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Evaluating transformation progress of historically disadvantaged South Africans: Programme perspective on the downstream petroleum industry

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Background: Since the dawn of democracy in 1994, the South African (SA) government has sought to ensure economic transformation of historically disadvantaged people, using a series of programmes and projects. The petroleum downstream of SA, regulated by the Department of Energy, is among the industries that government uses to maximise transformation. Through a licensing sub-programme, one major condition stipulated prior to awarding licences to operate is the inclusion of historically disadvantaged South Africans in the business plans.

Objectives: This article evaluates the extent to which one of the sub-programmes developed to empower historically disadvantaged South Africans (HDSA) in the downstream petroleum industry (petroleum licensing) meets the requirements of the identified relevant evaluation criteria, based on the guidelines of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (DAC/OECD).

Method: This sub-programme (partial summative evaluation) is critical as it sought to determine its alignment to the tenets of government policy of addressing past inequity by means of economic ownership. The DAC/OECD evaluation criteria were selected to measure the relevance, effectiveness, efficiency, impact and sustainability of the sub-programme. The justification for using this model is that it is appropriate to public policy response and management tool, especially for developing countries. Some of these measurements were conducted qualitatively, while some were done quantitatively.

Results: Emerging data trends analysed indicate that there is a great deal of efficiency in the delivery of licences to operate in the downstream petroleum sector as these were issued in high volumes. The same cannot be said about the HDSAs' economic empowerment, by means of 'dealer' and 'company' ownership.

Conclusion: Research concludes that the lack of critical resources, such as funding, land, infrastructure and critical skills, were the main reasons why the sub-programme is DAC/OECD non-compliant.

Keywords: transformation; programme evaluation; licensing; petroleum downstream; historically disadvantaged South Africans.

Introduction

Globally, the structure of the petroleum and gas industry has three major streams. These are the *upstream*, which facilitates exploration and includes the development and production of crude oil or natural gas; the *midstream*, which is centred around oil tankers and refiners; and the *downstream*, which deals with retailers and consumers (Republic of South Africa [RSA] 2003b:2). There is interconnection among these streams, although their activities produce dissimilar product outcomes. The application of all the operational activities in the oil and gas sector would drive the economic empowerment of the previously disenfranchised individuals in South Africa. It is paramount to note that the focus on the transformation of historically disadvantaged South Africans (HDSAs), especially in the petroleum industry, post-1994, embodied the painful historical past that sidelined HDSAs from the economic benefits of this critical sector of the economy. In this regard, this article focuses on the downstream petroleum sector with a view to understanding the economic empowerment of HDSAs, with reference to 'dealership' and 'company' ownership.

The *Petroleum Products Act* of 1977 (Act 120 of 1977 as amended) requires a 'wholesale licence' to engage in wholesale activities of the prescribed petroleum products, and a 'retail licence'

to operate retail activities. A wholesale licence is required when a person who conducts a business purchases and sells prescribed petroleum products in bulk, such as 1500 L or more, per transaction of petroleum products. Retail licence is a permit to buy or sell prescribed petroleum products to members of the public (petrol service station). Furthermore, a 'manufacturing licence' is required to manufacture prescribed petroleum products (RSA 1977). A Petroleum Controller, empowered by the *Petroleum Products Act* of 1977 (Act 120 of 1977), would carry out an analysis of these licences prior to their issuance, mainly to the aspiring entrepreneurs. The purpose of licensing is to ensure that the business plans developed by the entrepreneurs include HDSAs, as this would activate business operations in the downstream petroleum sector. This is a legal requirement and a prerequisite for awarding operating licences in the downstream sector.

The central focus of this article is to examine the progressive developmental impact of licensing on the economic transformation of HDSAs. The article explores the effectiveness of licensing activity through the application of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (DAC/OECD) evaluation criteria.

Institutional design towards governability of the petroleum downstream sector: Literature review

Prior to 1994, the regulatory environment in the petroleum downstream industry permitted the participation of successful white entrepreneurs (Kapdi 2017:7). Thus, by default, this exempted potential black entrepreneurs from economic participation in the petroleum sector. Effectively, the white people and the multinational oil companies wholly controlled the South African (SA) downstream petroleum industry during the apartheid era (Mokoena & Lloyd 2005:4). Consequently, ownership was restricted to white people, within the dictates of the *Petroleum Products Act* No. 120 of 1977. The *Act* advantaged white people by restricting the information flow that would enable learning about business entrance into the petroleum industry, either as dealers or as company owners, to the previously advantaged group. This restricted information flow was one of the barriers against economic inclusivity and empowerment of HDSAs (Mokoena & Lloyd 2005).

In the pre-1994 South Africa, there were two business models adopted in the running of the downstream petroleum sector: the 'dealer-owned and dealer-operated' (DODO) and the 'company-owned and dealer-operated' (CODO) models (Kapdi 2017:17). The latter suggested that:

> the land is owned by the *dealer*, the oil company leases the land from the dealer, the oil company rents the land back to the dealer and the site is operated by the dealer. (Kapdi 2017:17)

This means that petrol filling stations were established by private companies, which then appointed the dealers to operate the petrol filling stations on their behalf (Gurria 2017:229; Kapdi 2017).

These companies promoted economic ownership through internal processes. In view of the lack of trust on the open market in this sector, some companies would appoint internal petrol attendants, who had spent more than 10 years in their employment, to become dealers who would operate and manage the filling stations (Kapdi 2017). In this regard, the company offered the petrol attendants a robust training that would make them fit to carry out dealership without close supervision.

In the DODO model, the dealer operated the service station on the property owned by a distribution company or any of its subsidiaries (Kolcuoglu & Ercetin 2013). In this regard, the oil company owned the land and lent the land to the dealer, while the dealer operated the site (Kapdi 2017). It is not clear how this model achieved transformation. Nevertheless, the activation of further operations depended on land accessibility and/or ownership.

