



# Advancing beneficial ownership and transforming procurement systems in South Africa

## Situation

Globally, COVID-19 has heightened the impact of weak procurement systems. As trillions of dollars are directed to mitigate the crisis, oversight of who is benefiting from this public spending has been found to be lacking. Beneficial ownership opacity (not knowing who owns and controls businesses), coupled with insufficiently robust public procurement systems, is undermining South Africa's response to the pandemic.

“Thieves were waiting at the door” is how South Africa's Finance Minister, Tito Mboweni, described the procurement corruption occurring during the first phase of the COVID-19 pandemic. PPE contracts were distributed to companies linked to government employees, who are barred from doing business with the state. There were also recorded cases of conflict of interest involving politically exposed persons (PEPs).

In response, the government committed to publishing all COVID-19 related procurement with beneficial ownership data. Public procurement accounts for 14% of South Africa's GDP, and the government has signaled its intentions to centralise all COVID-19 procurement spending. Using beneficial ownership disclosure in procurement is an important tool to detect potential corruption before it occurs, whilst also fulfilling policy and service delivery goals. Publishing data publicly has the added benefit of allowing the general public to monitor government spending, detect red flags, and support accountability.

## Task

As experts in implementing beneficial ownership and leading the work on procurement and beneficial ownership data integration, Open Ownership (OO) supported the implementation of high priority areas of reform and conducting a rapid needs assessment for the South African government that would determine the course of action over the six month period. In particular, OO was tasked with convening key government agencies, civil society, and private sector actors involved in beneficial ownership and procurement reforms, and building the capacity of these actors to understand the policy and technical needs for effective reform.



## Action

Since September 2020, OO has been working in collaboration with the Open Contracting Partnership, the United Nations Office on Drugs and Crime (UNODC), and the UK Government Digital Service.

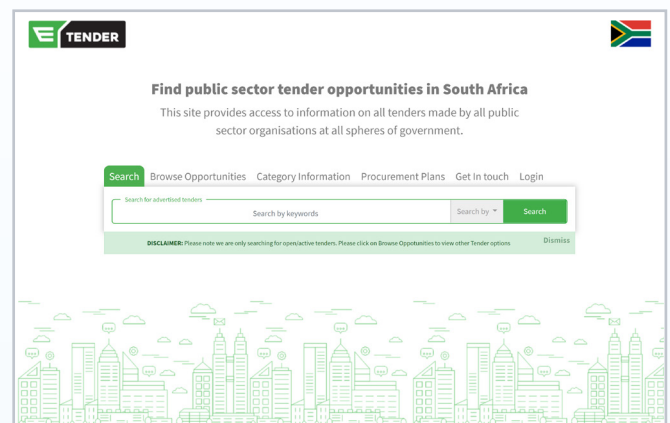
OO conducted a rapid assessment of the primary technical assistance requirements, and identified that South Africa was at the early stages of developing policies and systems of beneficial ownership transparency (BOT). Existing procurement policies had limited public transparency provisions, however, even though transparency is mandated in the constitution.

OO provided the following critical support over the six months of the project:

1. Provided training on beneficial ownership in procurement, bringing together procurement and BOT commitments in South Africa, which had previously been considered separate areas of policy and implementation;
2. Supported civil society efforts to advocate for beneficial ownership transparency, through opportunities such as the Companies Amendments Bill;
3. Delivered workshops for the Government and the private sector on implementing beneficial ownership reforms in South Africa;
4. Engaged with the Companies and Intellectual Property Commission (CIPC) and conducted an assessment of the current platform and its suitability for data sharing with the Beneficial Ownership Data Standard;
5. Used the prototype software [Bluetail](#) to demonstrate to stakeholders, including National Treasury, how machine-readable, shareable data can enable them to combine open contracting and beneficial ownership data to transform due diligence throughout procurement.

## Result

OO's work over the six month project, and its direct engagement with stakeholders, has increased the knowledge and capacity of key actors involved in reform to understand the benefits of using beneficial ownership data within procurement. The project has enabled OO to successfully build relationships with key government agencies involved in reform, as well as with local and external stakeholders. The Transforming Procurement Systems pilot was effective because it offered practical solutions to known governance challenges which our partner governments are prioritising, which has led to OO identifying scope and need for further technical assistance and capacity building activities during 2021-22. With support of the British High Commission Pretoria, OO is now delivering a programme of work to meet these needs and continue to work with stakeholders to support comprehensive beneficial ownership reform in South Africa.



South Africa's National Treasury e-tender portal

For more information, visit:  
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