ABSTRACT

One of the noblest functions of government is securing for its citizens their individual and collective well-being. This can be achieved through honouring and safeguarding human dignity and the constructive mediation between individual freedoms and collective action. When government succeeds this assures the social and ecological integrity of the community.

In every vocation, there is both the need and call for the people within that vocation to conform their behaviour to certain ethical standards. Ethics is the code of conduct these professionals have adopted in order to regulate the practice of their profession. However, ethics also reaches a level of unstated moral principles and a sense of what is right and wrong.

A need exists for ethical and transparent public sector procurement management on all spheres of government in contemporary South Africa. Evidence hereof is found in official documents, court cases and in the popular press.

Prescriptions governing ethical behaviour in public sector procurement peculiar to South Africa and the basic normative criteria are, inter alia, aspects reviewed and proposed in this article to strengthen the need for the determination and implementation of an ethical basis to ensure effective and efficient public sector procurement.

Firstly, this article will focus on describing and explaining the nature and meaning of public sector ethics. Secondly, prescriptions’ governing ethical behaviour in public sector procurement management in South Africa since democracy, 1994 with special reference to the local sphere of government is provided. Thirdly, a brief overview of existing general public procurement guidelines as established by the South African Revenue Service is discussed. Fourthly, basic normative criteria are proposed to establish effective, efficient and economical public sector procurement followed by a conclusive summary.
INTRODUCTION

“Ethics are as important for the public servant as blood for the body” (Unknown in Van der Waldt & Helmbold, 1995:170).

The public sector, like individuals, is constantly changing through new leadership, environmental influences and socio-political development. Government and society cannot promote and enforce ethical behaviour solely through the utilisation of ethical codes of conduct or through the promulgation of a plethora of legislation. Social mindsets are often still entangled in a micro-ethic paradigm. People tend to think of moral values and moral norms as values and norms which apply only to personal relations structures within which they interact. South Africa needs an organisational culture that not only supports ethical behaviour, but also defines and underpins right and wrong conduct at an individual and institutional sphere. The concept of interrelatedness corresponds with the African concept of “ubuntu” which means brotherliness and good neighbourliness. What affects one’s brother, directly or indirectly also affects oneself (Lynch, 1999:84).

One of the noblest functions of government is securing for its citizens their individual and collective well-being. This can be achieved through honouring and safeguarding human dignity and the constructive mediation between individual freedoms and collective action. When government succeeds this assures the social and ecological integrity of the community.

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NATURE AND MEANING OF PUBLIC SECTOR ETHICS

Cloete (1995:29) and Fox et al., (1995:45) agree that in realm of good governance and public administration, ethics can be regarded as the collection of values, obligations, moral principles, attitudes and norms that serve as conduct and behavioural rules which must be observed by
public representatives and public officials to ensure that their actions are constantly focused on the promotion, achievement, maintenance and enhancement of the general welfare of society.

Guy (1990:06) views ethics as different from law because it involves no formal sanctions. It is different from etiquette because it goes beyond mere social convention. It is different from religion because it makes no theological assumptions. It is different from aesthetics because it is aimed at conduct and character rather than objects. It is different from prudence because it goes beyond self-interests of others (Guy, 1990:06). Ethics is both a process of inquiry and code of conduct. As a code of conduct, it is like an inner eye that enables people to see the rightness or wrongness of their actions.

Kreitner (1995:147-148) distinguishes between terminal and instrumental values in ethics. A terminal value is an enduring belief that a certain end-state is worth striving for and attaining. An individual may strive for a highly moral lifestyle whereas another for social recognition. An instrumental value is an enduring belief that a certain way of behaving is appropriate in all situations. For example, it is assumed that an individual who values service will evidently behave in a dedicated and committed manner. Instrumental values (modes of behaviour) assist to achieve terminal values (desired end-states). It is believed that an individual can hold several different instrumental and terminal values in various combinations. Individual value systems can be compared to fingerprints.

