



GAUTENG
LEGISLATURE

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Proposed Focused Intervention Study (FIS) Topic

On:

Exploring the procurement of goods and services targeted for women owned companies, including youth and persons living with disabilities in the 2022/23 FY.

For the:

Portfolio Committee of Co-operative Governance and Traditional Affairs (COGTA) and Human Settlements

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1. INTRODUCTION

The Constitution of the Republic of South Africa provides with the Legislatures power to ensure that the executives (government) are accountable and that the oversight, law-making, cooperative governance and public participation mandate are upheld. This is fundamentally enforced through the committee systems and oversight models that the Gauteng Provincial Legislature (GPL) has at its disposal. As one of the tools that the GPL utilizes to dissect the performance of Gauteng Provincial Government (GPG) Departments, the Gauteng Co-operative Governance and Traditional Affairs (COGTA) Portfolio Committee make use of Focused Intervention Study (FIS). Central to the FIS is to investigate how the Department aims to succeed on a programme or sub-programme during the year under review.

This is the first FIS which is informed by the Department's Budget Vote seven (7) of 2022/23 Financial Year (FY). According to the Sector Oversight Model (SOM), the FIS is part of the Budget Cycle Model (BCM) and it provides the respective Portfolio Committee (COGTA & HS) with the legislative authority to critically examine the Department's performance plans and budget on its programmes. Therefore, the subject is not strictly prescriptive, and it ranges from exclusive variables to several variables, or all the variables.

The Committee will also focus its oversight mandate based on the state of service delivery undertaken by the Department, while taking into cognisance the implementation of the Back-2-Basics (B2B) pillars¹. This is through monitoring and evaluation of the Department's performance as indicated in the Annual Performance Plan (APP). During the FIS processes, the Committee is able to identify critical areas that hampers service delivery, thereby advising the Department to address those matters².

The SOM model specifies that in conducting effective oversight, different methodologies can be applied. One of those methodologies is the FIS. FIS is an in-

¹ Oversight Model of the South African Legislative Sector, 2013.

² Gauteng Estimates of Provincial Revenue and Expenditure. 2022/23 Financial Year.

depth investigation into a programme or sub-programme regarding sustainability issues or implementation bottlenecks.

This will enlighten the Committee to better understand the Department's shortcomings on a project, while proposing solutions or suggestions that will assist in reversing backlogs.

1.1 SOM model prescribes two FIS per financial year

The first FIS is conducted immediately after a Committee has dealt with a Departmental vote and before the arrival of the first quarterly report, and the Second FIS essentially occurs after the Auditor General's (AG) and Annual Report (AR) Processes. In terms of public participation, the involvement of relevant Stakeholders for independent verification is taken into consideration.

1.2 Framework for conducting FIS

1.2.1 Three Stages of Conducting FIS

- **1st Stage:** The Researcher presents 2 or 3 proposed FIS topics for the Committee to deliberate and decide on specific focus of FIS. The Committee may decide on 1 or 2 topics for FIS.
- **2nd Stage:** The Committee receives a detailed briefing on the selected FIS topic/s. This is when the Researcher presents detailed briefing which include the background information, rationale, problem statement, purpose, objectives and the approach of the FIS, and the Committee will agree on indicators and questions.
- **3rd Stage:** FIS Activities commence, and the Committee produces oversight report on the Findings and recommendations.

2. LITERATURE REVIEW

The following section unpacks the nitty-gritty of procurement of goods and services in general, with a strong emphasis on public or government procurement based on global/regional, South African and Gauteng perspective. Sadly, women-owned businesses' participation (including youth and persons living with disabilities) in government procurement still accounts for a smaller percentage and have been viewed as a global phenomenon.

