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Tenderpreneur (also tenderpreneurship and tenderpreneurism)

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‘Tenderpreneur’ is a South African colloquialism for a businessperson who uses political contacts to secure government procurement contracts (called ‘tenders’) often as part of reciprocal exchange of favours or benefits. The term is a portmanteau of ‘tender’ (to provide business services) and ‘entrepreneur’. Today, ‘tenderpreneurs’ are associated with corruption, nepotism and clientelism. This is because the award of many tenders is driven by informal interests and/or political affiliation, rather than the requirements of formal procedure. The informality of ‘tenderpreneurship’ thus resides in these extra-legal social and political relationships.

The term ‘tenderpreneur’ first emerged during the rule of President Thabo Mbeki (1999-2008). Initially, the term had an ambivalent meaning, with both positive and negative undertones (Dlamini 2010). On the one hand, it was associated with the advancement of black entrepreneurs who entered into the private business sector on a legitimate basis under the framework of state policies to enable the advancement of ‘black designated groups’ in commerce and industry. Thus the South African Constitution, in terms of Section 217, permits organs of the state to implement preferential procurement to advance opportunities for persons previously disadvantaged under Apartheid (Constitution 1996). These policies successfully enabled commercial opportunities for black businesses as partners and outright suppliers, who would otherwise struggle to compete within a private sector dominated by established white owned businesses. Key policies to advance this objective include the Preferential Procurement Policy Framework (PPPFA 2000) and the Black Economic Empowerment (BEE) Act and subsequent Broad-Based Black Economic Empowerment Act (BBBEE 2004).

On the other hand, tenderpreneurship has a negative connotation associated with corrupt practices. The association was particularly noticeable in respect to state procurement processes whereby tenders to supply goods and services were increasingly awarded to individuals with personal linkages to the ruling political party, the African National Congress (ANC) (Dlamini 2010). One of the highest profile early examples was the South African Arms Deal, initiated in 1999, in which bribes were paid to high-ranking politicians, fixers, the ANC, and allied community development projects (Southall 2008). Key to this transition is the ANC’s ideology of liberation nationalism that defines the party as the champion of the black

oppressed, who constitute the primary part of the South African nation; and its intersection with the access to resources enabled by party dominance at election time (Piper 2015).

Tenderpreneurship is distinguishable from other forms of manipulation of the system of black empowerment in the scale of economic theft. Under the objective of advancing opportunities for black business advancement, state organs have instituted regulations to enable favourable procurement through two tracks, one via a system of three competitive quotes, '3Qs' (below a value threshold) and via tenders (above a value threshold) (Corruption Watch 2014). Both tracks have resulted in system manipulation. In the early 2000s, terms such as the '3Qs' emerged to describe black entrepreneurs who had acquired state contracts via the competitive quote pipeline, though these were usually of smaller value (Personal communication to Charman, Limpopo entrepreneurs).

These '3Qs' contracts were typically given to those who had a relationship to the government official in charge of minor procurements. These actions constituted a form of nepotism and improper favouritism. Large value procurements (above R200,000) were subject to more complex tender processes (Corruption Watch 2014). The current PPPF Regulations (2017) detail criteria for evaluating state tenders, permitting state organs to apply pre-qualifying criteria to advance businesses with high black empowerment (BBBEE) status or smaller businesses. This mechanism is used to exclude less BBBEE-compliant service providers and stack the weighting within the tender evaluation process in favour of business entities with strong BBBEE status and (informal) political connections.

Under the Zuma Presidency, tenderpreneurship has become synonymous with tender manipulation and corruption in state procurement, notably in respect to large value contract procurement to supply South African state owned companies with goods and services (Southall 2011). In South African law, corruption means the private use of public funds, bribery of public officials and improper favouritism by government officials (PRECCA 2004). In 2016 Transparency International (2016) ranked South Africa 64 out of 167 countries in the world. It received the score of 45 out of 100 where zero is completely corrupt and 100 completely clean.

