relevant sections where the research was conducted.

Figure 3.1 Organisational Structure of the KZN Department of Public Works



The Department of KZNDPW consists of four regional offices across the province. Under these regions there are district offices spread along the province, to ensure that service delivery is within reach even to rural areas.

There is a North Coast regional office situated at Ulundi, with three district offices in UThungulu, uMkhanyakude and Zululand district office. The second region is the Midlands region, situated in Ladysmith, consisting of three district offices in UMzinyathi, Amajuba and UThukela district office. The third region is EThekweni regional office, situated in Durban. It has two district offices one in KwaMaphulo and EThekweni district office. The fourth region is Southern region office, which is in Pietermaritzburg, consisting of three district offices under this region, these being the UGu district office, UMgungundlovu and Harry Gwala district office. All these offices report to the head office in Pietermaritzburg. (KwaZulu Natal Department of Public Works, 2016).

The study was conducted in the Supply Chain Management section (SCM) which is the unit responsible for procuring goods and services for the organisation.

3.7 Sampling

Creswell, (2014) describes sampling as a process of choosing people or an organisation that will participate in the research. A sample should reflect all the dynamics of the people where a study is conducted. A researcher gathers study information from this group. There are different methods of sampling available to a researcher. There is the single sampling method whereby a researcher has access to information of the people in the area and can directly sample them. The study utilised this sampling system. The researcher had access to the ECDP database, where all details of emerging contractors are listed. Another type is random sampling, where a researcher can select anyone in the community. Everyone in random sampling, has an equal chance of being selected. There's also systematic sampling, whereby a researcher selects, for example, two people after every 20 people. A researcher must consider specifications of the study carefully before conducting sampling. Some research requires stratification of the population, or might require selecting a person based on gender (Creswell, 2014, p. 158)

3.8 Target population

The target population is a group of people of interest which a study seeks to make statistical corollaries. The target population is defined by research elements, geographic location and time frame of the study (Sekaran & Boegie; 2013). The target population for this study was 3186 entities registered in the ECDP database in the KZNDPW. This group is between grades 1 to grade 6, according to the CIDB grading system. In terms of the *CIDB Act no (38 of 2000)*, all contractors registered with the CIDB are categorised based on their financial and work capability. There are various types of work a contractor can register for on the CIDB. These options will be discussed below, in a table format.

Table 3.1 CIDB Classification of Works

Definition	Type of Works
<p>Civil Engineering (CE)</p> <p>This involves mainly construction works dealing with material such as steel, concrete, earth & rock, and their usage in the installations, additions, development, maintenance, renovations or disassembling of structures and engineering infrastructure,</p>	<p>They construct structures such as dams, bridges, cooling towers, harbours, Railways, roads, water, sewerages, urban development and municipal services.</p>
<p>Electrical Engineering Works-Building (EB)</p> <p>This part of work involves installation, repairs, extension or modification in any buildings utilised for the diffusion of power energy from a point of regulator to a point of usage.</p>	<p>Making electrical connections in buildings/ structures, ranging from cable jointing, wiring, and electrical over headline construction. Evaluation and certification of electrical installation on sites.</p>
<p>Electrical Engineering Works-Infrastructure (EP)</p> <p>This is building work which cannot be classified as EB, it involves development, installations, extensions, alterations or disassembling of engineering infrastructure relating to generating, diffusion and distribution of electricity.</p>	<p>It is electrical power generation in substations and protection systems, townships reticulations, streets and area lighting, and diffusion lines.</p>
<p>General Building Works (GB)</p>	

This type of work primarily involves construction works in development, renovations, extensions, and demolitions of permanent structures.	It involves buildings and ancillary works for industrial, domestic, institutional or commercial occupancies.
<p>Mechanical Engineering Works (ME)</p> <p>This construction work deals with installations, removals, development, extension, alterations, and renewal of engineering infrastructure for metallurgical works, chemical works, gas transmission and distribution, heating and cooling, solid waste disposal, industrial, food processing and material control.</p>	<p>Machines system includes the setting of building interiors, air conditioning and mechanical air circulation, boiler installation and vapour circulation, dust and sawdust extraction and laundry equipment.</p> <p>Continuous procedure systems including chemical works, acid plants, metallurgical works equipment and apparatus, rocks, minerals, petroleum and other chemical processes.</p>

Source: <http://www.cidb.org.za> (Accessed: 15 October 2019)

Contractors are graded from grade 1 to grade 9, and the register provides a limit of a tender value each category can undertake. The register monitors contractor development and works as a risk management tool for the public sector. The registration is valid for three years, and is renewable (Moola, 2019, p. 1).

The new CIDB adjustments will be displayed in table 3.2 below;

Table 3.2 Regulation 17 CIDB Tender Value Adjustments

Grade	Current upper value tender limit	Approved adjustment
1	R200 000	R500 000
2	R650 000	R1 000 000
3	R2 000 000	R3 000 000
4	R4 000 000	R6 000 000
5	R6 500 000	R10 000 000

6	R13 000 000	R20 000 000
7	R40 000 000	R60 000 000
8	R130 000 000	R200 000 00
9	No limit	N/A

Source: <http://www.cidb.org.za> (Accessed: 15 October 2019)

In pursuit of work, entities may combine together and form a joint venture for that particular project they wish to tender for. CIDB gives a guide on how to form a joint venture, for example three level 3 entities may be in a joint venture and tender for a level 4 work. The amendments of Regulation 17 of 2013 have recently been adjusted as displayed in the above table 3.2 the implementation date of the newly revised values was 07 October 2019.

3.9 Sampling strategy

A sample is selected from a population of interest, where a study will be conducted. Sampling method/ strategies has two types, probability and non-probability. The study selected a 3186 sample based on the target population which are grade 1 to grade 6 entities on the ECDP register in the KZNDPW. This group was selected based on the fact that it was established with the aim of providing an opportunity to historical disadvantaged SMMEs to participate in the economy, to grow and to achieve sustainability. This was to be achieved by utilising the PFMA legislated procurement policies in awarding of tenders in the organisation. The sampling method utilised was non-probability sampling, which includes purposeful sampling, whereby participants are selected in a study with an understanding that they will offer productive data relevant to the study (Creswell, 2014, p. 158). The study applied a single-stage technique in selecting KZNDPW because of the knowledge that expenditure records of the target population entities were kept on the WIMS system in the KZNDPW which is a valuable information for addressing one of the research questions on how much budget was spent on SMMEs by the KZNDPW during the research period.

3.10 Data Quality Control

The information quality check was done after the researcher had collected all relevant data. The researcher checked the credibility of data by scrutinising information, dependability was checked by reviewing transcripts, recordings and minutes taken during meetings held with participants. Authenticity was verified by the researcher, by checking references of information

gathered and by sending a report back to participants to ensure that the views were not biased. Conformity was observed by the researcher through connecting information to the foundation (Creswell, 2014, p. 188).

3.11 Data analysis

Data analysis is a procedure of examining all information collected during investigation with the aim of drawing a conclusion (Creswell, 2014, p. 164). It is a process of arranging order to the collected data (Bezuidenhout, 2018, p. 110). Information was collected and analysed using excel database. A Numeric analysis was undertaken to establish numbers of awards made to small enterprises for the past four financial years. Descriptive analysis of data was given in the form of a spreadsheet and a graph showing the number of bids awarded to small enterprises. The study used thematic analysis in analysing qualitative data.

3.11.1 Thematic analysis

Thematic examination is a process of categorising, analysing and reporting on patterns within information. Thematic analysis assisted the researcher to narrow down the research data to patterns and to the outlining of the research questions and in this way researchers gain more insight and knowledge from data gathered (Komori, n.d.). The researcher adopted this system to analyse qualitative data collected during the interviews. Braun and Clark, 2006 state that there are six steps to follow when conducting thematic analysis. A researcher can skip any of the steps, this is not a linear model, and the analysis is a recursive process (Clarke & Braun, 2013).

Familiarisation with the information, it is imperative for the scholar to read and re-read, and listen to audio recorded material if there is any and to become very familiar with their data,

Coding, is a process of data reduction, it involves creating labels, and coding of every datum of information highlighting important features applicable to the research questions.

Searching for themes. This step involves identifying similarities and patterns within the data, which are applicable to research questions,

Reviewing themes, the researcher needs to reflect on each theme and check if it tells a convincing story about the data and establish if there is a relationship between individual themes

Describing and identification themes, the scholar analyses and transcribe a comprehensive meaning for each theme in the overall story of data,

Writing Up, is a final step of telling the reader a rational lesson about the information, and contextualising this relative to the present literature (Clarke & Braun, 2013).

3.12 Significance of the research

The research sought to discover the contribution of procurement policies in the growth of SMMEs in the province of KZN based on a KZN-DPW case study. This was motivated by government efforts in the development of SMMEs whilst the unemployment rate continues to rise. The research seeks to contribute to the body of knowledge by providing data -supported evidence of strengths and weaknesses of the legislated procurement policies. The study target population was 3186 emerging contractors listed in the ECDP database in the KZN-DPW. The main focus was on B-BBEE and PPPFA. The contribution was measured by the level of growth of these contractors during the four financial years of the study.

3.13 Ethical Consideration

Ethical clearance to undertake this research was duly approved by the University of KwaZulu-Natal Research Committee. In compliance with the procedures and regulations of the University in conducting research, data collected during the study was kept confidential and only used for the purpose of the research.

3.14.1 Permission to conduct a research

The research involved the usage of secondary data which included collection of data from the expenditure reports, filed records, and document analysis from the KZNDPW. This information is filed safely and the accounting officer is the custodian of such information. The researcher was granted approval to conduct a study and access to such information by the Head of the KZNDPW. The gate keeper's letter is attached as annexure 1.

3.14.2 Informed consent

Informed consent is the main principle of an ethically appropriate study. It informs the participants about the objective of the interview and their rights to partake voluntarily in the study (Bezuidenhout, 2018, p. 115). In this study the informed consent forms were handed to

the participants prior to the start of interviews, and the procedure to be followed was explained. The participants were assured that their identity would be kept confidential and they had a right to pull out from the study at any stage. They were advised that their views would all be used for study purposes only.

3.15 Limitations of the study

The research is based on evaluating the relationship between two variables, the new procurement policies and the growth of SMMEs. The study is mostly dependent on secondary data, bid documents are regarded as confidential information and are always kept safe for audit purposes. Accessing this information may pose delays as permission must be granted first and sometimes there are passwords required in order to access spreadsheet payment reports. Sometimes such information is regarded as confidential which might pose a timelines challenge to the study. This challenge was overcome by the fact that the researcher works in the same organisation and has knowledge of which officials to contact for the granting of authorisation to access filed documents.

In gathering qualitative data, the researcher had to conduct interviews with five senior officials, securing interview appointments with these officials was challenging because of their tight and busy schedules. This was managed by the good working relationship the researcher has with fellow colleagues, and was able to secure sessions with personal assistance of these officials. The researcher had an advantage of working in the same organisation and was always available to meet even out of scheduled meetings with these participants. Another challenge that can have a negative effect on the research is the issue of fronting. Fronting is when previously advantaged people register companies under names of black people. Those companies may be counted amongst small enterprises benefiting from the system yet that will not be a true reflection of the real situation. This challenge will be difficult to prevent.

3.16 Chapter Summary Conclusion

This section has layout the study plan which was followed in uncovering the progress on the implementation of the legislative framework in support of upliftment of SMMEs. One of the priorities of the current government is to create business opportunities for historical disadvantaged communities to actively participate and contribute to the economy of country. The research adopted Transformative worldview which focuses on marginalised groups in society, and research about changes in their lives. The study also focuses on evaluating changes

in businesses owned by SMMEs after the introduction of financial policies aimed at uplifting HDIs in SA. To conduct this analysis, the study followed a mixed method approach, where secondary data will first be gathered and analysed then interviews be conducted to fill any gaps from secondary data analysis. Data collection and analysis instruments were discussed, giving a clear direction to the study. The data collected and findings will be highlighted in the next chapter.

