
The role of public procurement to socio-economic development

Intaher Marcus Ambe

Department of Applied Management,
School of Public and Operations Management,
University of South Africa,
P.O. Box 392, UNISA, 0003, South Africa
Email: ambeim@unisa.ac.za

Abstract: This paper investigates the role of public procurement plays to socio-economic development in a provincial government, South Africa. Since 2004, public procurement has gained significance in the country. It is used as an enabling mechanism by the South African Government to implement policies aimed at inclusive growth, socio-economic development and transformation. The paper is exploratory and descriptive in nature, based on a survey conducted among procurement practitioners. The findings revealed that public practitioners in the province do acknowledge the strategic role of public procurement in socio-economic development. However, public procurement practices are not adequately implemented in line with government imperatives to accelerate inclusive and socio-economic development. There is a need to re-organise and re-align organisational structures in the province to improve public procurement practices. It is therefore critical that an effective public procurement capacity development programme and professionalisation path be established; ethics and good governance be enforced; and the importance of strategic procurement be capitalised to accelerate socio-economic development.

Keywords: provincial government; public procurement; inclusive growth; socio-economic development; South Africa.

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Biographical notes: Intaher Marcus Ambe is a Professor of Supply Chain Management in the School of Public and Operations Management at University of South Africa (UNISA). His research focuses on procurement aspects of supply chain management in the public and private sectors. He has published extensively in peer-reviewed journals and is a co-editor of books including *Supply Chain Management: A Balanced Approach* (Van Schaik, 2017) and *Purchasing and Supply Management* (Van Schaik, 2018).

1 Introduction

Governments face uncertain times and difficult decisions in managing their economies and ensuring the security and prosperity of their citizens. Effective public procurement plays an important role in realising the goals of governments (Asian Development Outlook, 2012). As a developmental tool, public procurement is slowly being

acknowledged. The Asian Development Outlook (2012) reveals that government expenditure on goods, services and works is a key component of national income and well-being. Beyond advancing social objectives, public procurement could be leveraged towards generating employment, enhancing domestic manufacturing capacity and supporting renewable, green and inclusive growth priorities (Turley and Perera, 2014). Public procurement is a key economic activity of governments and represents a significant percentage of the gross domestic product (GDP). The Organisation for Economic Cooperation and Development (OECD, 2013) estimates that public procurement globally amounts to approximately 15% of GDP and 1.3 trillion US dollars in procurement spending. In developing countries, public procurement can account for up to 70% of all government expenditure, especially in fragile states. For example, public procurement spending represents 29% of South Africa's GDP (Turley and Perera, 2014); in Ghana, it accounts for 14% of GDP (Seidu et al., 2014); in Swaziland, it accounts for 65.9% of GDP; in East Timor, 70.19%; and in both Sierra Leone and Uganda, 70% (Perera and Colverson, 2012). Tukamuhabwa (2012) asserts that in Uganda, a wave of procurement reforms that began in 1997 culminated in the enactment of the Public Procurement and Disposal of Public Assets (PPDA) Act 2003 and Regulations 2003. Globally, public procurement is central to the delivery of public services and the performance of public entities [Dzuke and Naude, (2015), p.1]. However, in both developed and developing countries public procurement practitioners have and will always face many challenges [Huka et al., (2014), p.18]. Unfortunately, many central government ministries and agencies have not followed prescribed practices since then (Agaba and Shipman, 2007; Kadima et al., 2013).

In South Africa, despite the reform processes in public procurement and the employment of supply chain management (SCM) as a strategic tool, public procurement practices still face major problems, such as non-compliance with legislation and policies on procurement and SCM and tender irregularities [Ambe and Badenhorst-Weiss, (2012), p.242]. National Treasury (NT) (2015, p.5) reports that the strategic importance of SCM is not well understood – those working in the system need to understand the economic and social power of the purchasing decisions that they make. Naude et al. (2013, p.1) state that there is limited understanding of how public procurement decisions and actions affect the overall business environment. Phakathi (2015, p.5) states that there is a lack of skills and capacity in the implementation of public procurement. According to Munzhedzi (2016, p.1), the appointment of inexperienced and unqualified officials and contractors; the lack of technical expertise in the respective bid committees; a poor understanding of relevant regulatory framework; and non-compliance with policy frameworks add to the procurement challenges. NT (2015, p.5) reports that procurement policies and regulations are often confusing and cumbersome and suppliers have to fill out numerous forms, often repeatedly. Naidoo (2016, p.656) states that the public sector has seen that there are unethical and even toxic leaders who exploit loopholes in systems and processes and who seek to fulfil their personal desires at the expense of their departments.

