

The Chartered Institute of Government Finance, Audit & Risk Officers (CIGFARO) in Collaboration with the CFO Foundation and the South African Local Government Association (SALGA) presents:

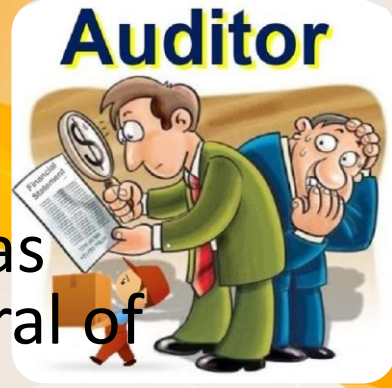
THE LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT CAPACITY BUILDING PROGRAMME

**ZOOMING INTO THE LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT
SPACE WITH SANELE KHOMO FROM KWAZULU NATAL PROVINCIAL
TREASURY**

>> Let us create an enabling environment for service delivery. An environment where professionals are the one driving the ship. An environment where ethics and accountability are the order of the day.

INTRODUCTION

- Compliance with the government SCM norms and standards has been receiving a great deal of attention from the Auditor-General of South Africa (Zitha, 2018:676).
- The inaction by the leadership of the public institution to resolve the problems with the implementation of a proper SCM processes and practices and the resultant poor service delivery are considered root causes of community unrest (Mofokeng & Luke, 2014:1).
- Today's discussion aims at zooming into the SCM space at local government level, with a special focus on the Legislative Framework, PPFA and CIDB matters.





Where does SCM come from?

- Oliver and Weber in 1982 as they consulted big business about how to improve the business bottom line through improvement in the logistics and warehouse management, decided to use the term SCM.
- They used the term to define the coordination of the raw material flow from organisation to organisation. This was part of their research that was motivated by the prevailing practice (New & Westbrook, 2004:1).

Where does SCM come from?



CONCEPTUALISATION OF SUPPLY CHAIN MANAGEMENT FOR THE SOUTH AFRICAN PUBLIC SECTOR

- In September 2003, the cabinet resolved to adopt the concept of SCM as the government method for acquiring and disposing of public goods and services.
- This adoption led to the formulation of these documents:
 1. SCM A Guide to Accounting Officers of Municipalities and Municipal Entities; and
 2. The Municipal SCM Regulations issued in terms of section 186 of the MFMA.
- 3. Definition of SCM in line with these documents:
 1. It is the method of acquiring of goods and services; and the disposal and letting of state assets, including the disposal of goods no longer required.

THE NATIONAL TREASURY

Republic of South Africa

October 2005



SUPPLY CHAIN MANAGEMENT:
A GUIDE FOR ACCOUNTING OFFICERS OF
MUNICIPALITIES AND MUNICIPAL ENTITIES

Why would the democratic government developed and adopt an SCM Policy framework

- ✓ To replace the outdated Procurement and Provisioning system which was used prior to 2003;
- ✓ To leverage on the government spending to achieve value for money;
- ✓ To link activities to budget;
- ✓ To bring much needed uniformity in the procurement space by prescribing guideline documents;
- ✓ To conform to the global best practices; and
- ✓ To cater for all to participate on the economy and the business that is provided by government.



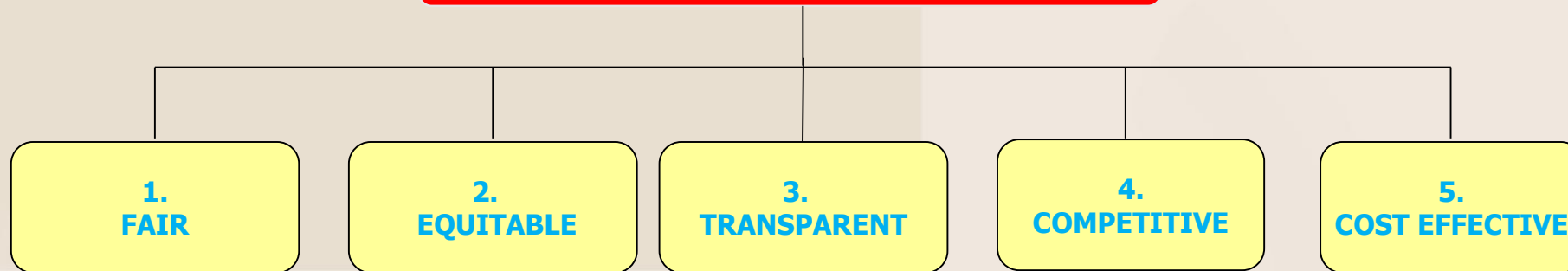
LEGISLATIVE MANDATE

Constitution of SA

Section 217(1)

Indoctrinates for a procurement system that is :

FIVE PILLARS OF SCM



Section 217(2)

- Allows for Procurement Policy that provides for preference and advancement of persons who were previously disadvantaged **pre-1994**.