Land is an important factor for effective economic transformation in the petroleum sector in South Africa. The post-apartheid governments, since 1994, had sought to redress the socio-economic imbalances, premised upon the eradication of the land policies of the apartheid period, using a series of empowerment strategies largely intended for the HDSAs (Kapdi 2017; RSA 2011a). Thus, the government classified the empowerment of HDSAs as a fundamental constitutional obligation for all organs of the state, including state-owned entities (SOEs). Section 9 (2) of the Constitution of the Republic of South Africa seeks to 'promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination' (RSA 1996).

The *Broad-Based Black Economic Empowerment (BBBEE) Act* No. 53 of 2003 (RSA 2003a), the *BBBEE Amendment Act* No. 46 of 2013 (RSA 2013b) and the *Petroleum Products Amendment Act* No. 58 of 2003 (RSA 2003c) were legislative frameworks to enable the participation of HDSAs in the SA economy. The latter *Act* stipulated the prerequisites for the attainment of a licence, which, among other things, alluded to the inclusion of HDSAs in the business plans intended for operation in the downstream sector. The BBBEE policy was formulated to classify smaller companies, with an annual turnover of between R5 million and R35 million, as 'Qualifying Small Enterprises' (RSA 2003a). These companies would then be permitted to choose the best four out of the seven empowerment elements: ownership, management, preferential procurement, employment equity, skills development, social development and enterprise development (RSA 2003a). The focus of this research article is solely on 'ownership' as an economic empowerment component. The *Competition Act* No. 89 of 1998 (RSA 1998) and its subsequent amendments (RSA 1999, 2000c, 2000d) ensured economic emancipation through increased ownership stakes of HDSAs. Section 2 of the *Preferential Procurement Policy*

Framework Act of 2000 (RSA 2000b) also alluded to the importance of the economic empowerment of HDSAs.

Over the years, departmental and policy structural adjustments evolved to ensure undivided attention to the petroleum downstream industry. For example, the Department of Energy (DoE), established by the regime of President Jacob Zuma, designed a policy to regulate the operations of the downstream petroleum sector. There were three sub-programmes under this ministry: (1) petroleum licensing, (2) petroleum compliance and (3) petroleum pricing. The objective of these sub-programmes was to ensure transformation in the petroleum industry, among other things. Petroleum licensing is the most critical of these sub-programmes and is the focus of this article.

The petroleum licensing passed through three activities: licence analysis, charter and permit compliance and petroleum supply (RSA 2013a:24). Government's guideline on black empowerment mandates the petroleum downstream industry to achieve 25% ownership by HDSAs, within 10 years of enacting the Charter for the South African Petroleum and Liquid Fuels Industry (RSA 2000a). In addition, this ownership was effected by means of being a 'dealer' or 'company owner' in the downstream petroleum sector. The issuing of operational licences to the aspiring entrepreneurs among the HDSAs in the downstream petroleum industry was to ensure the realisation of the desired transformation impact.

The historically disadvantaged individuals

It is important to unpack what the term 'historically disadvantaged individual' (HDI) connotes in the context of the SA state. In paragraph 3 (2 a–d) of the *South African Competition Act* No. 89 of 1998, the term HDI refers to:

> a South African citizen who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act 110 of 1983) or the Constitution of the Republic of South Africa 1993 (Act 200 of 1993), came into operation, and were disadvantaged by unfair discrimination on the basis of race.

The *South African Competition Act* No. 89 of 1998 (RSA 1998) Preference Points Claim Form in Terms of the Preferential Procurement Regulations (RSA 2001) precluded white persons from the categorisation as HDSAs. It, however, included SA women of all race and disabled people. To this end, Section 9 of the South African Constitution (RSA 1996) provided the legal foundation for HDI empowerment with its recognition of 'the right to equality'. As such, the *Preferential Procurement Policy Framework Act* (RSA 2000b) espoused the governance principles of equity, fairness, competitiveness, cost-effectiveness and transparency. This legislation also gave preference to HDIs in terms of equity ownership in business enterprises. In item 2.8 of the Preference Points Claim Form in Terms of the Preferential Procurement Regulations 2001, equity ownership 'means the percentage ownership and control, exercised by individuals within an enterprise' (RSA 2001).

Item 3.1 of the regulations described the establishment of HDI equity ownership in an enterprise, thus:

> Equity ownership shall be equated to the percentage of an enterprise which is owned by individuals classified as HDIs, or in the case of a company, the percentage shares that are owned by individuals classified as HDIs, who are actively involved in the management and daily business operations of the enterprise and exercise control over the enterprise, commensurate with their degree of ownership. (RSA 2001)

Nevertheless, item 3.2 provided a caveat that in a situation where such individuals were not actively involved in the routine management of, and exercise of, control over the operations of 'the enterprise commensurate with their degree of ownership, equity ownership may not be claimed' (RSA 2001).

The tender system in South Africa is another measure to effect governance principles of equity. While the tender system is meant to be fair, it is difficult to ignore its implications as the process itself is competitive and managed through a cumbersome technical points system. For example, the Procurement Policy Schedule (80/20) and (90/10) preferential rule, cited in the *Preferential Procurement Policy Framework Act* No. 5 of 2000 (RSA 2000b) and the Preferential Procurement Regulations (RSA 2017b), outlined the process of awarding tenders. These statutes indicated that when awarding a tender, using the former preferential system, the acquisition of goods or services must be based on the Rand value of 'equal to, or above R30 million to R50 million' (RSA 2017b). The latter connotes that if a tender is more than R50 million, then the 90/10-point allocation would be applied (RSA 2017b). The following question arises: at what stage does the description follow the line of thought alluded to by the *BBBEE Act* No. 53 of 2003 (RSA 2003a), which prescribed 'Qualifying Small Enterprises'?