Kreitner (1995:1480) and Jones et al., (2003:80) assert that because of this uniqueness, both public representatives and public officials who are confronted by the same ethical dilemma, often differ in their interpretation and in their actions.

The basis of the evaluation of human behaviour is to be found in a system of values. Ethical values and integrity as a basic value as well as the rule of law are key elements of every democratic society. Public officials in their daily execution of their functions and management of public funding, dispose of discretionary competencies. These values must not only protect the citizens against arbitrary use of this public power, but also the public authority itself against any improper use of this power by its public officials (Esterhuyse, 1989). The public officials themselves must be protected against any abuse or diversion of law or authority on behalf of the public authority or its official bodies (Hondegem, 1998:173).

Ethical behaviour is essential for an effective and stable political-administrative authority as well as social and economic structures. Corruption can disturb economic competition, endanger free trade and stability on which the free market economy is based (Hondegem, 1998:173).

Ethics, according to Gildenhuys (1991:42), is a moral science of what is good or bad and what is right or wrong. Ethics is concerned with the development of human behaviour according to certain moral norms. Morality is the practical manifestation of ethics. Ethics is one of the branches of philosophy aimed at the development of an ideal human personality based on moral premises. It strives towards a certain degree of integrity within the human being – a development of a sense of what is right and wrong.

It can be inferred from the above that ethics should be perceived as an ongoing activity and not as a status to be attained. Ethics is not a mere establishment of a set of rules or code of conduct but an ongoing management process that underpins the work of government.

According to Denhardt (in Hondegem, 1998:29):

"Ethics are not a set of rules or values waiting to be discovered, that provides all the answers. In the complex world of public administration, norms and values rarely provide clear-cut answers"
In order to have a clear understanding of the concept of ethics, the concepts “norms” and “values” is explained.

“Norms are standards of behaviour within the organisation which serve as a guide to all its members” (Barton & Chappel, 1985:333).

For example, one of the earliest norms in public administration was that of neutrality, meaning that public officials should be apolitical policy implementation functionaries rather than policy-makers. Within the context of public administration, the emphasis on norms is associated with the recommendation of certain values that are viewed as desirable by their promoters (Ferreira, 1996:143).

Van Dyke (1956:8) is of the view that:

“Normative statements express conceptions of the desirable. They indicate value preferences. They concern not what is, but what ought to be, endorsing ends, purposes or norms” (Van Dyke 1956:08).

There are concerns that with recruitment of personnel from the private sector, public sector norms and values need to be reinforced. Thompson (in Hondeghem, 1998:27), notes that since those who serve government come from more diverse backgrounds and begin with fewer values in common, the rules of government ethics are likely to become more important and more explicit.

Heyns (1986:02) writes that values are basic perceptions of the relative importance of our elements of existence. These perceptions always have to do with priorities, whereas norms are the function which direct and evaluate human attitudes and actions.

According to Dwivedi & Engelbert (1983:153), values are the ideals, beliefs and attitudes held by individuals that underlie all personal, social and political relationships. They form the basic foundation of codes and principles of individual, group and social behaviour. Values are reflected throughout a nation’s institutions and systems of governance.

The common denominator of nearly all people problems is to be found in the area of values. It is widely recognised that values often differ widely from person to person and from culture to culture. The influence of values on people’s thinking, acting and behaviour is underestimated. According to McMurry (1977:315), the influence of values on the individual is powerful because:

- They principally determine what he/she regards as right, good, worthy, beautiful and ethical.
- They provide the standards and norms by which he/she guides his/her day-to-day behaviour.
- They chiefly determine his/her attitudes toward the causes and issues such as political, economic, social and industrial with which he/she comes into contact daily.
• They determine which ideas, principles and concepts he can accept, assimilate, remember and transmit without distortion (McMurtry, 1977:315).
• In addition to the above, it is accepted that individuals can temporarily or permanently discard their value systems in favour of specific goal attainment.

The importance of articulating ethics and the values that define and underpin the public service, cannot be underscored. This is seen as critical to providing both public officials and the public with a common frame of reference regarding the principles and standards to be applied and in assisting public officials to develop an appreciation of the ethical issues involved in effective and efficient public service delivery (Hondeghem, 1998:30).

