

WHEN PROCUREMENT FAILURE BECOMES A SERVICE DELIVERY CRISIS

Six -Domain Procurement-to-Public-Value Governance Framework

Public expenditure only creates public value when it reaches—and changes and the life of the citizen.

Procurement is the bridge between public money and public value



**A procurement irregularity may appear as a compliance finding.
The citizen experiences it as a failed clinic, road, school, water system or digital service .**

The scale of the opportunity—and the governance risk—is enormous

R40.14bn

Municipal irregular expenditure incurred in the 2024/25 financial year

87%

Share linked to procurement and contract-management non-compliance

85%

Municipalities that failed procurement compliance in audited awards

25

Average delay in months across infrastructure projects audited by AGSA

- **South Africa's consolidated government expenditure—covering national, provincial and relevant consolidated public institutions—was approximately R2.4 trillion in 2024/25**
- **Total Municipalities spent approximately R574.8 billion**

The issue is not whether money enters communities. The issue is whether it builds capability, ownership, assets and reliable services.

The Top 6 Governance Failures

SIX-DOMAIN PROCUREMENT-TO-PUBLIC-VALUE GOVERNANCE FRAMEWORK (P2PV)



01. Behavioral Governance failure - Capable policy, incapable institution

**Rules do not
implement
themselves. People
exercise—or
evade—power.**

What fails

- Accountability is transferred to SCM while business owners retain decision power.
- Juniorised SCM Teams weakens the robustness of the process and comprises the 3 bid Committee System
- Decision-makers optimize for procedural protection instead of public outcomes. (**Absence of Audit finding does not equate to Public Value**)
- Leadership – SCM failures are often a function of what the Culture dictates. What Leadership (Culture) rewards, tolerates or conceals translates into Procurement decisions.

02. B-BBEE without productive transformation

Transformation fails when expenditure changes credentials—but not productive power.

What fails

- Intermediary participation can grow without manufacturing, distribution or asset ownership – Value Chain Analyses
Contract value may flow back into historically established supply chains –
- Approximately R1 trillion economic activity but no meaningful translation to local ownership . Supply chains , property ,etc
- Only 2% of Township Businesses are classified as manufacturing businesses. Major part of Procurement is from historically advantaged vendors , outside of the townships. More consumption than ownership (Wealth accumulation)
- **Retailers in the Townships create employment but employment alone does not translate into broad based ownership (Wealth accumulation)**

The fundamental question is who owns the production , asset , and how meaningful is the re-investment back into the township economy ?”

03. Employment Equity without power transfer

57.1%

White representation at top-management level across all employers in 2025

21.1%

African representation at top-management level across all employers in 2025

29.3%

Women's share of top-management positions across all employers in 2025

2.5%

Employees with disabilities at top-management level in 2025

Oligopolies , Municipalities are missing the mark !

Headcount is not sustainable transformation if authority, succession, institutional success , strategic decision making remain poor.

The risk is not Employment Equity—it is unsupported transformation

01 Target-driven appointments

People are appointed to meet targets without investment in technical and commercial capability.

02 Accountability without authority

Black professionals carry accountability without sufficient decision-making power.

03 Complexity without transition

Inexperienced employees enter highly complex roles without mentoring or structured transition.

04 Informal power survives

Old networks retain real influence despite formal demographic change.

05 Capability is not retained

Experienced professionals leave because the environment does not support or retain them.

06 Compliance replaces transformation

Demographic compliance is confused with institutional transformation.

07 Employment Equity becomes a shield

EE is used to conceal failures in recruitment, professionalisation and workforce planning.

Procurement risk emerges when representation is not converted into authority, capability, professional support and continuity.

Employment Equity becomes a service-delivery issue when capability is not institutionalised

Representation

Who is present?

Authority

Who controls budgets, policy and appointments?

Capability

Who is developed for complex technical and executive work?

Succession

Who can sustain the institution beyond one incumbent?

Sustainable transformation = representation + decision power + capability + continuity

04. Awarded but not delivered

**The contract—not
the tender award—
is the vehicle of
public value.**

What fails

- Mobilisation, milestones and dependencies are poorly governed after award.
- Supplier performance information does not drive payment, intervention or consequence.
- Variations and extensions can conceal planning and performance failure.
- Institutions report procurement activity while citizens wait for the promised outcome.

05. Board Procurement blindness

A board cannot govern strategy, risk and performance while remaining blind to procurement.

What fails

- Procurement is buried under administration despite its strategic, financial and service-delivery consequences.
- Boards receive retrospective compliance findings instead of forward-looking procurement intelligence.
- Critical supplier dependencies, contract underperformance and transformation leakage remain below board visibility.
- Oversight must govern the procurement system—without turning directors into another bid committee.

Boards should govern procurement as an enterprise system—not approve tenders

THE BOARD SHOULD DEMAND

- A board-approved procurement and commercial strategy aligned to corporate priorities
- Forward visibility of the major procurement pipeline and capital-delivery dependencies
- Critical-contract performance, supplier concentration and vendor-lock-in intelligence
- Evidence of productive transformation, localisation and retained community value (Beyond the BBBEE Score card)
- SCM capability, authority , operating-model health and independent assurance over high-risk procurement
- Clear consequence management for officials and suppliers who compromise the system

THE BOARD MUST NOT

Evaluate bids

That belongs to properly constituted bid committees.

Select suppliers

Board influence over awards compromises independence.

Re-perform management

Oversight tests the system; it does not operate it.

Intervene selectively

Exceptions must follow approved delegations and governance.

Govern the system • Preserve segregation of duties

06. Procurement failure as Sovereign risk

The irregularity occurs inside an institution; the cost eventually reaches the household.

What fails

- Failed procurement creates repeat expenditure, defective assets, contingent liabilities and bailout pressure.
- Systemic governance weakness can damage fiscal credibility and increase the risk premium demanded by lenders.
- Higher debt-service costs crowd out infrastructure, social investment and frontline public services.
- Poor households carry the heaviest burden through taxes, tariffs and services they cannot privately replace.

A public-value governance test must follow the rand to the citizen

1	BEHAVIOUR	Who exercised power—and with what incentives and consequences?
2	TRANSFORMATION	What capability, ownership and assets were created?
3	INSTITUTION	Could the organisation competently plan and govern delivery?
4	CONTRACT	Did verified performance produce the promised service?
5	PEOPLE	Who holds authority, and is transformed capability sustainable?
6	BOARD	Did the governing body demand strategic procurement visibility?
7	SOVEREIGN	Did the decision create fiscal, guarantee or cost-of-capital exposure?
8	VALUE	Was substantive value achieved beyond procedural compliance?

PROCUREMENT FAILURE IS STATE FAILURE

When behavioral misconduct, superficial transformation, institutional incapacity, weak contract execution, unequal power and board blindness combine, public expenditure cannot become public value.

The ultimate audit question is simple:

Did the citizen receive the promised outcome?