Transformation

Transformation in the context of HDSAs and HDIs entailed 'a deeply rooted change in people's economic, social, political, spiritual and behavioural conditions resulting in their enjoyment of wholeness of life' (Getu 2002:2). This definition suggests that various factors affect transformation. These factors could be economic, social, political and spiritual in nature. It further suggests that subjects may not only obtain one element, for example discernible economic transformation, but also require other intrinsic components to assume completeness in transformation. The end goal is the feeling that the transformation programme is making an impact in various dimensions. This means that economic ownership is extrinsic and tangible, whereas feeling the impact of the transformation is intrinsic and intangible. The extrapolation is that factors that are intangible (feelings) may permit pragmatic measurements, and social scientific research protocols promote this assertion (Mertens 2010).

In realisation of this, the African National Congress (ANC), in its policy guidelines of 1992, characterised economic transformation to reflect the SA context (ANC 1992). The ANC outlined the following six broad pillars in the policy guidelines:

- creating decent employment for all South Africans
- eliminating poverty and dealing decisively with the extreme inequalities in our society
- democratising ownership and control of the economy by empowering the historically oppressed, Africans and the working class in particular, to play a leading role in decision-making in one of the sectors designed to implement this economic transformation
- restructuring the economy so that it meets the basic needs of all South Africans and the people of the region, especially the poor
- ensuring equitable and mutually beneficial regional development in Southern Africa, thereby fostering the progressive integration of the region
- limiting the negative environmental impact of our economic transformation programme (ANC 1992).

While the aforementioned pillars reflected the party's declaration in its 1955 Freedom Charter, which espoused the need to ensure that the SA people shared the wealth of the country (ANC 1955), this article focuses on the third pillar. In this regard, the indigenisation of the liquid fuel downstream industry is one of the sectors designed to implement this economic transformation.

Policy evaluation

The thrust of this article is to evaluate the effectiveness and impact of public policy, with specific reference to the empowerment of HDSAs. It is paramount, therefore, to mention the SA government's institutional evaluation systems. The Presidency unit houses the Department of Monitoring and Evaluation (RSA 2011c). The department developed a National Evaluation System for South Africa, which operated within the National Evaluation Policy Framework (NEPF) (RSA 2011c:ii). Monitoring and evaluation are:

> designed to provide its users with the ability to draw connections between policy priorities identified, the resourcing of those policy priorities, programmes designed to implement them, the services actually delivered and their ultimate impact on communities. (RSA 2011c:ii)

It is critical, therefore, to evaluate the 'licensing' sub-programme of the downstream petroleum sector to determine its discernible results, which are to ensure economic transformation pertaining to dealer and company ownership, particularly by HDSAs.

Evaluation is usually applied systematically and logically on programmes or projects to attest to the performance of the agreed policy objectives and outcomes. Kearl (1976:200) is of the view that 'evaluation is the comparison of actual project impacts against agreed strategic plans'. Rossi, Lipsey and Freeman (2004) infer that evaluation:

> is the use of social research methods to systematically investigate the effectiveness of intervention programmes in ways that are adapted to their political and organisational environments, mainly; those that are designed to inform social action to improve social conditions. (p. 16).

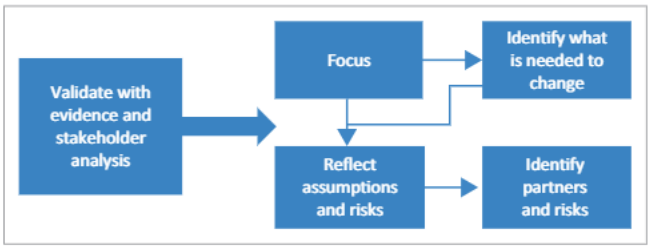
There are various policy evaluation models developed by scholars all over the world, some of which are country- and context-specific. Specific to the SA context in particular, the importance of policy evaluation is to improve governance by emphasising transparency, accountability and public participation by all sectors (Ile, Eresia-Eke & Allen-Ile 2012). However, some salient clarifications are necessary prior to the evaluation of any programme. These include the projects for evaluation, the criteria for judging performance, standards of performance on the criteria, evidence indicating performance relative to standards and the conclusions about the programme based on the available evidence (Milstein & Wetterhall 1999).

This article uses the DAC/OECD guidelines as the evaluation criteria. The DAC/OECD evaluates the relevance as well as the efficiency, effectiveness, impact and the sustainability of the programme (Chianca 2008:42). And these tools are used to measure the sub-programme. Ile et al. (2012:43–44) have emphasised the need for the identification of research tools for data collection in evaluation studies, especially those that have a linear focus. The DAC/OECD best suited this study as it is an appropriate tool to inform policy and effective in measuring the sub-programme's response to public policy. The DAC/OECD was viewed as an effective policy management tool, especially where development is concerned. Ile, Eresia-Eke and Allen-Ile (2019:18) infer that central to the monitoring and evaluation agenda was a need to be sensitive to the needs of the poor by adopting pro-poor strategies targeting the needs of the economically disenfranchised groups. Hence, OECD (2013) emphasises the following:

> There was a renewed emphasis on evaluating the effectiveness of aid in the early 1980s following directives from the November 1979 DAC High Level Meeting which led to the creation of a Group of Correspondents on Aid Evaluation tasked to, i) report on existing findings on aid effectiveness; ii) consider feed back into policy-making; iii) report on ways in which evaluation could be supportive of public information; and iv) consider how to support evaluation work in developing countries. The priority was on producing a report on aid effectiveness to be tabled at the 1982 High level Meeting. (p. 7)

Theory of change epistemological analysis

This study followed the line of thought of the theory of change, which explains how a given intervention, or a set of interventions, is expected to lead to a specific development change, some of which, in the case of this study, is economic transformation of HDSAs, drawing on a causal analysis based on available evidence (United Nations Development



Source: United Nations Development Group, 2017, *Theory of change*, UNDAF Companion Guidance, United Nations Development Group, viewed 13 March 2019, from https://undg.org/wp-content/uploads/2017/06/UNDG-UNDAF-Companion-Pieces-7-Theory-of-Change.pdf

FIGURE 1: Diagrammatic representation of the change process.

