

National Treasury Standard for Infrastructure Procurement and Delivery Management

National Treasury - IGR/OCPO

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Infrastructure



South African citizens are surrounded by public infrastructure which is foundational to a better life for all

Infrastructure is required by the state and state owned businesses to delivery services to citizens

The fiscus has limited financial resources to fund infrastructure projects

Projects need to be prioritised, based on political prerogatives and objective decision making criteria



Initiation reports are required to outline the business case

Prefeasibility and feasibility reports may be required to enable a final decision to be made on major capital projects

Concept reports need to demonstrate the viability of the solution for the business case on smaller, repetitive projects

Final decision to implement based on feasibility / concept report

Clients

A **client** initiates, commissions and pays for infrastructure

The principal role of the client is to ensure that a solution for the business case for a project is achieved

A client **owns the business case** and needs to provide effective leadership of the project throughout its life cycle

Clients need to have in-house resources to procure the necessary resources to function as a client, to delivery projects once a decision has been made to proceed to implementation and to interface with stakeholders during the delivery process,

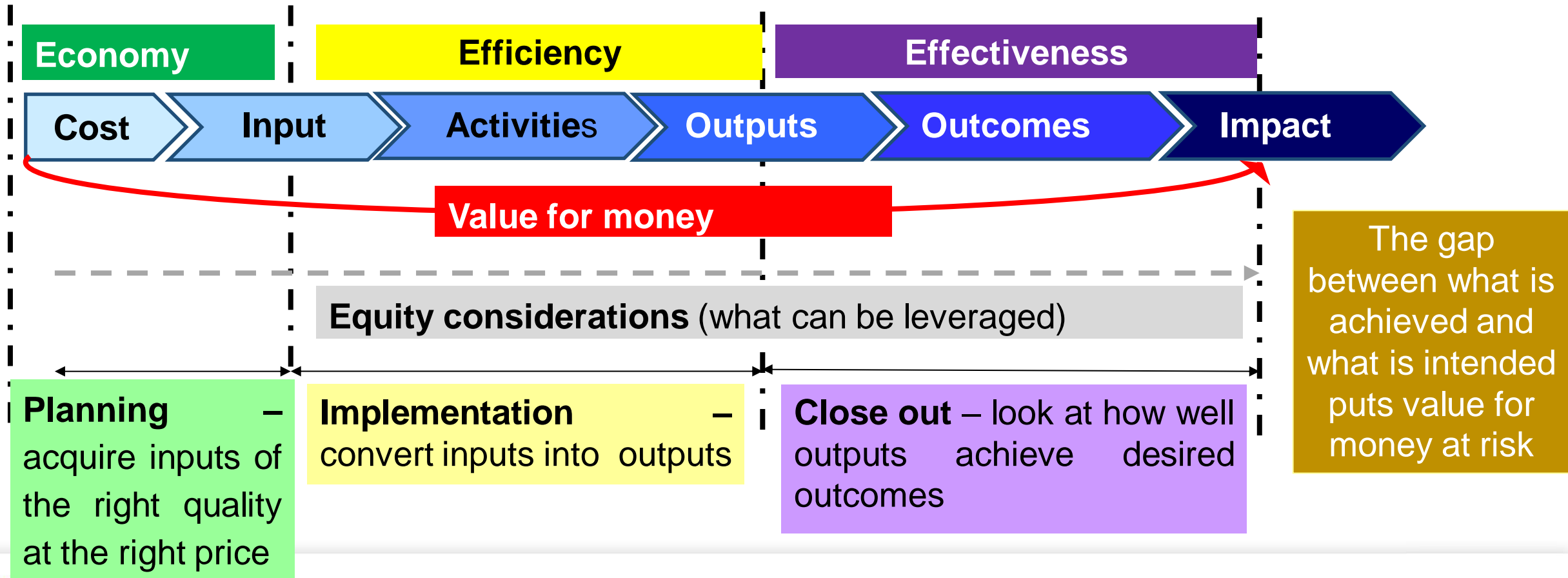
Organs of state may **assign or delegate responsibilities for implementation** to another organ of state on an agency basis.

Assignment or delegation does not relieve the clients of their overarching client responsibilities – they remain the owners of the business case.