While few empirical studies have been undertaken on procurement implementation in the South African public sector (Migiro and Ambe, 2008; Mathee, 2006; Van Zyl, 2006; Ambe and Badenhorst-Weiss, 2011) and on inclusive growth (Ranieri and Ramos, 2013; Samantha, 2015), this paper specifically investigates the role of public procurement in socio-economic development, especially with regard to a provincial government. This paper therefore intends to fill a void. Hence, the question that defines the paper is:

“What is the role of public procurement in socio-economic development in a South African provincial government?”

In order to answer the research question, the following sub-questions need to be answered:

- Do public practitioners understand the strategic importance of procurement for socio-economic development?
- To what extent do public practitioners practise strategic sourcing and commodity management?
- To what extent do public procurement practitioners conduct spend analyses and take into consideration total cost of ownership (TCO)?
- What is the extent to which enterprise and supplier development (ESD) is implemented?

This paper is of utmost importance, as it illuminates the state of procurement implementation in the province. It also contributes to the body of knowledge in the field of procurement, especially knowledge of the role of public procurement in inclusive growth and socio-economic development in the South African context. This paper is based on institutional theory, socio-economic theory, principal agent theory, cognitive theory and legitimacy theory. Institutional theory is a traditional approach that is used to examine elements of public procurement (Obanda, 2010). According to Scott (2004), the three pillars of institutions are regulatory systems, normative systems and cultural-cognitive systems. The regulatory pillar emphasises the use of rules, laws and sanctions as enforcement mechanisms, with expedience as basis for compliance. The normative pillar refers to norms and values, with social obligation as the basis of compliance (Tukamuhabwa, 2012). The cultural-cognitive pillar rests on a shared understanding (common beliefs, symbols). Borrowing from Scott’s (2004) theory, public institutions in South Africa are guided by the PPDA Act (2003), Regulations (2003) and guidelines that direct procurement activities. Based on the three pillars of institutions propounded by Scott (2004), we identify organisational culture, social influence, organisational incentives and enforcement as antecedents of compliance with procurement rules (Tukamuhabwa, 2012). The remaining section of the paper presents a theoretical review, the research methodology employed, findings, a discussion and a conclusion.

2 Literature review

This section of the paper presents a theoretical review of procurement practices and the drivers of public procurement that result in socio-economic development.

2.1 An overview of public procurement

The term ‘public procurement’ refers to the purchase of goods, services and works by governments and state-owned enterprises. Public procurement operates in an environment of increasingly intense scrutiny and accelerated changes driven by technology, program reviews and political expectations (Bolton, 2006; Eyaa and Oluka, 2011). It is a business

process with an underlying political system [Watermeyer, (2011), p.8]. The public procurement process is a sequence of activities that starts with the assessment of needs. This is followed by the awarding of contracts, contract management processes and finally payment (OECD, 2013). Reliable procurement practices ensure that funds are used for the construction of hospitals, schools, roads and so on. It is intended to benefit the general public and the goods and services so procured are generally provided through private enterprise. The government, the general public and private suppliers thus all have a direct interest in public procurement. Public procurement accounts for a substantial portion of taxpayers' money (approximately 12% of GDP and 29% of government expenditure in OECD member countries). Since procurement accounts for such a large portion of public resources, it is important that the procurement process should occur in an accountable, transparent and well-managed manner to ensure high-quality service delivery and to safeguard the public interest (OECD, 2013). Therefore, public procurement remains the one government activity that is most vulnerable to waste, fraud and corruption owing to the magnitude of the financial flows involved. Public procurement is used to achieve social policy objectives – that is, to foster job creation, to promote fair labour practices (such as the increased utilisation of disabled citizens in employment) and as a means to prevent discrimination against minority groups [Uyarra and Flanagan, (2009), p.2].

Roodhooft and Abbeele (2006) argue that public bodies have always been big purchasers that deal with huge budgets. Mahmood (2010) states that public procurement represent 18.42% of the world GDP. In developing countries, public procurement is increasingly recognised as essential to service delivery (Basheka and Bisangabasaija, 2010) and it accounts for a high proportion of total expenditure. For example, public procurement accounts for 60% of all public spending in Kenya (Akech, 2005), 58% in Angola, 40% in Malawi and 70% in Uganda (Wittig, 1999; Government of Uganda, 2006, as cited in Basheka and Bisangabasaija, 2010). This is very high when compared to a global average of 12% to 20% (Frøystad et al., 2010). However, there is a growing recognition that, despite significant increases in resources, public service delivery is still failing in many developing countries.

