



Infrastructure Indaba 2021

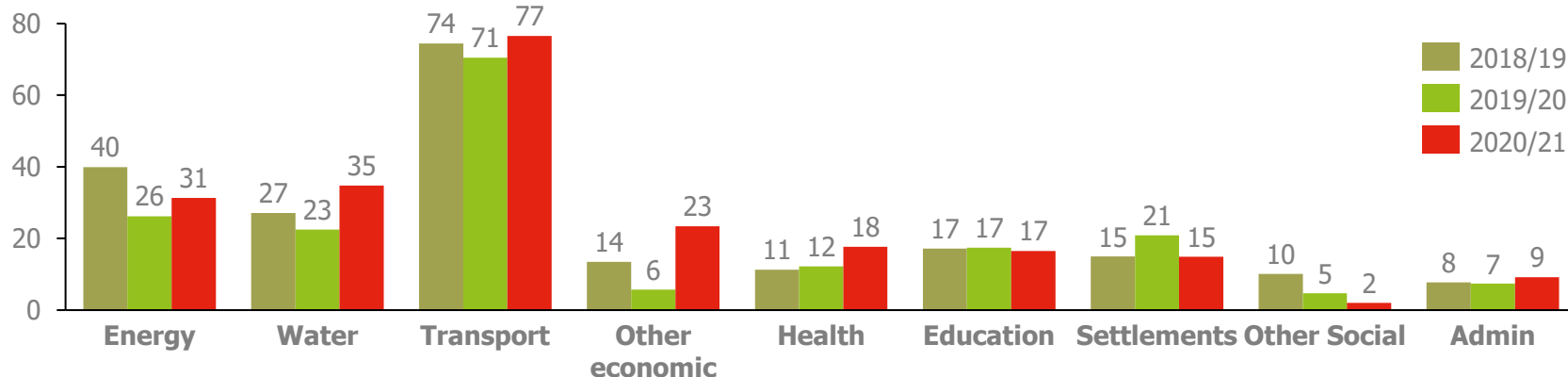
Delivering value-for-money in public infrastructure procurement

28 September 2021



Public sector spend is the multiplier of multipliers as it is an economic enabler and induces direct investment

Public Infrastructure Spend per Sector (Rbn)



Comments

- **Public infrastructure** spend is the **key enabler** to **economic growth**
- There is **marginal change** between 18/19FY and 20/21FY **infrastructure spend**
- However, **Transport sector remains the top contributing sectors with the highest spend**
- **This is driven** by spend by PRASA and Transnet which **indicates continued focus on this sector's infrastructure by Government**
- The increase in **infrastructure spend** will drive **increase in industrialisation and localisation**
- **This will require efficient procurement processes**

Local content spend vs Target Public Infrastructure

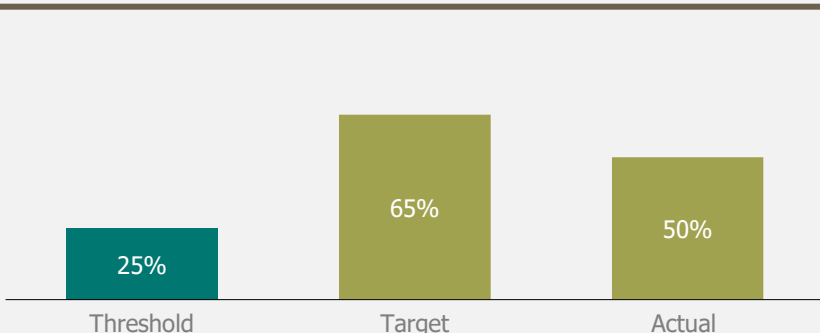


Illustration from Energy Sector

Rail transport No. employed:
16 073 (2018)
Public Transport



Rail transport Annual Rev:
2.468bn (2018)
Public Transport



Transport sector continues to be an **enabler of the economy directly** through employment and GDP as **well as indirectly** through provision of access and support to export



Leakages and inefficiencies within the procurement and delivery of public infrastructure projects erodes the economic impact



Public sector premium



High regulatory burden on the public infrastructure



Poor or non-delivery from OEMs and subcontractors



Structuring of post transaction service



30% mandatory sub-contracting as stipulated on the Preferential Procurement Policy Framework Act (PPPFA)