The role and performance of the client is perhaps the most important factor for determining the success of an infrastructure project

Value for money

Value for money may be regarded as the optimal use of resources to achieve the intended outcomes. Underlying value for money is an explicit commitment to ensure that the best results possible are obtained from the money spent, or maximum benefit is derived from the resources available



Procurement and supply chain management

Procurement is *the process which creates, manages and fulfils contracts*. Procurement deals with activities surrounding contracts

Procurement processes focus on establishing what is to be procured, developing a procurement strategy, producing procurement documentation, soliciting and evaluating tender offers, awarding of contracts and administering contracts

Supply chain management (SCM) is *the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof*

Supply chains comprise all those public and private entities that are involved in delivering the inputs, outputs and outcomes of projects

SCM is concerned with the oversight, co-ordination and monitoring of inputs, outputs and outcomes of projects from the various entities within a supply chain

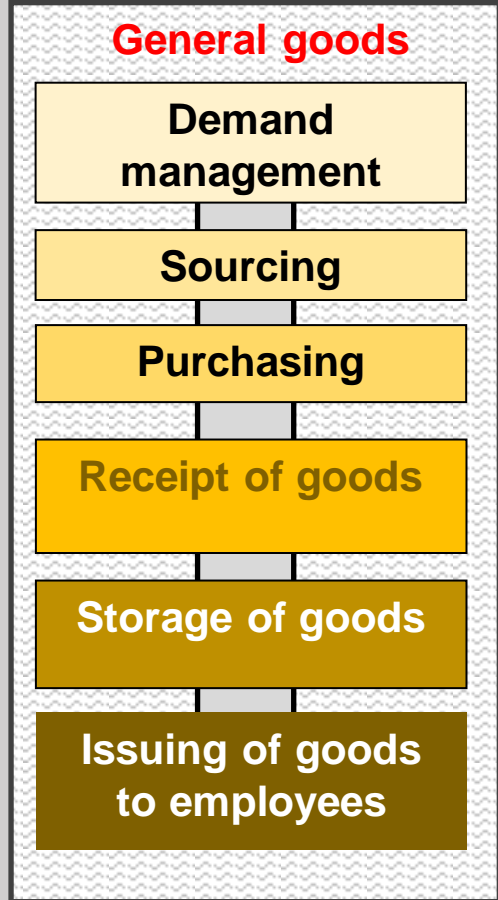
Procurement and supply chain management

The South African Planning Commission's National Development Plan 2030: *Our future – make it work* proposed that the following five areas be focused on in designing a procurement system that is better able to **deliver value for money, while minimising the scope for corruption**:

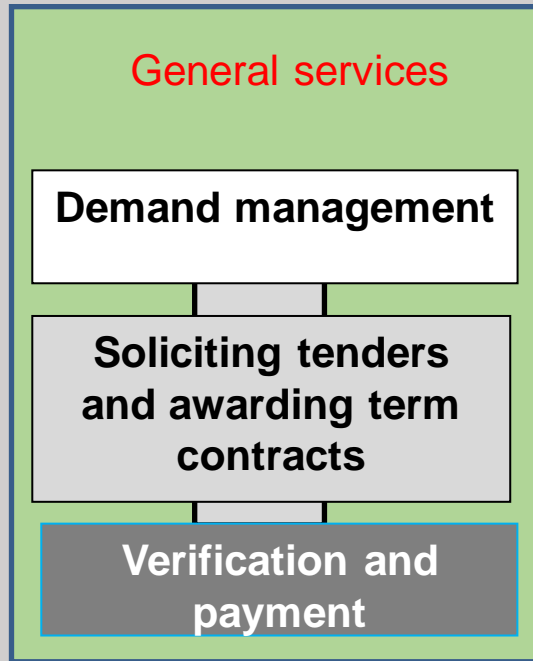
- **differentiate between the different types of procurement** which pose different challenges and require different skills sets
- **adopt a strategic approach to procurement above the project level** to balance competing objectives and priorities rather than viewing each project in isolation
- **build relationships of trust and understanding** with the private sector
- **develop professional supply chain management capacity** through training and accreditation
- **incorporate oversight functions** to assess value for money

National Treasury's 2015 Public Sector Supply Chain Management Review expressed the view that **supply chain management (SCM) is one of the key mechanisms enabling government to implement policy which traditionally has been misunderstood and undervalued**