The importance of procurement reform in almost all countries can be demonstrated based on its scale and role in terms of service delivery. Davis (2014, p.88) alludes to the amount of money wasted by existing practices, reduced competition, higher prices owing to market perceptions of risk and the demonstrated ability of countries to capture enormous savings through concerted efforts to strengthen their procurement function. In many developing countries, governments do not have the financial and technical capacity to exercise such oversight and control functions effectively, to track and report on allocation and disbursement and to use financial resources optimally. According to Dzuke and Naude (2015, p.3), scholars have identified the following key problems in the public procurement system:

- 1 weak and outdated procurement policies and processes
- 2 public sector procurement remaining an operational activity and not a strategic activity
- 3 a lack of accountability and transparency
- 4 a lack of procurement knowledge and skills
- 5 embedded fraud and corruption

6 the inability to implement appropriate reforms.

Also, some of the challenges in public procurement go beyond procurement regulations and include procurement processes, methods, organisational structures and the workforce [Eyaa and Oluka, (2011), p.36]. Davis (2014, p.79) states that there is growing recognition that poor service delivery is the result of ineffective public procurement practices. Despite significant increases in resources, public service delivery is deteriorating in many developing countries.

2.1.1 Public procurement practices in South Africa

Procurement is both a strategic tool and a mechanism that enables the South African government to implement policies for socio-economic development and transformation (Turley and Perera, 2014). The government recognises the potential of procurement to improve public sector productivity through savings and economies of scale [Gurría, (2016), p.3]. Hence, it is an indispensable economic activity for good governance. The government agencies of independent nations, multilateral funding institutions and international aid organisations implement their development assistance and humane relief programs aimed at fighting diseases, reducing poverty and fostering economic and social development via national procurement processes.

For more than two decades, the South African public sector has undergone transformation based on the introduction of procurement reforms (Turley and Perera, 2014). The procurement reforms began in 1995 and were directed at two broad focus areas, namely the promotion of principles of good governance and the introduction of a preference system to address socio-economic objectives. The procurement reform processes were embedded in Section 76(4)(C) of the Public Finance Management Act (PFMA) (Act 1 of 1999) and the Preferential Procurement Policy Framework Act (PPPPFA) (Act 5 of 2000) (SAMDI, 2005). In 2003, the South African Cabinet adopted an SCM policy to replace these outdated procurement and provisioning practices. The aim was to implement an SCM function across all spheres of government; this function would then be an integral part of financial management and would conform to international best practices (NT, 2005). The SCM policy framework aimed to promote uniformity and consistency in the application of SCM processes throughout government; to facilitate the standardisation and uniform interpretation of government's preferential procurement legislation and policies; and to complete the cycle of financial management reforms introduced by the PFMA by devolving full responsibility and accountability for SCM-related functions, in addition to financial management functions, to accounting officers and authorities (Mkhize, 2004; NT, 2005).

Over the years, the government has introduced numerous changes to the enactment of procurement. SCM has been introduced as a procurement and socio-economic tool and numerous trends and developments have evolved. The NT publishes policies, regulations, practices and notes to guide SCM practitioners in government. In 2015, the NT published the first review of the SCM policy – the first major assessment of the system of buying goods and services in the public sector since 2004. In 2011, the Preferential Procurement Regulations provided guidelines for the implementation of the 80/20 and 90/10 preference point systems. In 2017, revised preferential procurement policy regulations made provision for changes to accelerate inclusive growth and transformation. It addressed tenders targeting specific groups, such as black women and an increase of the

threshold for 80/20 preference point system from 1 million to 50 million and 90/10 from above 1 million to above 50 million. Also, emphasis is placed on the procurement of locally manufactured goods and services, as well as the compulsory subcontracting of at least 30% for tenders above R30 million, where feasible, to advance designated groups. In 2015, a revised Codes of Good Practice was enacted to change the way broad-based black economic empowerment (BBBEE) scorecards developed in 2003 are calculated.