CHAPTER FOUR-DATA PRESENTATION, ANALYSIS/INTERPRETATION AND FINDINGS

4.1 Introduction

This section outlines secondary and qualitative information gathered by the researcher during the study period. The chapter deals with four phases of the study, the presentation of data, descriptive statistics, the annual budget expenditure analysis and interpretation of data and findings. Data is outlined in the form of graphs and tables. In an attempt to answer three study questions, the approach followed was collecting quantitative data, from the existing files, records, excel database where information of contractors participating in the programme is kept. Expenditure reports were analysed, from the information collected on payment records which are BAS and WIMS systems utilised by KZNDPW. The researcher finalised the data collection process by conducting structured interviews with five officials of the KZNDPW who were members of SCM committees participating in bid awards process. Data collected during interview sessions will also be presented in this chapter.

The numerical descriptive and statistical analysis of budget expenditure over the four financial years will be tabled below, and trends of expenditure analysis will be presented in graphs. Findings will be discussed at the end of this chapter, where the study questions are re-visited.

4.2 The presentation of quantitative data

Table 9 below presents numerical descriptive of statistical analysis of the number of bids awarded to contractors participating on ECDP in the past four years. The values of bids awarded for each financial year is displayed below. Figure 4.1 displays an annual expenditure trend analysis graph based on the Table 4.1 expenditure report.

Table 4.1 Budget Expenditure Analysis

Financial Year	UOM	Bid Award Analysis			
		2015/16	2016/17	2017/18	2018/19
Number of Bid Award		1 261	1 534	841	597
Actual Value of Bids	R'm	3 094	3 903	1 610	1 189
Average Bid Value	R'm/Bid	2,45	2,54	1,91	1,99

Figure 4.1 Annual Expenditure Trend Analysis

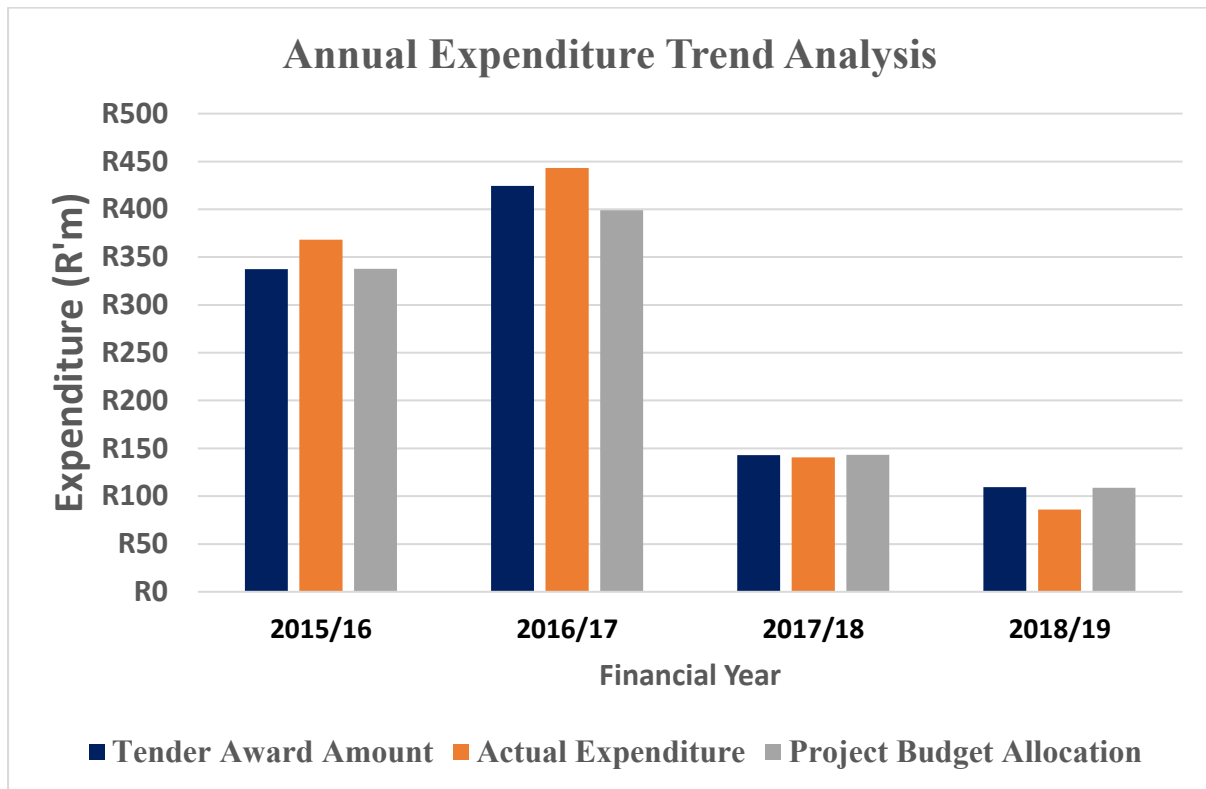


Table 4.2 Service Providers and CIDB Grades

CIDB Grading	Number of CIDB of Graded Service Providers			
	2015/16	2016/17	2017/18	2018/19
1	307	445	366	248
2	513	565	307	225
3	164	130	59	35
4	173	165	68	58
5	27	44	7	12
6	71	159	23	13
None identified	4	13	10	4
Total	1 259	1 521	840	595

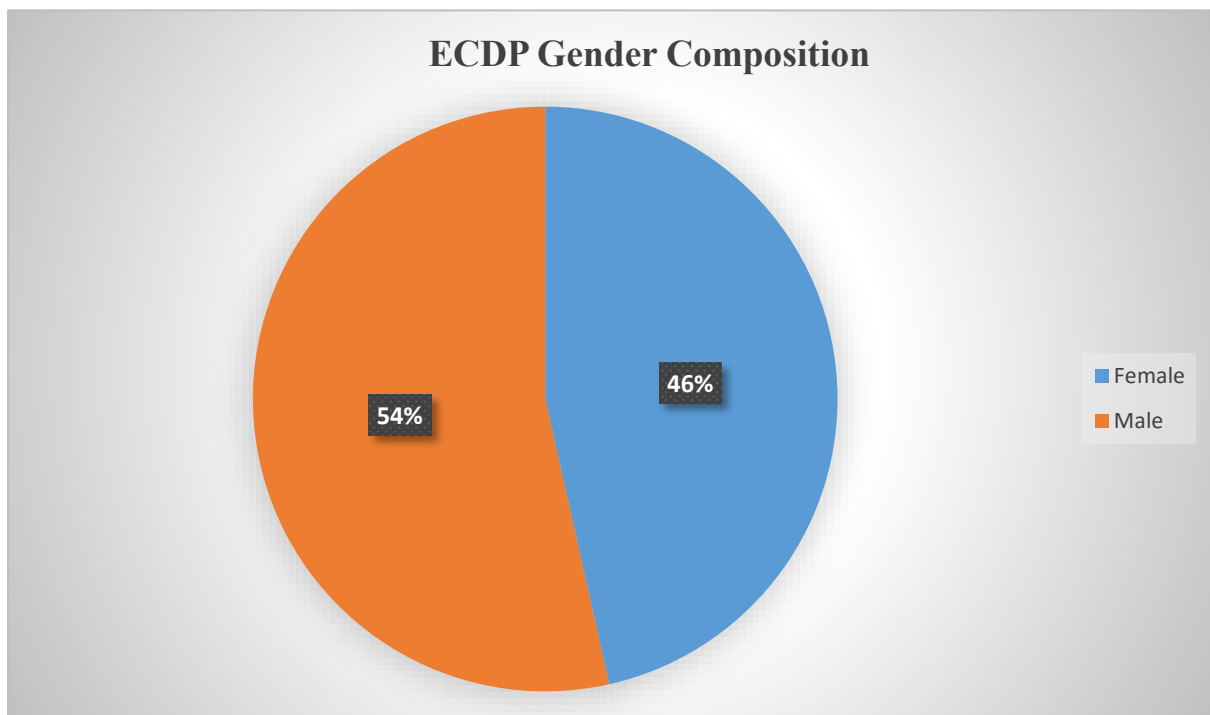
Table 4.2 above presents the number of service providers awarded work on ECDP from 2015/16 financial year to 2018/19 financial year, with CIDB grading. During the process of

data collection, it was discovered that on the database some contractors were not classified according to their CIDB grading. These numbers of these contractors are reflected on the table above as none identified.

4.2.1 Gender representation of ECDP in the KZN-DPW

The gender composition of participants in the ECDP is presented in figure 4.2 below;

Figure 4.2 KZN-DPW ECDP Gender Composition



The dominating gender of contractors participating in the ECDP is male, comprising of 1705 making 54% of the 3186 participants. Females are a smaller group on the database, represented by 1481 contractors which makes 46% of the total number of 3186.

4.2.2 Race representation of the ECDP in the KZN-DPW

Figure 4.3 below represent racial demographics of population represented on the ECDP database in KZNDPW:

Figure 4.3 KZN-DPW ECDP Race Representation

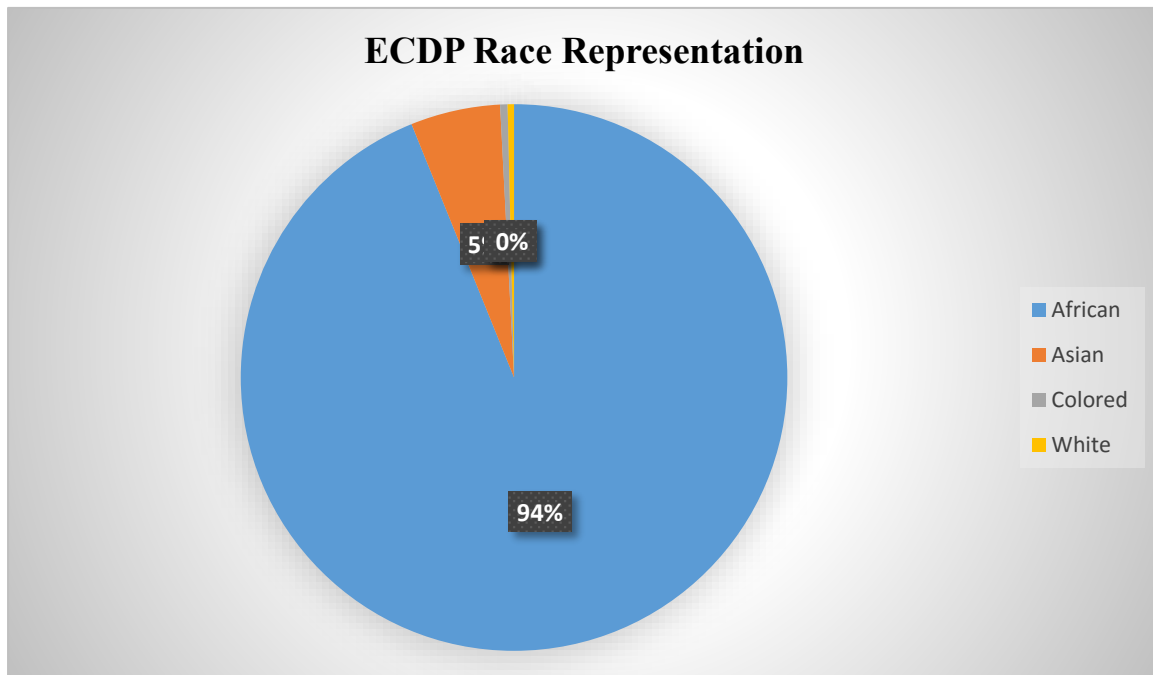


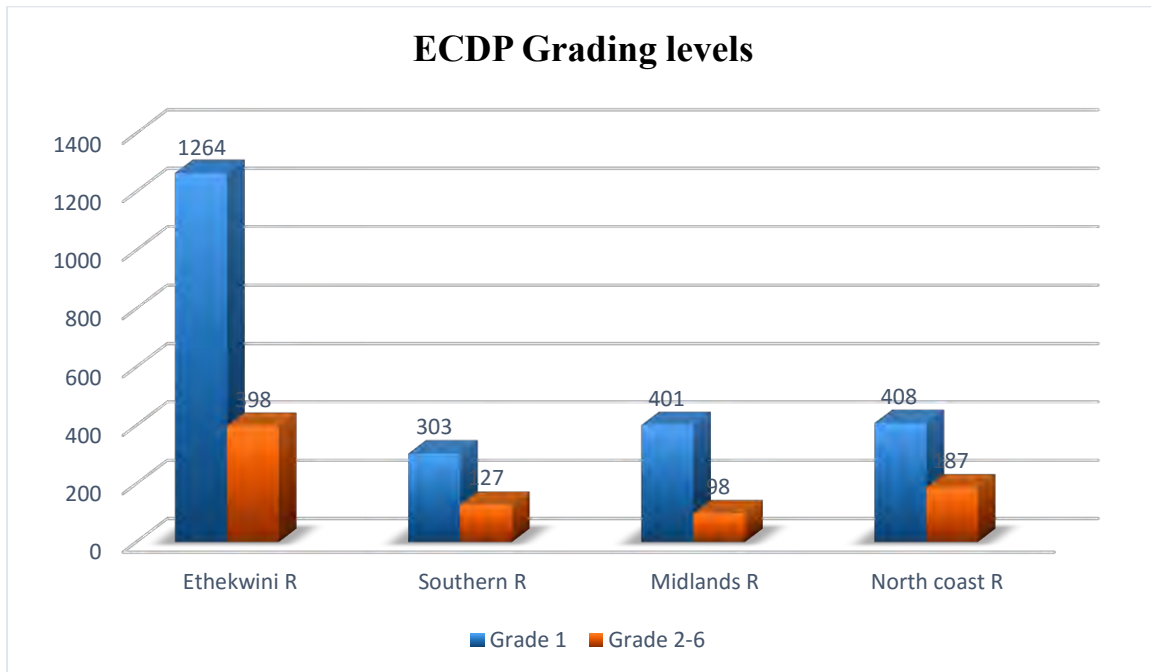
Figure 4.3 above shows that African group dominates the ECDP database which is in line with the statistics of the province stating that the black African population in KZN enjoys the vast majority of 87%, followed by the Asian group 7,4% and whites forms 4,2% the smallest group being the coloureds forming 1,4% (Statistics South Africa, 2011, p. 28). In the KZN-DPW ECDP database, the African group enjoys 94% majority with a total number of 2991, followed by Asian group 169, coloured 14 and 12 white's firms out of 3186 entities. Entities in the ECDP composition is in line with the targeted groups as stipulated in PPPFA number 5 of Regulation 2017 which stipulates that preference during government tender processes should be given to designated groups categorised as EME or QSE which is 51% owned by Black persons, black people staying in rural parts or underdeveloped areas or settlements, black persons who are women, black societies who are youth, black societies with disabilities, black persons who are military veterans, and cooperatives which are 51% owned by black people (National Treasury, 2017, p. 28)

4.2.3 The formation of ECDP database grading levels by regions

In each region contractors are represented from level 1 to level 6 as per CIDB grading. Each contractor can be registered on the CIDB database for more than one class of work. A contractor may specialise on two categories, for example mechanical engineering works (ME) and general building works (GB). In the register, the contractor will be graded as per each class

of work, for Example Company A may be Level 4 GB and level 2 ME, depending on the amount of projects done and capabilities.

Figure 4.4 ECDP Grading Levels



The graph above shows the representation in each region, grade 1 contractors are in majority in all the regions. Based on figure 10 above EThekwini region has more participants in the ECDP than other regions, followed by North coast, slightly followed by Midlands and the region with smallest numbers is Southern region.

4.2.4 Projects awarded to the ECDP contractors in 2015/16 financial year

The table below displays the categories of projects that were awarded to contractors in the ECDP database and amounts spent.

Table 4.3 Projects awarded to ECDP contractors in 2015/16

Project Description	Budget Spent	Women Owned Entities Awarded	Youth Owned Entities Awarded
Maintenance	R10 000 000	20	21
Storm damage	R80 000 000	7	9
School Fencing	R31 000 000	37	31
Sanitation	R907 000 00	7	10
Total	R121 907 000	71	71

In the 2015/16 financial year, the KZN-DPW awarded 1208 projects to entities on the ECDP database. The expenditure report reflects that the budget spent was R121, 907 000 as displayed on the table above. Women owned entities were awarded 71 projects and youth owned were also awarded 71 projects. The rest of the projects were awarded to other groups on ECDP.

4.2.5 Projects awarded to the ECDP contractors in 2016/17 financial year

Table 7 below displays the categories of projects that were awarded to contractors on the ECDP database and amounts spent:

Table 4.4 Projects awarded to ECDP contractors in 2016/17

Project Description	Budget Spent	Women Owned Entities Awarded	Youth Owned Entities Awarded
Maintenance	R22 000 000	8	9
Storm damage	R104 000 000	15	9
School Fencing	R109 000 000	38	35
Water Sanitation	R36 000 000	18	12
Repairs and renovations	R68 000 000	18	5
Electrical repairs	R14 000 000	12	10
Total	R353 000 000	109	80

Figure 4.5 The ECDP 2016/17 Expenditure Report

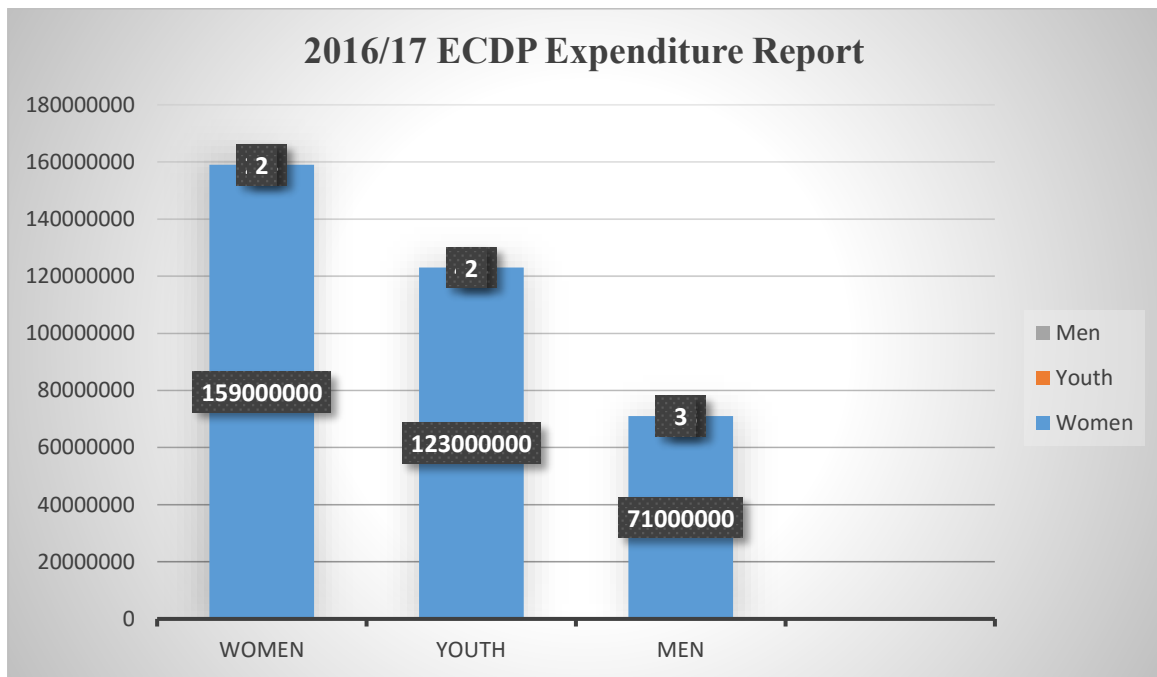


Figure 4.5 above, shows that the KZNDPW awarded 1563 projects to entities in the ECDP. The budget spent on those projects was R353 million, almost twice the amount spent in the previous financial year. A Large portion of the budget was spent on women-owned entities, amounting to R159 million making this 45% of the total amount. Followed by youth entities who were awarded projects worth R123 million, 35% of the total budget. The smallest group was men-owned entities with projects valued at R71 million, 20% of the budget.

4.2.6 Projects awarded to the ECDP database in 2017/18 financial year

In 2017/18 financial year the KZN-DPW set aside projects worth R500 million to benefit the ECDP contractors. However there was a huge budget cut from the client departments, which resulted in R199, 2 million expenditure. Only 848 projects were awarded to ECDP contractors.

Figure 4.6 The ECDP 2017/18 Expenditure Report

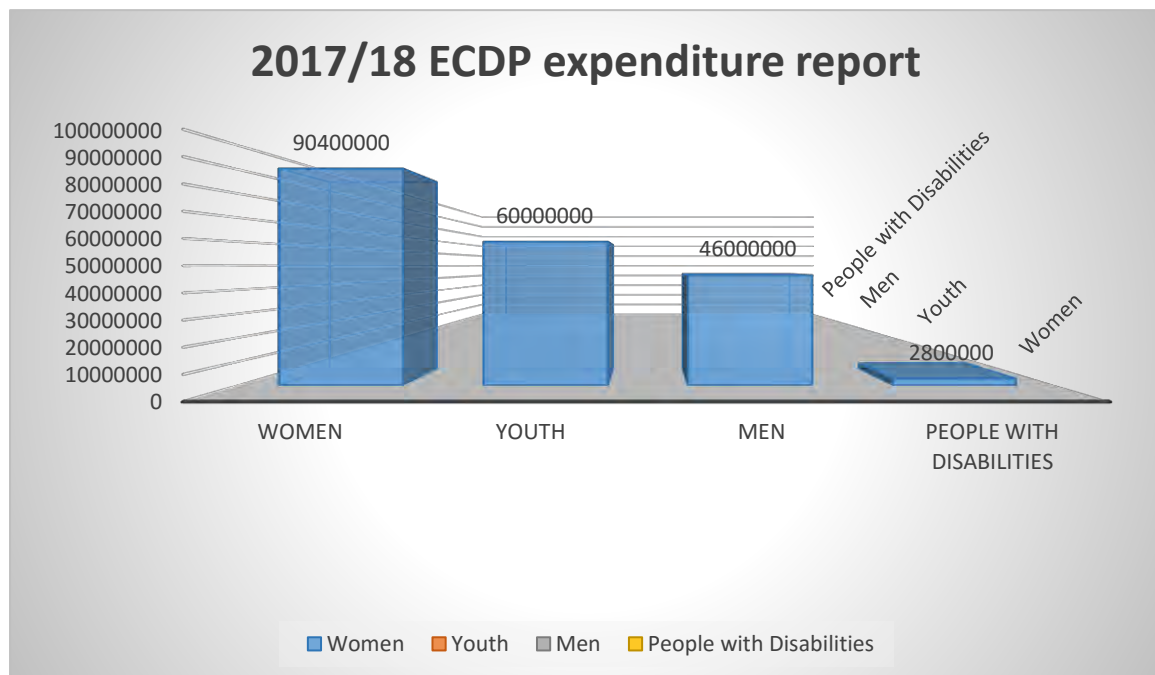


Figure 4.6 shows that R90, 4 million worth of projects were awarded to women-owned entities, 45% of the total budget. Youth-owned entities were awarded R60 million followed by men - owned entities that were awarded R46 million worth of projects. The smallest portion was awarded to people with disabilities, projects worth R2, 8 million making 1, 4% of the whole budget in the financial year.

4.2.7 Projects awarded to the ECDP database in 2018/19 Financial Year

In this financial year fewer projects were awarded, 612 to contractors on the ECDP due to continuation of non-budget availability of budget from client departments.