In some of the most celebrated cases of tenderpreneurship, the tenderpreneur seeks to cultivate a relationship with politicians (and their families) by supporting and financing their careers. The most famous example of this is the relationship between President Jacob Zuma and the Gupta family, comprising the three brothers Ajay, Atul, and Rajesh. Originating in Uttar Pradesh, India, the Gupta brothers immigrated to South Africa in 1993 to establish a foothold for their emerging business, which included Sahara Computers. The Guptas swiftly established political patronage with ANC leaders. In the early 2000s, the Guptas had begun to invest in Jacob Zuma as a future president. The family cultivated their relationship with the future President via employing members of his household, including one of his wives, a

daughter, a son and a nephew. Newspaper reports and studies have compiled evidence that the Guptas have channelled funding to support Zuma and his political career via employment, favours, bribes and kickbacks (Pauw 2017, Pilling & Cotterill 2017, Southall 2011). In reward for their financial generosity, the Guptas have received substantial government procurement contracts, especially in the energy sector (Conway Smith 2017). Through preferential procurement, large tenders in particular, the Guptas were able to expand their business interest into the mineral sector, acquiring coalmines and in turn winning a tender with Eskom, the state energy provider, to supply coal, with Eskom paying an inflated price for an inferior product (Pilling & Cotterill 2017).

In governance terms, tenderpreneurship has two major implications. First, tenderpreneurship is (rightly) associated with poor service delivery and over-charging of the state, with tender often awarded to companies lacking competency. It is not uncommon for tenderpreneur companies to be registered for the sole purpose of accessing a state procurement opportunities through preferential bidding (Corruption Watch 2014). The preselection process enables corrupt government officials to bias the procurement outcome towards companies deemed to be eligible of high BBBEE status, ignoring matters of competency that is only considered in subsequent phases of the process. In many instances, tenderpreneur companies exist as shell organisations that sub-contract out to other contractors (often established white owned businesses) to do the actual work. This process is known as ‘fronting’ (Bolton 2006). Over-charging for goods and services means that both the tenderpreneur and their client in the state can extract profits from the fulfilment of the tender. Where tenderpreneurship results in poor service delivery, this in turn undermines public accountability and fuels mistrust towards government officials.

Second, tenderpreneurship has become associated with maintaining the political status quo through strategies that include undermining civil society. The Guptas, for example, have invested in newspapers and TV media to generate positive news around the ANC and President Jacob Zuma in particular, whilst simultaneously engaging the public relations firm Bell Pottinger to produce ‘fake news’ and a counter-narrative against tenderpreneurship (Plaut 2017). This particular narrative sought to shift the political critique to rally against ‘white monopoly capitalism’ which was taken as symbolic name for corporate business and continued dominance of white own businesses in the economy. The slogan ‘radical economic transformation’ (the current anti-business establishment narrative), has linkages (in terms of deriving financial support) to tenderpreneurs and ‘criminal enterprises’ embedded in corrupt relationships with high ranking officials in the Zuma political fold (Pauw, J, 2017, Pilling & Cotterill 2017).

Political commentators have described tenderpreneurship as linked to a ‘dominant party syndrome’ of the ruling political party, the African National Congress (ANC) (Giliomee & Simkins 1998). The ANC has won every national election for the last 25 years with over 60%

of the vote. This lack of electoral accountability at the national level (and in most municipalities, apart from the large metropolitan municipalities) means that ANC politicians get returned to office even when government does not perform as committed on development plans, or simply performs poorly. Consequently, many in the ANC take political office for granted and abuse it by enabling non-competitive procurement, tenderpreneurship and nepotism in employment. This dominant party syndrome has advanced to a state of kleptocracy, whereby the political elites manipulate the three arms of government (legislature, executive and judiciary) with the intention of capturing resources for self-enrichment, the 'elite capture' (Booyesen 2015). The growing perception of Zuma's rule as kleptocracy is beginning to hurt the ANC in the realm of public debates. For the first time, in the local government elections of 2016 four of the largest metropolitan municipalities switched from the ANC to the opposition Democratic Allowance party (Chipkin 2016).

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