Section 217(3)

- Provided for a Preferential Procurement Policy Framework Act- (PPPFA)
- Section 5 of the PPPFA gave effect to the promulgation of the PPPFA Regulations, 2011. as amended by 2017 Regulations.

LEGISLATIVE MANDATE

- Municipal Finance Management Act No 56 of 2003 (MFMA)
- Preferential Procurement Policy Framework Act (PPPFA)
- Broad - Based Black Economic Empowerment Act 53 of 2003 (B-BBEE)
- Construction Industry Development Board Act No. 38 of 2000 (CIDB)
- Promotion of Access to Information Act (PAIA) 2 of 2000
- Promotion of Administrative Justice Act (PAJA) 3 of 2000
- The Prevention of Corrupt Activities Act No. 12 of 2004.



REGULATIONS

- Municipal SCM Regulations (Issued in terms of the MFMA 56 of 2003)
- Preferential Procurement Policy Framework Act Regulations
- Circulars/Instruction Notes issued in terms of the MFMA
- SCM: A guide to Municipal Accounting Officers



CHAPTER 2 FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT POLICIES

Format of supply chain management policy

9. The supply chain management policy of a municipality or municipal entity must describe in sufficient detail –
- (a) the supply chain management system that is to be implemented by the municipality or municipal entity; and
 - (b) effective systems for –
 - (i) demand management;
 - (ii) acquisition management;
 - (iii) logistics management;
 - (iv) disposal management;
 - (v) risk management; and
 - (vi) performance management.



PREFERENTIAL PROCUREMENT FRAMEWORK ACT NO. 5 OF 2000

- This in an Act of Parliament;
- Passed based on Section 217 (3) of the RSA Constitution;
- Purpose:
 - To give effect to section 217 (3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in section 217 (2) of the Constitution; and to provide for matters connected therewith.
 - PPPFA Regulations issued in terms of Section 5 of the Act.



PREFERENTIAL PROCUREMENT FRAMEWORK 2017 REGULATIONS

- Regulation 4: Pre-qualifying;
- Regulation 5: Functionality;
- Regulation 6: 80/20;
- Regulation 7: 90/10;
- Regulation 8: Local Production and Content;
- Regulation 9: Subcontracting;
- Regulation 10: Criteria for breaking deadlock in scoring;
- Regulation 11: Award of contracts to tenderers not scoring highest points;
- Regulation 12: Subcontracting after award of tender;
- Regulation 13: Cancellation of tender;
- Regulation 13: Remedies

CONSTRUCTION INDUSTRY DEVELOPMENT BOARD

- Established through Construction Industry Development Board (CIDB) Act 38 of 2000;
- CIDB Regulations of 2004
 - Regulation 24 (Preparation for construction procurement)
- Standard for Uniformity of 2019
 - Standardized tendering document;
 - Type and nature of projects and their evaluation;
 - Two envelop bidding process.

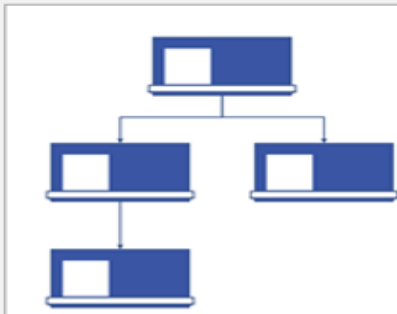


Local Government Framework for Infrastructure Delivery and Procurement Management

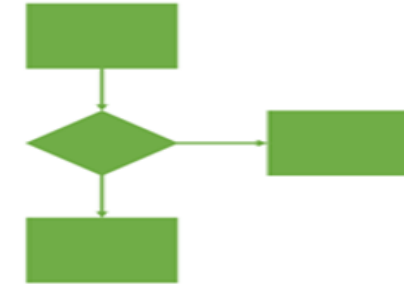
- Gateway Review for mega capital projects.
- Infrastructure Procurement policy
 - It is advised that municipalities and municipal entities review this document from a practical implementation perspective and amend its SCM policies accordingly by inserting those parts that is practically implementable into the SCM Policy to be approved by the municipal council.



Effective Supply Chain Management



ORGANISATION



PROCESSES



SYSTEMS



People

THANK YOU