Figure 4.7 The ECDP 2018/19 Expenditure report

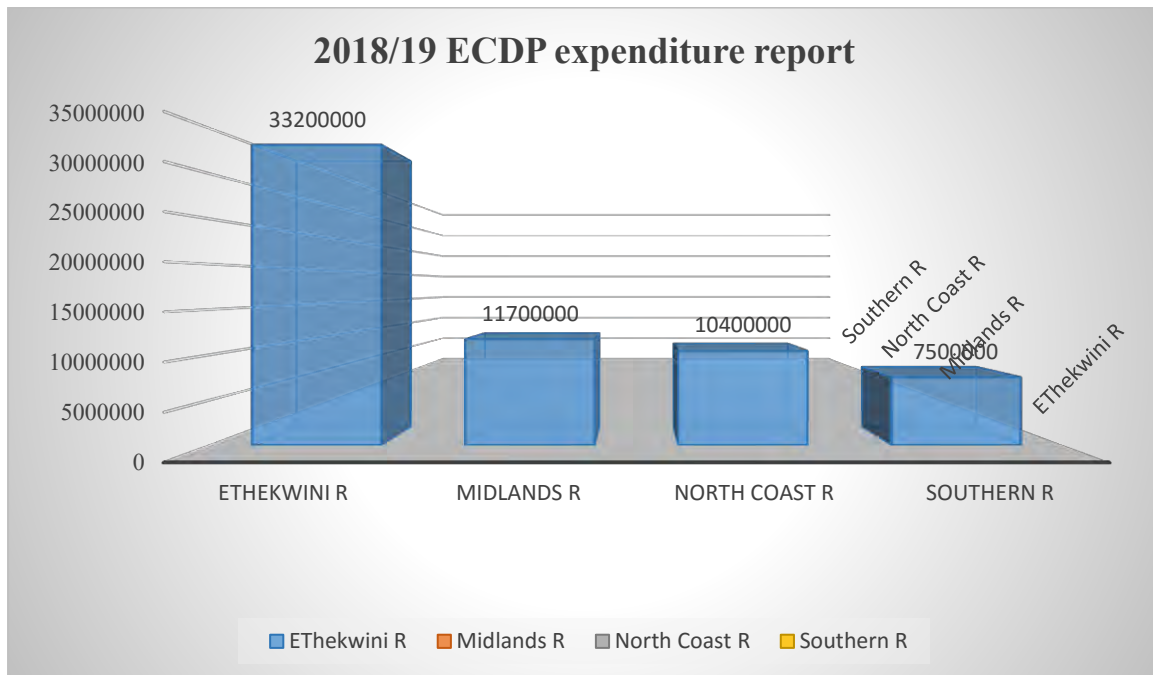


Figure 4.7 above reflects a total budget spending of R62, 8million on projects awarded to the ECDP contractors. EThekweni region leading all the regions, which is in line with the population on the ECDP database.

4.2.8 Overall Expenditure on the ECDP Contractors

The overall expenditure by the KZN-DPW on the ECDP contractors in the past four financial years will be explained. Figure 4.8 will provide a spending analysis and the number of contractors benefitted during the period.

Figure 4.8 The ECDP Spending analysis

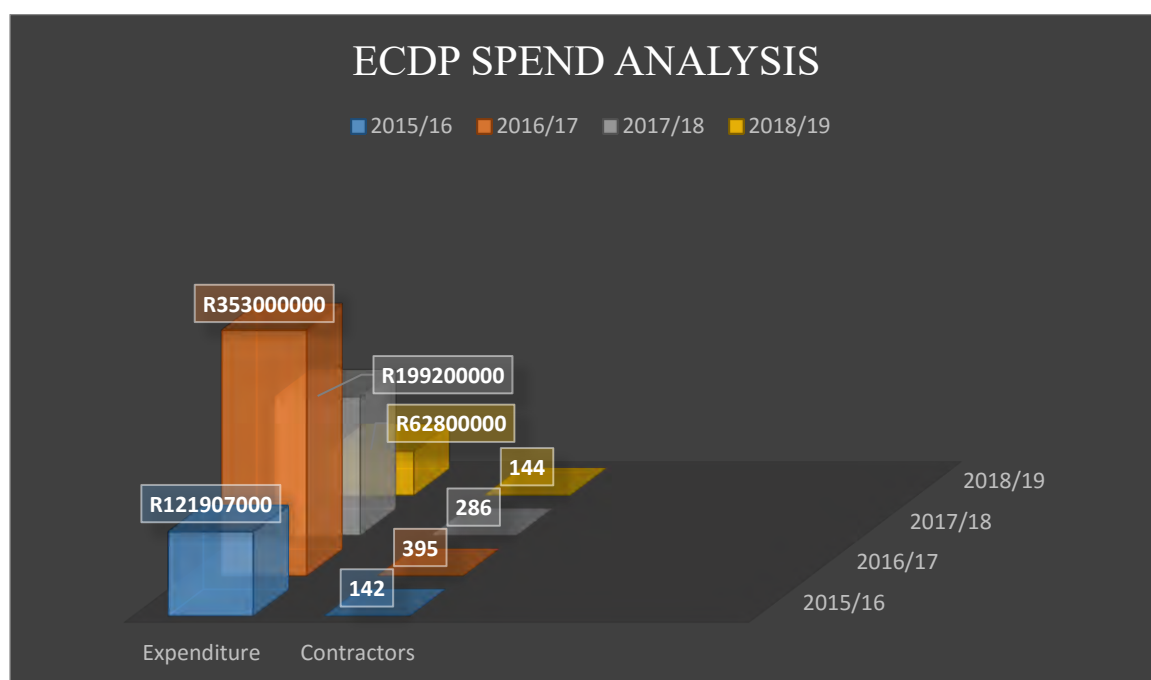


Figure 4.8 provides a total summary of budget spent on SMMEs by the KZN-DPW in the four financial years 2015/16 to 2018/19 and the total number of contractors who benefitted. In 2015/16 financial year, R121, 907 000 worth of projects was awarded to the ECDP and 142 entities benefitted. In 2016/17 financial year R353 million was spent on the ECDP projects and 395 entities benefitted. In 2017/18 financial year R199, 2 million was awarded to 286 entities on the ECDP. In 2018/19, R62, 8 million was spent on projects awarded to 144 ECDP entities. A total of R736, 907 000 was spent in the four previous financial years on projects aimed to develop previously disadvantaged entities, and 761 entities benefitted from this programme.

4.3 Impact on the ECDP Contractors Growth

Participating in the ECDP has financially benefited a number of SMMEs and has increased their capabilities. This resulted in the growth of their grading levels as per the CIDB system. These will be displayed in the table below.

Table 4.5 Impact on the CIDB status

Grade	Number of Contractors	Next grade level
Grade 1	45 contractors	Grade 2
Grade 2	12 contractors	Grade 3
Grade 4	1 contractor	Grade 5
Grade 6	1 contractor	Grade 7

The above table 4.5, shows the number of entities grown in terms of the CIDB grading by participation in the ECDP. The programme does not only provide opportunities for financial growth, but also provided trainings and business partnerships opportunities. Three hundred and thirty six contractors received training on accredited and non-accredited modules. The KZN-DPW has engaged in partnership with the NHBRC, Master builders & association, Ithala, CIDB, Department of Labour and SAFCEC. These stakeholders offered various workshops and training programmes to contractors to improve business management, financial accountability and to stress the advantage of having a good credit record, and various buildings trades.

4.4 The presentation of Qualitative data

This section presents responses given by officials from the KZNDPW during structured interviews. The interviews were conducted with five officials who were members of the KZNDPW SCM bid committees, who participated in evaluation and award of tenders. The interviews were aimed at getting officials' views on the current financial development policies, and to ascertain if these are achievable, the challenges encountered in implementing the policies at the KZNDPW and what, in their view ,can be done to improve the situation.

SECTION A: BIOGRAPHICAL INFORMATION

This section outlines the composition of the group of interviewees who participated in the research. The participants were requested to provide personal information regarding their age, race, level of education and positions at work. The sample selected for interviews was based on their involvement in tender processes at the KZNDPW, this information will give a clear picture of the sample. The information gathered is presented below;

Figure 4.9 Gender composition of the five interviewees

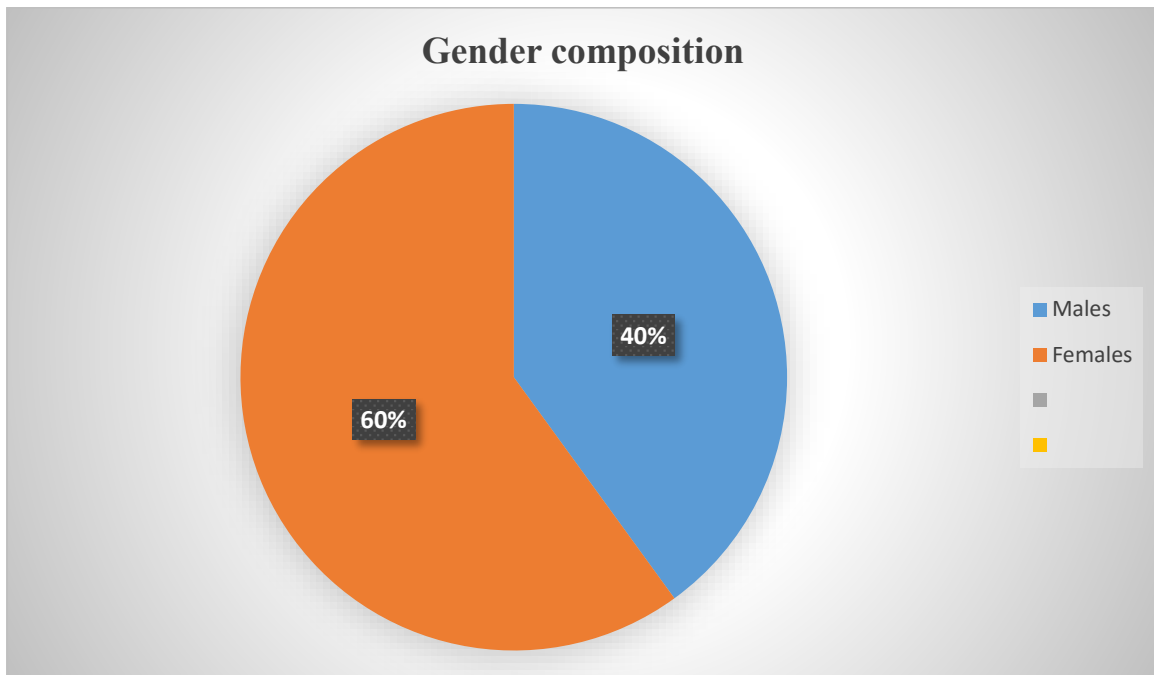


Figure 4.9 shows that more females were interviewed than male. Female dominated the group by 60% and males were 40%. Racial composition of the group will be displayed in figure 4.10 below.