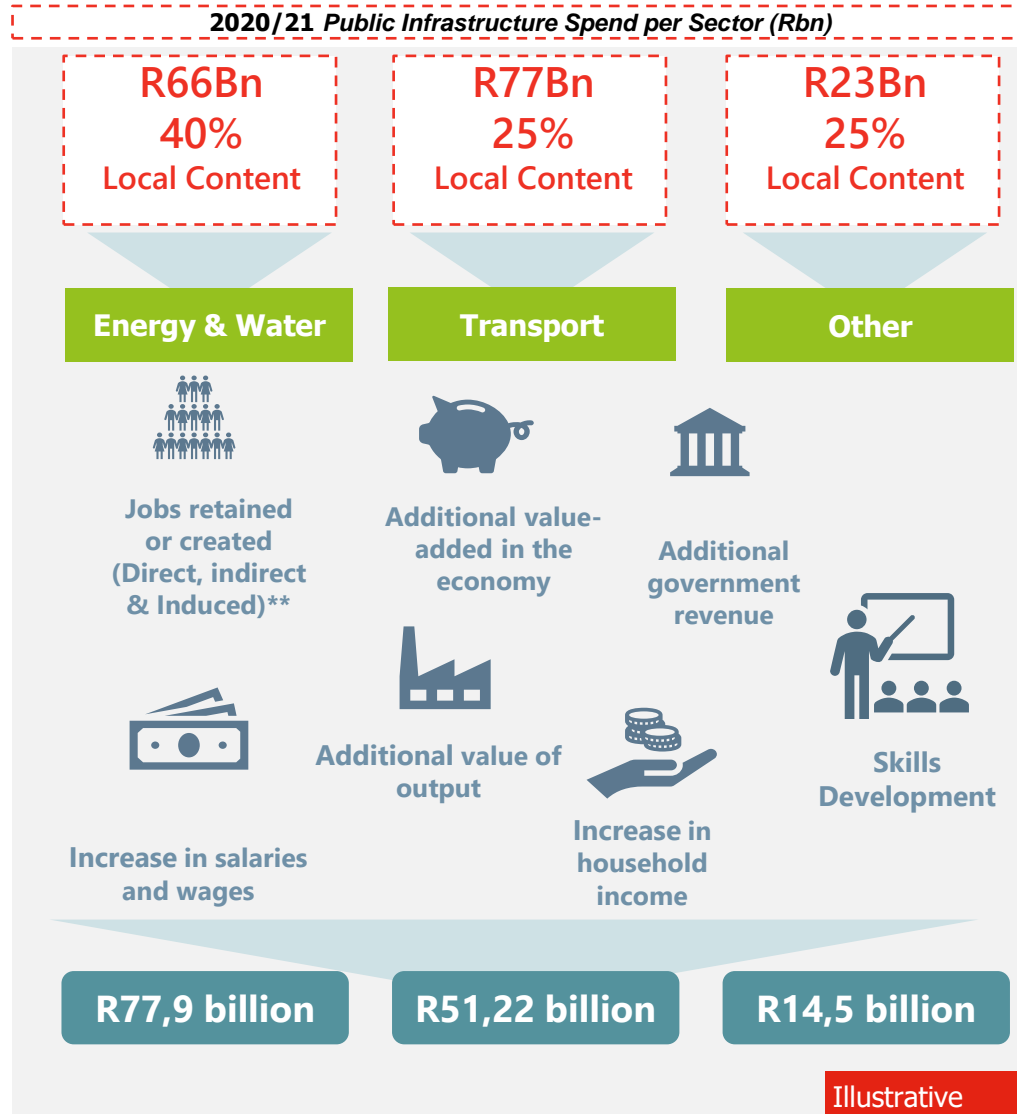
Comments

All these factors have the following impact on infrastructure spend:

- **Reduces capital** that could be spent on other initiatives
- May **cause delays** to project implementation
- Results in **sub-standard work**
- **Promotes corruption**



As per the socio-economic benefit model, public infrastructure spend has significantly higher direct benefits for the economy



Comments

The injection of investments through infrastructure spend can have a catalytic effect on socio-economic benefit

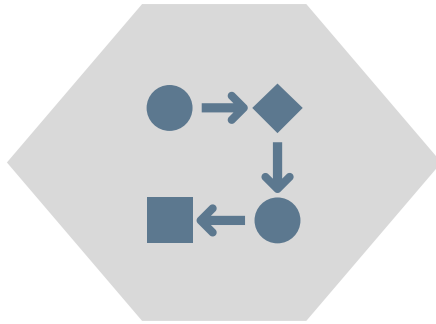
For example, an input cost of R66bn in Energy and water may generate **additional R77bn in benefits**

However, this is driven by higher localisation and efficient procurement processes



Addressing the key public infrastructure SCM issue will help in realising real economic value

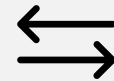
Key challenge



Lengthy Business case/capital allocation process

May cause delays to the point of obsolescence

What can be done to address this?



Adopt different sourcing methods

Tactical (day-to-day spent) and strategic (capital spent)



Use a collaborative approach and work in parallel including tendering



Promote development of local manufacturing capacity

Develop IP, skills and capacity to locally produce infrastructure



Make an impact on job creation

Promote localisation



Early involvement of procurement

Involve procurement during the planning phase



To do business with Transnet, there are the following must haves for potential bidders

Must haves

1 You must have a **registered company** (www.cipc.co.za)



2 Your **tax affairs** must be **in order** (www.sars.gov.za)



3 You must be on the **NT Central Supplier Database** (<https://secure.csd.gov.za>)



Welcome to the Central Supplier Database for the South African government.



Comments

- **TFR tenders** are advertised on the **National Treasury eTender Portal**
 - www.etenders.gov.za
- The potential bidders need to have a **valid B-BBEE Certificate**
- **Care** is to be taken to identify **fraudulent tenders**
 - Familiarity with Transnet logo, emails used and equipment images
- There is **no requirement to pay anything to be registered** on the **NT eTender Portal**

Transnet does not tolerate corruption



Transnet urges its clients, suppliers and the general public to report any fraud or corruption to
TIP-OFFS ANONYMOUS : 0800 003 056

Commentary

- **Transnet employees are not allowed to sell information or guarantee business at any cost.**
- **Potential suppliers are not allowed to be in contact with any Transnet personnel during the tender process.**
- Companies can be **restricted and prohibited** from doing further business with Transnet and other organs of state for up to a period of **10 years**.

**Thank you,
Ngiyabonga**