2.2 Drivers of public procurement to socio-economic development

Policy outcomes are the starting point of government activities. According to the OGC (2005, p.5), the desired deliverables include a tolerant and safe society and well-educated citizens. Government should develop policies to realise these outcomes and engage in operational activities to deliver them. It is not always obvious how procurement contributes to these policies and outcomes. Public procurement drivers are critical for enhancing the maturity of inclusive growth and socio-economic development initiatives. From a procurement point of view, maturity can be defined as the level of adoption or realisation of modern collaborative and integrative practices (Bowersox et al., 2010). Randeree et al. (2012, p.477) define procurement maturity as a staged structure of the extent to which a supply chain function has progressed by effectively adopting new processes and best practices. However, there are different dimensions to public procurement maturity, but no unanimous definition [Schiele, (2007), p.276; Rudzki and Trent, 2011). In this paper, the following dimensions are considered strategic for enhancing the maturity of public procurement practices and facilitating socio-economic development in South Africa.

2.2.1 Understanding the strategic importance of procurement

Public procurement is one of the strategic mechanisms that enable government to implement policy. Traditionally, public procurement has been misunderstood and undervalued. Its strategic importance has not been recognised and it has been under-capacitated. The procurement function has not been given the recognition it deserves in developing countries and their public entities, regardless of the efforts of partners like the World Bank, the International Trade Organization, the United Nations Conference on Trade and Development, the World Trade Organization and others [Kiama, (2014), p.170]. The importance of public organisations as entities designed to serve the public, along with the imperative for public accountability, makes studying the problems associated with the public sector essential [Kiama, (2014), p.170]. The realities of trying to manage procurement as a mere tactical and administrative process are worrying (Boateng, 2015). Boateng (2015) identifies these realities as a lack of accountability and governance, slow growth and non-inclusive development, de-industrialisation, poor service delivery, rampant buying as opposed to strategic sourcing and joblessness. Davis (2014, p.86) states that public procurement is considered an inherently politically sensitive activity. The threat of being suspended or fired has in many cases intimidated public officers into obeying illegal ministerial directives leading to non-compliance (Akech, 2005). In support of this, Hui et al. (2011) write that interference from local politicians, businesspersons, members of parliament and very influential individuals in top management positions interrupts procurement processes and prevents transparency. In South Africa, the NT's (2015) review reveals that the strategic

importance of SCM as a public procurement tool is not well understood. SCM is explicitly in the public sector in South Africa to pursue socio-economic objectives. Understanding the strategic objective of SCM is therefore imperative (Boateng, 2015).

2.2.2 Strategic sourcing and commodity management

Strategic sourcing is a collaborative, structured approach that is followed to analyse government spending. The information from such analyses are used to acquire commodities and services effectively, and therefore strategic sourcing supports government's service delivery objectives. It helps supply chain managers to plan, manage and develop the supply base in line with objectives; and creates an understanding of the categories of goods and services in government's spending portfolio, their intended use and the sources of supply (Boateng, 2015). It helps to identify leverage points, develop appropriate sourcing strategies, reduce costs and increase the benefits and value of the service or commodity to government. The successful implementation of strategic sourcing may lead to an improved understanding of government spending patterns that can assist in optimising the budgeting and planning process and enables sourcing practitioners and decision-makers to make better informed decisions (Reuters, 2017). In 2015, the South African NT developed a strategic sourcing framework. This framework requires that government should adopt a differentiated approach to the procurement of various commodity groups. Using the principles of strategic sourcing means distinguishing between the various categories of commodities and developing appropriate sourcing approaches for each. Categorised commodities present a proven framework for transforming procurement operations to increase the value the department provides to its organisation. The framework divides commodities in the country into strategic products, leverage products, routine products and bottleneck products (Mail & Guardian, 2015).