Figure 4.10 Racial composition

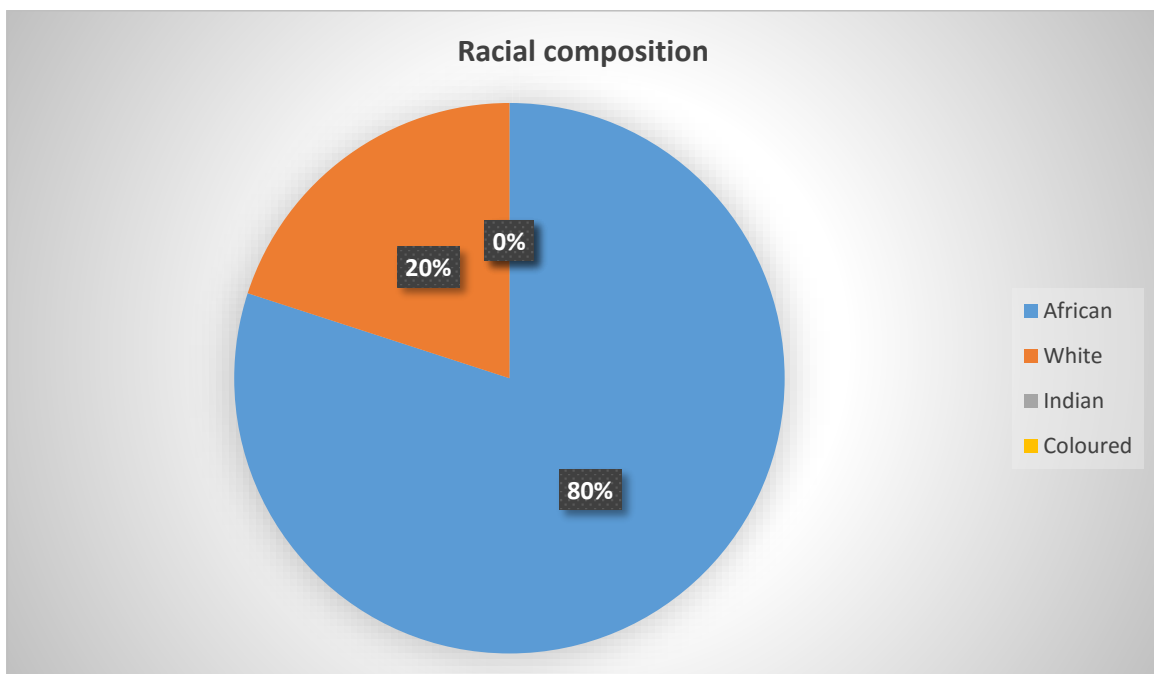


Figure 4.10 reflects that the dominant group interviewed were Africans forming 80% of the group, and white was 20%, there were no Indians and Coloureds. During the study period there was no coloured officials in the bid committees. There were very few Indians

represented, however they were unable to participate in the study due to work commitments. Interviewees were each profiled, however their identities were kept anonymous. Table 4.6 below will display the profiles;

Table 4.6 Respondents profiles

Age	Qualification	Job level
30-40	Post tertiary qualification	Middle management
40-50	Post tertiary qualification	Middle management
40-50	Degree	Middle management
40-50	Degree	Middle management
40-50	Diploma	Senior management

The above table 4.6, shows that all interviewed officials have post-matric qualifications, mostly are middle aged and occupy middle management positions. Their views gathered during interviews on the role of procurement policies in growing SMMEs will be analysed below. The researcher secured interviews with all five officials, resulting in 100% responses. The responses are presented below in a form of key themes emanated from literature review and interviews.

SECTION B: INTERVIEW DISCUSSION

4.4.1 Theme# 1: The significance of procurement policies

In chapter 2 literature review, 2.3.1 there are various descriptions of policy as given by different authors, one is that policy is a sum of government activities, made in response to some challenges that require government intervention and that this has an influence on the lives of citizens (Birkland, 2019). Fischer, 2019 states that policies are designed to facilitate the achievement of accepted ideas, it is also important to have a methodology for policy evaluation (Fischer, 2019). On the other hand author Oni, 2016 describes policy as a tool of resource distribution directed through to achieving government goals and objectives (Oni, 2016, p. 325). To determine the level of knowledge and significance of policies, the researcher asked the participants their understanding of the significance of policies. The managers displayed a good knowledge and understanding of the role of policies.

Participant A gave this explanation,

Procurement policies ensures socio economic development and transformation of the skewed business interests to cater for the majority. Section 217 (2) (b) of the 1996 Constitution, talks to advancement of persons disadvantaged by unfair discrimination.

Whereas participant B who is a senior manager, her response was that,

Procurement policies role is to address the imbalance of the past and to promote economic growth.

Participant C and D had similar responses they said that,

The role of the procurement policies is to address the inequalities of the past, by assisting small companies to have access in businesses.

Participant E who is a Chief Architect, responded by stating that, policies allow specific projects or areas of business to be set aside for only SMMEs. Policies also make it mandatory for officials to adhere to legislation during procurement processes.

4.4.2 Theme #2: Legislative Framework

Participants B, C and D stated that, the KZNDPW implemented target procurement policy, which is aimed at giving business opportunities to previously disadvantaged groups. They further explained that, the KZNDPW is guided by PFMA, B-BBEE, and PPPFA and follows National Treasury prescripts, instruction notes and the KZN-Provincial treasury practice notes. They also highlighted that there are internal Standard operating procedures and delegations followed during the procurement process.

Participant A and E mentioned that,

KZNDPW has infrastructure policy, emerging contractor development policy implemented as tools to grow SMMEs in the Department. In line with these policies they have established the ECDP database targeting emerging contractors.

The policies mentioned by participants during interviewees, are the major policies highlighted in Chapter 2, section 2.3.4 and in the literature review as the driving force for economic change in SA. B-BBEE was introduced by the democratic government led by the ANC with the aim of allocating the wealth of the nation equally through all races and gender groups. The main objective of B-BBEE is to grow the figure of African societies who possess and control industries, African people who are in executive positions and to increase their income levels within B-BBEE compliant companies. It is aimed at empowering black people, women, youth

and people from rural areas (Pike, et al., 2018, p. 1) According to legislation, designated people are Black persons, Indians, Africans, Coloureds, and Chinese South Africans, females, youth and societies with disabilities (Horwitz & Jain, 2011, p. 9).

4.4.3 Theme #3: Growth and Development of SMMEs

The research participants' responses all had the common factor of the empowerment vision that the KZNDPW have for SMMEs. They mentioned that the KZNDPW has a closed ECDP database for construction entities from grade 1 to grade 6 as per the CIDB levels. This database targets small entities from previously disadvantaged groups. It allows them to compete amongst themselves, and it excludes well-established companies. Through this programme tenders are set aside specifically for entities only registered on this database, for example water and sanitation programmes. This is made as a requirement when tenders are advertised, and also contractors from local areas are prioritised. This database is closed for a period of three years, thereafter it will be open for all meeting the requirements to apply for entry.

Participants A, C, D and E stated that:

KZNDPW follows PPPFA legislation when sourcing contractors. KZNDPW utilise target procurement sourcing strategy, the department advertise tenders and make it a requirement that only companies registered on ECDP database may bid for certain work category. This strategy reduce competition from the well-established companies and allow SMMEs to compete amongst themselves, and allow them more business opportunities.

Participants B, D and E stated that;

KZNDPW unbundle work to smaller projects, to create more opportunities to emerging contractors. This strategy assist in spreading the work amongst emerging contractors. It also lowers the CIDB grade level per project, allowing more participation of smaller enterprises.

All participants' responses included mandatory subcontracting as one of the strategies utilised by the KZNDPW to empower SMMEs. They stated that during the tender process, a tender is advertised with a requirement that well-developed contractors must sub-contract a certain portion of work to smaller contractors, failure to do so the bidder will be disqualified. In chapter 2 the literature review, mentioned regulations 4 of 2017 which states the conditions that may be utilised pre-qualifying criteria to improve designated groups. One is that a tenderer is

required to subcontract 30% of the work to a QSE or EME which is 51% owned by Black people. Failure to meet this condition, the tenderer will be disqualified during the tender evaluation stage (*National Treasury, 2017, p. 23*).

4.4.4 Theme #4: Monitoring tools

Chapter 2 of the study, in paragraph 2.3.2 of the literature review, the importance of monitoring and evaluation was emphasised in the reference to *Innovation for successful society: 2016*. It is important to assess and evaluate programmes and policies periodically to ensure that they are effective (*Innovation for successful society, 2016*). Participant A stated that monitoring does take place in the KZNDPW, SCM section submits monthly reports on bids awarded to Heads of Departments displaying categories of works awarded, date of award, value of the project, name of the service provider and the CIDB grade level and area where the project is awarded.

Participants A and D shared the same view that,

There are SCM forums held quarterly by relevant officials from all regions and districts of KZNDPW where reports and challenges are discussed and there are also contractor-forums and meetings.

Participants B, C and D commonly responded that,

Another monitoring tool KZNDPW utilises is checking CIDB grading levels on the Eyesizwe database and their financial status, mostly submitted from the financial institution.

However participant E responded differently to other interviews by stating that there is no proper monitoring tool in the KZNDPW to evaluate the progress and growth of SMMEs.

4.4.5 Theme #5: Challenges in implementing procurement policies

Participants openly accepted the question during interviews and conveyed various challenges. Participant E expressed concern about resistance to change and lack of support from the KZNDPW officials in implementing new policies and financial support allowing procedures thereof.

Participant E;

The main challenge is getting a Buy-in from KZNDPW officials into these policies, lack of understanding and correct procedures to implement them.

In addition participant A cited that challenges in implementing policies are caused by inefficient norms and standards within the Department to promote understanding and uniform application of policies.

Participants C and D shared the same sentiments, they responded negatively about the establishment of the ECDP stating that, this system only develops SMMEs registered on the ECDP, closing the market for newly registering SMMEs who are not part of the programme. Another concern was that most SMMEs lack capital and, as a result, most projects get delayed and cancelled. They also cited that some entities awarded tenders do not want to upgrade their levels on the CIDB, they want to remain within the grade in order to continue to be part of the development categories and qualify to get more tenders. This is the direct opposite of the intentions of the Department, as indicated in chapter 3, the objective of the programme is to see SMMEs growing and become independent.

Participant B response was;

There are red tape, long procedures in implementing SCM policies and there are no computerised systems to implement SCM processes.

4.4.6 Theme # 6: SMMEs Growth and Development

The research participants were asked this question: What can be done to improve progress and development of SMMEs? The researcher wanted to find out possible solutions after various challenges were mentioned by the officials during interviews and the economic difficulties still faced by SMMEs in SA mentioned in chapter 2 which focused on the literature review.

Participant A suggested that;

Allocate a dedicated unit for SMME development with adequate human resources and monitoring and evaluation personnel. Provide a structured SMME development programme.

Participants B and E had similar ideas on improving the situation, they both stated that SCM processes should be streamlined, especially tender evaluation processes should be trimmed. Participant B further said, delegation management should be improved to FastTrack service delivery. Participant E also stated that to improve the growth and development of SMMEs, split big projects to allow smaller companies more opportunities to bid. Provide training to SMMEs, and instil the importance of specialisation. Participant C's opinion was that certain

projects should be set aside for previously disadvantaged groups, for example women and tenders should be advertised in line with prequalifying criteria in PPPFA 2017 regulations.

Participant D stated that;

To improve the growth and development of SMMEs finance workshops and training short courses should be provided to SMMEs to improve their business skills and knowledge.

4.4.7 Theme # 7: Local Economic Development

Nkwinika (2016); describes LED as a strategy with short term and long term goals of how to address a community's economic challenges and to utilise opportunities to strengthen economic development (NKwinika, & Munzhedzi , 2016, p. 76). The responses of all officials were positive to the question of the importance of SMMEs in growing local economic development.

Participants B, C and D believe SMMEs are important because they create employment in townships and rural areas, and reduce poverty levels. Participant B further said growing SMMEs improved and promoted economic growth in the province exposing the citizens to realise the fruits of the South African democracy.

Participant A states that

SMMEs are important, the bulk of disadvantaged groups operate at that level and can uplift a lot of local business through buying from them and employ local labour. This contributes positively to poverty alleviation, crime reduction and thriving local economies.

Participant E said that

The cost of running small company is much less than that of huge companies, utilising SMMEs is a cost saving for the government because executing small projects will costs more when done by big well-established companies.

The data presented shows that the KZNDPW has implemented procurement policies and a legislative framework in line with national treasury legislation. Moreover, a programme has been established specifically to grow SMMEs, and certain projects and budgets were set aside, targeting these entities. However, the output is not positive. Few entities show signs of growth. Findings will be discussed further below.

4.5 Findings

The goal of the research was to evaluate the contribution of procurement policies to the growth of SMMEs in the KZN Department of Public Works. Another aim of the research was to ascertain if there is a positive correlation amongst new procurement policies and economic development in the country. The study was motivated by the continuous growth rate of unemployment in SA despite the government initiatives to curb this plague. The number of tenders awarded to SMMEs per financial year, and the amount spent from budgets on SMME per financial year was used as a unit of analysis in describing the correlation between procurement policies and growth of SMMEs in the KZN DPW. Secondary data was collected to gather information on the procurement activities within the KZN DPW. Study objectives and questions will be re-visited below and findings of the study will be discussed below.

