

# Infrastructure Indaba

## CIDB perspective - alignment to the construction procurement environment

Mr Richard Raphiri

# Overview

- Strategic goals and challenges for the sector
- Legislative environment for construction procurement
  - National Treasury
    - Central Supplier Database (CSD)
    - eTender portal
    - Standard for infrastructure Procurement and Delivery Management (SIPDM)
    - Preferential Procurement Policy Framework Act (Draft regulations)
- CIDB focus

## Strategic overview

# Challenges for the sector

- Fragmented prescriptions for construction procurement (NT and CIDB)
- Poor planning by implementing departments
- Inadequate response to the social agenda (transformation)
- Poor interdepartmental relationships
- Lack of delivery - poor procurement / contract management strategies
- Limited technical capacity in the public sector (competence)
- Weak management systems (control points for accountability)
- High incidence of fraud / corruption in procurement systems
- Collusion in the industry

# Legislative environment



*DEVELOPMENT THROUGH PARTNERSHIP*

**NATIONAL TREASURY**

# National Treasury

- **Introduction of Central Supplier Database (CSD) as of 1 April 2016**
  - single consolidated comprehensive supplier database for national, provincial or local government; remove duplication and fragmentation of supplier information across spheres of government
  - applies to all services including construction
- **Impact**
  - Must register on the CSD
    - Relates to e-procurement information;
    - Registration means verification and compliance with, for example, valid tax certificates, bank accounts, employee information etc
- *Task team process in place to share information on CIDB database with the National Treasury*



# National Treasury

- **eTender Publication Portal**
  - gives FREE access to public sector tender opportunities in South Africa
  - established to deal with corruption, overcharging and shoddy products
  - brings transparency to supply chain management
  - facilitates all government institutions to publish their tenders and award notices on a single platform
  - public sector clients must publish the advert and upload the tender specification on the eTender Portal
- **Value add**
  - Tender documents are posted online on the portal to allow for free access by all potential bidders
  - Tenderers do not have to travel to various offices / departments and pay bid document fees.



# National Treasury

- **Standard for Infrastructure Procurement and Delivery Management - SIPDM (for public sector clients)**
  - Combination of the requirements of the Infrastructure Delivery Management System (**IDMS**); the cidb Standard for Uniformity (**SFU**); the **SCM** Regulations
  - Fundamental principle of the SIPDM is that it requires government departments to set up **separate supply chains for**
    - infrastructure procurement and delivery
    - general goods and services (pens and paper)
  - Introduction of a **control framework for infrastructure** (IDMS); stages with key deliverables
  - Establish adequately developed **management systems** (control points / gates); procedures; processes; trained staff (**anti-corruption**)
  - Promotes **competency of staff** dealing with infrastructure and supports **specialisation** of services
  - **Improved accountability** (client) for actions and decisions taken in the infrastructure value chain

# Impact of SIPDM

- National Treasury – focus is on fiscal reform; allocation of the budget for infrastructure across government; monitoring financial data (forecast or planned / actual / under or over expenditure) relating to infrastructure spend;
- SIPDM is largely based on the prescriptions of the cidb for construction procurement reform (SFU; IDMS; Practice Notes; Practice Guidelines)
- CIDB – focus is on technical reform and support; minimum standards for the delivery of infrastructure for client self improvement:
  - **Leadership and control**
    - The client commits to comply with the cidb best practices that will incorporate prescriptions governing the construction value chain; commits to providing leadership to improve the procurement process; implement control points for improved accountability of actions and decisions
  - **Innovation**
    - Use of appropriate approaches to deliver construction projects, encourage innovation from supply side (contractors; professionals), promote long term relationships with those in the supply chain
  - **Quality**
    - Commitment from client to choose quality-based solutions that are fair and reasonable in its application
  - **People**
    - Engendering respect for people throughout the construction value chain, commitment from clients to invest in training and capacitation of their staff for self-improvement

