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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

STANDARD FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

National Treasury issued an instruction note in terms of the Public Finance Management Act (PFMA) and a circular in terms of the Municipal Finance Management Act MFMA linked to the Standard for Infrastructure Procurement and Delivery Management (SIPDM). These documents have been issued as a follow up to the South Africa's National Development Plan 2030: **"Our future – make it work"** which proposed that the following five areas be focused on designing a procurement system that is able to deliver value for money, while minimising the scope for corruption. The SIPDM seeks to achieve differentiation between the different types of procurement which pose different challenges and require different skills sets for infrastructure.

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 policies which traditionally have 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, namely that:

- the economy will grow as economic infrastructure is expanded and efficiently maintained;
- goods, services and infrastructure will be bought at lower costs;

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 are issued free of charge to contractors for incorporation into the works.

An urgent need was identified to separate supply chain management requirements for general goods and services from those for infrastructure delivery in order to improve project outcomes. The Office of the Chief Procurement Officer (OCPO) has, in consultation with the relevant stakeholders, and following the receipt of public comments and comments from provincial treasuries, developed and published the Standards for Infrastructure Procurement





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and Delivery Management. These standards enable the separation of the supply chain management requirements for general goods and services from those of infrastructure delivery. (Infrastructure delivery is the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure).

The Standards establish a control framework for the planning, design and implementation of infrastructure projects and infrastructure procurement, also establish the minimum requirements for infrastructure procurement and the management of the supply chain associated with infrastructure, that is framed around the five focus areas proposed by the National Planning Commission for the design of a procurement system and draws upon the work of the 2015 Public Sector Supply Chain Management Review.

The Standard will be applicable, with effect from 1 July 2016 to all organs of state which are subject to the Public Finance Management Act. It will become applicable to municipalities and municipal entities during their 2016 / 2017 financial year when their councils adopt new SCM policies aligned with a National Treasury Model SCM policy for Infrastructure Procurement and Delivery Management which incorporates the standard.

Issued on behalf of National Treasury

Date: 6 April 2016

