



CESA

Consulting Engineers South Africa

INFRASTRUCTURE

Indaba

2023

Delivering infrastructure that maximises value

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KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA



PROCUREMENT AND PERFORMANCE MANAGEMENT PRACTICES IN PUBLIC INFRASTRUCTURE

CESA Infrastructure Indaba 2023 Durban ICC



INTRODUCTION

PROCUREMENT AND PERFORMANCE MANAGEMENT PRACTICES IN PUBLIC INFRASTRUCTURE

- **Procurement Practices:** what is in place, how do we procure, who leads the process, how is it governed, by whom
- **Performance Management Practices:** how do we measure own performance, why and when
- What is the ultimate intention
 - **Achievement of public value through the optimal use of resources to achieve intended outcomes**



GOVERNMENT COMPACT WITH CITIZENS

- Government has social compact with its people to ensure their rights are safeguarded and assured
- Government drive to make infrastructure as catalyst for socio-economic transformation
- Creation of economic opportunities both during acquisition process and operation stage
- Increased financial outlay particularly in catalytic projects as evidenced by recent pronouncements
- Engender a culture of effective service delivery
- Ultimately, it is a drive to be more impactful, ensure wider reach to all communities, achieve equity in resource distribution

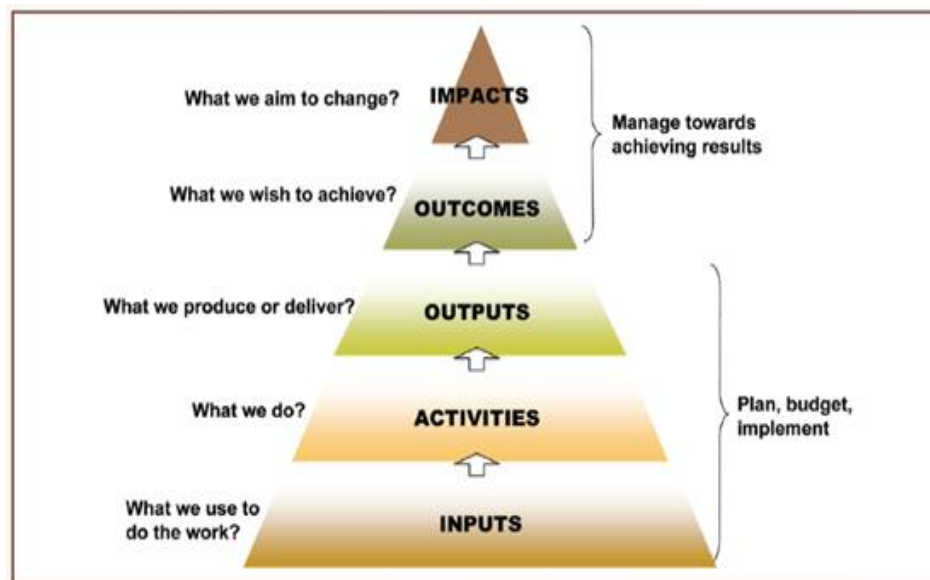
PERFORMANCE MEASUREMENT

To achieve the compact with its people, government invests resources and ensures that these translate into achieving the objectives.

To ascertain whether or not Government is achieving its objectives, performance has to be measured

There are ways of government institutions measuring **performance** guided by the use of the following terms:

- a) **Inputs:** all the resources that contribute to the production and delivery of outputs. Inputs are "**what we use to do the work**". Include finances, personnel, equipment and buildings.
- b) **Activities:** processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe "**what we do**".
- c) **Outputs:** the final products, or goods and services produced for delivery. Outputs may be defined as "**what we produce or deliver**".



- a) **Outcomes:** the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "**what we wish to achieve**".
- b) **Impacts:** the results of achieving specific outcomes, such as reducing poverty and creating jobs. Impacts are "**what we aim to change**".

