

'WAGGING THE DOG': HOW SERVICE DELIVERY CAN LOSE ITS WAY IN THE PROCUREMENT MAZE – AND COULD FIND IT AGAIN

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Abstract

Supply chain management (SCM) regulations for public sector procurement of goods and services have greatly improved the transparency of procurement procedures, increased the opportunities for alternative suppliers, and reduced the potential for corrupt procurement practices.

There is evidence however that these regulations are often not implemented to best effect. In particular, it would seem that the SCM process, if allowed to be, is often the primary cause of extended delays in the appointment of contractors, leading to delays in the delivery of services. The SCM "tail" would appear on those occasions to be "wagging the dog", namely service delivery.

The paper does not suggest the watering down of SCM regulations. On the contrary, it argues that municipalities' top management should set clear timeframes for each part of the service delivery process, the SCM process included, and hold the respective officials accountable should they take longer without good reason.

Because of the need to reduce service delivery delays, but also in order to improve the functionality of infrastructure services, a very good argument can be made for the procurement of capital works and professional services, which are generally very situation-specific and site-specific (and could also be community-specific), to be treated differently from the procurement of other types of goods and services.

1 Introduction

Supply chain management (SCM) regulations for public sector procurement of goods and services, in many instances introduced during the last decade or so, have contributed greatly to improved transparency of procurement procedures, increased opportunities for alternative suppliers, and reduced opportunities for corrupt procurement practices.

There is evidence however, that these regulations are often not implemented to best effect. In particular, it would seem that the SCM process, if allowed to be, is often the primary cause of extended delays in the appointment of contractors, leading to delays in the delivery of services. The SCM "tail" would appear on those occasions to be "wagging the dog", namely service delivery.

It is suggested in this paper that a too-leisurely or unnecessarily pedantic supply chain management process, which focuses on procurement but fails to understand the entire process for delivery of the infrastructure, which underpins service delivery, is a significant contributor in many municipalities to the underspending of their capital budgets.

It is furthermore argued in this paper that capital works, and also professional services, are generally very situation-specific and site-specific (and could also be community-specific). Their procurement should therefore be treated differently from the procurement of other types of goods and services.

Each of these views is now discussed.

2 Underspending of capital works budgets

The inability of many municipalities (and provincial governments) to spend all of their capital budgets each year has for many years been a

sore point with National Treasury.

For the last full municipal financial year (2009/2010), for which the figures were at the time of writing available (2009/2010), significant underspending, amounting to R 15 billion, occurred on municipal capital budgets (National Treasury, 2011, page 68). Actual capital expenditure by municipalities in 2009/2010 was R 41 billion. (Ibid, page 67) "Capital expenditure continues to fall below budgeted amounts. ... Municipal performance improved from 72% in 2006/07 to 85% in 2008/09, before declining to 80% in 2009/10." (Ibid, page 15)

This underexpenditure is especially disappointing in the face of estimated municipal investment requirements of R 500 billion. The need is there, the money is available, and yet it is not spent.

Reflecting on the first nine months only, to March 31 of the 2011/2012 municipal financial year:

"The aggregate adjusted capital budget for all municipalities in the 2011/12 financial year was R 46 billion, of which only R 18.8 billion or 40.8% had been spent by 31 March 2012. [I.e. 75% of the financial year.] This reflects the challenges of planning for the implementation of capital projects." (National Treasury, 2012b, page 2)

However, whereas capital expenditure every year without fail is "relatively low in the first six months of the financial year, [invariably this] increases significantly during the second half of the year." (Ibid, page 1)

National Treasury stated that: "The reasons for municipal underspending on infrastructure are:

- Unrealistic budget targets resulting in funding shortfalls, particularly due to low levels of funding from internally generated funds;
- Inefficient supply-chain management; and
- Lack of capacity to plan¹ and fulfil grant conditions." (National Treasury 2011, page 15)

Having encountered what seemed to be unreasonable delays, with a number of capital works and professional services contract appointments pertinent to his organisation's cooperation with municipalities, one of the co-authors of the present paper investigated the second reason, "Inefficient supply-chain management" (SCM). (The first and third reasons are well known enough)

The investigation comprised:

- Polling a number of municipal engineering service departments, of different sizes, as to their capital expenditure record of recent years; and
- Asking these departments about their supply chain management – in particular, how they undertake SCM, what role it plays in service delivery, and what timeframes apply to it.

