

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 3929 [NW4794E]
DATE OF PUBLICATION: 6 NOVEMBER 2015

3929. Dr M J Figg (DA) to ask the Minister of Finance:

What is the (a) total budgeted cost of running the Central Procurement Office (CPO) and (b) estimated savings of using the CPO?

NW4794E

REPLY:

- a) The total budgeted cost of running the Central Procurement Office is at R 94, 7 million. R 55, 7 million was allocated for 2015/16. The budget was adjusted by R 39 million to R 94, 7 million in order to accelerate the Supply Chain Management reforms that are currently underway.
- b) The current OCPO modernisation programme is steadily starting to bear fruit:
- i. Reducing the administrative cost of transacting for both suppliers and departments through the establishment of the Central Supplier Database (CSD), gCommerce Centre and implementation of eProcurement system for government. The cost of a purchase order will be reduced from approximately R3600.00 on the legacy systems to between R500.00 and R750.00 using the new technology platforms. For suppliers, the cost of doing business with the State should decrease over time. We expect that these savings will result in lower prices in the future.
 - ii. Administrative auditing costs in future will be reduced. Where the Auditor-General (AG) was auditing administrative compliance in over 1000 procuring entities, their auditing will focus on auditing one Central Supplier Database (CSD) system. This alone should save the State R 500.00 per order in auditing costs.
 - iii. Negotiating competitive price offerings for common goods and services based on the consolidated spent of government through transversal contracts. A total of 39 transversal contracts valued at approximately R28 billion was facilitated by the OCPO and it is estimated that the centre lead procurement resulted in R5 billion saving compared to market value of the commodities under these contracts;
 - iv. Building plans for schools are now standardised and costed. It is compulsory for provinces to adhere to this standard when building schools. This intervention is expected to reduce the average cost of building a new school from R 60- R 70 million to just under R 35 million. Stationery contracts have been negotiated at an average cost of R 100.00 per learner for a full suite of stationery per grade.

- v. A strategic sourcing framework is being work-shopped with all procuring entities. This intervention is important in demand management and supplier development. Department are getting a better grasp of their commodities and markets. In the long run, this should reduce cost as prices of commodities are fully understood. Strategic Sourcing initiatives for travel and accommodation and mobile and fixed line communication will result in projected savings of R1.2 billion and R300 million respectively during the 2016/17 financial year.