



DEVELOPMENT THROUGH PARTNERSHIP

cidb Perspective - Alignment to the Construction Procurement Environment

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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)
 - BBBEE Act; Construction Charter Codes
- CIDB focus



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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



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Legislative Environment



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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)
 - Design competitions (can be called for as an expression of interest)

Draft regulations on the PPPFA

- **Background**
- The PPPFA provides for the introduction of preference points as a factor into price to make a tender more equitable
- It affords an opportunity to EME / QSE businesses **who may operate on a price strategy higher** than established businesses (who may operate using lower cost structures)
- The focus of the model is on price competitiveness; by adding (bonus) points for a preference, the tender becomes more equitable.
- Govt is willing to stimulate economic activity for disadvantages groups by prescribing the 80/20 model for all govt contracts up to R100M

PPPFA draft regulations....2

- The draft regulations aim to stimulate improved economic activity the development of certain targeted groups, including SMMEs; Women owned; Youth owned; Black owned businesses; Co-operatives (Community based groups); Township and Rural enterprises
- Promotes the use of pre-qualification criteria eg.
 - **Minimum BBEE** levels of contribution is introduced in the draft regulations
 - **Compulsory 30% subcontracting** for projects above R30 million; **Grade 7 (R40M) / Grade 8 / Grade 9**
- The use of **objective criteria (link Section 2 (1) (f) of the PPPF Act)** may be used to justify the award of a tender to another tenderer other than the highest point scoring tenderer. The objective criteria must be stated in the tender advertisement to inform the prospective tenderer that they will be subjected to evaluation in terms of objective criteria over and above the 80/20 or 90/10 preference point system (**to be taken into account after price and preference have been evaluated**)

PPPFA draft regulations....3

- **PPPFA (draft regulations continued)**
 - Procurement model **80/20** applicable to projects up to **R100 million** (80 points awarded for price; 20 points allocated to BEE Scorecard) – **CIDB Grade 8 (130M) and below**
 - Procurement model **90/10** applicable to projects above **R100 million** (90 points awarded for price; 10 points allocated to BEE Scorecard) – **CIDB Grade 9**
 - Submitting false information on BBEE Scorecard may result in **disqualification** and / or **termination of the contract** and / or **restriction** from conducting business for a **period of 10 years** with any organ of state.

BBBEE Act; Charter Codes

- In May 2016 the Construction Sector Charter Council (CSCC) reported that negotiations between the established and emerging businesses have been concluded on the new construction sector scorecard, bringing to an end months of protracted negotiations characterized by tension, deadlocks and balanced compromises.
- The new charter sets out the targets and weighting points to measure BBBEE spend in a sustainable manner.
- The new construction sector code will undergo a total of 60 (sixty) days of public comments and be legal binding by end of year 2016.
- Construction sector stakeholders will apply the generic scorecard for the PPPFA until the construction sector scorecard becomes applicable.
- The CSCC will provide guidance on the process



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CIDB Focus

Register of Projects

- In discussion with NT
 - Possible removal of prescription for i-tender
- Increase focus on
 - 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)

Client Capacitation

- The cidb has conducted training and capacitation of Clients in order to promote the development of adequate capacity and capability in the public sector to delivery infrastructure; training to improve confidence levels of the client
- A partnership with the National Treasury - level of guidance and technical support to infrastructure clients on the SIPDM and the CIDB SFU (focus on the application of the Register of Contractors in the procurement documentation).
- The CIDB has established voluntary networking platforms with stakeholders; have been created in conjunction with the provincial offices, such as the:
 - Chief Procurement Officer's Forum (CPO's)
 - Provincial Contractor Development Forum (PCDF's)
 - One-on-one client training sessions

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
- Development of the DPW SCM value chain for infrastructure
- **CIDB will continue to assist with technical and operational support to clients for the growth and development of the sector**

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