The investigation showed considerable variation from municipality to municipality in their ability to spend their capital budgets. Some departments managed in each recent financial year to spend 95%-plus of their budget. Others, each year, struggled to reach 50%. This variation occurred in spite of the fact that all of the municipalities operate in terms of the same SCM regulations (National Treasury, 2005), issued in accordance with the Municipal Finance Management Act². All have their share of contractors who fail to perform, delaying completion (and expenditure), and who often have to be replaced. Likewise, all have their share of projects that are reprioritised and budgets that are reallocated.

The investigation revealed however that significant differences lie in the ways in which the SCM process is driven by the top management of each municipality.³

There is much evidence that a municipality's programme for the

¹ Including, particularly pertinent to spending of the capital budget, to (budget and delivery requirements permitting) carry out the planning, design and tender process in the financial years prior to commencement of construction.

² Act 56 of 2003.

³ Note that the SCM Department is invariably independent of the engineering departments.

expenditure of its capital budget can be significantly delayed if the SCM process is allowed to become too drawn out. In the opinion of the authors, this, where it occurs, needs to be reined in.

Capital budgets unspent represent services not delivered. The “dog” of service delivery, and its timelines, needs to be driving all the components of the service delivery process. If the SCM portion of the process, or any other portion of the process, is taking so long as to result in significantly underspent capital budgets by year’s end, this is in effect the “tail” (in this instance SCM) “wagging” the “dog” of service delivery.^{4 5}

However, service delivery needs can drive the process if the political will is there. The larger cities, almost without exception, achieved the highest percentage spend of recent years in 2008/2009 when construction activity was at a peak prior to the Soccer World cup. Deadlines were politically driven and non-negotiable (and nationally and internationally very visible). The “dog” was, for this period, in the driving seat, and SCM or any other part of the service delivery process was not, unless with good reason, permitted to delay delivery obligations.

3 The SCM process

The SCM regulations require municipalities to document in their supply chain management policies not only their supply chain management system, but also effective systems for demand, acquisition, logistics, disposal, risk and performance management.

The objectives of the SCM process are typically to ensure

- That goods and services, including construction works and consultant services, are procured by the municipality only in accordance with the authorised procedures;
- That expenditure on goods and services, including construction works and consultant services, is incurred in terms of an approved budget;
- That the threshold values of the different procurement procedures are complied with;
- That tender documentation, evaluation and adjudication criteria, and general conditions of contract, are in accordance with the requirements of relevant legislation, including the Preferential Procurement Policy Framework Act and the prescripts of the Construction Industry Development Board (CIDB) Act; and
- That procurement guidelines issued by the National Treasury are taken into account.

In order to implement these requirements, the municipality typically sets up a linear process with well-defined steps, implemented by a committee system of officials which could consist of the following:

- Bid specification committee;
- Bid evaluation committee; and
- Bid adjudication committee.

Typically, the first two of these committees are either standing committees or ad-hoc committees, convened as and when required. The bid adjudication committee is usually a standing committee.

4 To ‘wag the dog’ means to divert attention from what would otherwise be of greater importance, to something else of lesser significance. Alternatively, it means that the less-important factor takes the limelight, or takes control, drowning proper attention to what was originally the more important issue.
<http://www.usingenglish.com/reference/idioms/wag+the+dog.html>

5 As a commentator quaintly put it: “You can’t swing a poodle in business without hitting a ‘tail-wagging-the-dog’ scenario, where some process, policy, procedure, or program controls user happiness. Where we become slaves to the needs and demands of the IT department, efficiency, accounting, PR, legal, marketing, next-quarter’s results, etc; we must work hard to make sure that nobody in the company forgets who we all really work for – the users.

I’d recommend putting a big picture of a dog in your meeting room, and emphasizing who’s the dog, who’s the tail, and who wags who.”
http://headrush.typepad.com/creating_passionate_users/2007/02/what_tail_is_wa.html

Proposed tenders, prepared by the department which owns the project, are first vetted by the specification committee. The SCM Department then advertises and in due course receives the tenders. After initial routine checks, the SCM Department hands them to the project manager, who heads a process of evaluation by the owner department. The evaluation committee considers the recommendation from that departmental evaluation, and makes a recommendation to the adjudication committee. This latter committee may have delegated authority from the accounting officer to award the contract⁶, or the authority may be reserved to a higher level of management.