PERFORMANCE MEASUREMENT

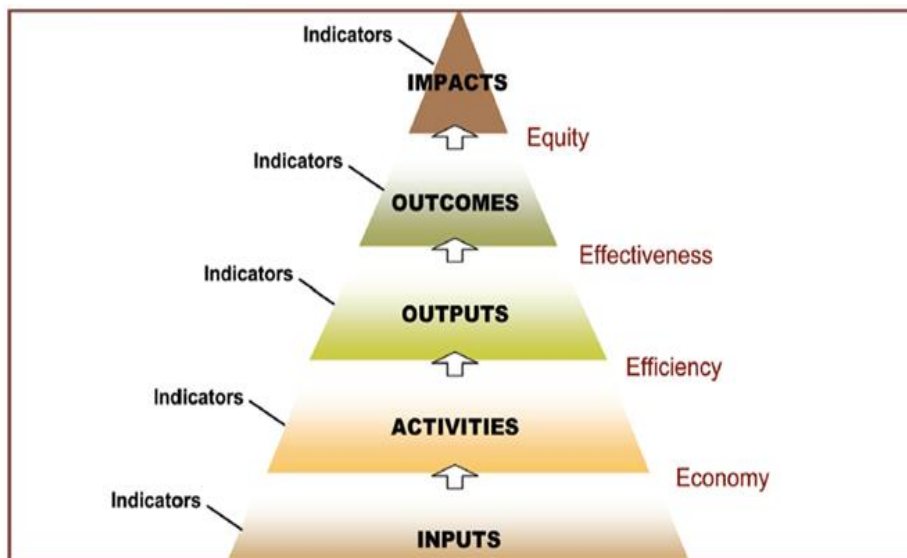
When monitoring and assessing **outcomes** and **impacts**, it needs to be kept in mind that government interventions can also have unintended consequences. Need for risk mitigation.

These also need to be identified and monitored and managed so corrective action can be taken.

In managing for results, budgets are developed in relation to inputs, activities and outputs, while the aim is to manage towards achieving the outcomes and impacts.

This requires understanding of value for money

Value for money may be measured and assessed during the delivery cycle using the three 'E's' – **economy**, **efficiency** and **effectiveness**. **This can happen all the time** i.e. at the end of planning, during implementation and at close-out phases of a project respectively.



Equity, the fourth 'E', is then understood as an overarching concept that can unpack dimensions of value for money as it relates to the impartiality and fairness of results across groups, regions, and/or areas relative to each other.

This conceptual framework is derived from the **Framework for Managing Programme Performance Information (FMPPi)**.



Understanding Value, and Value for money

“Achieving Value for Money (VFM) in Construction Projects (March 2017)”

Article by Samuel Olusola, Olatunji (Mr.), Timothy Oluwatosin, Olawumi (Mr.), Oluwaseyi Alabi, Awodele (Dr.)

Highlighted among management tools that can aid the achievement of the desired VFM include:

- Life Cycle Cost analysis: total cost of owning and operating a facility over period of time
- **Value Management: creation of sustainable value, either at project, product, process, even organisational or social level**
- Building Information Modelling: process for creating and managing information on a construction project throughout its whole life cycle
- Lean Construction methods: production systems in a construction environment aimed at decreasing time, effort, and a waste of resources
- Questions emerge of how to ensure and entrench achievement of value for money
- How to ensure right performance environment to achieve the government objectives in particular
- **How infrastructure can be planned and implemented**
- What systems and processes can be put in place
- Look at infrastructure value chain and where and what improvements can be made, innovation engineered



PERFORMANCE ENVIRONMENT

- Over the years, government has devised and generated implemented policies and procedures to ensure that the performance environment is conducive to achievement of its objectives
 - Legislation, frameworks and other instruments continue to be churned out
 - One such key instrument is the Infrastructure Delivery management System (IDMS)
 - **The IDMS;** The model that describes the processes that make up public sector infrastructure management, mainly applied to the construction industry
- The **IDMS** outlines the **core infrastructure processes** for:
1. Planning;
 2. Procurement;
 3. Delivery;
 4. Operation; and
 5. Maintenance

1. The Infrastructure Delivery Management System (IDMS)
2. Framework for Infrastructure Delivery and Procurement Management (FIDPM)
3. CIDB - Standard for Uniformity (SFU) in Engineering and Construction Works Contracts



PERFORMANCE ENVIRONMENT

NATIONAL TREASURY INSTRUCTION NO. 03 OF 2019/2020

FRAMEWORK FOR INFRASTRUCTURE DELIVERY AND PROCUREMENT MANAGEMENT (FIDPM).



