



Civilution

February 2016

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



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



The Civilition Forum welcomes the publication of the SIPDM

Civilition is a voluntary movement which seeks to encourage engineering practitioners and others to act and think differently, with the sole aims of improving current conditions and addressing flawed ways in which matters within the realms of participants in the movement are handled. The Civilition Forum is the body established to lead, drive and monitor the movement, as well as to seek collaboration between stakeholders on matters of mutual interest and concern.

The Civilition Forum welcomes National Treasury's release of the *Standard for Infrastructure Procurement and Delivery Management* (SIPDM) and recognises its potential to improve current service delivery outcomes which are linked to the provision, operation and maintenance of infrastructure through doing things better and differently.

SAICE'S VIEW ON THE SIPDM

(South African Institution of Civil Engineering)

Effective and efficient infrastructure procurement that achieves value for money is one of the cornerstones of economic development. The tightening up of supply chain management (SCM) processes over

recent years, whilst a very necessary action, has highlighted the weaknesses of attempting to manage infrastructure procurement using approaches that are better geared to the acquisition of relatively standard goods and services and purchase orders generated from a financial system. The development of an SCM system that is specifically designed to accommodate and manage the complexities and uncertainties that arise throughout the entire infrastructure procurement process is a significant step towards improving the pace and quality of infrastructure delivery. There has long been the need to recognise that the infrastructure procurement process begins the moment a need has been identified, and that, as the advertising of a tender through to the award of a contract is just one very small part of the entire procurement chain, the current SCM model is not appropriate.

The introduction of the SIPDM establishes a professional approach to the entire service delivery continuum, and ensures that the process is properly managed and controlled. The application of this standard will ensure that projects do not get initiated before the planning processes have been thoroughly carried

out and signed off by the relevant officials. Whilst the transition to this approach may prove challenging for the less well-resourced organs of state, it is an essential step in ensuring that limited resources are used to maximum advantage, and in line with strategic goals.

The SIPDM is essentially a well-structured professional project management approach to infrastructure procurement. It is important that the role of registered built environment professionals is not overlooked, and their expertise passed over. In addition to professionalising the approach to service delivery, the review process embedded in the standard ensures that built environment professionals are strategically positioned so that decision-making is undertaken by those with the appropriate skills and contextual knowledge. Clear responsibilities for decision-making enhance accountability, which in turn, together with the specified controls, reduce the likelihood of corruption.

The development of a public sector procurement system that recognises the challenges which are specific to infrastructure procurement goes a long way to providing practitioners with clear

direction about the “how”. The difficulties of aligning infrastructure procurement to current SCM guidelines have led to multiple interpretations of key legislation, which at times has resulted in conflicting guidelines and incorrect audit interpretations. These in turn have resulted in legal challenges and negative audit reports that have delayed key infrastructure delivery by months and even years, leading to unnecessary and wasted costs. The SIPDM clarifies many of these contentious aspects and provides a fresh basis to improve the service delivery regimen and reduce the likelihood of litigation.

The SIPDM also opens the door to a more appropriate approach to value for money. The current SCM approach has been limited to setting minimum quality thresholds, and thereafter accepting the lowest prices, whereas the reintroduction of quality as part of the final score ensures that the optimum value for money balance between cost and quality can be achieved, as the lowest cost is not always synonymous with best value for money. This is particularly relevant when procuring professionals, where the planning or design fee represents a minuscule fraction of the asset’s construction and life cycle operating cost.

The requirement to plan for a portfolio of projects or packages covering a period of not less than five years begins to establish a “pipeline” of projects, ensuring that the planning is properly and fully carried out. This approach creates the space (and time) to thoroughly review options when the cost of making changes can be minimised, rather than attempting to manage changes to a poorly planned project during the implementation phase, where costs will be far higher.

Current public sector resources are very limited, particularly when seen in relation to the extent of the infrastructure demands, and the clear guidelines on the use of other contracting options (such as target price contracts and framework contracts) open opportunities for innovative procurement strategies that will improve efficiency and effectiveness. One cannot carry on business as usual and expect to achieve different results. The concept of “approaching procurement above the project level” is fundamental to maximising efficiencies with limited resources. Service delivery via a multitude of ad hoc individual projects must give way to programmes and portfolios of projects, struc-

tured to maximise both service delivery and opportunities for empowerment.

Excellence engenders excellence. The SIPDM certainly lays out a path towards excellence in infrastructure procurement. It provides a very significant opportunity for built environment professionals to strategically influence infrastructure procurement and thus ramp up their contribution to service delivery in a most effective way.

CESA’S VIEW ON THE SIPDM **(Consulting Engineers South Africa)**

As the voice of consulting engineering CESA welcomes the recent amendments adopted by National Treasury to improve the public sector procurement process within the construction industry through the introduction of the SIPDM. In particular the notion that the effective and efficient functioning of the supply chain management (SCM) system for infrastructure delivery will realise value for money and good-quality service delivery, is applauded. It is extremely gratifying that the long-held views and concerns of CESA and its members regarding the current flawed public procurement process are being addressed in the following areas:

- **Separation of infrastructure procurement from that of ordinary goods and services**

CESA has complained for a number of years that professional services are treated as off-the-shelf commodities, procured at lowest cost, whereas the scope and extent of the required services are generally unique for each project and require careful individual planning and design development to achieve an optimal result. This results in professionals seeking ways to reduce their prices in order to be successful rather than focusing on the project requirements. Supply chain managers in the public sector focus on the rules developed for commodities, and the proper specification of professional services are routinely neglected or omitted. CESA and its membership are extremely gratified that the SIPDM recognises this challenge and has provided for the separation of the relative SCM functions.

- **Emphasis on good-quality service delivery**

In the existing public sector procurement process emphasis is placed on price, whilst quality/functionality is treated as a hurdle/threshold. This is

inappropriate for the infrastructure sector as it reduces quality/functionality (which is difficult to define in quantitative terms when dealing with professional services) to minimum levels. The inclusion of quality in the SIPDM as an objective criterion in the evaluation of tenders, alongside price and preference, is welcomed.

- **Project planning and preliminary documentation**

A major problem currently encountered by consulting engineering firms is that of inadequately drafted tender documentation, largely as a result of lack of capacity and capability in government. This under-scoped or poorly-specified work results in variation orders to carry out the true scope of work that unfolds as the work progresses, which, besides involving the state entity in unforeseen expenditure, prevents the tenderers from gauging a fair and competitive price for the project, ultimately to the detriment of all parties concerned. The careful and well-ordered steps with respect to planning and documentation contained in the SIPDM will go a long way in addressing this problem, and are welcomed.

- **Framework contracts**

When open tendering is used for work of limited scope and cost, the total cost of bidding by all the numerous bidders can often exceed the value of the work being let, and is simply wasteful of the country’s resources. In other instances many state entities are faced with implementing numerous infrastructure projects of similar nature and scope where the entity has insufficient resources to award and manage separate contracts for the planning, design, construction and monitoring of each project. It is considered that the provision of the SIPDM for the awarding of framework contracts in such cases will address these problems in minimising the wastage of limited resources, by reducing the number of separate infrastructure tenders and contracts.

- **Blocked infrastructure project pipeline**

The delayed infrastructure investment by government, also known as the “blocked infrastructure project pipeline”, often through inadequate planning and allocation of resources, as well as excessive bureaucracy, is damaging our country. Besides discouraging

foreign investment in infrastructure, and resulting in regular and destructive service delivery protests, the lack of sorely needed infrastructure projects is resulting in an exodus of consulting engineering skills through lost work opportunities. It is considered that the implementation of the SIPDM with its rigorous planning and control frameworks will do much to eliminate these impediments to infrastructure provision and service delivery.

It is pleasing to note that the SIPDM addresses several other public procurement problems faced by the consulting engineering industry, including:

- the provision of targeted procurement procedures to assist with the attainment of transformation goals relating to emerging and small firms;
- requirements for built environment professionals to prepare the evaluation of tenders, which will be of great assistance to clients in ensuring value for money and eliminating corruption;
- performance metrics relating to late payment; and
- the discouraging of the use of performance bonds in professional service contracts, a practice which favours large foreign firms in Engineering, Procurement and Construction Management (EPCM) projects.

SAFCEC'S VIEW ON THE SIPDM

(South African Forum of Civil Engineering Contractors)

In his 2014/2015 Annual Report, SAFCEC's President, Thembinkosi Nzimande, made reference to the compelling effect of infrastructure development on the economy as one of the most strategic necessities for South Africa. As representatives of the civil engineering industry as a whole, SAFCEC members are ready with capacity and willingness to deliver on infrastructure projects in the pursuit of a successful and prosperous South Africa for all its citizens. There are, however, several barriers preventing progress in the delivery of critical infrastructure such as roads, water systems, schools and education facilities. These challenges can be overcome by unblocking the pipeline to allow the free flow of infrastructure projects. Undoubtedly, many stakeholders can present many solutions, and SAFCEC is no different in proposing solutions that include the early involvement of contractors to ensure that our immense expertise is utilised.

The particulars and elements of the SIPDM are nothing new for civil engineering contractors. What will be seen as new and highly innovative, is the manner in which the SIPDM is packaged, and the functioning of it, against the backdrop of a South African context. A critical aspect of the SIPDM for civil engineering contractors is the provision of a separate industry-based procurement process for obtaining contracting services. Making a distinction between the procurement of general goods and services, and construction activities, the SIPDM will be better placed to accommodate the requirements of the construction industry.