4 Service delivery timelines: Survey results

Given the uniformity of the regulatory regime, and the uniformity (more or less) of the way in which municipalities set themselves up to evaluate and award capital works tenders, why there should be such a wide variation in the time required for the process, as reported in our survey of owner departments, is difficult to understand.

The shortest average time⁷ that the authors could discover for a municipality, between its tenders being handed to the specification committee, and the award decisions being taken by the adjudication committee, was 6-7 weeks. The longest was 6-7 months. (Both timelines exclude the process of receiving and dealing with appeals from unsuccessful tenderers.)⁸ Undoubtedly this has considerable effects on the progress of capital budget expenditure

There appears to be a number of key ingredients to the process used by the municipalities with quicker turnaround times. The foremost of these is the extent to which the process is driven by top municipal management – particularly if top management specifies timelines for each stage of the process, and ensures that they are kept. Also, that it addresses the consequences if these timelines are not adhered to in any particular instance.

In one of the municipalities polled, the time for each stage is tightly specified. For example, a maximum of three weeks is allowed for the owner department to do the tender evaluation – but the target is two weeks. If the timeline is not adhered to, the SCM Department follows up, and the owner department manager has to report formally to the municipal manager on the reason for the delay.

Other ingredients for quicker turnaround times include:

- Providing budget for, and then carrying out the planning, design and tender process in the financial years before construction; and
- Frequent regular meetings of the bid adjudication committee – preferably every week⁹.

Evidence suggests that slower turnarounds relate to one or more of:

- The exclusion from or dominance of SCM Department personnel in the committee system;
- Approaching construction procurement in the same way as general goods and services are approached;
- A lack of understanding on the part of SCM personnel on how infrastructure is planned and delivered; and
- A lack of forward planning across financial years.

⁶ Subject only to appeals, if there are any.

⁷ The times reported by departments have not been independently verified.

⁸ In both cases, also, excluding term tenders.

⁹ Thus, if there is a query from this committee, and the matter is referred back to the project manager, if he/she deals with it quickly then the item can again be considered by the committee at its next meeting. Hence a referral could delay a notice of decision by as little as a week.

5 The case for differentiation between construction and non-construction related procurement

5.1 Introduction

As pointed out earlier, prolonged procurement processes mostly impact on contracts for the construction of capital works. These are invariably complex projects, with complex tender documentation to match, as well as being big-budget items.

Section 5 will now make the case that:

- (Section 5.2) Capital works, and also professional services, are generally very situation-specific and site-specific (and could also be community-specific), and therefore
- (Sections 5.3-5.5) The procurement should be treated differently from the procurement of other, non-construction related, types of goods and services.

5.2 Differences between construction and non-construction related contracts

Engineering contractors are required to deliver capital works infrastructure according to specifications and drawings, or to perform frequent maintenance services on infrastructure that is in use, then hand the infrastructure over or back to the user upon completion of the works or services. Professional services are generally also required to;

- Plan and budget
- Conduct condition assessments on existing infrastructure;
- Scope requirements in response to the owner or operator's brief;
- Propose solutions;
- Evaluate alternative solutions;
- Develop the design for the selected solution;
- Produce production information enabling construction; and;
- Confirm that the design intent is met during construction.

Construction procurement generally includes:

- Professional service contracts for project management, construction monitoring, planning and design, optimisation and condition assessments and specialist investigations;
- Service contracts to repair and maintain infrastructure or components thereof, and the equipment used;
- Supply contracts for equipment, materials, products, components, assemblies, fuel and consumables; and
- Construction works contracts to design, erect, construct, maintain, install, rehabilitate, renovate or demolish infrastructure as required.

Capital works and professional services are generally situation-, site- and sometimes community-specific. Non-construction procurement, on the other hand, typically includes: Supply and service contracts for direct acquisitions, which generally involve standard, well defined and scoped services, off the shelf items and readily available commodities, where an immediate choice can generally be made in terms of the cost of goods or services satisfying specified requirements. Non-construction procurement typically includes:

- Supply contracts for the purchase of products, manufactured goods, chemicals, fuel, machinery, equipment, appliances, apparatus, consumables, devices, vehicles, trailers, vehicle parts, energy, gas, food, beverages, printed matter; and
- Service contracts for the repair, maintenance of machinery, equipment, appliances, apparatus and vehicles; transportation and travel agency services; postal and telecommunications services; research and development; legal, accounting and business services; printing, publishing and advertising services; information technology services and software; and conference, catering and hotel services.