An example of the importance attached to the above-mentioned ethical principles is found in the “Seven Principles of Public Life” by the Nolan Committee in the United Kingdom. The principles (below), which are set out for the benefit of all who serve the public provide a valuable framework for evaluating recent experience and consider the future.

<table>
<thead>
<tr>
<th>Selflessness:</th>
<th>Public officials should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.</th>
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</thead>
<tbody>
<tr>
<td>Integrity:</td>
<td>Public officials should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.</td>
</tr>
<tr>
<td>Objectivity:</td>
<td>In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make their choices on merit.</td>
</tr>
<tr>
<td>Accountability:</td>
<td>Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.</td>
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<tr>
<td>Openness:</td>
<td>Public officials should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest demands it.</td>
</tr>
<tr>
<td>Honesty:</td>
<td>Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.</td>
</tr>
<tr>
<td>Leadership:</td>
<td>Public officials should promote and support these principles by leadership and example.</td>
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An overview of existing public sector procurement legislation which governs the actions of all public functionaries who deal with procurement issues at national and local spheres of government is expounded upon in the following rubrics.

**PRESCRIPTIONS GOVERNING ETHICAL BEHAVIOUR IN PUBLIC SECTOR PROCUREMENT MANAGEMENT**

The task of government institutions is to achieve the policy objectives which have been set by the government for community life. As public policy-maker, the government strives to establish a generally preferred future for the community. Any deliberations by the policy-maker on the establishment and realisation of such a preferred future should, include, _inter alia_, the setting of standards and respect for the administrative legal framework to guide functionaries in government institutions on how to execute policy.
The essence of public procurement legislation is to define and enforce those procedures that can produce a productive and efficient result, while respecting the public nature of the process and the duty of fairness to the suppliers. Government institutions are not usually established with a view to profit-making. The objectives of their procurement function differ considerably from the objectives of an establishment in the private sector. The efficiency objectives of the government institutions necessitate an optimal relationship from input to output, which is the same underlying motive for an efficient procurement system as is the profit motive of an organisation in the private sector. The premise for this is the *raison de etre* (reason for existence) of government institutions, which is to pursue the general welfare of all its citizens. Furthermore, government departments can demonstrate that they have obtained the best terms available by utilising competition among suppliers who are interested in and qualified to supply the goods and services in question.

For the purpose of fairness and reasonableness, transparency and good governance, public procurement procedures must be designed to generate maximum competition (section 195(1) of the *Constitution of the Republic of South Africa*, Act 108 of 1996). This explains the preference for open and affirmative procurement. The need for transparency will enhance the establishment of proposed basic normative criteria for effective, efficient and economical public sector procurement on the South African local sphere of government.

Section 195(1) of the *Constitution of the Republic of South Africa*, Act 108 of 1996, states that public administration must be governed by the democratic values and principles as enshrined in the Constitution. Among the basic values included in the principles are, *inter alia*:

- Services must be provided impartially, fairly, equitably and without bias.
- Transparency must be fostered by providing the public with timely, accessible and accurate information.
- Efficient, economic and effective use of resources must be promoted.
- Public administration must be accountable.
- Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation (*Constitution of the Republic of South Africa*, Act 108 of 1996).

The source of rules to conduct the selection and the rights of the parties, that is, the public sector purchaser (government departments) and the private sector supplier or contractor, are found in several spheres of legal instruments. These rules are derived from: the national procurement law; statutes that govern procurement by provincial and local authorities; budget and finance laws; applicable contract, labour, dispute settlement and environmental laws as well as building codes. It is imperative that procurement laws are coordinated within this wide regulatory framework to enhance effective, efficient and economical public sector procurement on the South African local sphere of government.

Section 217(1) of the Constitution stipulates that:

> "When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective."
The above directive is conducive to the establishment of normative criteria for effective, efficient and economical public sector procurement. Furthermore, in the interests of the general welfare, it is imperative to ensure that goods and services are procured in a fair and just manner.