2.2.3 Procurement spend analysis and TCO

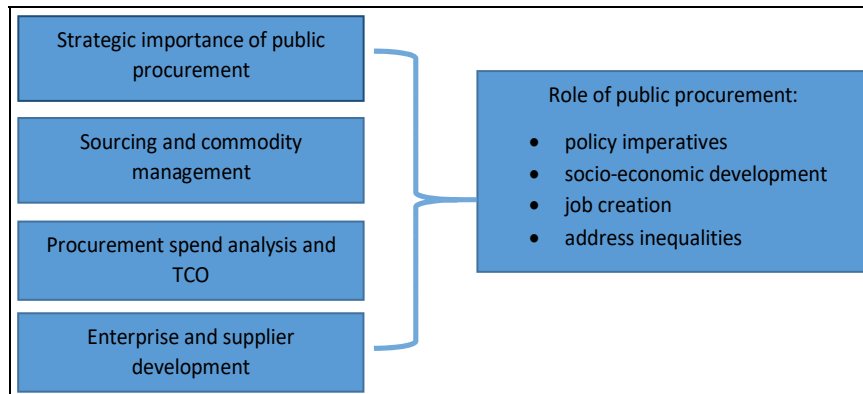
Spend analysis is one of the key tools that procurement organisations use to identify opportunities proactively in order to optimise their buying power. Government spends close to R600 billion annually on goods and services and inefficiency should be a big concern in the procurement processes (Reuters, 2017). In line with the 2017 revised preferential procurement regulations, departments and municipalities need to set procurement spending targets for SMEs, youths, women, the disabled and so on. As part of its drive to create a new class of black industrialists and entrepreneurs, the government has set itself the target of procuring 75% of goods and services from South African producers. Fawcett et al. (2007, p.263) define TCO as a philosophy for understanding all relevant supply chain related costs of doing business with a particular supplier for a particular good or service, or the cost of the process, or a particular supply chain design. TCO enables organisations to understand all specific cost drivers for goods and services and the components that can be used to reduce overall cost. Understanding TCO broadens our baseline understanding of spend and enables us to identify sourcing opportunities beyond purchase price. TCO identifies costs that are made up of two major components: direct costs and indirect costs. In the SCM policy, TCO is an important component of the demand management process referred to as TCO or life cycle costing (LCC). Consideration for TCO is required in the development of the specification. This is

particularly important for the procurement of assets, from need through planning to disposal.

2.2.4 Enterprise and supplier development

In the context of the South African BBBEE scorecard, ESD is defined as a program of developing SMMEs (or beneficiaries) by investing time, money and capital to contribute to the development, sustainability, financial independence and operational independence of those beneficiaries. According to the BBBEE Act, ESD is a combination of preferential procurement and ESD. Leveraging procurement to influence the development of the local supplier industry is keys to realising government's growth, employment creation and equality objectives (Morales-Nieto, 2008). Pooe (2016, p.3) defines ESD as the process of strengthening the integration of small firms with the potential to grow, expand and enter the economic mainstream. ESD is a critical qualifying contribution that can reflect positively on an organisation's BEE scorecard. ESD measures the extent to which organisations buy goods and services from suppliers with high BBBEE recognition levels. SMMEs contribute significantly to economic growth; they are generally referred to as 'drivers of economic growth' (Sithole, 2014). ESD alone contributes 40% to the entire BBBEE scorecard. Developing an ESD policy and objectives is imperative. Small businesses represent 98% of the firms in South Africa, but only have a 9% survival rate over a ten-year period. For this reason, the major emphasis of ESD is the long-term sustainability of these small businesses. According to Accenture (2012), the government has an obligation to develop suppliers and participate in ESD initiatives.

Figure 1 Conceptual framework of the study (see online version for colours)



Following the presentation and an overview of public procurement as a driver of inclusive growth and socio-economic development, this paper discusses:

- 1 the strategic importance of public procurement
- 2 procurement spend analyses and TCO
- 3 the importance of ESD to the NDP's Vision 2030, which focuses on long-term accelerated economic growth to reduce unemployment and inequality and create a more inclusive society.

The conceptual framework adopted for this paper is illustrated in Figure 1.

3 Research methodology

This paper investigates the impact of public procurement on inclusive growth and socio-economic development in a South African provincial government. The paper is descriptive and exploratory in nature and is based on a survey conducted in a provincial government in South Africa. The provincial government has embarked on SCM reforms in line with NT imperatives to ensure that its resources are used efficiently to procure goods and services and to drive socio-economic development and the inclusivity of resources. Senior supply chain managers in the province participated in a survey via personal interviews (in a provincial department, municipalities and provincial entities). A purposive sampling technique was used and the focus was on senior supply chain managers (heads of supply chains) with expert knowledge of supply chain practices. Participants were selected based on their strategic positions and seniority in their organisations. The interview questions were semi-structured and presented in a four-point Likert response format, with the endpoints (1) 'strongly disagree' and (4) 'strongly agree'. A total of 50 (N = 50) interviews were conducted. Participants were chosen from 20 provincial departments, 18 municipalities and 12 provincial entities. The data were analysed descriptively using the Statistical Package for Social Sciences (SPSS).

4 Findings and discussion

This section of the paper presents the results and discussion.

4.1 Presentation and analysis of findings

Five drivers of public procurement towards inclusive growth were empirically investigated. Presentation, analysis and interpretation of the results are discussed under different sub-headings, namely 'strategic importance of public procurement', 'strategic sourcing and commodity management', 'procurement spend and TCO' and 'ESD'. Supplier performance management and contributors to socio-economic development are also discussed.