Annexure A



1. SCOPE

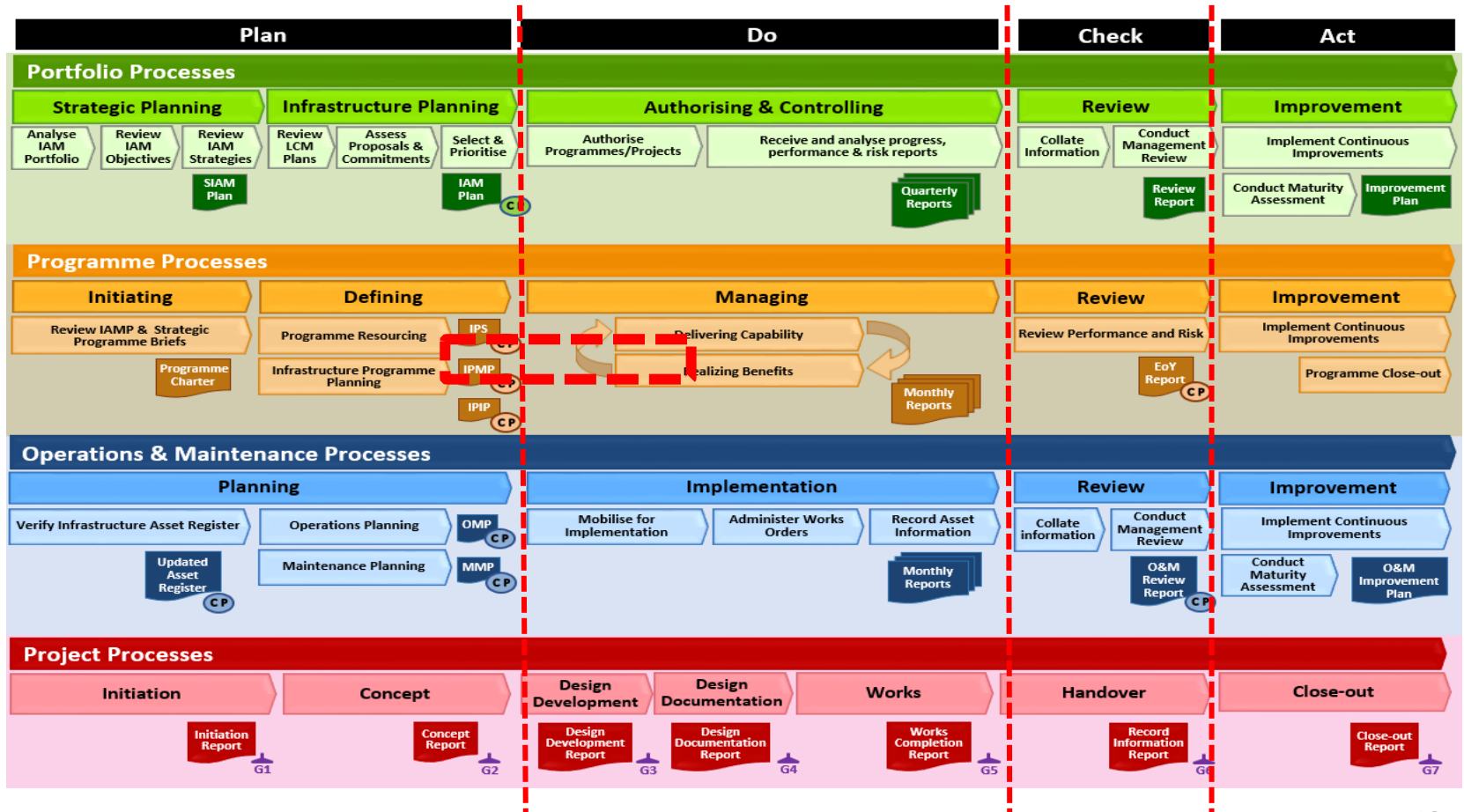
The Framework (**FIDPM**) prescribes minimum requirements for the implementation of the **IDMS** through the:

- a) **Infrastructure Delivery Management Processes** consisting of **Portfolio, Programme, Projects, Operations and Maintenance of Infrastructure**; and
- b) **Infrastructure Procurement Gates.**



FIDPM

The IDM Process Diagram



FIDPM

Infrastructure Delivery Management processes consisting of portfolio, programme, projects, operations and maintenance of infrastructure

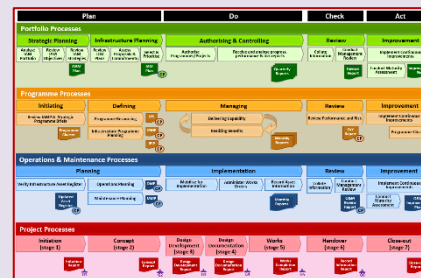


Table 1: Portfolio Processes

Phases	Control Point Deliverable
Infrastructure Planning	Infrastructure Asset Management Plan (IAMP)

Table 2: Programme Processes

Phases	Control Point Deliverable
Defining	Infrastructure Procurement Strategy
	Infrastructure Programme Management Plan (IPMP)
	Infrastructure Programme Implementation Plan (IPIP)
Review	End of Year (EoY) Report

Table 3: Operations and Maintenance

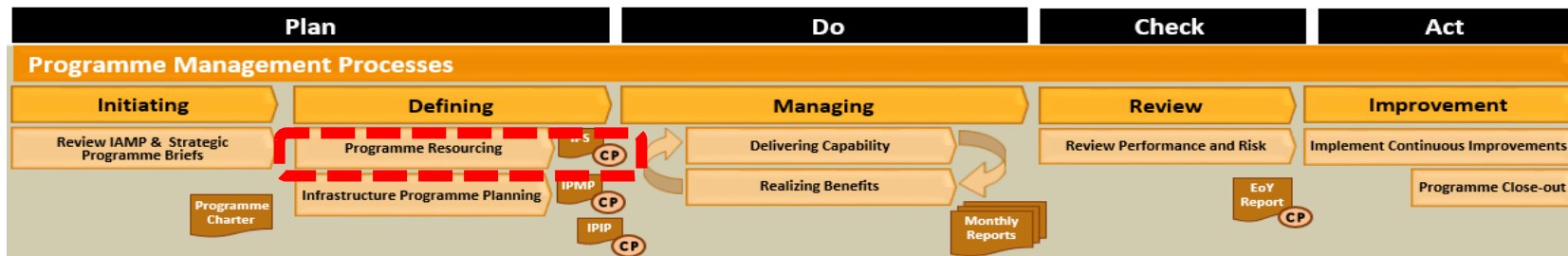
Phases	Control Point Deliverable
Planning	Updated Asset Register (for a Facility or IA Network)
	Operations Management Plan (OMP)
	Maintenance Management Plan (MMP)
Review	Maintenance Management Review Report (MMRR)

Table 4: Project Processes

Stage	Control Stage Deliverable
1. Initiation	Initiation Report/ Prefeasibility Report
2. Concept	Concept Report / Feasibility Report
3. Design Development	Design Development Report
4. Design Documentation	Design Documentation
5. Works	Completed Works capable of being used or occupied
6. Handover	Works which have been taken over by user or owner
7. Close-Out	Final Completion; Final Account



FIDPM



Programme Phase Deliverables	
Phase Name	Control Point Deliverables
Defining	<p>The Infrastructure Procurement Strategy (IPS)</p> <p>(i) The IPS shall include a list of programmes and projects covering the prescribed planning period and include the following minimum contents:</p> <ul style="list-style-type: none"> a) Delivery Plan b) <i>Contracting Arrangements</i> c) <i>Procurement Arrangements</i> <p>The control point deliverable is complete when the Infrastructure Procurement Strategy is approved.</p>

FIDPM

1.1

Analyse Information

IAM Plan
(Delivery Management Strategy component)

IPMP
(Programme briefs)

Consolidated Lifecycle Management Plan for MTEF

1.2

Document Procurement Objectives

Delivery Procurement Objectives

Developmental Procurement Objectives

1.3

Document Delivery Management Arrangements

Own resources

Implementing Agent (IA)

