



Civilution

February 2016

Focus on: National Treasury Standard for Infrastructure Procurement and Delivery Management



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

NATIONAL TREASURY STANDARD FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

Foreword

DURING NOVEMBER 2015, in support of the separation of the supply chain for infrastructure procurement and delivery management from that for general goods and services, National Treasury issued the following two documents:

- An instruction in terms of Section 76(4)(c) of the Public Finance Management Act of 1999 (Act 1 of 1999) (PFMA), which requires the implementation of the *Standard for Infrastructure Procurement and Delivery Management* (SIPDM) by all organs of state subject to the PFMA, with effect from 1 July 2016.
- A Model Supply Chain Management (SCM) Policy for Infrastructure Procurement and Delivery Management in terms of Section 168 of the Municipal Finance Management Act of 2003 (Act 56 of 2003) (MFMA) in support of the MFMA SCM Regulation 3(2) as a National Treasury guideline determining standards for municipal SCM policies.

The implementation of the *National Treasury Standard for Infrastructure Procurement and Delivery Management* forms an integral part of the Model SCM Policy issued in terms of the MFMA. The issuing of the Model SCM Policy accordingly enables implementation of the SIPDM through the MFMA.

The SIPDM establishes control frameworks for the planning, design and execution of infrastructure projects and infrastructure procurement; requirements for a number of matters as applied to the supply chain management system for infrastructure procurement and delivery management; and minimum requirements for infrastructure procurement. This standard enables the separation of the supply chain management requirements for general goods and services from those for infrastructure. Underlying the separation of the supply chains is the notion that the effective and efficient functioning of the supply chain management system for infrastructure procurement and delivery management will realise value for money and good-quality service delivery. 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.

The issuing of the Treasury Instruction in terms of the PFMA and the issuing of the circular for the Model SCM Policy for Infrastructure Procurement and Delivery Management establish a common approach to infrastructure delivery across all organs of state in all spheres.

There is a relationship between socio-economic growth, development and infrastructure delivery. The delivery of basic public services depends as much on the people and the institutions delivering the services as on the physical works they use. It is not enough just to have money. It is one thing to build a clinic, but quite another to build the right clinic within budget, on time and to the required quality, and be able to maintain it.

A study by government was undertaken during 2002 to determine the issues and gaps in the delivery of infrastructure. This study reported that there was a shortfall in effective and systematic delivery systems, as well as a shortage of skills. In 2004 the Infrastructure Delivery Improvement Programme (IDIP) was established as a partnership between National Treasury, the Construction Industry Development Board (CIDB), the Department of Public Works (DPW) and the Development Bank of Southern Africa (DBSA) to establish a capacity building programme dealing with failures across provincial departments. It was within this programme that the concept of the Infrastructure Delivery Management System (IDMS) was birthed and informed by the answers to questions posed to projects, namely – is it suitable, is it feasible, is it credible and does it deliver value for money? In 2006 the IDMS was implemented in the Education Sector and the following year it was piloted in the Health Sector.

In 2011 the National Planning Commission published a detailed diagnostic report that set out the key challenges that confront South Africans in fighting poverty and inequality and in achieving the Constitutional objectives. The implicit conclusion of this report was that a business-as-usual approach will result in South Africa failing to meet a great many of its objectives. With the publication of the *National Development Plan 2030: Our future – make it work* in 2012 it became clear that an infrastructure delivery system was needed which focused on *prioritising, planning, allocating* and *measuring*. Given this thought process, National Treasury developed

the Infrastructure Delivery Management System (IDMS) as a model for best practice delivery of infrastructure management within the public sector.

Government's Infrastructure Delivery Management System comprises three core systems, namely a planning and budgeting system, a supply chain management system and an asset management system, all of which have forward and backward linkages. These 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, as indicated in Figure 1.

It must be stressed that the SIPDM does not establish planning and budgeting or asset management requirements. It merely establishes the forward and backward linkages with such systems. It is but a component of government's IDMS.