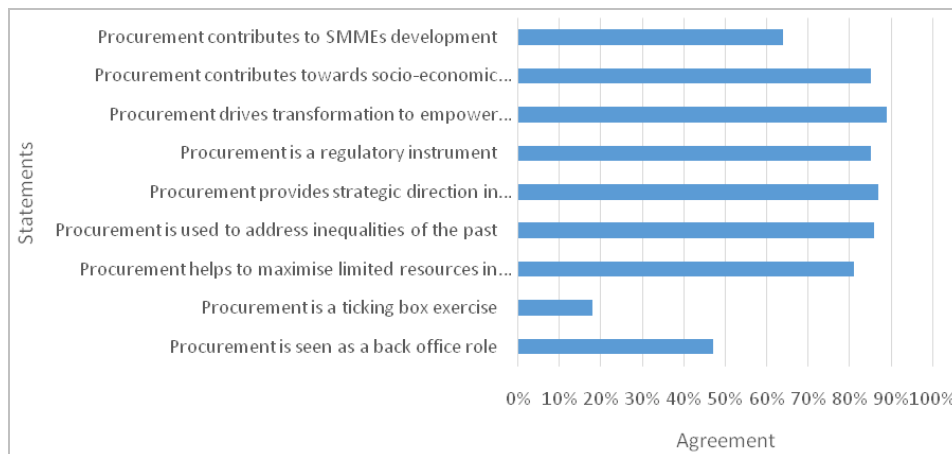
4.1.1 Strategic importance of procurement

Respondents were asked to indicate on a four-point Likert scale, with endpoints 1 ('strongly disagree') and 4 ('strongly agree'), the extent to which they agree about the importance of their supply chain for inclusive growth and socio-economic development. The findings are presented as percentages in Figure 2.

The results indicate that most of the respondents are of the view that public procurement helps to maximise limited resources in government (81% agreement) and it is a transformation tool (79% agreement). It is important to note that most of the respondents do not believe public procurement is a ticking box exercise (82% disagreement). Interestingly, only 46% of the respondents see public procurement as a back office role, hence it plays a strategic role in achieving socio-economic imperatives

in a province. Therefore, the practitioners do understand how strategic public procurement contributes to inclusive growth and socio-economic development (91% agreement). All the respondents are of the view that public procurement contributes to socio-economic development in the province. The respondents believe public procurement drives transformation and restructuring to accommodate the previously disadvantage (89% agreement); and that public procurement contributes to job creation and the economy (85%). Furthermore, the respondents note that regulatory regime change contributes to socio-economic development (89% agreement). However, only 62% of the respondents believe that there is enough investment in the development of SMMEs (64% agreement). The findings show that public procurement practitioners understand how important public procurement is for inclusive growth and socio-economic development. However, implementation remains a challenge. The results support the notion that public procurement is critical for the advancement of socio-economic development in the country.

Figure 2 Perception of respondents on the strategic importance of public procurement (see online version for colours)



4.1.2 Strategic sourcing and commodity management

Respondents were asked to indicate on a four-point Likert scale, with endpoints 1 ('strongly disagree') and 4 ('strongly agree'), the extent to which they agree with statements about strategic sourcing and commodity management. The findings are presented as percentages in Figure 3.

Figure 3 reveals that strategic sourcing practices are to some extent aligned with the organisational annual procurement plan (53% agreement). However, the transactions on the procurement plans are not properly analysed for the purposes of developing sourcing strategies (55% disagreement). The respondents feel strongly that the focus is on quality rather than price during the sourcing process (76%). Hence, the sourcing team does not always conduct industry analyses during the sourcing process (an average of 50% for agreement and disagreement). With regard to commodity management, the data analysis shows participants' perspectives on commodity management. The respondents agree that they have different categories of commodities in different departments (70% agreement)

and they conduct needs assessments before goods and services are procured (70% agreement). The respondents strongly disagree with the statement that they form partnerships with suppliers in the procurement of strategic commodities.