2.1 Global perspective

Procurement is an important part of the United Nations' activities and a major market. The sheer size and volume of corporate purchasing worldwide mean that corporations have the potential to dramatically influence the way suppliers and supply chains operate. Each year, the world spends trillions of dollars acquiring goods and services yet purchases from women-owned businesses account for a mere one percent (1%) of the total spending. By overlooking women-owned businesses, many corporations are missing an opportunity to expand their global markets, diversify their supply chains, and grow the economy, while simultaneously improving the lives of women and girls around the globe. Investing in women's economic empowerment is central to realizing women's rights and gender equality and sets a direct path towards poverty eradication and inclusive economic growth³.

In September 2015, the global community adopted a set of seventeen Sustainable Development Goals (SDGs) to end poverty and hunger, protect the planet, ensure prosperity for all people, and foster peaceful, just, and inclusive societies. The purpose of the seventeen goals and the many targets they encompass is to guide the decisions and policies of individual countries and those of the global community more broadly over the next 15 years. One of the primary objectives of the SDGs is to achieve gender equality and empower women and girls. It can also be argued that individual nations

³ UN Women. 2020. Addressing the economic fallout of COVID-19. Pathways and policy options for a gender responsive recovery.

should also strive to include youth and persons living with disabilities as part of the vulnerable groups.

Today, there are 1.8 billion people between the ages of 10-24 and they are the largest generation of youth in history. Close to 90 per cent of them live in developing countries, where they make up a large proportion of the population. Provided with the necessary skills and opportunities needed to reach their potential (procurement of goods and services), young people can be a driving force for supporting development and contributing to the country's economic growth⁴. These interventions should comprise of people living with disabilities.

More than 500 million people in the world are disabled because of mental, physical or sensory impairment. Sharing of financial and material resources by all sections of the population, not omitting the rural areas of developing countries, could be of major significance to disabled persons by resulting in expanded community services and improved economic opportunities⁵. This objective is embodied in SDG 5. While gender equality and the empowerment of women are a stand-alone goal, they are also indispensable to achieving other sustainable development goals, such as eliminating poverty and hunger and ensuring good health and education for all people.

Like most businesses, those owned and operated by women, youth and people living with disabilities are overwhelmingly micro- or small-sized businesses. But unlike their male counterparts, women business owners must contend with a unique and disparate set of challenges in addition to those challenges facing small businesses more broadly. These challenges dissuade the vulnerable groups from starting businesses and prevent others from growing theirs. In other words, these challenges directly contribute to the gender gap in the business sector⁶.

2.2 South African perspective

South Africa is a poverty-stricken country and continues to face challenges of youth unemployment and inequality⁷. As a measure to turn gender equality commitments

⁴ <https://www.un.org/sustainabledevelopment/youth/>.

⁵ <https://www.un.org/development/desa/disabilities/resources/world-programme-of-action-concerning-disabled-persons.html>.

⁶ Promoting Women's Empowerment through Business Operations Strategy: Gender Responsive Procurement Practice Notice for BOS 2.0.

⁷ Kola O. Odeku. 2020. The plight of women entrepreneurs during COVID-19 pandemic lockdown in South Africa.

into reality, many countries including South Africa are increasingly turning to gender responsive budgeting (GRB). The consensus is that key groups are left out or inadequately considered when spending takes place through the national budget. GRB recognises that traditional budgeting systems are actively patriarchal and fail to see the contribution of women, who are the primary (and predominantly unpaid) bearers of the burdens home caregiving⁸.

Since the advent of democracy, the call for previously marginalised people (women, youth and persons living with disabilities), particularly black Africans to ensure full economic participation gained momentum in terms of the procurement of goods and services in government. Government efforts witnessed an introduction of Black Economic Empowerment (BEE) policies (which was later expanded to Broad-Based Black Economic Empowerment (BBBEE)) and affirmative action to redress the injustices of the past. In 2003, the B-BBEE Strategy was published as a precursor to the B-BBEE Act, No. 53 of 2003. The fundamental objective of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy⁹.

Government procurement in South Africa is big business, and the government spends close to R1.5 trillion (US\$94 billion) a year on goods, services, and construction (Fourie and Malan, 2020). At present only between 1% and 6% of this spend ends up with women-owned businesses (WOBs), even though women make up 51.2% of the population and own between 19% to 31% of businesses (Mastercard, 2020). The Gauteng government launched an initiative in 2013 designed to increase procurement spending on youth-owned companies, setting a target of 10% of all procurement contracts to be allocated to youth-owned enterprises¹⁰.