Although all public sector procurement is subject to the same legislative framework, there are several fundamental differences between construction procurement and non-construction procurement.

5.3 Differences in the methods for comparing and ranking tender offers

Up until the KwaZulu-Natal High Court 2009 ruling on functionality with respect to the provisions of the Preferential Procurement Policy Framework Act¹⁰ (the PPPFA), the methods for comparing and ranking tenders between non-construction procurement and construction procurement were the same.

Two schools of thought have emerged in the wake of this judgement regarding the manner in which functionality may be evaluated and compared in tenders:

- No points other than those provided for in the PPPFA for price and preference may be included in the evaluation of tenders. This means that functionality (quality) criteria are scored to establish whether or not the functionality offered satisfies a minimum threshold, and only those tenderers who score above the threshold are evaluated on the basis of price and preference.
- Objective criteria in addition to price and preference can be taken into account when a tender is evaluated in terms of a points scoring system. That means, "functionality" can be added to the total points for price and preference in the quantum provided for in the PPPFA, to keep the price/ preference ratios in the PPPFA intact.

As noted earlier, non-construction procurement deals with direct acquisitions which involve standard, well defined and scoped services, off-the-shelf items and readily available commodities. The business need is commonly achieved through the production of a specification, which then forms a requisition for the procurement of goods or services. An immediate choice can generally be made in terms of the cost of goods or services satisfying specified requirements. In essence, a well written specification that describes all attributes of a commodity to be procured can simply be evaluated on price and preference only, subject to all qualifying tenderers meeting the minimum standards prescribed in the specification.

Construction contracts differ in that each contract is unique, and there cannot be direct acquisition of infrastructure. Each contract has a supply chain which needs to be managed and programmed to ensure that the project is completed within budget, to the required quality, and in the time available. Many risks relate to the "unforeseen" which may occur during the performance of the contract. This could for example include: unusual weather conditions, changes in owner/end user requirements, ground conditions being different to what was expected, market failure to provide materials, strikes, or accidental damage to existing infrastructure.

All these factors contribute to a need to change both the timing for the delivery of the works and the price agreed at the time that contracts were awarded. Accordingly, unlike non-construction procurement, there can be significant changes in the contract price from the time awarded to the time of completion. Key persons responsible for managing a contract, particularly in complex works, have a major impact on the outcome of these changes.

At the same time, there are many different options, solutions and procedures to satisfy an owner's objectives. The total cost of ownership is also critical. It should be noted in this regard that design typically represents 1 to 2% of the overall lifecycle cost of a project, with construction accounting for approximately 6 to 18% of the cost. The remaining 80 to 93% of the lifetime asset cost is accounted for by operations, maintenance and decommissioning.

The procurement of supplies and equipment within the construction industry is also different as requirements are frequently established in terms of desired performance. As a result, a range of goods and services (or combinations thereof), with different characteristics, costs, time for delivery, etc, may satisfy such requirements.

¹⁰ Act 5 of 2000

For all these reasons, lowest price for meeting a minimum standard (acceptable value) is frequently not appropriate in construction procurement. Price and other factors which relate directly to the procurement must be evaluated in order to establish best value for money.

The Preferential Procurement Regulations 2011 provide explicitly for the use of "functionality" as a prequalification criterion in order to evaluate acceptable value. Quality may, nevertheless, be evaluated in tender offers together with the preference points system as "other objective criteria" in terms of section 2(1)(f) of the PPPFA, and in accordance with the provisions of the CIDB Standard for Uniformity in Construction Procurement¹¹ in order to arrive at best value for money. Where quality forms part of the tender evaluation criteria, the financial offer and preference are scored out of 100 points in accordance with the provisions of the PPPFA, and points for quality are scored out of maximum of 100 points. The points for the preference points system are added to the points for quality in terms of the weightings stipulated in the procurement documents.