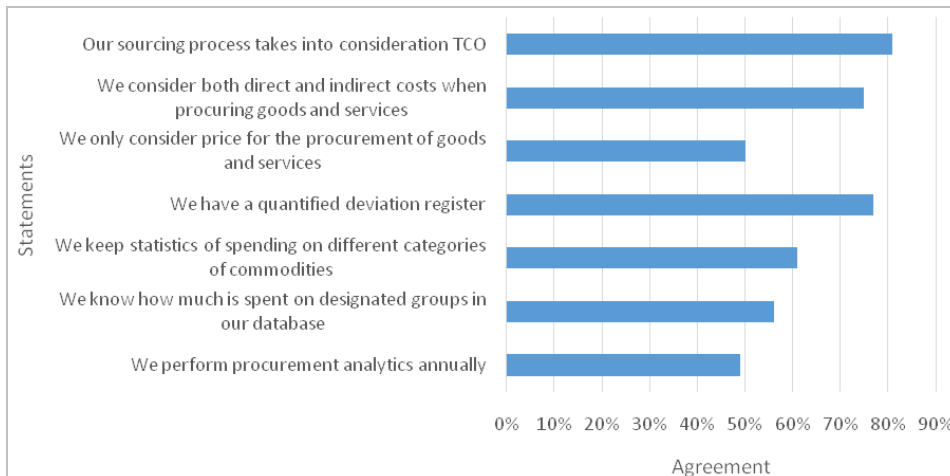
Figure 3 Respondents’ perceptions of strategic sourcing and commodity management (see online version for colours)



4.1.3 Procurement spend analysis and TCO

Respondents were asked to indicate on a four-point Likert scale, with endpoints 1 (‘strongly disagree’) and 4 (‘strongly agree’), the extent to which they agree with statements about procurement spend analyses and TCO. The findings are presented as percentages in Figure 4.

Figure 4 Respondents’ perceptions of procurement spend analysis and TCO (see online version for colours)

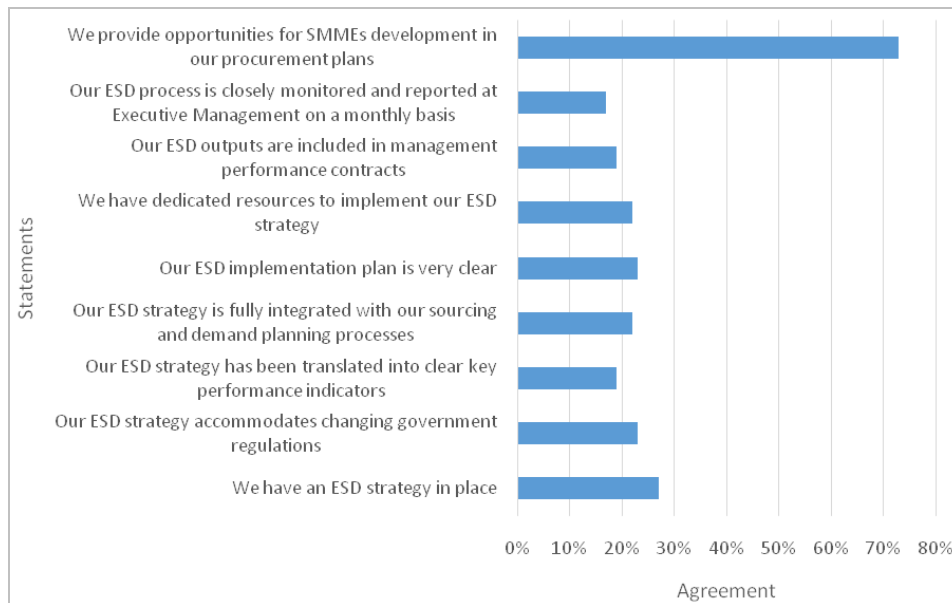


With regard to procurement spend analysis, just more than half (51%) of the respondents agree that procurement analytics are performed annually. However, they are not sure how much is spent on the various designated groups in their databases (51% disagreement). Also, they do not have statistics that indicate spending trends for the different categories of commodities that are procured (61% disagreement). Furthermore, the respondents do not have quantified deviation registers (77% disagreement). This indicates that procurement analytics are not well implemented and therefore cannot inform procurement best practices and compliance. With regard to TCO, half (50%) of the respondents indicate that only price is considered when decisions are made about the procurement of goods and services. 75% of the respondents are of the view that they consider both direct and indirect costs when procuring goods and services. Most of the respondents (81%) disagree with the statement that their sourcing process takes TCO into consideration. Based on the results, TCO is not well understood and implemented by institutions in the province.

4.1.4 Enterprise and supplier development

Respondents were asked to indicate on a four-point Likert scale, with endpoints 1 ('strongly disagree') and 4 ('strongly agree'), the extent to which they agree with statements about ESD. The findings are presented as percentages in Figure 5.

