



LOCAL GOVERNMENT FRAMEWORK FOR INFRASTRUCTURE DELIVERY AND PROCUREMENT MANAGEMENT

PURPOSE

In order to establish a common approach to infrastructure delivery across all organs of state, the Standard for Infrastructure Procurement and Delivery Management (SIPDM) was issued for municipalities and communicated in MFMA Circular 77.

In the process of institutionalising the SIPDM municipalities experienced challenges with some aspects thereof. The reforms to the Preferential Procurement Regulations, 2017 which was promulgated and effected also had an impact on the earlier reform.

The National Treasury, in consultation with relevant stakeholders, initiated the SIPDM review process which resulted in the development of the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM). The LGFIDPM introduces minimum requirements for effective governance of infrastructure delivery and procurement management.

BACKGROUND AND DISCUSSION

In 2012, the Infrastructure Delivery Management System (IDMS) was adopted as the chosen government wide system for infrastructure delivery in South Africa. In the same year (2012), the National Treasury, together with the eight metropolitan municipalities, initiated the customisation of the IDMS for implementation by municipalities. The product of that engagement became the Cities Infrastructure Delivery Management Toolkit (CIDMT), focusing mainly on metropolitan municipalities.

The Planning Commission's National Development Plan 2030: *Our future-make it work* proposes that the following five areas be focused on in designing a procurement system that is better able to deliver value for money, while minimising the scope for corruption:

- a) differentiate between the different types of procurement which pose different challenges and require different skills sets;
- b) adopt a strategic approach to procurement above the project level to balance competing objectives and priorities rather than viewing each project in isolation;
- c) build relationships of trust and understanding with the private sector;

- d) develop professional supply chain management capacity through training and accreditation; and
- e) incorporate oversight functions to assess value for money.

National Treasury's 2015 Public Sector Supply Chain Management Review expressed the view that supply chain management (SCM) is one of the key mechanisms enabling government to implement policy which traditionally has been misunderstood and undervalued. This Review, which identified the need for SCM reform, suggests that if such reforms are implemented as envisaged in terms of section 217 of the Constitution, the benefits will be enormous and include, amongst others:

- a) good quality service delivery will be increasingly possible, with significant improvements in the welfare of citizens, especially the poor who rely heavily on government for support;
- b) the economy will grow as economic infrastructure is expanded and efficiently maintained;
- c) goods, services and infrastructure will be bought at lower costs;
- d) innovation will result in different approaches to the commodities used in some sectors; and
- e) for suppliers, the cost of doing business with the state should decrease substantially.

There is a need to develop an infrastructure delivery management system tailor-made for municipalities and municipal entities which integrate asset management strategy, policy to guide infrastructure planning, delivery management and decision-making. The LGFIDPM introduces this and focuses on the implementation of project processes and infrastructure procurement that forms part of the infrastructure delivery management.

Due care and focus must be given to addressing institutional arrangements, internal controls, and gaps to ensure value is extracted from this reform.

CONCLUSION

This MFMA Circular provides the basis for municipalities and municipal entities to establish an appropriate system for implementation of the project process and infrastructure procurement in the infrastructure delivery management value chain.

Accounting officers of municipalities and municipal entities are therefore advised to bring the contents of this Circular and the LGFIDPM annexure to the attention of their respective municipal councils, board of directors of municipal entities, and to expedite the process to amend and align their SCM policies accordingly. This will require undertaking a proper assessment of its ability to implement the content of the Framework and to only insert those parts that is practically implementable into the SCM Policy, to be approved by the municipal council.

Therefore, municipalities and municipal entities are advised to customise the model policy to suit the specific needs of its environment before tabling it in the municipal council and municipal entity board for adoption.

It is envisaged that a phase-in process will be considered by municipalities and municipal entities, however, it is expected that this be implemented as soon as possible.

This Circular replaces MFMA Circular 77.

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Annexure A: *Local Government Framework for Infrastructure Delivery and Procurement Management*