Chapter 11 of the Municipal Finance Management Act, Act 56 of 2003 (hereinafter referred to as the Act) deals with supply chain management (public sector procurement).

Section 111 of the Act stipulates that each municipality and each municipal entity must have and implement a supply chain management policy which will give effect to section 110 of the Act.

According to section 112(1) of the Act, the public sector procurement management policy of a municipality must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal procurement management which must cover, *inter alia*:

- Open and transparent pre-qualification processes for tenders or other bids;
- Implement measures for combating fraud, corruption, favouritism and unfair and irregular practices in municipal procurement management and
- Promote ethics of officials and other role players involved in municipal procurement management.

The Act (section 117) bars any councillor of any municipality to be a member of a municipal bid committee or any committee which evaluates or approves tenders, quotations, contracts or bids nor attend any such meetings as an observer.

A system of Affirmative Procurement was advocated in the Green Paper on Public Sector Procurement Reform in South Africa (*Government Gazette* No. 17928, 14 April 1997:33). An Affirmative Procurement Policy was advocated to enact the vision for the Procurement Reform Process and to facilitate purposefully the flow of commerce to and through to those population segments who had been historically under-utilised and excluded from participation. This would be done in such a manner that participation in procurement activities is ensured through making the tendering process accessible to the target group without guaranteeing work, link the flow of money into target business enterprises with a concomitant flow of responsibility, increase the volume of work available to the poor and marginalised sectors of society and provide employment and income generation opportunities for marginalised sectors of society in all types of contracts, for example, building and construction (*Government Gazette* No. 17928, 14 April 1997:33).

Affirmative Procurement can facilitate growth in terms of the efficiency and effectiveness of delivery as well as the numbers and sizes of business enterprises owned and controlled by previously disadvantaged individuals. Furthermore, Affirmative Procurement can ensure that emerging enterprises contribute to the tax base, engage workers who are affiliated to labour organisations, adhere to safety and environmental regulations and, in their business activities reflect norms and standards prevalent in developed countries (*Government Gazette* No 17928, 14 April 1997:49).

The above-mentioned proposals resulted in the implementation of the Preferential Procurement Policy Framework Act, Act 5 of 2000. This Act gives effect to section 217(3) of the Constitution. It provides a framework for the implementation of the procurement policy contemplated in section 217(2) of the Constitution.
According to the *Preferential Procurement Policy Framework Act*, Act 5 of 2000, an organ of state must determine its preferential procurement policy and implement it within a framework. The framework is discussed briefly below.

It is stipulated in section 2(1)(b)(i) of the above-mentioned Act, that a preference point system must be followed, that is, contracts with a Rand currency value above a prescribed amount a maximum of 10 points may be allocated for specific goals provided that the lowest acceptable tender scores 90 points for price. Section 2(1)(b)(ii) of the mentioned Act stipulates that contracts with a Rand currency value equal to or below a prescribed amount, a maximum of 20 points may be allocated for specific goals provided that the lowest acceptable tender scores 80 points for price.

Furthermore, section 2(1)(c) of the *Preferential Procurement Policy Framework Act*, Act 5 of 2000, stipulates that any other acceptable tenders which are higher in price must score fewer points on a pro rata basis. The points are calculated on their tender prices in relation to the lowest acceptable tender, in accordance with a prescribed formula, namely:

- Contract with persons or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability.
- Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender (*Preferential Procurement Policy Framework Act*, Act 5 of 2000).

The contract must be awarded to the tenderer who scores the highest points, unless objective criteria in addition to those contemplated in the above paragraphs justify the award to another tenderer (*Preferential Procurement Policy Framework Act*, Act 5 of 2000).


Treasury influences the financial policy of public institutions regarding stores administration. Control over stores and equipment is also exercised in terms of section 76(1)(2) and (4) of the *Public Finance Management Amendment Act*, Act 1 of 1999. These measures include the making of regulations or issuing of instructions applicable to public executive institutions (departments) concerning, *inter alia*:

- The handling of and control over trust money and property such as stores and equipment.
- The determination of a framework for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective (*Public Finance Management Amendment Act*, Act 1 of 1999).