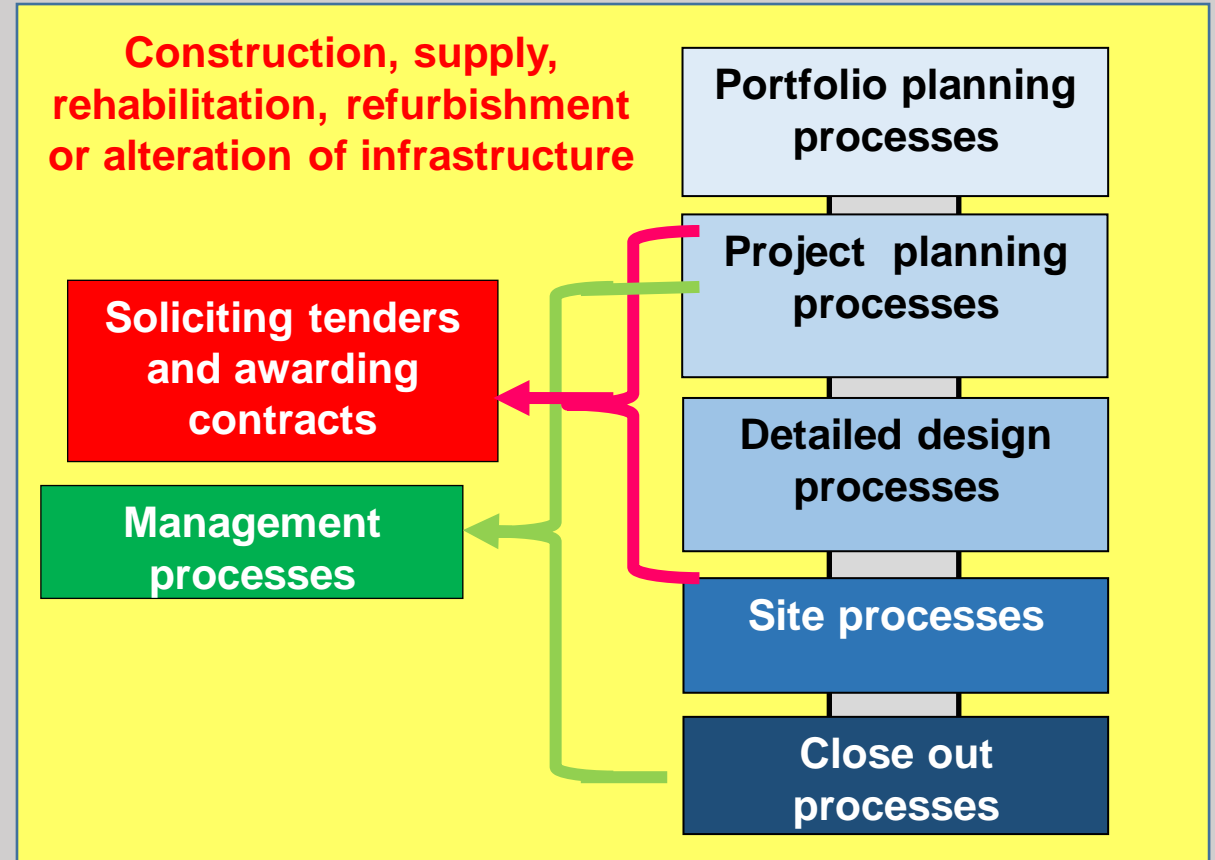
Different procurement types



Off the shelf product/ readily available commodities



Standard, well defined and scoped and specified services



Products developed or altered on a site



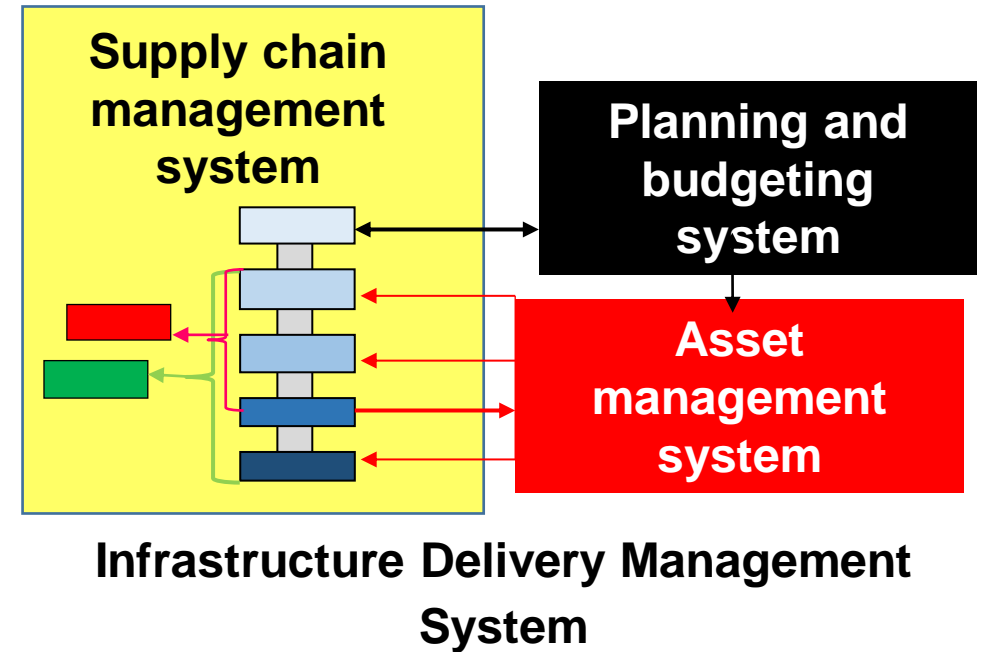
Government's Infrastructure Delivery Management System

Government's Infrastructure Delivery Management System (IDMS) comprises three core systems:

- a planning and budgeting
 - a supply chain management for infrastructure procurement and delivery management and
 - an asset management system
- all of which have forward and backward linkages

These 3 core systems are located within portfolio, programme and project management and operation and maintenance processes.