4.5.1 Discussion summary: Question 1

Section 9(2) of the 1996 Constitution encourages equality among South African citizens, it allows that legislation and other processes intended to safeguard and develop historically disadvantaged persons be taken into consideration to correct the situation (Statutes of The Republic of South-Africa Constitutional Law, 1996, p. 1247). The first question of the study was to ask if a legislative framework and policies exist in South Africa and in the KZN province to stimulate SMMEs progressive financial expansion, growth and development. The finding is that policies do exist. This was discussed in Chapter 2 of the study under Legislative framework. Some of the major highlighted policies are B-BBEE, which was legislated in 2003 to strengthen equality stipulated in section 9(2) of the 1996 *Constitution*, by addressing economic imbalances of the past by providing historically disadvantaged groups preference during bidding processes for government businesses. In line with this policy, when government institutions advertise tenders, bidders are supposed to submit valid B-BBEE certificates issued by an accredited agency which reflects their B-BBEE level as stipulated by DTI. This policy is implemented across all government institutions in all nine provinces in SA.

The study discovered that a preferential procurement policy exists in the province of KZN and in all other 8 provinces. This policy was implemented in the year 2000 and its revised regulations were implemented in 2017. The study discovered that, the aim of the policy is to enhance B-BBEE objectives, to give preference to previously disadvantaged groups and to facilitate the growth of SMMEs. This is done during bid evaluation, whereby 80 points is allocated to B-BBEE compliant companies depending on the Level as stipulated on the B-

BBEE certificate. Regulations also allow organs of state to advance designated groups by making a pre-qualifying criteria a condition of a bid (National Treasury, 2017, p. 23).

The discussion in the literature review showed that the current government has taken the direction of implementing financial relief policies as one of the strategies to address the financial inequalities of the past amongst societies. However, previous studies reflected in the literature review in section 2 of the study reveal that policies like B-BBEE are not effective enough, as they are seen to produce a few black elites, failing the majority citizens at the bottom of the pyramid. This results in the continuous rise of poverty and the unemployment rate in SA (Zama, 2017, p. 12). The outcome of a study conducted by Bezuidenhout (2018) in Gauteng on SMME status prior and after the introduction of B-BBEE policy reflected that 70% of responses from participants said there was no change in their businesses. A similar outcome was discovered by Irene in 2017, when she conducted a research on the influence of B-BBEE on women-owned enterprises in nine SA provinces. The findings reflected that the majority of company owners stated that, there is no positive impact on their businesses since the inception of B-BBEE (Irene, 2017, p. 147).

This criticism is supported by reports from the World Bank, reflecting high inequality levels in SA where there is a small elite group, a small middle class and a very big group of underprivileged people in South Africa. This reflects the legacy of the Apartheid regime; wherein historically large disadvantaged groups have fewer assets, lack technical skills, are unemployed and/or poorly remunerated (*The World Bank*, 2018, p. 26).

4.5.2 Discussion summary: Question 2

Question 2 of the study was, how many bids and how much of the budget was spent on SMMEs in the previous four financial years, 2015/16, 2016/17, 2017/18 and 2018/19 in the KZNDPW? The objective of this question was to establish the number of bids and amounts spent on SMMEs in the KZNDPW in the past four financial years. The findings revealed that 4269 projects worth R736 907 000 were awarded to contractors in the ECDP in the KZNDPW between 2015/16 to 2018/19 financial years. This gives a total summary of budget spent on SMMEs by the KZNDPW in the four financial years 2015/16 to 2018/19 and the total number of contractors who benefitted. These figures show that the KZNDPW complied with and supported the government initiative of utilising SMMEs as an economic development tool in fighting unemployment in the country. However, during interviews the study discovered that most participants believe that more can still be done by the KZNDPW to improve the situation

of SMMEs by providing financial management trainings for SMME owners in order to improve their business management skills. Maximum number of the interview participants are of the opinion that poor financial management is a major cause of cancellation of projects awarded to SMMEs. Most of the time SMMEs lack working capital and do not meet requirements to access business loans in the financial institutions. This compromises service delivery and tarnishes both SMMEs and institution's profiles. This is seen as a deterrent to SMMEs to flourish in their businesses. The study also discovered that there was a lack of buy-in from departmental managers to new procurement policies.

4.5.3 Discussion summary: Question 3

The third question of the study was: What is the contribution of the KZNDPW in the growth and development of SMMEs in the past four years? The objective of the study was to examine how procurement policies have contributed to the advancement and improvement of SMMEs in the KZNDPW. The findings show that a total of R736, 907 000 worth of projects were awarded to 761 out of 3186 entities which is 24% on the ECDP in the past four financial years in the KZNDPW. In terms of the CIDB grading system, 45 grade 1 entities moved to grade 2 out of 2376 grade 1 entities on ECDP. Out of 810 grade 2 to 6 entities, 12 moved from grade 2 to grade 3, 1 moved from grade 4 to grade 5 and only 1 moved from grade 6 to 7. In total 59 entities have grown to a higher level out of 3186. The findings reflect a small number of emerging contractors who have grown through the programme.

A study conducted in 2017 by researchers Abdurauf and Abimbola examining the effect of government targeted procurement policies on the growth of construction companies from grade 3 to 6 as the CIDB grading yielded positive outcomes on the strategy. The authors discovered that the implementation of tendering equity as targeted procurement approach has positive growth in the turnover of the minor, medium contractors. However, findings also show that there are challenges in the execution of these strategies in the public sector institutions which disadvantaged small, and medium contractors (Abdurauf & Abimbola Olukemi, 2017, p. 160). The small amount of growth amongst SMMEs in the KZNDPW is reflected by the SEDA negative report in chapter one of the study under problem statement, whereby employment contracted by over 20%, which resulted in loss of about 1, 6 million job opportunities. The biggest decline of 15.5% is reported to be amongst the new enterprises between 2 to 3 years of age which shows that new SMMEs struggle to survive on the current economic conditions in SA (The Small Enterprise Development Agency , 2018, p. 6). It must also be noted that the lockdown in response to the Covid-19 virus pandemic will almost certainly increase the decline

dramatically. All of the percentages reflected in this study will need to be revised upwards in a new study to be undertaken at some point in the future when the present socio-economic disruption has subsided significantly.

The study findings show that even though the government sees SMMEs as a solution to the unemployment challenges, this sector is not thriving economically in SA. The NDP vision 2030 as discussed in chapter one of the study, aims to improve the quality of lives of SA citizens by growing the country's economy and reducing poverty levels. One of the priorities of KZNGDS is to facilitate inclusive economic growth, which advocates for the advancement of SMMEs and entrepreneurial growth (*KZN Office Of The Premier, 2016, p. 56*). On the contrary economic decline in the country has been reported, with a shrink of 3.2% economic growth rate reported in 2019 (Trading economics, 2019). This impacted negatively as displayed in graphs presented in this study, with a rise of unemployment to 29, 1 in the fourth quarter of 2019 (Trading economics, 2019). In the KZN province unemployment rate increased from 21, 8% in 2018, to 26, 1% in 2019 (Singh, 2019).

The researcher based the study on the Rawls theory of social justice which, as defined earlier, is a process of inheriting fairness and equity which is primarily led by government systems that implement the fundamental rights of the economy (Rawls, 1999, p. 234).

A concern which emerged during research interviews was that some policies are stringent, still favours well-established enterprises and make it difficult for the department to develop SMMEs, regulations in PFMA stipulates that the lowest quotation in terms of price must be awarded. This gives advantage to the well-established entities well known in markets who are able to source discounts and can survive with low profit margins.

4. 6 Conclusion

The development of SMMEs is believed to be one of the solutions in addressing the triple challenges facing the country (poverty, unemployment and inequality). The government of the day has formulated a legislative framework and policies in this regard. However, the findings and literature review of the study shows a negative outcome in this effort. Minimal growth has been achieved in the KZN-DPW in the past four years. The officials in the KZN-DPW believe that in addition to policies and legislation, to effectively grow SMMEs financial and business skills, training and workshops should be provided to SMMEs. Lack of financial and business

management knowledge results in this sector struggling to maintain their businesses and struggling to obtain financial assistance from financial institutions.

CHAPTER 5-GENERAL CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The basis of the research was the theory of social justice. Social justice theory focuses on equal access to opportunities and fair distribution of resources, power and responsibilities in society irrespective of race, social background, and gender. Unfortunately South African history is marked with inequality amongst its citizen due to the apartheid era where policies were based mostly on race and gender. The SA democratic government implemented various policies to address mainly the financial imbalances of the past, reduce unemployment and grow the country's economy. The study was influenced by the gloomy SA economic status, with continuous increase in unemployment. The aim of the research was to explore the contribution of procurement policies in growing SMMEs with reference to the KZNDPW over a period of four financial years. This concluding chapter provides a general conclusion to the study and proposes future recommendations based on the findings of the study.

5.2 General Conclusions

There are various challenges facing SMMEs in growing and sustaining their businesses mentioned in the chapter 2 literature review, from business articles and commercial reports in many countries. Some of the challenges mentioned are access to funding/ loans from financial institutions, attracting customers, lack of business skills by aspirant entrepreneurs and failure to sustain and grow businesses. The government implemented B-BBEE and PPPFA and other policies to give historically disadvantaged SMMEs business opportunities and encouraged them to participate in economic activities of the country and reduce poverty and unemployment. The study focused mostly on reviewing the effectiveness of these policies at KZNDPW, by assessing and evaluating the difference on a group of SMMEs after the implementation of these policies.

Most of the previous studies conducted on financial policies in procurement discussed in chapter two under literature review, reflects negative results. One of the researchers Bezeduinhout conducted a study in Gauteng in 2018 on sole proprietor owned companies who have been in business for more than ten years, to establish if there has been any change in their businesses since the introduction of B-BBEE policy, The findings of this study reflect that 75% of participants reported that there was no improvement or change and the other participants reported that B-BBEE came with more administration work. Similar results were also found

by Irene, when she conducted a study on the contribution of B-BBEE in black-women owned businesses in nine SA provinces. The findings reflected that the majority of company owners reported that there is no positive impact on their businesses since the inception of B-BBEE (Irene, 2017, p. 147).

The findings of the past has been echoed by the World Bank reports of high level of citizens inequalliving standards in SA. However the study conducted on PPPFA in 2017 when examining the influence of government targeted procurement strategies on the growth of construction companies from grades 3 to 6 as CIDB grading, showed positive growth in the turnover of the small and medium contractors. The authors concluded that this strategy has a potential to address the financial imbalances of the past; however, findings show challenges in the implementation of these strategies in the public sector institutions which disadvantaged small and medium contractors (Abdurauf & Abimbola Olukemi, 2017, p. 160). B-BBEE has been criticised mostly for growing few minority businesses owned by political connected elites.

In the study, the author sampled a group of contractors classified as emerging according to CIDB grading, from grade 1 to grade 6. The sample consisted of 3186 contractors on the KZNDPW database. The exercise was to establish the number and amount of bids awarded to the sample group and assess the level of growth during the study period. The study adopted a mixed method approach to gather relevant information to answer the research questions. The researcher began by gathering secondary data from the records within the KZNDPW, the expenditure reports establishing the amounts and budget spent on SMMEs on ECDP. Checking the number of emerging contractors on ECDP and their level of CIDB, and analysing change/growth of contractors in the past four years. The exercise was sealed by collecting qualitative data, through structured interviews with five KZNDPW officials who are members of bid committees.

The records at KZN-DPW in 2015/16 financial year, R121, 907 000 worth of projects was awarded to the ECDP and 142 entities benefited. In 2016/17 financial year, R353 million was spent on the ECDP projects and 395 entities benefitted. In 2017/18 financial year R199, 2 million was awarded to 286 entities on the ECDP. In 2018/19, R62, 8 million was spent on projects awarded to 144 ECDP entities. A total of R736, 907 000 was spent in the four previous financial years on projects aimed to develop previously disadvantaged entities, and 761 entities benefitted from this programme. The study shows that targeted procurement policies and strategies are implemented at KNZDPW. This is evident by the formation of an ECDP

database, which targets historically disadvantaged communities, by setting aside tenders which are advertised only for contractors on the database. The analysis showed that the majority of participants on the ECDP database are Africans with 94% majority with a total number of 2991, followed by the Asian group with 169, coloured 14 and with 12 white owned companies out of a possible 3186 entities.

