

REVIEW OF THE PROCUREMENT SYSTEM OF GOVERNMENT



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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1.1 SCM OVERVIEW

- SCM has been managed by financial norm:
 - Budget Vs Expenditure
- Focused mainly on the tendering process and exceptions
- The current problem can be defined as an operations management and administration problem rather than a procurement problem
 - High senior management vacancy rates
 - High turn over of staff (especially at SMS level)
- SCM an essential service (underestimated)

1.2 SCM OVERVIEW

- An institution's management should be able to
 - Know the demand of critical items
 - Plan for procurement (includes bids plan)
 - Budget for requirements
 - Know the schedule of supplies
 - Know the number and quality of items received
 - Monitor supplier performance
 - Monitor utilisation
- Management and governance framework to manage the above

1.3 SCM OVERVIEW

- An institution should have the following capability to deliver the above:
 - Human Resources
 - Procedures
 - Data and Information Management system
 - System to monitor utilisation of items
 - Audit and Enforcement Framework
- Our institutions are weak in these capabilities as reflected in the AG findings

2. IMPLICATIONS OF CURRENT SCM STATUS

- Lack of the management and operational systems leads to:
 - Slow service delivery (high levels of underspending)
 - Poor quality service delivery
 - Inefficiencies:
 - » Wasteful Expenditure
 - » Shortages
 - Corruption

3. STRATEGIC APPROACH

- The following will be achieved through a Procurement Transformation Initiative (PTI) over a period of 5-7 years:
 - Design the overall SCM architecture
 - Create a capability at NT that will be able to
 - » Design and help implement SCM operational systems at institutions
 - » Monitor the SCM Performance
 - Reduce complexity in the current system by
 - » Standardisation
 - » Aggregation
 - » Data alignment
 - Enforce compliance through strong administrative actions
 - Build SCM capability in specific function at all institutions

4.1 PROCUREMENT TRANSFORMATION INITIATIVE PLAN

- The Initiative will adopt a project approach that has the following streams:
 - Create capability to manage critical items
 - Price indexing
 - Aggregation of demand and procurement at institutional level
 - Standardisation
 - Improve effectiveness at Pilot Sites
 - Create Sector specific standard procedures
 - Establish an SCM HR Framework
 - Establish an Integrated Data Management Framework
 - Establish a Compliance Management Framework
- The programme is to be reviewed and revised annually

4.2 PTI-PROGRESS TO DATE

- CPO at NT has been established with new portfolios and ratified by DPSA
- A generic SCM operations framework for institutions has been drafted including a procurement manual and a set of procedures
- A generic SCM HR operational framework has been developed for requisite institutional capability
- Effectiveness improvement projects ready to be implemented in six provincial departments

5.1 ESTIMATED MILESTONES – YEAR 1

- Procurement Effectiveness Improvement at 5 Provincial Departments in Limpopo.
- Procurement Management Capability at Limpopo Provincial Treasury.
- Procurement Effectiveness Improvement at a Provincial Health Department (other than Limpopo) and at Public Works
- Pilot SCM operational system at a National Department
- Price Indexing for select items
- At NT-Office of the CPO establish the following
 - Data analysis and monitoring
 - Client support to implement Operational systems at the institutions
 - Training for Accounting Officers, CFOs and SCM Heads in SCM capability building
 - Role-specific training for SCM practitioners and line managers

5.2 ESTIMATED MILESTONES – YEAR 2

- Roll out of SCM capability model for:
 - National and provincial departments
 - Reporting and review framework for national and provincial departments
- Pilot SCM Capability model at Municipalities
- Strengthen capability to manage critical items at National level
- Full integration of procurement data between manual and various technology systems

5.3 ESTIMATED MILESTONES – YEAR 3

- Roll out SCM capabilities at Municipalities
- Pilot SCM capability model at SOCs
- Roll out Sector specific SCM Operating manuals
- Conclude SCM architecture
 - Business
 - Technology
- Modernisation and automation plan
- Capability to manage procurement for strategic programmes e.g. Infrastructure

5.4 ESTIMATED MILESTONES – YEAR 4/5

- Roll out of Modernisation and automation plan
- Roll out of SCM Operating model to all Public Sector entities
- Roll out of SCM HR Capability Model