The current situation is hardly fair or inclusive and has an impact on the survival of WOBs and the economic empowerment of women and families. According to Statistics South Africa (2020), 41.2% of the country's households are headed by women, and 42% of children are raised by single mothers. The lack of public support for women is

⁸ <https://cge.org.za/wp-content/uploads/2021/07/CGE-Gender-Responsive-Budgeting-Framework.pdf>.

⁹ <http://www.thedtic.gov.za/financial-and-non-financial-support/b-bbee/broad-based-black-economic-empowerment/>.

¹⁰ <https://www.un.org/africarenewal/magazine/special-edition-youth-2017/public-procurement-opens-doors-youth-led-firms>.

thus detrimental to the welfare of these children and entrenches societal poverty. In the area of public procurement, South African government policies and programmes do not promote gender mainstreaming. Instead they exacerbate inequalities between women and men due to a lack of focus and of prioritisation of gender issues and inattention to understanding the needs of WOB.

In 2013, the Women's Empowerment and Gender Equality Bill was introduced to Parliament. This would have put an obligation on the public sector to *"increase access to financing, procurement, land rights, skills development ... and ... compile such data relating to economic empowerment of women as may be prescribed"*. This Bill never became law, and South Africa missed a chance to provide a clear legal framework for the promotion of WOBs in public procurement.

Because of South Africa's apartheid history, race trumps gender in the procurement system. During the interviews by Opening Contracting Partnership with stakeholders, both public and private sector participants indicated that there would be no changes in favour of WOBs in procurement unless they were legislated for. A municipality manager interviewed indicated that their municipality would not do anything that would compromise getting a clean audit from the Auditor-General, and a head of procurement at a state-owned enterprise indicated that the agency would not do anything that could lead to a negative audit, which could affect individual careers, and that fear will keep leaders from being radical about WOBs. The public sector interviews also highlighted that there are no plans to take measures to prioritise WOBs based on the 2020 presidential statement.

2.3 Gauteng perspective

In Gauteng, the government redress policies are initiated and pursued for the betterment of the disenfranchised people; however, this has coincided with gender disparities, specifically women, youth and people living with disabilities. This FIS will unpack the procurement of goods and services targeted for women owned companies, including youth and persons living with disabilities in 2022/23 FY.

The Gauteng Provincial Government (GPG) has a policy of leveraging Public Procurement. This means that goods and services are procured from township

businesses; women, youth and People with Disabilities (PWD-led) Small Medium and Micro Enterprises (SMMEs) and entrepreneurs. Gauteng's total government preferential spending on procurement over the past three years was R37 billion, of which R11 billion was spent on designated groups. In the first half of the financial year (April – September), 2021/22, Gauteng procured a total of R23.35 billion worth of items. A total of R2.04 billion was paid to enterprises with female ownership (Gauteng SOPA, 2022).

Since 2014, several strides have been made to champion the need to change the economic geography of this economic and industrial heartland of the country and continent so that big businesses, black businesses and SMMEs grow. Between 2014 and 2019, the Gauteng government reports that it provided extensive support to township businesses through transformative public procurement policy that enabled the provincial government to spend more than R20 billion procuring goods and services from township-based enterprises.

A total of R5.6 billion was spent on women-owned enterprises; R5.3 billion was spent on youth-owned enterprises and R470 million was spent on enterprises of people living with disabilities. There was an introduction of supplier development training for 3,198 township suppliers, and 2,881 suppliers were trained on how to tender/access government business opportunities.

There is a consensus that many township businesses collapsed under the weight of the COVID-19 pandemic. However, this should not deter the government's determination to fundamentally change the township economic landscape. One of the most enduring policy interventions of the sixth administration is the introduction of the Township Economic Development Bill in 2020. In short, the Bill aims to provide for the promotion and development of the township economy and to create a conducive environment for the attainment of that purpose¹¹. Such a remarkable piece of legislation reflects on the paramount importance of gender mainstreaming in the procurement of goods and services for both public and private enterprises.