5.4 Differences in approach to procurement documents

Procedures relating to the process of offer and acceptance of non-construction procurement are not included in the standard documentation, as reliance is placed on the following to do so:

- PPPFA and its regulations, which provide the methodology for the evaluation of tenders; and
- The compilation of Special Conditions of Contract relevant to a specific bid being included in the tender documents.

In contrast, construction procurement documentation has adopted a very different approach. A transparent procurement system has documents which:

- Publicise the procurement processes and criteria upon which decisions are to be made; and
- Present the requirements relating to the process of offer, acceptance and administration of the contract in a clear, unambiguous, comprehensive and understandable manner.

Standard conditions for soliciting expressions of interest, and standard conditions of tender published by the CIDB, are referenced in procurement documents and made procurement-specific through submission data and tender data, respectively. This approach resonates with the PPPFA which intends for conditions of a tender to clearly be set out in the tender document.

Furthermore, the construction procurement documents are linked to industry standard forms of contract i.e. a contract between two parties with standard terms that do not allow for negotiation. Such forms of contract are referenced in procurement documents and are made contract-specific through contract data, i.e. through the selection of standard options and the provision of contract-specific data. The CIDB requires that these forms be used with minimal project specific amendments. This is in contrast to the approach in non-construction procurement where extensive Special Conditions of Contract are permitted and may be required to make the General Conditions of Contract applicable to a particular project.

The CIDB also provides a framework within which procurement documents are compiled. A uniform format for the compilation of procurement documents provides the platform for the standardisation of the component documents and improved communications between those engaged in the procurement process. The CIDB Code of Conduct further regulates the activities of those engaged in construction procurement, beyond the confines of the procurement documents.

¹¹ The CIDB Standard for Uniformity in Construction Procurement provides a comprehensive set of rules with very limited latitude for discretion which needs to be applied in a systematic manner in the form of a set of standard conditions for the calling for expressions of interest and a standard set of conditions of tender.

5.5 Differences in approach to administration of contracts

The National Treasury's General Conditions of Contract, cover the provision of non-construction related goods and services that do not require sophisticated management techniques, but simply comprise straightforward work and that impose few risks on both the employer and supplier/service provider. These conditions do not include:

- Management procedures for managing project risks, changes in requirements, the flow of information to suppliers / service providers and the approval / acceptance of designs for purpose made plant and equipment; and
- Methods and conditions of payment.

Accordingly, in non-construction procurement, there is no choice of the form of contract. National Treasury's General Conditions of Contract (GCC) are always used with or without Special Conditions of Contract. On the other hand, the range of standard forms of contract supported by the CIDB's Standard for Uniformity in Construction Procurement, cover the following contract types:

- Construction works contracts (FIDIC, JBCC and NEC3 families of contracts and GCC 2010) which cater for any level of design responsibility, with or without sophisticated management techniques, with payment established on a wide range of price-based and cost-based contracting approaches, using a number of different approaches to managing project risk;
- Supply contracts ranging from an "order form" type contract for a single purchase (CIDB) to the provision of goods and related services including design, or goods under a single order, or on a batch order basis (NEC3 contracts);
- Service contracts (CIDB) for provision of a once-off basic service;
- Term service contracts (NEC3 contracts) to manage and provide a service over a period of time, or provide a service, with or without sophisticated management techniques, with payment established on a wide range of price based and cost based contracting approaches; and
- Professional service contracts (CIDB and NEC3) to provide professional services, such as engineering, design or consultancy advice for a single project or over a term, with or without sophisticated management techniques, with payment established on a wide range of price-based and cost-based contracting approaches.

It is suggested that, in construction procurement, a procurement strategy (selected packaging, contracting, pricing and targeting strategy, and procurement procedure for a particular procurement) needs to be developed and an appropriate form of contract needs to be selected to support that strategy. There are far more permutations and standard options available for construction-related procurement than there are for non-construction procurement.

6 Differences between procurement and supply chain management

The recently published Western Cape Provincial Treasury Instructions define "supply chain management" as "the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods or services, with the objective of creating net value and providing oversight and co-ordination of information and finances within the supply chain".

Thus SCM is the management of all activities at a portfolio level which relate to a supply chain. That is, the management of all the interconnected activities from the point of origin to the point of consumption.

In contrast, ISO 10845-1 defines "procurement" as "the process which creates, manages and fulfils contracts". In other words, it deals with activities surrounding contracts – that is, the development of a procurement strategy and a procurement document, the solicitation of tender offers, the evaluation of submissions, the award of a contract, and the administration of a contract.