The findings showed that R736, 907 000 was spent in the four financial years on projects awarded to emerging contractors on ECDP; however, the results showed that out of 3186 companies only 59 entities grew from their grades to higher CIDB grading, which is less than 2%. These results are in line with the outcomes of the study conducted in 2017 by Abdurauf and Abimbola on the growth of contractors between grade 3 and grade 6 based on the targeted procurement policies. The authors discovered that the implementation of tendering equity as targeted procurement approach has positive growth in the turnover of the small and medium contractors. However, findings also show that there are challenges in the execution of these strategies in the public sector institutions which disadvantaged small, and medium contractors (Abdurauf & Abimbola Olukemi, 2017, p. 160).

The small growth of SMMEs in KZNDPW is a reflection of continuous growth of unemployment in the province of KZN from 21, 8% in 2018, to 26, 1% in 2019 (Singh, 2019). This contributes to the economic decline in the country which has been reported, with a shrink of 3.2% economic growth rate reported in 2019 (Trading economics, 2019). These numbers are the opposite of the NDP vision 2030, which aims to improve the quality of lives of SA citizens by growing the country's economy and reducing poverty levels. The economic status in SA, has worsen with the outbreak of Covid-19 pandemic, statistics SA reported in September that South African economy shed 2,2 million jobs (Statistics South Africa, 2020) .

The researcher further conducted interviews with five KZNDPW managers to get their inputs and views on the effectiveness of the procurement policies, and gather more understanding and explanations on the gaps from the secondary data. Interviews were conducted with senior officials who were members of bid committees in the KZNDPW responsible for evaluating and awarding bids. Structured interview questions were asked during the sessions. The first question asked was on the understanding of the impact of policies on government tendering processes. Managers displayed considerable understanding of policies; their responses were that procurement policies were implemented to address the economic imbalances of the past and policies allowed certain projects to be set aside specifically for SMMEs. They also

mentioned that policies made it mandatory for officials to adhere to legislation during procurement processes. This creates an opportunity for previously disadvantaged communities to compete amongst themselves in participating in economic activities of the country. Participants mentioned policies like B-BBEE and PPPFA implemented which were followed at KZNDPW during procurement process.

Monitoring and evaluation of the programmes and policies was discussed during interview sessions. Most participants believed that continuous monitoring is done at KZNDPW for these programmes, by monthly reporting on the number of bids awarded to SMMEs to Head of Departments and there are quarterly contractor-forum meetings where progress and challenges are discussed. However one participant's view was that there is no effective monitoring tool evaluation at KZNDPW. All participants had common views on the challenges of implementing procurement policies. In this regard, they mentioned lack of buy-in from officials, lack of proper implementation procedures and red tape in the procedures. Another challenge they commonly mentioned was lack of business skills from contractors. They recommended that more financial and business management training was required by contractors. Most projects are cancelled, and not completed due to lack of capital by contractors. The participants recommended that a separate unit is required in the Department for the growth and improvement of SMMEs.

In support of maximising public procurement for radical economic transformation through PPPFA, KZN Provincial Treasury issued circular no 5 of 2020/2021 mandating all departments in the province to apply a pre-qualification criteria and or subcontracting requirement when purchasing goods such as inter alia the clothing leather/ textiles, furniture, fertilisers (seeds and animal feeds), detergents (chemicals), paper and pulp (toilet paper, bong paper), infrastructure development (construction material) and bakery. These sectors are amongst the 58 of operations of Priority Vula sectors. Vula is a government initiative to strengthen local economies centres and re-orientate them to become effective sectors of production (KZN Provincial Treasury, 2020, p. 1). This programme aims to utilise procurement process as a vehicle for economic transformation by generating opportunities for historically marginalised people to contribute in economic activities in the province.

The circular enforces institutions to implement pre-qualifying criteria of minimum level 1 B-BBEE contributor and/ or subcontracting of EME and QSE when advertising tenders for the above sectors. Should it be impractical to comply with sourcing under these conditions, a report

should be submitted to Provincial Treasury within 5 days before a tender is advertised. Specifications for all bids above R1000 000 for commodities under operation vula, must be vetted at provincial treasury to ensure compliance with PPPFA before it is advertised. A bid with pre-qualification criteria will be evaluated in the following manner. The first phase will be prequalification; phase two local content; phase three mandatory requirements; phase four functionality if applicable, and phase five will be price and preference point system (KZN Provincial Treasury, 2020, p. 2).

It is now a requirement that institutions must report quarterly at Provincial Treasury on all bids awarded, giving the following statistics; procurement spent on black women-owned enterprises, youth-owned enterprises, businesses owned by African people, companies owned by African military veterans and on enterprises owned by black people living with disabilities. This spend analysis report must be submitted by the 7th day of each quarter at Provincial Treasury (KZN Provincial Treasury, 2020, p. 2).

The findings demonstrates an urgent need for current administration to work together with the private sector in addressing the slow growth of SMMEs in SA. Recommendations will be discussed below, flowing from the findings and conclusions of the study.

5.3 Recommendations

The expenditure analysis on chapter 4 of the study reflects large amounts of construction projects awarded to SMMEs, with low growth levels in development on CIDB grading systems. The study results show very few SMMEs developed from the programme even though target procurement systems and policies were followed. The study findings indicate an urgent need for turnaround strategy from government, private sector and communities to work together in fighting unemployment and to grow the economy status of the country. The result reflects the continuous growth of unemployment in KZN province and SA at large. The current status of the country's economy is not moving towards the direction of achieving the 2030 NDP goals. Recommendations will be discussed below, drawn from the outcomes of the study.

5.3.1 Provision of funding assistance

One of the challenges highlighted by the KZNDPW officials during interviews was failure of SMMEs to execute projects to completion after being awarded due to lack of funds. In the literature review in chapter 2 of this research, various financial institutions like Ithala Bank and

SEFA were mentioned as initiatives by the SA government to finance SMMEs. One of the challenges mentioned was long bureaucratic processes involved in application for funding in these institutions, and the financial requirements for accessing financial assistance from these institutions are difficult for SMMEs to meet. Another concern is the lack of knowledge about the existence of these institutions. The recommendation will be for these structures to conduct workshops for small business entrepreneurs at various regions in the province and explain all type of financial assistance available and workshop them on how to complete the required application forms. These workshops/ seminars should be announced on public media like local radio stations to reach most communities. Zama, (2017), conducted a study on the role of financial institutions in growing SMMEs, comparing India, Brazil and SA as newly industrialised countries.

The findings were that in India and Brazil most financial institutions are government owned, compared to SA where most of banks are privately owned, as a results SMMEs in those countries have easy access to financial assistance and they flourish. Most previously disadvantaged communities fail to meet the requirements to secure funding from financial institutions because they don't own capital assets. More government- owned financial institutions need to be established especially in the rural areas.

5.3.2 Cession of Contracts

Cession of contract is one of the recommended methods and secured ways of accessing funds for projects by SMMEs from financial institutions. Cessions is a process where an entrepreneur applies for a loan/ financial assistance, submit purchase order/ service level agreement (SLA) with amount awarded by the Department. An agreement is signed between the borrower and the institution with the department that payments for the project will be made directly to the financial institution that the provided loan to an entrepreneur by the department. The purchase order/ SLA serves as a guarantee for SMMEs to secure capital from banks, and as a protection and surety for the banks that they will get payments back.

This system will reduce the number of SMMEs failing to meet the financial criteria to access capital assistance/loans in financial institutions due to lack of security/ capital assets. It will reduce the level of failure by SMMEs to execute projects to completion leading to high numbers of cancellation of projects by SMMEs as highlighted by KZNDPW during interviews. Private institutions are encouraged to adopt this system in funding SMMEs, government

departments to prioritise this procedure and make it as one of the policies in line with addressing the reduction of unemployment and a growing economy in SA.

5.3.3 Consequence Management

In chapter 2 of the study information shared about financial structures established by government to manage and provide financial assistance to SMMEs like SEDA, government department mostly sections managing tender processes, highlighted that these institutions has been associated with corruptions, and resources and business opportunities are allocated to few connected individuals. More cases of corruption are reported in the media, but very few individuals are held accountable and reprimanded for corrupt actions. Lack of visible legal actions against corrupt senior office bearers encourage junior officials and more senior officials to participate in corrupt activities. This results in a high wasteful and fruitless expenditure, rise of poverty, high level of unemployment and the economy is concentrated in the hands of a few.

More legal action is required against the corrupt individuals; PFMA policies and other legal regulations, clearly states the actions to be taken in cases on non-compliance by state employees. The accounting officers in public institutions are obligated to act in accordance with the rules and guidelines to safeguard the resource of the state and taxpayer's money by opening legal cases and recovering state monies lost from the corrupt officials. There must be visible consequences after every corrupt activity reported. This will discourage other officials involving themselves in corruption and will save a lot of state financial resources, and communities will regain trust in government.

5.3.4 Provision of business management skills

The lack of business management skills amongst SMMEs affects growth and sustainability of their businesses. In chapter 2 of the study on literature review, it appeared that emerging contractors do not last longer than five years in business. This is evident by the rise in numbers of the unemployed in SA. SMMEs are believed to be the main drivers of economic growth in most developing countries. The ECDP also provides business training and workshops as part of SMMEs development; however these training are not core for the programme. It is recommended that government institutions need to provide properly structured financial management workshops to SMMEs and to provide mentorships during project executions in line with PPPFA regulations, where 30% of work awarded to a well-established company must

be sub-contracted to SMMEs. Major contractors must provide business mentorship to emerging contractors and it should be part of the requirements during the bid process.

5.3.5 Feedback to unsuccessful bidders

The researcher believes that de-briefing after the adjudication and award has been finalised is an important strategy of empowerment. Giving the reasons for not qualifying and not winning a bid to unsuccessful bidders will empower them to know their strengths and weakness and to be able, to correct the weaknesses in future. This will also assist in improving the quality standards of writing bid documents. This will also assist the Department to avoid unnecessary appeals which end-up delaying the starting of projects and this impacts on service delivery.

In the literature review, it was established that there is ongoing concern raised on corruption. Concern was also raised against officials working in financial institutions like SEDA, leading to funds not being allocated fairly to SMMEs as intended by government. The media has reported several cases with allegations of funds being allocated to only few politically connected small businesses by these financial structures as discussed in chapter 2 in the study. However, there has been very few cases of convictions of those cases which have been reported. Lack of legal convictions leads to increase in numbers of senior officials managing these institutions participating in corrupt activities. It is recommended that government must implement consequence management in public institutions by holding the corrupt officials accountable as per the legislation and by recovering the stolen funds.

5.3.6 Induction of Public Servants

In 2012, the Minister of Public Service and Administration signed an agreement with organised Labour, that all new employees in the public sector will undergo a Compulsory Induction Programme (CIPI) and will only be eligible for confirmation of probation and salary adjustments after the successful completion of the CIP (Department of National School of Government, 2020). The main aim of CIP is to encourage public officials to live the Batho Pele Principles, and to impart knowledge and understanding of the fundamental values and building blocks of SA democracy (Department of National School of Government, 2020). The KZNDPW officials mention during interviews the lack of buy-in from managers of the new procurement policies. It is recommended that there must be a continuation of CIP in public institutions, whereby officials are updated and made to understand new policies and

workshopped on the importance and the contribution of those policies in the stability of the economy of SA.

5.4 Conclusion

The study was undertaken to measure the contribution of procurement policies in the development of SMMEs in the KZNDPW. The outcomes of the research reflect the initiative of the KZNDPW in SMMEs improvement by creating a separate database of emerging contractors from grade 1 up to grade 6 level and setting aside certain projects and budget targeting these contractors. However, results yielded by the ECDP do not show much growth in SMMEs based on the statistics collected during the study for the past four financial years. During the 2019 provincial address, the premier Honourable Mr Sihle Zikalala highlighted that in the KZN province, the services were ranked with the highest dissatisfaction in the fight against crime and corruption at slightly more than 52%, failure to enhance entrepreneurial and SMMEs development at 41% and the dissatisfaction on promoting accountable governance at more than 35% (KwaZulu-Natal Office of The Premier , 2019, p. 11).