Group 2017). The theory of change outlines the key areas that need primary focus for visible development change. For example, Ile et al. (2019) conclude that the tenets of evaluation, with specific focus on determining intervention impact, were to determine the kinds of changes that have materialised and the extent to which a programme could be praised for the changes they have been made. Figure 1 demonstrates the key focal areas for consideration, especially when developing an intervention programme for specific change.

From the above, the first step is to present evidence to validate the necessity for change. This required the identification of the issues or problems to be changed, reflection on the assumptions and risks associated with them and, finally, identification of the partners as well as stakeholders and the inherent risks. In this case, what the policy sought to achieve was a change in the status of HDSAs in terms of ownership of the downstream petroleum sector.

Research methods and design

The research used descriptive quantitative research design as it explicates the phenomenon through the use of extant data from the SA DoE Annual Reports. According to Flecky and Gitlow (2011:157), 'descriptive designs do not have intervention or treatment component as they are considered as in-experimental'. The same authors citing Grove, Burns and Gray (2013) infer that descriptive quantitative research designs do not necessarily seek to explicate variable cause and effect. Other sources of primary data for this article were public documents and government publications, such as audit reports, legislation and policy documents, including speeches by key government officials. The researchers sourced secondary data from extant literature. This included journal articles, textbooks, newspapers and magazines.

This article used a qualitative paradigm for the generation and analysis of primary and secondary data. Qualitative research is a method used to explore the understanding of individuals, groups and phenomena within the context of their natural social environments (Chilisa & Kawulich 2012; Creswell 2014). The essence is to gain a deeper understanding and meaning of the relationships, behavioural patterns, attitudes and emotions of the people. It is a means of investigating social or human problems with a view to gain more knowledge and understanding (Mertens 2010). In a bid to understand the effectiveness of licensing sub-programme, researchers interviewed 66 key participants who were active in the petroleum downstream industry, one way or an other.

Purposive, quota and snowball sampling were adopted to obtain the 66 participants. In purposive sampling, participants are pre-selected based on a particular research question (Creswell 2005:204). Quota sampling, which is also considered as a type of purposive sampling, allowed the researchers to decide, while designing the study, on how many people with specified characteristics to include as participants (Creswell 2005). As it was hard to find participants, the snowball research approach enabled researchers to find the subjects. Babbie and Mouton (2001) are of the opinion that snowball sampling is appropriate when the members of the special population are difficult to locate. The primary key informants for this study, for example, were the members of the Parliamentary Portfolio Committee (PPC) on Energy, in the 4th Parliament of South Africa, which provided legislative oversight over the petroleum downstream industry. The study also targeted participants who operated in the petroleum downstream who, often reported to the PPC on Energy. When the PPC on Energy was dissolved in 2014, while in the middle of data collection, it was difficult to trace more participants. Contacts already made enabled the researchers to locate more participants. Creswell (2005) supports this approach, arguing that in a snowballing method, participants with whom contact has already been made would use their social networks to refer the researcher to other people who could potentially participate in or contribute to the study. The research was limited to the downstream petroleum industry, rather than the broader energy sector.

Ethical consideration

At the time of research compilation, the lead researcher had worked in the petroleum industry for more than 5 years. To observe objectivity, the researcher was a participant observer until data were fully collected. Permission to conduct research, with the registration number: 14/4/41, was obtained from the University of the Western Cape Research Ethics Committee on 20th May 2014. Relevant participants to this research were presented with the permission letter from the university prior to conduct interviews. Participants were informed about their right to withdraw from the study, if they wished to do so. The researcher respected confidentiality and anonymity of the participants.

Results

Evaluation of sub-programme

The relevance of historically disadvantaged South Africans' economic empowerment in the downstream petroleum sector

Scholars have identified key considerations when assessing programme relevance (OECD 2002). These are policy and programme focus, programme activities and concentrated

focus groups (Leeuw & Vaessen 2009). Relevance assesses the extent to which the activity suits policy priorities and its target group (Chianca 2008). It also assesses the development project's alignment to local needs and priorities, and, determines country policies' alignment with international partners (Chianca 2008).

Table 1 shows the percentage growth trends towards the licensing programme at the provincial level in the manufacturing, wholesale, site and retail licences in South Africa between 2006 and 2013. It is important to note that the figures presented here represent the total number of licenses issued for the 8-year period from 2006 to 2013. Afterwards, there was no more available statistical information.

The data identified the evenness of licence distribution in SA provinces, given the assumption that better distribution of licences in a province would result in the attainment of economic transformation. The trends, therefore, depicted an overwhelming increase in the issuance of licences in the petroleum downstream industry of South Africa from 2006 (after the South African Petroleum and Liquid Fuels Charter enactment) until 2013. The formula to calculate growth percentage is as follows:

PV = (Present Value–Past Value)/Past Value ´ 100.

TABLE 1: Licence issued per South African provinces from 2006 to 2013 and gap analysis.

Name of province	Manufacturing licences	Wholesale licences	Site licences	Retail licences	Year of licence issued
Eastern Cape	1	15.0	267.0	291.0	2006
Total	3	25.0	374.0	451.0	2013
Percentage growth	2	66.6	40.0	54.9	-
Mpumalanga	0	19.0	183.0	237.0	2006
Total	3	40.0	329.0	402.0	2013
Percentage growth	3	110.0	79.7	69.6	-
Limpopo	0	15.0	207.0	239.0	2006
Total	0	18.0	307.0	348.0	2013
Percentage growth	0	20.0	48.3	45.6	-
Gauteng	0	83.0	837.0	1114.0	2006
Total	0	210.0	1117.0	1612.0	2013
Percentage growth	0	15.0	33.4	44.7	-
North West	0	10.0	186.0	226.0	2006
Total	0	19.0	234.0	298.0	2013
Percentage growth	0	90.0	25.8.0	16.0	-
KwaZulu-Natal	0	17.0	367.0	453.0	2006
Total	1	29.0	472.0	673.0	2013
Percentage growth	1	70.5	28.6	48.5	-
Northern Cape	0	6.0	75.0	68.0	2006
Total	0	9.0	148.0	147.0	2013
Percentage growth	0	50.0	97.0	116.0	-
Western Cape	0	12.0	419.0	486.0	2006
Total	0	22.0	549.0	774.0	2013
Percentage growth	0	83.0	31.0	20.5	-
Free State	1	12.0	236.0	258.0	2006
Total	0	18.0	343.0	391.0	2013
Percentage growth	1	50.0	45.0	51.5	-
Total growth for all provinces	**7**	**555.1**	**428.8**	**467.3**	-

Source: Republic of South Africa (RSA), 2013a, *Annual performance plan, 2012/13*, Department of Energy, Government Printer, Pretoria, viewed 06 July 2014, from www.energy.gov.za

The data also indicated that most licences issued in the downstream industry were retail and site licences. In this regard, Gauteng had the highest number of site and wholesale licences issued as compared to the rest of the provinces. However, there were no manufacturing licences issued during the period 2006–2013. In fact, the issuance of manufacturing licences had been dormant in all provinces as compared to the other related licences. The retail licences issued in Gauteng stood at 1114 in 2006 and this number increased to a staggering 1612 in 2013. This means that from 2006 to 2013, the issuance of retail licences grew by 498 (44.7%). This could mean that there was a measure of progress recorded in transformation in Gauteng if all licence holders utilised their licences.

Furthermore, the number of site licences issued increased significantly between 2006 until 2013 throughout SA provinces. The Northern Cape was the province with the lowest number of site licences, even though licence issuance grew from 75 in 2006 to 148 in 2013 (97.3%). The suggestion, therefore, is that there was a higher volume of issued licences to operate and this demonstrated programme activity relevance.

The effectiveness of the historically disadvantaged South Africans' economic empowerment in the downstream petroleum sector

Effectiveness assesses the extent of the achievement of the objectives or the likelihood of such achievement (Chianca 2008). Other scholars have inferred that effectiveness assesses changes made by the project or the programme. The function and effectiveness of institutions and systems require strong, ethical monitoring and evaluation (Ile et al. 2012:13). In interrogating the concept of effectiveness, it is paramount to cross-examine the major factors influencing the achievement or non-achievement of the objectives (Chianca 2008). This, for example, would bring forth balanced information about programme effectiveness. To validate the effectiveness of the sub-programme, this research compared the expected and achieved results, as shown in Table 2.

Based on the data presented in the above table, the licensing sub-programme showed achievement in terms of its expected activity of issuance of licenses. The DoE reached its high targets, with 67.8%, on licence issuance (excluding the new-to-industry [NTI] applicants). This is an indication of the effectiveness in one aspect of the sub-programme, as it sought to distribute licences for the realisation of the policy objective, namely the economic transformation of HDSAs. However, there is no clear indication of the categories of these licences, whether dealer, wholesaler or site-owner.

In addition, there was an 86.7% achievement on the processing of licences for NTI applicants. The attainment of this significant milestone proved that policy implementation should be considered as being effective even though the sub-programme had not realised the committed 100% output target. It is paramount to identify the reasons why it was difficult to achieve the set objectives of the policy. In its

TABLE 2: Summary of performance log-frame for petroleum licensing.

Policy objective PLFC (2000)	Sub-programme	Activity	Year	Committed outputs by the Department of Energy (expected)	Output yielded (achieved)	Percentage (%) of BBBEE ownership
Over a 10-year period, HDSAs owning in total not less than 25% of the aggregate value of the equity of the various entities that hold the operating assets of the South African oil industry.	Petroleum licensing	Licence analysis	2013/2014	100%	67.8% (excluding NTI) 86.7% (NTI)	Information not available

BBBEE, Broad-Based Black Economic Empowerment; PLFC, Petroleum Liquid Fuels Charter; NTI, new-to-industry; HDSA, historically disadvantaged South Africans.

Source: Republic of South Africa (RSA), 2014a, *Annual report 2013/14*, Department of Energy, p. 82, Government Printer, Pretoria, viewed 10 October 2014, from www.energy.gov.za

Annual Report (2013/2014), the DoE noted that this particular activity failed to achieve the envisaged 100% result because of the deficiency of the performance indicator to meet the specific, measurable, assignable, realistic, time-related (SMART) principles (RSA 2014a).

It is instructive to note that possession of a license did not translate to ownership of the entities; it only provided the authority to proceed towards ownership. The overall policy objective, therefore, could not be achieved because there was no available data on the percentage of ownership by the BBBEE, as indicated in the table. But in terms of petroleum licensing, the sub-programme recorded achievement, even though it was unable to meet its 100% target.

The efficiency of historically disadvantaged South Africans' economic empowerment in the downstream petroleum sector

Efficiency measures the qualitative and quantitative outputs of the programme or project in relation to the inputs (Chianca 2008). Efficiency is 'a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results' (Ministry of Foreign Affairs of Denmark 2006). In the context of this article, efficiency is the outcome of the relationships between the resources and the results. Thus, the input–output ratio is used for the evaluation of the efficiency of the transformation programme of HDSAs in the downstream petroleum industry. It is evident that licences to operate were distributed with high efficiency (see Tables 1 and 2). However, the issue is that the licences obtained contributed minimally to the desired results, namely meaningful economic ownership by HDSAs. It is paramount to highlight that for a policy to achieve the desired results efficiently, each of the inputs must be adequate. Critical inputs to support the petroleum industry in achieving policy goals include funding, infrastructure, land availability and vast critical skills. Some of these inputs are analysed to assess their alignment to policy objectives and to know if they were strong enough to enable policy implementation in the petroleum downstream industry of South Africa.

From a financial resource perspective, the current funding structure in the petroleum industry is among the challenges militating against the attainment of economic ownership. Programmes and projects driven by the petroleum industry, for instance, do not fall under government funding structures, as they require huge financial outlay. Institutions are required to acquire their resources, which may be offered by private lenders, accompanied by strict funding prerequisites. The barrier is that, in the petroleum industry, there is a low gross profit margin because of the high costs of loans, especially to HDSA retailers, who may lack the capital and the ability to demonstrate critical financial and operational acumen to move projects forward (RSA 2013c:17).

TABLE 3: Development of a new site.

Item	Value Rm
Land	5.0
Holding and maturing	1.0
Civil and buildings	5.0
Forecourts equipment	4.0
C-store equipment	3.0
Signature and other	2.0
Total	20.0

Source: Corinaldi, V., 2017, 'Impediments and opportunities for meaningful transformation of the petroleum industry and possible solutions', paper presented at the HDSA workshop on economic transformation in the petroleum sector hosted by the Department of Energy (DoE), May 4, 2017, viewed 14 March 2019, from http://www.energy.gov.za/files/petroleum-sector-transformation-workshop/Impediments-opportunities-for-meaningful-transformation-of-retail-petroleum-industry-possible-solutions-SAPRA.pdf

TABLE 4: Operations for a new site.

Item	Value Rm
Upfront Franchise fee	5.0
Fuel stock plus guarantee	2.0
C-store dry stock	1.0
Other	0.5
Total	**9.0**

Source: Corinaldi, V., 2017, 'Impediments and opportunities for meaningful transformation of the petroleum industry and possible solutions', paper presented at the HDSA workshop on economic transformation in the petroleum sector hosted by the Department of Energy (DoE), May 4, 2017, viewed 14 March 2019, from http://www.energy.gov.za/files/petroleum-sector-transformation-workshop/Impediments-opportunities-for-meaningful-transformation-of-retail-petroleum-industry-possible-solutions-SAPRA.pdf

In most instances, private lenders withhold 100% loans until there were guarantees of marginal risks. In addition to this, the rules to on-sell are less relaxed and thereby restricted the HDSA retailers from selling in the event of financial difficulties, and, restricted them from obtaining lucrative opportunities like high volume sites (RSA 2013c:17). It is, therefore, safe to argue that this is tantamount to the lack of financial transformation. Tables 3 and 4 demonstrate the typical capital requirements to develop operational sites and actual operations for a new site.

Table 3 indicated that, in total, R20 million was required to develop a new site, and Table 4 showed that R9 million was a necessity to successfully operate a new site. The inference is that HDSAs could not attain the economic ownership, both as dealer or company owner, as a result of the financial impediments, especially where start-up capital was concerned. The standpoint of Sibiya (2013:1) was that 'funding is the most critical part of the transformation agenda and funders need assurance of sustainability'. This means that the government ought to lead, in terms of assisting potential institutions with financial guarantees through intensive negotiation for cooperation and assistance, with the

National Treasury, the Industrial Development Corporation (IDC) of South Africa, the Development Bank of Southern Africa (DBSA) and the BRICS countries (Brazil, Russia, India, China and South Africa). Government financial guarantees may play a meaningful role in sanctioning funding institutions to release the required capital in the petroleum downstream acquisition with strict oversight.

The DoE did not have sufficient funds to deliver on all its priority areas of operation. The Report of the PPC on Energy, during the 4th Parliament (May 2009–March 2014), indicated that there was minimal fund allocation to the Department in the areas that needed attention for energy resource development in South Africa. While finances constrained infrastructural development, there was an increase in the Budget Vote of the DoE for the 2014/2015 financial year to meet some of its infrastructure challenges (RSA 2014b).

In the 2012/2013 financial year, the DoE expended 98.9% of the budget of R6.7 billion that was appropriated to it (RSA 2013a). In the 2013/2014 financial year, the DoE was allocated a budget of R6.5 billion, showing a 2% decline over the previous year's allocation (RSA 2014a). The allocation for the 2014/2015 financial year rose to R7.4 billion (RSA 2015a). Nevertheless, 93% of this allocation was transferred to the municipalities and SOEs. The indication is that in the 2014/2015 financial year, appropriation was 14% higher than the 2013/2014 appropriation, but the priorities were different. Our position here is that the transfer of a large portion of the allocation to other priorities would have had an effect on the other sectors of the Department. The DoE budget allocation trends are shown in Table 5.

Funding is one of the crucial inputs in ensuring the success of a programme or project, as the petroleum industry requires huge capital just to start up the business. Paelo, Robb and Vilakazi (2014:19) posit that one of the major requirements in the petroleum wholesale industry was a significant working capital for the operational costs, which HDSAs often did not have. This means that the government did not link the policy objective of ensuring HDSA transformation, with an available funding structure. While The government continued to issue licences in large volumes, but with no funds and business management skills to support the NTI entrants, particularly the HDSAs, economic transformation, by way of ownership, remained unattainable.

It is clear from Table 5 above that the DoE was under-resourced, financially. This research discovered various explanations for this problem. This would have an effect on the petroleum sector because the downstream petroleum reports to the DoE. While some respondents blamed the government, others noted that the paucity of funds was a systemic problem. Out of the 66 respondents interviewed, 24% (see Table 6) argued that the excessive number of mandates of the DoE that needed funding aggravated the funding challenges of the programme. This, they noted, was beyond government's capacity. A number of projects that needed extensive capital accompanied these mandates. Furthermore, 59% of the respondents confirmed that the lack of funding was because of minimal investor confidence, especially where financial lending was concerned. They argued that this lack of investor confidence stemmed from the fact that government lacked the confidence in the leadership of some of the companies.