Collectively these processes and systems, together with a performance management system, establish the institutional system for infrastructure delivery



National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM)

SIPDM establishes:

- a control framework for the planning, design and implementation of infrastructure projects and infrastructure procurement
- requirements for the following matters as applied to the supply chain management system for infrastructure delivery:
 - institutional arrangements
 - demand management
 - acquisition management
 - contract management
 - logistics management
 - disposal management
 - reporting of supply chain management information
 - regular assessment of supply chain management performance
 - risk management and internal control
- minimum requirements for infrastructure procurement

The SIPDM does not apply to:

- the storage of goods and equipment, following their delivery to an organ of state, which are stored and issued to contractors or to employees of that organ of state
- the disposal or letting of land
- the conclusion of any form of land availability agreement
- the leasing or rental of moveable assets
- public private partnerships
- the provision of municipal services by means of external mechanisms



Infrastructure delivery management

G0: Accept initiation report

G1: Approve infrastructure plan

G2: Approve delivery and procurement strategy

G3: Accept strategic brief / pre-feasibility report

G4: Accept concept/feasibility report

G5: Accept design development report

G6: Accept production & manufacture, fabrication and construction information

G7: Certify delivery or completion of works

G8: Accept liability for the works

G9: Accept close out report and make final payment

Control framework for infrastructure procurement and delivery management

A gate is a control point at the end of a process where a decision is required before proceeding to the next process
Gates enable quality management / auditing to take place

PG1: Grant permission to start process

PG2: Approve strategies

PG3: Approve procurement documents

PG4: Confirm budget

PG5: Authorise next phase of process

PG6: Approve tender evaluation recommendations

PG7: Accept offer and award contract

PG8 (A B C D E F): Approval of actions associated with the administration of the contract

Framework agreements in place ?

no

FS1: Upload on financial management system

yes

FG1: Confirm reasons not to open competition

FG2: Approve documents

FG3: Confirm budget

FG4: Authorise issue of order

Infrastructure procurement

G= gate; PG= procurement gate FG= framework gate

Linkages of the standard to legislation

SIPDM is issued as an instruction in terms of Section 76(4)(c) of the PFMA and is applicable:

- a national or provincial department as defined in the PFMA
- a constitutional institution entity as listed in schedule 1 of the PFMA
- a public entity as listed in schedules 2 and 3 of the PFMA
- any organ of state which implements infrastructure delivery projects on behalf of another organ of state

Standard also forms an integral part of the Model SCM Policy for Infrastructure Delivery Management which **has been issued as a Treasury guideline determining a standard for municipal supply chain management policies in terms of Section 168 of the MFMA in support of Regulation 3(2) of the MFMA Supply Chain Management Regulations**

Applies to a municipality or a municipal entity whose council or board of directors adopts the guideline standard for SCM policies

Model SCM policies for infrastructure procurement and delivery management

SIPDM requires that organs of state put in place a suitable infrastructure procurement and delivery management SCM policy which as a minimum needs to:

- **assign responsibilities for approving or accepting deliverables** associated with a gate in the control framework or authorising a procurement process or procedure
- **establish committees** which are required by law or equivalent quality management and governance arrangements
- **establish delegations** for the awarding of a contract or the issuing of an order
- **establish ethical standards** for those involved in the procurement and delivery of infrastructure.

National Treasury has prepared Model SCM Policies for Infrastructure Procurement and Delivery Management for use by organs of state which are subject to the PFMA and MFMA

The SCM Regulations issued in terms of the MFMA require the accounting officer to report any deviation **from the guideline standard determining a standard for municipal supply chain management policies to the National Treasury and the relevant provincial treasury**

Implementation dates

The SIPDM takes effect for those organs of state which are subject to the PFMA on 1 July 2016

Regulation 3(1) of the SCM Regulations issued in terms of the MFMA requires the accounting officer **to at least annually review the implementation of the SCM policy** and if necessary submit proposals for the amendment of the policy to the council or the board of directors

The issuing of the Model SCM Policy for Infrastructure Procurement and Delivery Management will trigger a review of the current policies for infrastructure and will require that an appropriate SCM policy be put in place for infrastructure

There is no date set for implementation for municipalities and municipal entities - the revised policy or a version thereof needs to be in place for implementation by 1 July 2017 at the very latest.



Further information may be down loaded from the National Treasury website