¹¹ at www.gpwonline.co.za.

Gender mainstreaming in procurement should be part of a broader approach to gender-responsive public financial management, since procurement does not happen in isolation. There needs to be a prioritisation of gender issues among competing policy agendas, together with rethinking and re-articulating policy ends and means from a gender perspective (Jahan, 1996). A 2018 examination of the South African government's monitoring and evaluation framework concluded that gender is not mentioned in any meaningful manner in the policy framework" (Marock and Konstant, 2018).

3. BARRIERS AFFECTING WOMEN, YOUTH AND PEOPLE LIVING WITH DISABILITIES-OWNED BUSINESSES

Although this FIS will not be able to examine all the barriers affecting WOBs, youth and people living with disabilities specifically in Gauteng, but one would explore a high-level analysis on the challenges linked with the procurement of goods and services for the issue under discussion.

3.1 Lack of transparency

Public discourse on women in South Africa focuses on gender-based violence and the representation of women in leadership, but no concerted attention is paid to women's economic empowerment in the public and private sectors (World Economic Forum, 2019). Youths and persons living with disabilities perceive lack of capital, lack of skill, lack of support, lack of market opportunities and risk as the main obstacles to entrepreneurial intention¹². Among the causes of this situation is, first, the cultural perception propagated by patriarchal thinking that women business owners are of lesser importance, value, and agency than men (Mudau and Obadire, 2017) and can thus be given less fair treatment. Second is the general disregard of procurement law requirements by some municipalities and government departments. And third is a lack of accountability for public sector breaches of procurement law, which creates more impunity (Munzhedzi, 2016).

¹²

https://www.researchgate.net/publication/50934447_AN_INVESTIGATION_INTO_THE_OBSTACLES_TO_YOUTH_ENTREPRENEURSHIP_IN_SOUTH_AFRICA.

3.2 Corruption

Corruption affects the competitiveness of the procurement system and process, reduces trust in the system, undermines system integrity, and rewards malfeasance and unethical conduct.

3.3 Complexity, capacity and access to finance

The procurement system in South Africa is unduly complex and imposes high requirements on public contractors. Bidding for public contracts is time and resource intensive, in South Africa as elsewhere, has high transaction costs, and can be extremely burdensome, even for large companies (UN Women, 2017b).

Interventions for WOBs, youth and persons living with disabilities have not been able to bridge the financing gap encountered. Investors and banks in a patriarchal society are less willing to bet on women entrepreneurs because they doubt their ability to succeed (Chinomona and Maziriri, 2015). This persists despite the research indicating that closing the financing gap between men and WOBs would lead to 12% per capita growth in most countries (Deloitte and OECD Business and Industry Advisory Committee, 2015).

4. RATIONALE

The contestation for economic redress that drives the agenda for economic transformation in South Africa provides the leverage for enhancing gender equality and other marginalised groups such as youth and people living with disabilities. The result is an evolving dynamic legal framework for procurement that governs all state agencies and spheres of government. Legislation that recognizes the need to include previously excluded groups, such as all categories of women, offers the opportunity to promote gender inclusiveness through procurement. Laws such as the Preferential Procurement Policy Framework Act, 2000 (PPPFA)¹³; and the BBBEE Act, 2003 with its corresponding Codes of Good Practice (2007), stipulate a preferential point system

¹³ Establishes the manner in which preferential procurement policies are to be implemented. Preferential Procurement Policy Framework Act (5 of 2000).

that encourages the use of women-owned enterprises to benefit from preferential procurement of all state organs¹⁴.

The Gauteng Department of COGTA's initiative to drive the procurement of goods and services aimed at women-owned businesses is essential in expanding economic opportunities for women, youth and people living with disabilities. Private sector, civil society and women's organisations, businesswomen and government have partnered to form the Women Economic Assembly (WECONA). In 2021, the Presidency stressed the paramount importance to facilitate the participation of women-owned businesses in core areas of the economy.