Sixteen per cent of the respondents claimed there were too many companies that sought funding from the government. Nevertheless, the government, in a bid to avert favouritism, did not provide financial support. Because of this lack of support, it was clear that financial input was not on par with the policy objective, which sought to achieve 25% of the HDSAs' transformation within 10 years of enacting the Petroleum Liquid Fuels Charter (PLFC). This lack of funding, therefore, was one of the reasons for the inefficiency of the programme.

In addition, workshops were paramount in educating and transferring skills, chiefly for the NTI entrants to ensure sustainability of the HDSA transformation. Nevertheless, the DoE did not recognise this as being of importance (RSA 2013c:17, 2015b). The DoE (RSA 2013a, 2015b) inferred that at the downstream sector of the entrepreneurship and business, skills were not provided in the initial training, particularly for those who were awarded retail licences. This means that in addition to the paucity of financial support, the HDSAs lacked the basic understanding of business principles and accounting skills (Paelo et al. 2014). The inference is that the absence of this initial training laid the foundation for failure. Hence, the DoE stated that challenges such as the 'lack of capacity to negotiate and manage contracts where royalties and rental payments are concerned; regulatory process anomalies and lack of entrepreneurship and business skills' (RSA 2015b:12) were barriers to expeditious transformation.

The impact of the HDSAs' economic empowerment programme

A major concern when assessing impact is the extent to which the programme or project brings about the desired change, with contentment. Development Assistance Committee of the Organisation for Economic Cooperation and Development defined impact as positive and negative, primary and

TABLE 5: The Department of Energy budget, 2012–2015.

Year	Amount
2012/2013	R6.7 billion
2013/2014	R6.5 billion
2014/2015	R7.4 billion

Note: Please see full reference list of the article, Makiva, M., Ile, I. & Fagbadebo, O.M.., 2019, 'Evaluating transformation progress of historically disadvantaged South Africans: Programme perspective on the downstream petroleum industry', *African Evaluation Journal* 7(1), a373. https://doi.org/10.4102/aej.v7i1.373 for more information.

TABLE 6: Funding challenges in the petroleum industry of South Africa.

Variables	Percentage of respondents (%)
Too many mandates and lack of prioritisation	24
Too many companies seeking funding	16
No investor confidence in the companies seeking funding	59
Total	**99**

secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended (OECD/DAC 2002). Programme or project objectives are analysed to determine their direct impact, positively or negatively, on the intended end users. In addition to this, impact assesses the changes produced by a development intervention, directly or indirectly, intended and unintended (Chianca 2008). The SA petroleum downstream industry had great accomplishments in the area of issuance of licence distribution. However, in terms of impact, especially economic ownership of HDSAs either as dealer and or as company owner, the accomplishment is low. Economic transformation on this aspect is far below minimal. The main objective of the PLFC (RSA 2000a) was to provide a framework for gradual empowerment of HDSAs in the liquid fuels industry. RSA (2000a) sought to bring about, over a 10-year period, HDSAs owning in total not less than 25% of the aggregate value of the equity of the various entities that held the operating assets of the SA oil industry. Thus, data presented in Table 7 were an indication that transformation impact was progressing at a slow pace. As Kapdi (2017:30) infers, 'transformation is an ongoing process', hence that the sector's performance was measured 10 years after the enactment of PLFC.

The data in Table 7 indicated that in terms of dealer ownership in the petroleum industry of South Africa, the previously advantaged group led by 78%, Indians followed by 22%, while other racial groups had 0% dealer ownership. This disparity from 2013, 2016 and 2017, in terms of ownership, had not changed. This is an indication that the country has not been able to attain the transformation driven through the licensing of aspiring entrepreneurs as greatly as was previously thought. After more than 2 decades since democracy, the majority of ownership remains in the hands of the previously privileged citizens. This outcome contradicted the output of licences issued to both the existing and NTI applicants, as these were distributed in extremely high volumes.

Similarly, Table 8 displays company ownership in the petroleum industry of South Africa. Uncontested 93% of ownership is concentrated within the white population, with black people attaining 6% and Indians 1%. Pertaining to this specific economic activity, the mixed race population owned 0%. This means that the participation of this latter group in the downstream petroleum market had been greatly inactive.

TABLE 7: Dealer ownership in the petroleum industry of South Africa by race: 2013, 2016 and 2017.

Race	Percentage of dealer ownership (%)
Black people	0
Mixed race people	0
Indian people	22
White people	78
Total	**100**

Note: Please see full reference list of the article, Makiva, M., Ile, I. & Fagbadebo, O.M., 2019, 'Evaluating transformation progress of historically disadvantaged South Africans: Programme perspective on the downstream petroleum industry', *African Evaluation Journal* 7(1), a373. https://doi.org/10.4102/aej.v7i1.373 for more information.

In the 3 years where the data were available, there were few changes on the statistics, as shown from Tables 7 and 8. This is a concern, which calls for a critical review of the industry. The implication is that the impact of the programme on the economic empowerment of the HDSAs through company ownership has been insignificant. For example, the policy objective stated that the petroleum industry must attain 25% transformation within 10 years of enacting the PLFC (RSA 2011b). It is evident that 6% was attained by the HDSAs in terms of company ownership after the PLFC enactment. The conclusion drawn from this is that the impact of the assessed sub-programme was below minimal.

The sustainability of historically disadvantaged South Africans' economic empowerment

Sustainability has to do with measuring whether the benefits of an activity are likely to continue without the appropriate support (Chianca 2008). In view of the available data, it is safe to assert that the activity of license analysis was sustainable. This conclusion is made based on the progress made thus far in the issuing of licences. It is evident that the transformation progress by the HDSAs, particularly in the area of dealer and company ownership, was incremental. This warranted recognition because the industry players progressively included HDSAs, al though at a minimal rate. However, the sub-programme's sustainability, which is to ensure economic transformation of HDSAs, is dwindling, as a result of inadequate input.

Discussion

The emerging data trends demonstrated in Table 1 conclude that the sub-programme licence analysis was relevant, particularly for the purpose for which it was intended. From this analysis, the licensing sub-programme of the downstream petroleum sector in South Africa was relevant at the time of its evaluation, chiefly to the specific area of the petroleum industry. The licence analysis activity displayed alignment to the researched sub-programme because it identified the conditions for the qualification for licensing the existing and new entrants into the downstream petroleum industry. Licensing was, furthermore, an effective activity since the emergence of the economic empowerment agenda. Thus, the primary objective of the sub-programme to issue licences to aspiring business owners continually increased its delivery, year-on-year, between 2006 and 2013. However, the puzzle here is the extent to which this activity resulted in economic ownership by HDSAs. As noted earlier, a series of challenges

TABLE 8: Company ownership in the petroleum industry of South Africa by race: 2013, 2016 and 2017.

Race	Percentage of company ownership (%)
Black people	6
Mixed race people	0
Indian people	1
White people	93
Total	**100**

Note: Please see full reference list of the article, Makiva, M., Ile, I. & Fagbadebo, O.M.., 2019, 'Evaluating transformation progress of historically disadvantaged South Africans: Programme perspective on the downstream petroleum industry', *African Evaluation Journal* 7(1), a373. https://doi.org/10.4102/aej.v7i1.373 for more information.

such as deficient revenue stream, among many others, contributed to the inefficiency of the sub-programme.

The conclusions drawn therefore are that HDSAs increasingly became operational licence holders rather than attaining visible economic ownership. Paelo et al. (2014) add that:

> over 1000 licences have been issued to potential entrants in fuel wholesaling; less than 10% of these licences are being used effectively by firms who were able to operate in the sector. (p. 4)

This suggested an insignificant realisation of the desired impact, the socio-economic empowerment as both dealer and company owner. This suggests that the sub-programme was the output and not the outcome, or impact-driven. Information on the percentage of ownership by HDSAs, by virtue of the issued licences, was not available in the DoE Annual Performance Plans or its Annual Reports. It, therefore, means that it is difficult to track the extent of the transformation achieved in this regard. This, thus, implies that the DoE Annual Performance Plans and Reports are not aligned with the *Petroleum Product Act* and PLFC tenets, as the research was instructed by the tenets provided for by the two latter institutions. This conclusion is attributable to the fact that economic transformation is a process rather than an instant outcome endeavour.

The dealer ownership obtained by black and mixed race people stood at 0%, whereas Indians attained 22%, and white people had 78%. By implication, white people were ahead in economic ownership. It is, however, important to note that Indians also fall under the previously disenfranchised group, as they had no franchise in the national elections prior to 1983. Therefore, the 22% in dealer ownership achieved by Indians was commendable.

On company ownership, black people achieved 6%. This achievement was also laudable considering the challenges that confronted the industry. Disappointingly, mixed race people continually had 0% on all economic directions in this specific sector. Also, noteworthy is that Indians performed worse than they did on dealer ownership with just 1% and white people had 93% in company ownership. This indication is that the latter remained protagonists in terms of economic ownership. The inference is that even though the democratic government of South Africa designed transformation policies, the DODO and CODO business models used in the downstream industry remained untransformed, and thereby slowed down the progress in dealer and company ownership by HDSAs.

The DoE (RSA 2013a:16, 2015b:11) had noted that land scarcity slowed down the progress of transformation in the petroleum downstream entry. It is evident that limited land inhibits equitable site allocation to HDSAs as RSA (2015b) alludes. The research recommends that to address the land availability problem, these business models require robust attention too, mainly in terms of simplifying their complicated accessibility process. This transformation is necessary to accelerate economic ownership in the downstream petroleum sector of RSA. In addition, the funding structure also needs effective transformation, as its present state is the metaphorical salt brushed on the wounds of HDSAs. The lack of these critical resources is therefore a barrier to sustainability of the sub-programme. In future research, there is a need for scholars to discover whether formative programme evaluation is a necessity to fast-track, lack of synergy between sub-programme objectives, the activities and the available resources.

Conclusions

A key issue is that the sub-programme (licence analysis) did not show a logical link with the policy objective of ensuring perceptible HDSA transformation. The inference is that when the activity (license analysis) was designed, there was no baseline statistical data that suggested that non-issuance of licenses to operate was the main reason for the lack of transformation. Thus, the inclusion of HDSAs in business plans was a viable tool to address the problem. This, for instance, was as a result of the secrecy of operations in the petroleum industry, which was protected by the pre-1994 policy. Thus, the sub-programme and its activity were not based on theory of change prescriptions. It is evident, therefore, that the issuance of licences did not automatically translate into transformation nor did it bridge the transformation gap, in terms of ownership, even though the activity itself was deemed relevant. This is an unintended outcome or impact, but a negative consequence, because the impact of these licences should be translated into visible and traceable transformation of HDSAs.

Central to this article was the assessment of the sub-programme of petroleum licensing compliance in the downstream petroleum industry in South Africa. The purpose of the sub-programme was to issue licences such as manufacturing, retail and site licences to applicants who desired to operate in the petroleum downstream of South Africa. Licence conditions obligated an applicant to demonstrate the inclusion of HDSAs in the business plan with a view to spread economic empowerment within the group. The assumption was that the distribution of these licences to HDSAs would lead to the realisation of the transformation of economic ownership. Nevertheless, an assessment of the relevance, effectiveness, efficiency, impact and sustainability of the programme presented varied results, some of which are unsatisfactory. Therefore, this study deems the sub-programme of petroleum licensing as being non-compliant with certain identified evaluation criteria elements and this accounted for its poor performance.

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Authors' contributions

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