Corruption has been a constant problem to the present government's efforts to establish a more just society. Corruption has defeated most government initiatives resulting in wastage of limited resources. It has been no different in the economic development sector, whereby most public institutions has been affected by this scourge. The Auditor General reports that most municipalities are plagued by fruitless and wasteful expenditure and unaccounted for funds. This has been the case also with KZN largest municipalities, eThekweni and Msunduzi in Pietermaritzburg the capital city of the province.

Without serious measures being taken to root out corruption, financial status is speedily declining, with a high rise in unemployment, poverty, crime and inequality the result. Given this bleak picture of the situation as it obtained up until January of this year, the new Corona Virus challenge has attacked the world, making the economic state of SA worse especially the SMMEs. The demand for new strategies and resources required to promote the SMMEs is greater now than ever before. Government partnership with private sector in promoting and developing SMMEs to revive the economy of the country is required.

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APPENDICES

APPENDIX A:

ETHICAL CLEARANCE



UNIVERSITY OF
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

20 September 2019

Mrs Nonjabulo Brenda Ndlovu (9502216)
School Of Man Info Tech & Gov
Westville Campus

Dear Mrs Ndlovu,

Protocol reference number: HSSREC/00000123/2019

Project title: The contribution of procurement policies to the development of small, medium and micro enterprises (SMMEs) in KwaZulu Natal Department of Public Works.

Full Approval – Expedited Application

This letter serves to notify you that your application received on 29 July 2019 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid for one year from 20 September 2019.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

Yours sincerely,



Dr Rosemary Sibanda (Chair)

/spm

Humanities & Social Sciences Research Ethics Committee
Dr Rosemary Sibanda (Chair)
UKZN Research Ethics Office Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban 4000
Website: <http://research.ukzn.ac.za/Research-Ethics/>

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

INSPIRING GREATNESS



public works

Department:
Public Works
PROVINCE OF KWAZULU-NATAL

Directorate: Supply Chain Management
Private Bag X9142
PIETERMARITZBURG
3200
Tel: 033 355 5516
Fax: 033 355 5610
Enquiries: Ms N.B. Ndlovu
Email: Nonjabulo.ndlovu@kznworks.gov.za

REQUEST FOR APPROVAL TO CONDUCT A RESEARCH STUDY

TO : HEAD OF DEPARTMENT PUBLIC WORKS:
DR G.G. SHARPELY

FROM : ASSISTANT DIRECTOR: SCM ACQUISITION
MRS N.B. NDLOVU

SUBJECT : REQUEST TO CONDUCT A STUDY ON SUPPLY CHAIN
MANAGEMENT IN THE DEPARTMENT OF PUBLIC WORKS
PIETERMARITZBURG:
THE CONTRIBUTION OF PROCUREMENT POLICIES IN
DEVELOPMENT OF SMALL ENTERPRISES IN THE KWAZULU-
NATAL DEPARTMENT OF PUBLIC WORKS

DATE : 06 DECEMBER 2018

1. PURPOSE

- 1.1 To obtain approval to conduct a research study in the KZN Department of Public Works for the fulfilment of academic requirements of a Master's degree in Public Administration

2. BACKGROUND

- 2.1 I am currently employed as an Assistant Director in SCM Acquisition, at Head office, Department of Public Works.
- 2.2 I am currently enrolled for a Master of Public Administration programme at the University of KwaZulu-Natal (UKZN).
- 2.3 I have successfully completed relevant coursework. It is a prerequisite of the programme that a student must complete approved research work in an area of interest in order to fulfil the academic requirements of the qualification.

- 2.4 Conducting a research study in the organisation I work for, will give me easy access to research data in order to realise my personal development goal whilst making a positive contribution to the realisation of organisational goals and objectives.
- 2.5 The research outcome will be solely used for academic purposes, and may be utilised by the Department of Public Works in strategic planning.
- 2.6 The School of Management/IT and Governance UKZN, Westville Campus can be contacted on 031 260 8713, for further information and clarity.

3 DISCUSSION

South Africa is faced with many socio-economic challenges, one of which is high unemployment rate, which contributes to pervasive levels of abject poverty in many families. Current Government's main objectives are job creation and redress of economic imbalances of the past amongst South African citizens. The proposed study is aimed at exploring the contribution of KZN Department of Public Works' procurement policies towards the development of SMMEs. The study is guided by the following objectives;

- 3.1 Establish the number of bids that were awarded to SMMEs) in the past four financial years;
- 3.2 Establish the percentage of procurement budget that was spent on SMMEs during the study period; and
- 3.3 Establish the percentage of bids that were awarded to SMMEs.

4 FINANCIAL IMPLICATIONS

None

5. RECOMMENDATION

In view of the above, an approval is being sought for Mrs N.B. Ndlovu to conduct a research study in the KZN-Department of Public Works.

[Redacted Signature]

06/12/2018
DATE

ASSISTANT DIRECTOR: SCM ACQUISITION
Mrs N.B. NDLOVU

~~SUPPORT/NOT SUPPORTED~~ *Once published, a copy must be filed and presented to SCM Management H/O*

[Redacted Signature]

7/12/2018
DATE

DIRECTOR SUPPLY CHAIN MANAGEMENT
MR P.K. BALLARAM

[Redacted Signature]

10/12/2018
DATE

REMARKS

**UKZN HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS
COMMITTEE (HSSREC)****APPLICATION FOR ETHICS APPROVAL
For research with human participants****Information Sheet and Consent to Participate in Research**

Date:

Greetings,

My name is Nonjabulo Brenda Ndlovu, an MPA student, at a Graduate School of Management, IT and Governance of the University of KwaZulu-Natal.

You are being invited to consider participating in a study titled, 'The contribution of procurement policies in growth and development of Small, Medium and Micro Enterprises in KwaZulu-Natal Department of Public Works'. The aim and purpose of this research is to investigate and evaluate the role of new legislation such as Broad Based Black Economic Empowerment Act 53 of 2003, and Preferential Procurement Policy Act of 2000 and its regulations in the growth and development of SMMEs in DPW in line addressing the historic imbalances of the past, and prioritizing historical disadvantaged communities by giving them access to economic opportunities. The study is expected to evaluate four financial years, 2015/16-2018/19 in terms of the number of tenders awarded to SMMEs and budget spent thereof. In gathering data, interviews are also essential for the study to gather the views and opinions of officials who participate in procurement processes and policy formulation.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number _____).

In the event of any problems or concerns/questions you may contact the researcher at (provide contact details) or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban 4000 KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557- Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

Your participation in the study is voluntary and by participating, you are granting the researcher permission to use your responses. You may refuse to participate or withdraw from the study at any time with no negative consequence. Your anonymity will be maintained by the researcher and the School of Management, I.T. & Governance and your responses will not be used for any purposes outside of this study.

All data, both electronic and hard copy, will be securely stored during the study and archived for 5 years, which will always be available to supervisor on request. After this time, all data will be destroyed, paper data will be shredded, electronic and audio data will be destroyed and deleted.

CONSENT TO PARTICIPATE

I _____ have been informed about the study entitled the contribution of procurement policies in growth and development of Small, Medium and Micro Enterprises.

I understand the purpose and procedures of the study.

I have been given an opportunity to ask questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

I have been informed about any available compensation or medical treatment if injury occurs to me as a result of study-related procedures.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at the below details.

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION
Research Office, Westville Campus
Govan Mbeki Building
Private Bag X 54001
Durban
4000
KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557 - Fax: 27 31 2604609
Email: HSSREC@ukzn.ac.za

Additional consent, where applicable

I hereby provide consent to:

Audio-record my interview YES / NO

Signature of Participant

Date

**Signature of Witness
(Where applicable)**

Date

**Signature of Translator
(Where applicable)**

Date

APPENDIX D:

COVER LETTER



Cover letter

Research Topic: The Contribution of Procurement Policies in Growth and Development of Small Medium and Micro Enterprises in KZN-DPW

I Nonjabulo Brenda Ndlovu, student number (950 2216) am currently registered for a Master of Public Administration programme at the University of KwaZulu-Natal (UKZN). I have successfully completed the coursework, it is a prerequisite of the programme that a student must complete approved research work in an area of interest in order to fulfil the academic requirements of the qualification. I have been granted an approval by the accounting officer, to conduct dissertation at KZN-DPW (attached).

I am conducting a study on the contribution of procurement policies in growth and development of small, medium and micro enterprises in KZN-DPW. At this stage I am collecting data on the topic, I would be very pleased if you can set time aside for interview session on topic related questions, which will be 20-30 minutes. Your participation in this study is voluntary and your responses are confidential.

I will be very grateful if you participate in this study.

Regards,

Ms. N.B. Ndlovu

APPENDIX E:

DATA COLLECTION TOOLS

SECTION A: INTERVIEW SCHEDULE FOR DEPARTMENT OF KZN PUBLIC WORKS

(



Project Title: The Contribution of Procurement Policies in Growth and Development of Small Medium and Micro Enterprises in KZN-DPW

Student Name: Nonjabulo B. Ndlovu (student number: 9502216)

Interview Schedule for Department of Public Works Officials

(Please tick with an X in appropriate box)

Date of Interview

		2019
--	--	------

Interview number

--

1. Age in years

20-30		30-40		40-50		50-60		60+	
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2. Gender

Female	
Male	

3. Race

African	
Coloured	
Indian	
White	

4. Educational Background

No education	
Secondary education	
Senior certificate	
Diploma	
Degree	
Post tertiary qualification	

5. Job level

Practitioner	
Supervisor	
Line Manager	
Middle Management	
Senior Management	

6. **What is your understanding of the role and importance of procurement policies in assisting SMMEs development?**

7. **What policies are in place in KZN-DPW for growth and development of SMMEs?**

8. **What role does KZN-DPW perform in support to grow and develop SMMEs?**

9. **What type of mechanism do you have to monitor and evaluate progress of SMMEs in KZN-DPW?**

10. **What are the challenges KZN-DPW have in implementing procurement policies?**

11. **In your understanding what can be done to improve growth and development of SMMEs?**

12. **In your understanding are SMMEs important in local economic development, if Yes/No why?**

APPENDIX F:

DATA EXTRACTION FORM

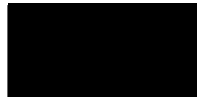


DATA EXTRACTION FORM

THE CONTRIBUTION OF PROCUREMENT POLICIES TO THE DEVELOPMENT OF SMALL ENTERPRISES IN KZN PUBLIC WORKS

FINANCIAL YEAR	CIDB LEVEL 1	CIDB LEVEL 2	CIDB LEVEL 3	CIDB LEVEL 4	CIDB LEVEL 5	CIDB LEVEL 6	NUMBER OF AWARDS	TOTAL AMOUNT
2015-2016								
2016-2017								
2017-2018								
2018-2019								
TOTAL EXPENDITURE								

Signature





11 May 2021

Mrs Nonjabulo Brenda Ndlovu (9502216)
School Of Man Info Tech & Gov
Westville Campus

Dear Mrs Ndlovu,

Protocol reference number: HSSREC/00000123/2019

Project title: The contribution of procurement policies to the development of small, medium and micro enterprises (SMMEs) in KwaZulu Natal Department of Public Works

Amended title: The contribution of procurement policies to the development of small, medium and micro enterprises in the Department of Public Works, KwaZulu-Natal

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 28 April 2021 has now been approved as follows:

- Change in title

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

All research conducted during the COVID-19 period must adhere to the national and UKZN guidelines.

Best wishes for the successful completion of your research protocol.

Yours faithfully








Professor Dipane Hlalele (Chair)

/dd

Humanities & Social Sciences Research Ethics Committee
UKZN Research Ethics Office Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban 4000
Tel: +27 31 260 8350 / 4557 / 3587

Website: <http://research.ukzn.ac.za/Research-Ethics/>

Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville