



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

- TO ALL: ACCOUNTING OFFICERS OF DEPARTMENTS**
- : ACCOUNTING OFFICERS OF CONSTITUTIONAL INSTITUTIONS**
- : ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES LISTED IN SCHEDULES 2 AND 3 TO THE PFMA**
- : HEAD OFFICIALS OF PROVINCIAL TREASURIES**

NATIONAL TREASURY INSTRUCTION NO. 4 OF 2015/2016

STANDARD FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

1. PURPOSE

1.1 The purpose of this Treasury Instruction is to prescribe through a Standard for Infrastructure Procurement and Delivery Management (Annexure A);

- (a) a control framework for the planning, design and execution of infrastructure projects, the tracking of such projects and the monitoring of performance which:
- (i) enables risks to be proactively managed;
 - (ii) is capable of being audited; and
 - (iii) is aimed at ensuring that any infrastructure acquired or to be acquired provides value for money;
- (b) a control framework for infrastructure procurement;
- (c) requirements for the following as it relates to infrastructure procurement and delivery management:
- (i) institutional arrangements;
 - (ii) demand management;
 - (iii) acquisition management;
 - (iv) contract management;
 - (v) logistics management;
 - (vi) disposal management;
 - (vii) reporting of supply chain management information;

Standard for Infrastructure Procurement and Delivery Management

- (viii) regular assessment of supply chain management performance; and
 - (ix) risk management and internal control; and
- (d) minimum standards for infrastructure procurement.

2. BACKGROUND

- 2.1 The South Africa's National Development Plan 2030: *Our future – make it work* proposes that the following five areas must be focused on in designing a procurement system that is able to better deliver value for money, while minimising the scope for corruption:
- (a) differentiating between the different types of procurement which pose different challenges and require different skills sets;
 - (b) adopting a strategic approach to procurement above the project level to balance competing objectives and priorities rather than viewing each project in isolation;
 - (c) building relationships of trust and understanding with the private sector;
 - (d) developing professional supply chain management capacity through training and accreditation; and
 - (e) incorporating oversight functions to assess value for money.
- 2.2 National Treasury's Public Sector Supply Chain Management Review, 2015 expresses 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. This Review, which identified the need for SCM reform, suggests that if such reforms are implemented as envisaged in terms of section 217 of the Constitution, the benefits will be enormous, which include:
- (a) good-quality service delivery will be increasingly possible with significant improvements in the welfare of South Africa's citizens, especially the poor who rely heavily on government for support;
 - (b) the economy will grow as economic infrastructure is expanded and efficiently maintained;
 - (c) goods, services and infrastructure will be procured at lower costs;
 - (d) innovation will result in different approaches to the commodities used in some sectors; and
 - (e) for suppliers, the cost of doing business with the State should decrease substantially.
- 2.3 Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued for use. Services most often involve routine, repetitive services with well understood interim and final deliverables that do not require strategic inputs or decisions to be made regarding the fitness for purpose of the service outputs.

Standard for Infrastructure Procurement and Delivery Management

- 2.4 In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immovable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or which are issued free of charge to contractors for incorporation into the works.
- 2.5 Infrastructure delivery is the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure. There is an urgent need to separate supply chain management requirements for general goods and services from those for infrastructure delivery in order to improve project outcomes.
- 2.6 Underlying the separation of the supply chain management systems is the notion that the effective and efficient functioning of the supply chain management system for infrastructure delivery 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.

3. PLANNING, DESIGN, PROCUREMENT AND EXECUTION OF INFRASTRUCTURE PROJECTS

- 3.1 Accounting officers and accounting authorities must, in the planning, design, procurement or execution of infrastructure projects, -
- (a) implement the National Treasury Standard for Infrastructure Procurement and Delivery Management, as contained in Annexure A; and
 - (b) develop a suitable supply chain management policy for infrastructure procurement and delivery management.

4. APPLICABILITY

- 4.1 This Treasury Instruction applies to:
- (a) all departments, constitutional institutions and public entities listed in Schedules 2 and 3 to the PFMA;
 - (b) any organ of state, as defined in section 239 of the Constitution, which implements infrastructure projects on behalf of institutions referred to in (a).

5. EFFECTIVE DATE

This *Treasury Instruction* takes effect from 1 July 2016.

6. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

- 6.1. Head officials of provincial treasuries are requested to bring the contents of this *Treasury Instruction* to the attention of all accounting officers of departments in their respective provinces.
- 6.2. Accounting officers of departments and constitutional institutions and accounting authorities of public entities listed in Schedules 2 and 3 to the PFMA must bring the contents of this *Treasury Instruction* to the attention of chief financial officers and supply chain management officials of their respective institutions.
- 6.3. Accounting authorities of public entities must bring the contents of this *Treasury Instruction* to the attention of chief financial officers and supply chain management officials of their respective entities.

7. AUTHORITY FOR THIS TREASURY INSTRUCTION

This *Treasury Instruction* is issued in terms of section 76(4)(c) of the PFMA.

8. CONTACT INFORMATION

Enquiries related to this *Treasury Instruction* may be directed to:

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ACTING ACCOUNTANT-GENERAL

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