Government entities, as well as local authorities, will find the SIPDM most beneficial, as it allows for the proactive management of risks, a transparent and auditable process, and a structure that will promote and deliver the acquisition of built environment assets on the basis of value for money. The development of an asset in the built environment, whether new or an improvement, is a complex process with many interfaces involving extensive planning and managerial functions. It requires tailor-made procurement processes for its successful implementation.

The requirement that only registered professionals in the built environment be allowed to administer construction contracts has many advantages for public sector owners and clients. Additionally, the contractor will also find this condition beneficial, as these professional administrators understand the nature and peculiarities of construction activities better than the typical generalist supply chain manager. No longer will construction's language be 'lost in translation', as issues related to payment certificates, variations and claims will be dealt with properly.

Contractors will be encouraged by the SIPDM's clear and consistent procurement processes, which take into account the peculiarities of the construction industry. The appropriate risk apportionment and allocation of responsibilities will further stimulate the confidence of contractors, as they will be assured of fair and equal treatment. Under such circumstances, contractors will be able to control costs, manage time schedules and strive for profitability, whilst delivering quality projects on time and within budget, thereby passing the test on which the SIPDM is based – value for money.

The implementation of the SIPDM will provide opportunities for both established and emerging contractors. The advantage for the development of black contractors will be found in the common-sense approach that the SIPDM prescribes. As an example, procurement documents will be compiled in accordance with relevant national standards and standard forms of contract, and deviations from these standards are required to be clearly indicated. Furthermore, the unilateral and biased amendments by officials to the agreed provisions and standard conditions of contract will no longer be tolerated.

Overall, the SIPDM will encourage the cooperation of all participants in the development of infrastructure projects, being the key ingredient for success. Ultimately, the hope is that the SIPDM will provide an environment whereby the confrontational nature of the construction business will be minimised. Under such circumstances the civil engineering industry will become truly inclusive, thereby providing opportunities for all contractors – large or small, established or emerging – and thereby eradicating the exclusivities of the past.

IMESA'S VIEW ON THE SIPDM

(Institute of Municipal Engineering of Southern Africa)

It is a well-documented and accepted fact that local government is the coalface of service delivery in a country. Globally large cities are recognised as key drivers of national economic growth and platforms for social service delivery. Rapid rates of urbanisation give further credence to this reality. So it is not surprising that effective and efficient service delivery, as well as key economic growth enablement, fall to local government to champion.

With regard to service delivery at local government level, it is estimated that more than 90% of these services require infrastructure to give effect to them, and hence the planning, implementation, management and operation of infrastructure over the life cycle of such infrastructure are critically important. Reports from the Office of the Auditor General tend to indicate that these important challenges are not being adequately dealt with throughout the country. In many local authorities there is a dearth of the requisite technical skills, inadequate delivery systems and poorly functioning institutional structures. The supply chain management process initiated through the promulgation of the Municipal Finance Management Act (MFMA) and

Supply Chain Management Regulations has not succeeded in reducing corruption and improving value for money, and this in the face of growing basic service backlogs.

In this regard, the prescription of the SIPDM through the MFMA Circular No 77 will go a long way to ensure that the procurement process relating to infrastructure delivery management is more efficient and effective by firstly distinguishing this process from the procurement of general goods and services, and by providing for a prescribed process with regular gates and milestones, suitably resourced oversight structures, proper planning in advance of procurement, a suite of procurement options to obtain best value, and improved transparency and oversight.

SAIEE'S VIEW ON THE SIPDM

(South African Institute of Electrical Engineers)

Electrical products and services have

long suffered inferior outcomes due to standardised procurement practices, particularly in the local government arena. The technical nature and terms surrounding electrical equipment are not adequately understood by procurement officials, thus allowing unscrupulous suppliers being successful in providing inferior products. Life cycle costing and the importance thereof in using electrical energy over the lifetime of a product is another aspect of procurement that deserves much more emphasis in the specification and application as it pertains to the procurement of electrical equipment. Inexperienced buyers of large entities are sometimes oblivious of the technical aspects of products that could have a huge impact on operational expenditure.

Given the wide variation of sizes, skills, resources and engineering/technical competency within local gov-

ernment, it is to be expected that not all government entities can operate at the required level to address and satisfy the challenges of the whole spectrum of service delivery demanded by communities. This situation is exacerbated when technical and engineering services are the major part of such service delivery and the procurement of such services is dealt with in the same way as the general/usual/non-technical requirements.

The SIPDM will certainly assist electrical engineering and its contribution to service delivery. It is our belief that, if applied by decision-makers across the board, the application of the SIPDM could be the panacea for electrical engineers. Procurement along the lines of the SIPDM will render a much more focused and specific process that will benefit not only electrical engineering, but the country as a whole. ●



CIVILUTION CONGRESS ENGINEERING REVOLUTION

Date: 9-10 May 2016

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