As expressed in these definitions, SCM is far broader than procurement.

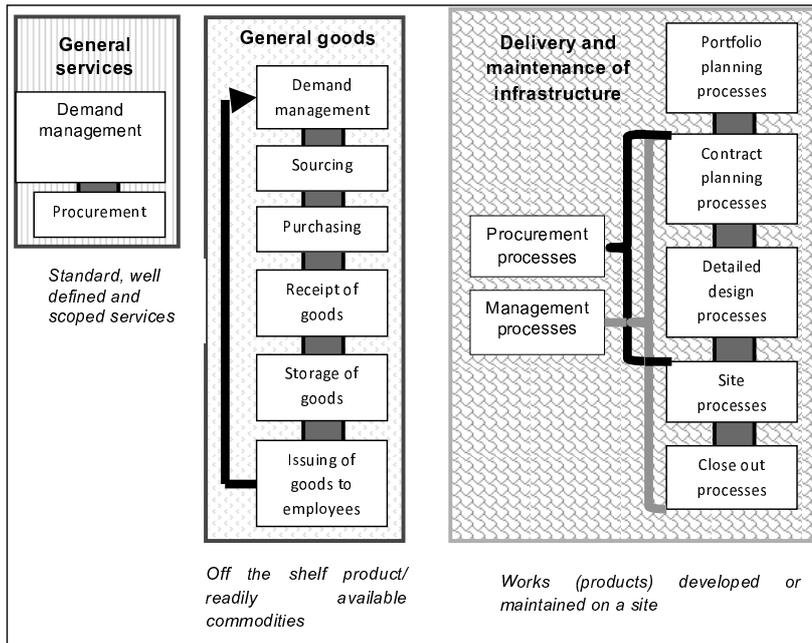


Figure 1 Supply chains commonly encountered in municipalities

Procurement at a municipal level that is unrelated to the delivery and maintenance of infrastructure is typically for goods and services that are standard, well-defined and scoped. Once purchased, goods invariably need to be taken into storage prior to being issued to employees. Services most often involve routine, repetitive services with well understood interim and final deliverables which do not require officials to provide strategic inputs, or require decisions to be made regarding the fitness for purpose of the service outputs.

Accordingly, the supply chain for procurement that is unrelated to the delivery of infrastructure involves one of two basic types which relate to consumption and operational needs. They are:

- General goods (i.e. manufactured products or materials) which involves demand management, sourcing, purchasing, receipt, storage and issuing of goods to employees (end users); and.
- General services which involves demand management, procurement, verification and payment for the services provided.

In contrast, procurement relating to the delivery and maintenance of infrastructure covers a wide and diverse range of goods and services, which are required to develop or maintain fixed assets on a site. Accordingly, the supply chain for the delivery and maintenance of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of service delivery and accommodation needs assessment. Thereafter it involves planning at a contract level and the procurement and management of a network of suppliers, including sub-contractors to produce a product on a site (i.e. works). There is no need for the municipality to store and issue materials or equipment unless these are issued to officials responsible for maintenance, or are issued free of charge to contractors for incorporation into construction works.

Differences between the supply chain for general goods and services, and delivery and maintenance of infrastructure, are shown in Figure 1.

The risks that need to be managed, the skills sets that are required and the performance metrics for a supply chain involving the delivery and maintenance of infrastructure are very different to those relating to general goods and services.

Thus the procurement of capital works and professional services should be treated differently from the procurement of other types of goods and services.

7 Recent initiatives from national government

There appears to be some support in national government circles for views closely similar to those held by the authors.

National Treasury has identified issues around procurement similar to those described above. Earlier this year it conducted hearings on the “current regulatory requirements associated with procurement”, and “the long-term impact of not using functionality as a criterion on which to compete for bids (but rather, only as a minimum requirement)”. (National Treasury 2012a)

The authors have since been advised that the officials at National Treasury are putting a proposal together for the Minister. If the Minister agrees, Treasury will reintroduce the functionality element into the procurement of capital works and professional services.

