

*This piece of work is dedicated to my late grandmother, Mamohlaba Salome Thema. Even though she did not have formal education, she never stopped sharing her wisdom, tutelage, support and encouragement to study.*

## DECLARATION

I declare that the research paper hereby submitted to the University of Limpopo for the degree of Masters of Public Administration has not previously been submitted by me for a degree at this university or any another university, that it is my own work in design and execution and that all material contained therein has been duly acknowledged.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

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## **EXECUTIVE SUMMARY**

The study investigated the supply-chain management practices in Capricorn District Municipality and Aganang Local Municipality. The study also looked at the implementation of the supply-chain management policies in the Capricorn District and Aganang Local municipalities.

The study critically analysed the practice of supply-chain management in Capricorn and Aganang municipalities and the challenges faced by these municipalities in terms of procurement and supply-chain management in general. The findings of the study will assist government with interventions that are necessary for the improvement of the supply-chain management practices in the local sphere of government.

The study also investigated and analysed possible non-compliance with supply-chain management legislation and policies, and purchasing and tender irregularities in Capricorn District and Aganang Local municipalities. It also investigated whether the evaluation and adjudication of bids were in accordance with the applicable legislation. The study further recommended possible strategies and mechanisms to improve procurement and supply-chain management to prevent fraud and corruption.

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## LIST OF ACRONYMS

<b>ALM</b>	–	Aganang Local Municipality
<b>BBBEEA</b>	–	Broad-based Black Economic Empowerment Act
<b>BEE</b>	–	Black Economic Empowerment
<b>CDM</b>	–	Capricorn District Municipality
<b>CFO</b>	–	Chief Financial Officer
<b>CPAR</b>	–	Country Procurement Assessment Review
<b>EoI</b>	–	Expression of Interest
<b>HDI</b>	–	Historically Disadvantaged Individuals
<b>IDP</b>	–	Integrated Development Plan
<b>LED</b>	–	Local Economic Development
<b>MFMA</b>	–	Municipal Finance Management Act, 2003
<b>MM</b>	–	Municipal Manager
<b>MoU</b>	–	Memorandum of Understanding
<b>PDI</b>	–	Previously Disadvantaged Individuals
<b>PFMA</b>	–	Public Finance Management Act
<b>PPP</b>	–	Public Private Partnership
<b>PPPFA</b>	–	Preferential Procurement Policy Framework Act
<b>RDP</b>	–	Reconstruction and Development Programme
<b>RFP</b>	–	Request for Proposals
<b>RFQ</b>	–	Request for Quotations
<b>SCM</b>	–	Supply-Chain Management
<b>SCMU</b>	–	Supply-Chain Management Unit
<b>SMME</b>	–	Small, Medium and Micro Enterprises
<b>TOR</b>	–	Terms of Reference

## DEFINITIONS OF SELECTED TERMS

### (a) Supply-Chain Management

Hugo *et al.* (2002:29) view supply-chain management as a management philosophy aimed at integrating a network of upstream linkages, internal linkages inside the organisation and downstream linkages in performing specific processes and activities that will ultimately create and optimise value for the customer in the form of products and services which are specifically aimed at satisfying customer demands.

Hugo *et al.* (2004:5) define supply chain management as the new approach aimed at enhancing customer service and providing a firm with a competitive advantage through the efficient management of the flow of materials and services.

According to Saunders (1997:44), the phrase Supply Chain Management is concerned with processes and techniques brought into play to manage the flow of supplies through such chains.

### (b) Procurement

Pauw *et al.* (2002:227) define procurement as the acquisition of goods and services other than the services of officials for the people and their administration by means of commercial transactions.

Bowersox & Closs (1996:35) view procurement as being concerned with purchasing and arranging inbound movement of materials, parts and/or finished inventory from suppliers to manufacturing or assembly plants, warehouses, or retail stores. Depending on the situation, the acquisition process is commonly identified by different names. In manufacturing, the process of acquisition is typically called purchasing. In government circles, acquisition has traditionally been referred to as procurement.

**(c) Tendering**

Pauw *et al.* (2002:234) define tendering as process whereby an organisation invites offers for the supply of goods and services and awards the contract to the best offer according to pre-determined criteria without negotiation.

**(d) Purchaser**

Purchaser is an entity that requests procurement of goods, obtains services or performs works and which conducts all the activities necessary for implementing the public procurement.

**(e) Supplier**

Supplier is every local or foreign legal entity or an individual – the supplier or provider of goods, services or works - which submits an offer.

**(f) Offer**

An Offer is a supplier's proposal prepared for the purchaser based on its defined request and it is the basis for closing an agreement for delivery of goods, services or performance of works.

**(g) Goods**

Goods are movable objects of all kinds, including the raw materials and spare parts, industrial and other facilities, copyrights of intellectual or industrial property (patents, licenses, transfer of technology and software programmes).

**(h) Service**

Service is every other activity that is not goods or work that is used to provide conditions for performing the function or the production.

**(i) Tender documentation**

Tender documentation is the documentation that is prepared by the purchaser with an aim to having the suppliers submit offers.