Section 214(1)(a) of the Constitution stipulates that an Act of Parliament must equitably divide the revenue raised nationally, among the national, provincial and local spheres of government which may only be enacted after the provincial governments, organised local government and the Financial and Fiscal Commission have been consulted and the recommendations of the Commission have been considered. The Commission is independent and subject only to the Constitution and the law, and must function impartially. Furthermore, the Commission
must function in terms of an Act of Parliament and in performing its functions, must consider all relevant factors, *inter alia*:

- The national interest.
- The need to ensure that the provinces and municipalities are able to provide basic services and perform the functions allocated to them.
- Economic disparities within and among the provinces.

From the aforementioned discussion it can be inferred that South Africa has a sound legislative framework in place to ensure an ethical and moral execution of its public sector procurement policies.

**EXISTING PUBLIC SECTOR PROCUREMENT GUIDELINES**

Public Sector Procurement Guidelines are issued by Government not only as a prescription of standards of behaviour, ethics and accountability which it requires of its public service, but also as a statement of the Government’s commitment to a procurement system which enables the emergence of sustainable small, medium and micro businesses which will add to the common wealth and achievement of enhanced economic and social well-being of all South Africans.

**FIVE PILLARS OF PUBLIC SECTOR PROCUREMENT**

Proper and successful government procurement rests upon core principles of behaviour – the Five Pillars of Procurement. They are described as pillars because if any one of them is broken the procurement systems will fail.

The five pillars are discussed briefly below.

**Value for Money**

Price alone is often not a reliable indicator. Departments will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements. Best value for money means:

> ‘the best available outcome when all relevant costs and benefits over the procurement cycle are considered’ ([http://www.sars.gov.za/tenders/guidelines/general procurement guidelines.pdf](http://www.sars.gov.za/tenders/guidelines/general procurement guidelines.pdf); June 2002)

The procurement function itself must also provide value for money and must be carried out in a cost-effective way. Procurement organisations, whether centrally located or devolved to individual departments, should:

- Avoid unnecessary costs and delays for themselves or suppliers;
• Monitor the supply arrangements and reconsider them if they cease to provide the expected benefits; and
• Ensure continuous improvement in the efficiency of internal processes and systems.

**Open and Effective Competition**

Open and effective competition requires:

• A framework of procurement laws, policies, practice and procedures that is transparent.
• Open and effective competition in the procurement process;
• Observance of the provisions of the Preferential Procurement Policy Framework Act.

Departments need to apply effort and research to get the best possible outcome from the market by ensuring that:

• Potential suppliers have reasonable access to procurement opportunities;
• Adequate and timely information is provided to suppliers, to enable them to bid;
• Bias and favouritism are eliminated;
• The cost of bidding for opportunities do not deter competent suppliers; and
• Cost incurred in promoting competition is commensurate with the benefits received.

**Ethics and Fair Dealing**

In procurement, if all parties comply with ethical standards they can:

• Deal with each other on a basis of mutual trust and respect; and
• Conduct their business in a fair and reasonable manner and with integrity.

All government staff associated with procurement, particularly those dealing directly with suppliers or potential suppliers, are required to:

• Recognise and deal with conflicts of interest or the potential thereof.
• Deal with suppliers even-handedly.
• Not compromise the standing of the state through acceptance of gifts of hospitality.
• Assistance in the elimination of fraud and corruption.

**Accountability and Reporting**

Accountability and reporting involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes. Openness and transparency in administration, by external scrutiny through public reporting is an essential element of accountability.

Within the procurement framework:

• Heads of departments are accountable to their ministers for the overall management of procurement activities;
• Heads of procurement and senior procurement directors are accountable to heads of department for various high-level management and co-ordination activities;
• Individual procurement officers are accountable to Heads of Procurement, and to their clients, for the services they provide.
Equity

‘Equity’ in the context of Public Sector Procurement Guidelines means the application and observance of government policies which are designed to advance persons who had been disadvantaged by unfair discrimination.