The authors had already fully drafted the present paper when the “National Development Plan 2030: Our future - make it work” appeared. It is pleasing to see that it makes the following points supportive of our thesis:

- Government’s procurement policies blur the line in matters of corruption, and the state procurement system has become overly bureaucratized. The emphasis

on compliance by box-ticking makes the system costly, burdensome, ineffective and prone to fraud. (National Planning Commission 2012, page 57);

- Spending more on investment is only the first step. South Africa also has to improve the quality of this spending through better planning, sound procurement systems and greater competition in the economy. (Ibid, page 60);
- There is a need to improve the ability of procurement systems, to deliver value for money and minimise the scope for corruption. This can be done by distinguishing the different forms of procurement, approaching trade-offs more strategically, building relationships of trust and understanding, building enabling support structures and ensuring effective oversight. (Ibid, page 426); and
- Engineering input is essential for infrastructure procurement where it can contribute to ensuring health and safety, mitigating financial risks, identifying effective solutions, ensuring environmental sustainability and conserving natural resources. (Ibid, page 460).

The authors fully support these more holistic views from National Treasury and the National Planning Commission, and their call to raise the bar for SCM practices.

8 Concluding comments

It is imperative that SCM departments realise that their role:

- Is a lot more than simply the solicitation of tender offers, the evaluation of submissions, and the award and administration of contracts; and
- Constitutes only a part of the process of service delivery.

Some SCM departments, perhaps because they have lost sight of their roles in the process of service delivery, but no doubt also for other reasons, such as not having the expertise to deal with some of the complex tender types, can take very long when making deliberations.

A key success factor in raising percentage of capital budget spend is an efficient SCM process. The ingredients for that appear to be:

- Strict compliance with the legislation;
- A system that differentiates between construction-related and non-construction-related SCM, where risks and performance are actively managed;
- Municipal leadership that is focused on service delivery, and is prepared to drive a SCM process which is far broader than “procurement” as

- defined in the ISO document quoted above;
- Competent, consistent, ethical and committed officials (Cockayne 2012, CESA 2012);
 - Forward planning across financial years;
 - Setting deadlines for each step of the SCM process – and on-going monitoring, with intervention where necessary; and
 - A bid adjudication committee that meets frequently.

This paper does not suggest the watering down of SCM regulations. On the contrary, it argues that the municipal top management should articulate all the SCM processes required in terms of the SCM regulations, and should also set clear timeframes for each part of the service delivery process, holding the officials accountable should they take longer without good reason.

SCM is a key element in the process of delivering services. Thus, when it is practised, it must be driven by the objectives of service delivery, and by the timeframes and expenditure programme of the municipality with which it must keep pace in order for that service delivery to take place.

The procurement of capital works and professional services, which are generally situation-, site- and often community-specific, needs to be treated differently from the procurement of other types of goods and services. This different treatment must include appropriate recognition of the importance of functionality for long-term value for money and user benefit.

A supply chain management department or procurement process in a municipality which, when dealing with capital works or professional services, does not appreciate that supply chain management is:

“The design, planning, execution, control and monitoring of supply chain activities in the delivery of goods or services, with the objective of creating net value and providing oversight and co-ordination of information and finances within the supply chain”; and

Failing the citizens and the economy of that municipality.

8 Recommendation

The requirements of sustainable service delivery and the schedule (time-frame) of the capital works programme of municipalities should drive the timetables for their supply chain management process. If SCM or any other component of the delivery process takes longer than scheduled, top management needs to find out why, and must take remedial action when warranted. Some municipalities are able to achieve fast SCM processes, while still adhering strictly to the SCM regulations that are laid down by National Treasury, Top management of other municipalities should ensure that they also do this.

The supply chain management process “tail” is vital to transparency and equity, but must not be allowed to “wag” the service delivery “dog”.

Thanks

A special note of thanks to the many municipal officials (names withheld) who answered questions about their service delivery processes.

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Ron Watermeyer is a director of Soderlund & Schutte. He is a fellow of SAICE, IStructE and ICE, and a past president of the South African Institution of Civil Engineering. Ron has been a director of Soderlund & Schutte since 1990. He has been at the forefront of many development initiatives in South Africa since the early 1990s, including the development of housing, the reinterpretation of national building regulations and procurement reform. He has developed many South African National Standards and project-led the development of the ISO 10845 family of standards for construction procurement. In 2009 he was awarded a Doctor of Engineering from the University of the Witwatersrand for his contribution over time to the procurement and delivery of infrastructure.