Framework Agreement
(can use another organ of state)

Outsource Specific Services

Lease Agreement

PPP – follow NT PPP procedures

1.4

Decide on Packages / Grouping of Works

Package / Group Work
for delivery under a single / multiple contract(s)

Package / Group Work
for delivery as an order
(in a Framework Agreement)

Decide on any Functionality Criterion Requirements

Decide if Functionality is required for any classifications of Work:

- a) Simple / straightforward / routine work .
- b) Complex work.
- c) Specialist work



Procurement management

The Procurement Strategy

The Procurement Strategy **takes into consideration** the findings and recommendations from each major stage of project development in determining the necessary inputs of the project and how these would be obtained in the most cost-effective manner.

The Procurement Strategy **details the** project **needs**, procurement planning **requirements**, preparation of **specifications/requirements**, **budgeting**, **selection**, contract **award** and contract **management**.

The general principles of a Procurement Strategy are:

- i. Best value for money;
- ii. Fairness, integrity and transparency;
- iii. Effective competitive process;
- iv. Cost-effectiveness; and
- v. Alignment with the interests of the government.



ENGINEERING THE FUTURE: CONTEXT

- **Prerequisites**

- **Sustainability:** the ability to be maintained at a certain rate or level
- ***Sustainagility:*** *the ability to continue operating optimally while regenerating and adapting to ever changing circumstances*
 - **Resilience:** the capacity to withstand or to recover quickly from difficulties
 - **Agility:** ability to move quickly and easily
 - **Innovative:** ability to introduce new ideas, methods, devices or novelty in approach. In short introduction of something new

- **Future proofing infrastructure**



IMPLEMENTING TREASURY MANDATE

- The **vision of the Treasury sector** in terms of infrastructure delivery management is to achieve effective and efficient infrastructure delivery by Provincial Departments, Municipalities and Provincial Public *Entities [latter is only applicable to Provincial Treasuries]* through the provision of strategic guidance and enforcing the implementation of appropriate infrastructure delivery management system(s), business processes and institutional capacity to promote value for money.
- KZN Provincial Treasury currently championing implementation and adoption of best practice infrastructure methodologies in order to achieve intended outcomes from our investments
- This through firstly the implementation of the Infrastructure Delivery Management System (IDMS)
- Through the mandate of providing oversight over investment in public sector infrastructure by ensuring that institutions adhere to relevant legislative requirements and foster government policies and priorities
- Incentivising uptake of proactive planning processes
- Look at projects that are done in the province and ascertaining where best to add value. Address all programmes such as district Development Model (DDM) and specific projects where we can add value at pre-planning stages
- Routine Project: Are planned and approved maintenance and rehabilitation actions intended to ensure that an asset performs a required function to a specific performance standard over its expected useful life
- Top-down Project: A project that is considered a top priority by the government. It is typically contained in policy documents such as the National Development Plan or other relevant planning documents.
- Bottom-Up Project: A project developed in response to specific, observed or urgent needs of the population



GENERAL COMMENTS

- **How can private sector drive a rethink on policies, strategies, procedures, how business is done etc**
- **The issue of collaboration is key across different stakeholders. Floods exposed the lack of depth in pulling together for a common good**
- **PT through infrastructure capacity support initiative addresses ad hoc problems for long term impact. An opportunity to engage with the Engineering fraternity on ad hoc projects has been exploited in this regards**
- **Most contracting strategies are not transformative. Should we always use Design by employer? When is it best to use Design and construct? What size of projects demand what contracting forms?**
- **The desire to do the right things and support and achieve government objectives and priorities is a shared commitment across spheres of government. However contestations are inevitable in a democratic dispensation. The fiscus, and unforeseen circumstances and natural disasters have not helped**
- **Enforcement of legislative requirements also yields unintended consequences with non-compliance endemic. Legislation implemented and repealed has implications and needs addressing**
- **We can avail services of our Provincial SCM unit for closer engagements without having to wait for such important gatherings**
- **PT doing roadshows particularly at local government level which is at coalface of service delivery and therefore biggest bottleneck**

THANK YOU

**GROWING
KWAZULU-NATAL
TOGETHER**