Figure 5 Perceptions of the respondents on ESD (see online version for colours)



Based on the results, ESD initiatives in the province are still in their infancy. Most of the respondents do not have an ESD strategy in place (72% disagreement) in their departments, municipalities and entities. The respondents do not have an enterprise implementation plan (78% disagreement) and they do not have dedicated resources available for such initiatives (78% disagreement). However, there are opportunities in the procurement plans for SMME development (73% agreement). Therefore, the provincial

government needs to create awareness of the strategic importance of ESD for job creation and the improvement of living conditions in the province.

Table 1 Summary of findings

<i>Research questions</i>	<i>Findings</i>
Do public practitioners understand the strategic importance of procurement for socio-economic development?	The findings show that public procurement practitioners do understand how important public procurement is for inclusive growth and socio-economic development. However, implementation remains a challenge.
To what extent do public practitioners practise strategic sourcing and commodity management?	The findings suggest that strategic sourcing is to some extent aligned with organisational annual procurement plans in the province. However, transactions are not properly analysed for the purpose of developing sourcing strategies. Sourcing teams do not always conduct industry analyses during the sourcing processes. There are different categories of commodities in different departments. There is lack of strategic partnerships with suppliers.
To what extent do public procurement practitioners conduct spend analyses and take into consideration total cost of ownership?	With regard to procurement spending and TCO, the findings reveal that targets are set for procurement spending on SMMEs, youths, women, the disabled, military veterans and co-operatives. However, the province does not meet its goal to procure 75% of goods and services from South African producers as part of the drive to create a new class of black industrialists and entrepreneurs. TCO is not well understood and implemented by institutions in the province. On average, only price is considered for the procurement of goods and services. Direct and indirect costs are not considered when procuring goods and services. Sourcing processes do not take TCO into consideration.
What is the extent to which enterprise and supplier development is implemented?	It obvious from the findings that ESD initiatives are still in their infancy. Most respondents do not have an ESD strategy in place in their departments, municipalities and entities.

4.2 *Discussion of the results*

Following the results and analysis, it could be deduced that public procurement drives transformation and restructuring to accommodate the previously disadvantaged and to contribute to job creation and economic growth. It is also critical for socio-economic development in the country. Practitioners acknowledge the strategic importance of procurement for inclusive growth and socio-economic development. However, implementation is a challenge. Strategic sourcing is to some extent aligned with organisations' annual procurement plans. However, sourcing teams do not always conduct industry analyses during the sourcing process and lack strategic partnerships with suppliers in the procurement of strategic commodities. Procurement plans and targets are not always followed and respected. ESD initiatives are still in their infancy. Most of the departments, municipalities and entities do not have ESD strategies in place and they do not have dedicated resources available for such initiatives. Nevertheless, procurement plans create opportunities for the development of SMMEs. In addition, the strategic importance of supplier performance is widely emphasised in an attempt to

promote sound contract management. Table 1 presents a summary of the research findings in line with the research questions.

5 Conclusions

Public procurement has gained significance in the South African public sector with the adoption of the concept of SCM. SCM is used as an enabling mechanism that allows the government to implement policies aimed at socio-economic development and transformation. The paper investigated the role of public procurement in socio-economic development in a South African provincial government. A survey was conducted among senior public procurement managers in a provincial government, municipalities and provincial entities.

Following analyses and discussions, the findings revealed that public procurement practitioners in the province understand the importance of public procurement for inclusive growth and socio-economic development. However, public procurement is still in its infancy; it is not sufficiently used as a strategic function. The report confirmed the views of the SCM review (NT, 2015) that public procurement is imperfect. The findings also supported the view of Ambe and Badenhorst-Weiss (2012) who state that public procurement practitioners in South Africa do not have the necessary skills, competencies and knowledge to ensure that public procurement contributes to socio-economic development. Further barriers to sound public procurement that would lead to inclusive growth are non-compliance with policies and regulations, unethical conduct and political interference. The findings of the paper are in line with the findings made by Kiama (2014), who asserts that many public procurement activities suffer from neglect, a lack of direction, poor co-ordination, a lack of open competition and transparency, differing levels of corruption, and most importantly, not having a cadre of trained and qualified procurement specialists who can conduct and manage procurement in a professional, timely and cost-effective manner.

Therefore, harnessing the potential of public procurement requires a major physiological change; the strategic role of public procurement must be acknowledged and embraced. Organisational structures need to be reorganised and realigned to elevate public procurement. It is therefore recommended that an effective public procurement capacity development program and professionalisation path be established, institutions of ethics and good governance be enforced and the importance of strategic procurement be capitalised to accelerate socio-economic development.

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