# Compliance to the SIPDM

- Applicable from 1 July 2016
- According to National Treasury, compliance to the cidb SFU implies compliance to the SIPDM
  - Forms of contract
  - Standard procurement procedures
  - Standard tender evaluation methods
  - Compilation of procurement documentation
    - Quality
    - Preferencing schedules
    - Tender data
    - Guarantees
- CIDB introduced SFU 2004; July 2015 last update
- Clients that have been compliant to the SFU; Practice Notes; Contractor Development Guidelines will be compliant to the SIPDM

# SIPDM (new)

- **New requirements:**
  - Bid evaluation reports to be developed by a BE professional (Adjudication Committee members to note); major concern is not to undermine SCM Compliance
  - Advance payment to contractors (T&C's apply eg. CFO approval)
  - Use of Framework Agreements (especially for the Maintenance environment)

## CIDB Focus

# Register of Projects

- In discussion with NT
  - Possible removal of prescription for iTender
- Increase focus on
  - Strengthening of the CIDB Register of Contractors
  - Registration of awards
  - Cancellation / Termination of services
  - Practical completion / Project closure
- Tracking clients & contractors ability to perform / execute construction projects through the **Project Assessment Scheme**
- CIDB – **Client Recognition Scheme**
  - Identify weaknesses in the client approach to delivery of infrastructure
  - Encourage performance improvements
  - Mandate the client to use skilled resources (external) to improve performance
  - The scheme will be based on
    - Procurement capability assessment of clients
    - Client performance reports (Project Assessment Scheme)

# Client Recognition Scheme

- Procurement Capability Assessment will take into consideration
  - The **governance issues** (governance structures; people; policy; procedures; processes; SCM performance reports)
  - Conducting competence assessments based on the CIDB **Competence Standards** for Construction Procurement
  - Assessing alignment against the core requirements of the **IDMS / C-IDMS**
  - Assessment against the Client **AG Report** (Capital spend / Payment delays etc etc)



# Failed projects

- Concerted effort to deal with non performance on a project registered on the CIDB database (Client and Contractor)
- Clients must register **termination / cancellation of contracts** on the cidb RoP
- CIDB is dealing with  $\pm$  90 cases of “failed” projects
- Conduct investigations
  - Write to the Client / Contractor to provide reasons for the termination
  - Assess the responses
  - Refer valid cases to the CIDB Investigating Committee (hearing);
  - Sanctions may result in
    - Client (reported to NT / Minister of Public Works/ Relevant other ministries / MEC’s, Head of Departments)
    - Contractor (warning / suspension for a period of time / downgraded/ fine / deregistration)

# Some feedback from contractors...

- Infrastructure depts. need to keep to a standard
- Cancelled projects (once contract is awarded) is harmful to contractors
- Application of the PE status
- Price estimates are higher than the level of the work procured (bundling instead of unbundling)
- No professional forum for Clients / Contractors to discuss challenges and possible remedies

# Partnership with National Treasury

- The potential areas for partnership with National Treasury include:
  - Training and capacitation
  - Monitoring and evaluation of the procurement spend
  - Client Integrity System; combatting fraud and corruption
  - Competence standards for construction procurement
  - Standards for a Client Recognition Scheme
  - Performance monitoring of
    - Clients
    - Suppliers & Service Providers

# Summary

- Dynamic operating environment for contractors and clients due to multitude of legislative changes:
  - Central Supplier Database (CSD)
  - eTender portal
  - Standard for Infrastructure Procurement and Delivery Management (SIPDM)
  - Regulation to the Preferential Procurement Policy Framework Act (PPPFA) – Act 5 of 2000
  - Broad Based Black Economic Empowerment Act (BBBEE) – Act 53 of 2003; Construction Charter Codes
  - Review of the CIDB Act to strengthen our mandate
- Introduction of the NT Draft Procurement Bill.
- **CIDB will continue to assist with technical and operational support to clients for the growth and development of the sector**



*DEVELOPMENT THROUGH PARTNERSHIP*

**Thank You**