This fifth pillar is vital for public sector procurement in South Africa. It ensures that government is committed to economic growth by implementing measures to support industry generally, and especially to advance the development of Small, Medium and Micro Enterprises (SMMEs) and Historically Disadvantaged Individuals (HDIs).

In accordance with the RDP, SMMEs and HDIs need to play a bigger role in the economy. Greater participation in the economy and more diversified representation of blacks and gender in ownership is essential (http://www.sars.gov.za/tenders/guidelines/general procurement guidelines.pdf: June 2002).

No public procurement system should be operated if it is not founded on the above pillar.

The guidelines provided by the South African Revenue Services clearly identify the role all public functionaries involved in public sector procurement are expected to play.

BASIC NORMATIVE CRITERIA FOR PROCUREMENT MANAGEMENT ON THE SOUTH AFRICAN LOCAL SPHERE

From the literature it is inferred that specific criteria derived from the body of knowledge on general normative guidelines pertaining to both provisioning and procurement is that a universally acceptable code of conduct is a necessary component for public officials to perform their activities ethically.

In the table below, normative criteria are proposed based upon values, attitudes and aptitudes (VAA) suitable for the establishment of basic normative criteria for effective, efficient and economical public sector procurement on the South African local sphere of government.

<table>
<thead>
<tr>
<th>Values</th>
<th>Attitudes</th>
<th>Aptitudes</th>
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<tr>
<td>Integrity</td>
<td>Transparency</td>
<td>Knowledge</td>
</tr>
<tr>
<td>Transparency</td>
<td>Responsibility</td>
<td>Acceptance &amp; comprehension of</td>
</tr>
<tr>
<td>Publicity</td>
<td>Quality</td>
<td>the goals &amp; functioning of the</td>
</tr>
<tr>
<td>Accountability</td>
<td>Legibility</td>
<td>administrative institutions</td>
</tr>
<tr>
<td>Equity</td>
<td>Clarity</td>
<td>Leadership qualities</td>
</tr>
<tr>
<td>Non-discrimination</td>
<td>Simplicity</td>
<td>Communication skills</td>
</tr>
<tr>
<td>Quality</td>
<td>Inquisitiveness</td>
<td>Social skills</td>
</tr>
<tr>
<td>Professionalism</td>
<td>Adaptability</td>
<td>Independence</td>
</tr>
<tr>
<td>Reliability</td>
<td>Listening ability</td>
<td>Ability to use experience</td>
</tr>
<tr>
<td>General interest</td>
<td>Involvement</td>
<td>Ability to further education &amp; training</td>
</tr>
<tr>
<td></td>
<td>Speed</td>
<td>Analytical capability</td>
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<td></td>
<td>Effectiveness</td>
<td>Sense of renewal</td>
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<td></td>
<td>Efficiency</td>
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The above-mentioned proposed criteria constitute a point of departure for the implementation, enhancement and maintenance of an acceptable basis for effective, efficient and economical public sector procurement on the South African local sphere of government.

**CONCLUSION**

It can be concluded that an ethical code of conduct as well as appropriate training can make a difference in the ethical dilemmas of the public officials particularly with regard to public sector procurement management. An ethical code of conduct is necessary to guide the public official in his/her service rendering to the community as well as to safeguard him/her against unfair demands by the community. This can lead to the promotion of a positive image of the public service.

Openness with regard to decision-making, participation and a public say is a necessity. An adjustment of attitudes and actions in South Africa lies in contact and communication across racial, cultural, language and geographical boundaries. Normative communication between the political parties and the government with each their own electorates, is of prime importance.

A code of conduct should go a long way in providing the suitable climate for an ethical culture to thrive and promote a professional ethos among public officials at all levels. However, the code of conduct only becomes meaningful if there are measures to enforce it in order to provide for sanctions and disciplinary activities.

**SOURCES**