5. PROBLEM STATEMENT

Since women-owned businesses still account for 1% of public procurement, is a serious challenge while Agenda 2063 of the African Union (AU) calls for this allocation to be at least 25%. According to the 2014-2015 Global Entrepreneurship Monitor (GEM) report, South African youth entrepreneurship propensity is the lowest in Africa with 23.3% as compared to Malawi and Uganda with 55.2% and 55.4% respectively¹⁵.

The aftermath of the COVID-19 pandemic is quite illustrious in showing that women, youth and people living with disabilities have been disproportionately affected by the economic and social fallout, primarily because the pandemic has exacerbated pre-existing structural inequalities and gender norms. Women are also over-represented in the hardest-hit sectors within the informal economy, making them vulnerable to job losses and lack of social security protection.

One of the challenges confronting advocacy for more gender-inclusive procurement is the lack of knowledge about the necessity for it. There is a widespread view that many stakeholders at the municipal level did not see the necessity for gender-based procurement and would instead prefer more regulatory support for local purchasing. Interviews conducted by Open Contracting Partnership revealed that there is a lack of interest in, and an absence of advocates for, gender-inclusive procurement. Few public sector organisations consider the lack of gender-inclusive procurement to be a problem that requires a remedy. It may prove difficult to find a suitable number of

¹⁴<https://cge.org.za/wp-content/uploads/2021/01/gender-transformation-on-procurement-2018-2019>.

¹⁵ Youth Entrepreneurship in South Africa: A Progress Review.

advocates in the public sector, and it may also be challenging to find advocates who are willing to keep up sustained activity on this issue, which many in the public and private sectors do not see as a priority or only pay lip-service to.

Another obstacle to advocacy on gender-inclusive procurement is the perceived lack of flexibility in South Africa's current procurement regulatory framework. The current procurement regime makes only limited provision for preferential criteria, as described above, and this is only for bidders with a stipulated BBBEE status level, or for Exempted Micro-Enterprises (EMEs), Qualifying Small Business Enterprises (QSEs), contractors subcontracting at least 30% of the contract value to an EME or QSE, or an EME or QSE at least 51% owned by black people, including black women. There is no flexibility to apply more than 10 or 20 points out of 100 towards these preferential criteria and no possibility to grant those points to businesses that do not meet the stipulated criteria.

Aims and objectives

- To comprehend the government policy on the procurement of goods and services targeted for women-owned businesses, including youth and persons living with disabilities;
- To explore the role of the Department of COGTA on the procurement of goods and services targeted for women-owned businesses, including youth and persons living with disabilities in 2022/23 FY;
- To recommend ways to enhance the role of women, youth and persons living with disabilities in economic participation.

6. METHODOLOGY

The procurement of goods and services by women-owned companies, including youth and people living with disabilities is significant in enhancing the group's social, political and economic circumstances. In terms of data collection, the Portfolio Committee should receive a detailed presentation from the Department, highlighting the government interventions and processes to ensure that women owned businesses

(youth and people living with disabilities) are prioritised for public procurement. Further, the Committee should hold a roundtable discussion with women, youth and people living with disabilities owned businesses to gather detailed information about the challenges they face in getting the support from government (COGTA).

This FIS methodology should also seek to compel the executive authority in question to reflect on the challenges of the policy implementation, thus share the experiences of the municipalities in terms of public procurement for women-owned enterprises and so forth.

7. CONCLUSION

In 1996, Member of Parliament (MP) Pregs Govender made this statement, “If you want to see which way a country is headed, look at the country’s budget and how it allocates resources to women and children.” Govender underlined the importance of the distribution of resources to some of the most marginalised people in the country. Against this background, the Committee deems it necessary to undertake an FIS to explore the procurement of goods and services to accelerate gender responsive budgeting of the vulnerable groups (women, youth and people living with disabilities) within the society.