The SIPDM is required to be implemented by organs of state which are subject to the PFMA on 1 July 2016. Regulation 3(1) of the Supply Chain Management Policy issued in terms of the MFMA requires the accounting officer of a municipality or municipal entity 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 will trigger a review of the current policies and require that an appropriate SCM Policy be put in place for infrastructure. There is no date set for implementation. Nevertheless, the revised policy should be in place for implementation by 1 July 2017 at the very latest.

This special publication, which is aimed at built environment

professionals who may participate in infrastructure procurement and delivery management as regulators, clients, consultants and contractors, is expected to facilitate the effective implementation of the SIPDM as it:

- contextualises and communicates the philosophy behind the SIPDM;
- explains the impact of the separation of the supply chain for infrastructure procurement and delivery from that for general goods and services;
- discusses the role of the client, including the assigning and delegation of responsibilities;
- offers guidance on how to apply the control frameworks;
- indicates the range of procurement options and approaches that are available;
- provides high-level guidance on satisfying most aspects of the SIPDM;
- deals with selected aspects of infrastructure delivery which should be dealt with in order to improve project outcomes; and
- presents short views on the SIPDM from a number of key industry stakeholders.

The Office of the Chief Procurement Officer would like to thank the South African Institution of Civil Engineering (SAICE) for making its editorial staff available to edit articles provided by National Treasury, develop the layout and publish this special magazine.

Kenneth Brown
Chief Procurement Officer
National Treasury



national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

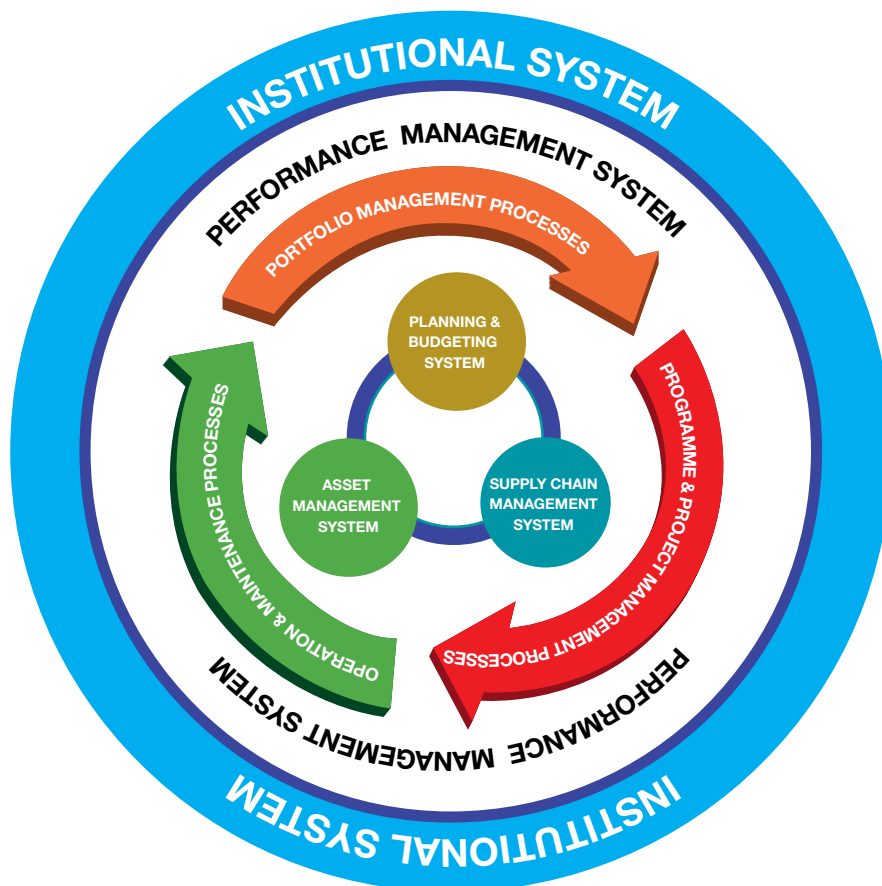


Figure 1: The Infrastructure Delivery Management System (IDMS)