

# Public Procurement: SCM and Municipalities

## SCOA Integrated Consultative Forum

Presenter: | Schalk Human, OCPO, National Treasury | 19 September 2014



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Public Procurement-objectives

- Service delivery
  - Quality, efficient, cost-effective
  - On time, right quality and quantity, the right price
- Socio-economic objectives
  - Address economic imbalances
  - Women, youth, people with disabilities, SMMEs
  - Job creation
- Getting the balance between the two right is

# Public Procurement-environment

- Fragmented environment
- Operational inefficiency in government
  - High staff turnover at senior management level
- Limited or no accountability
  - Politically and administratively
- Limited transparency
- Procurement not a strategic function

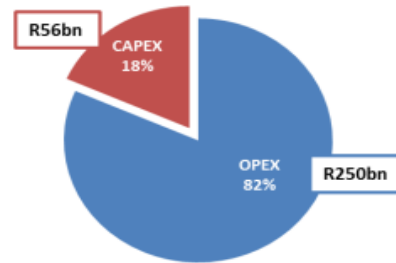
# SCM – compulsory capabilities

Procurement system should be based on the following capabilities:

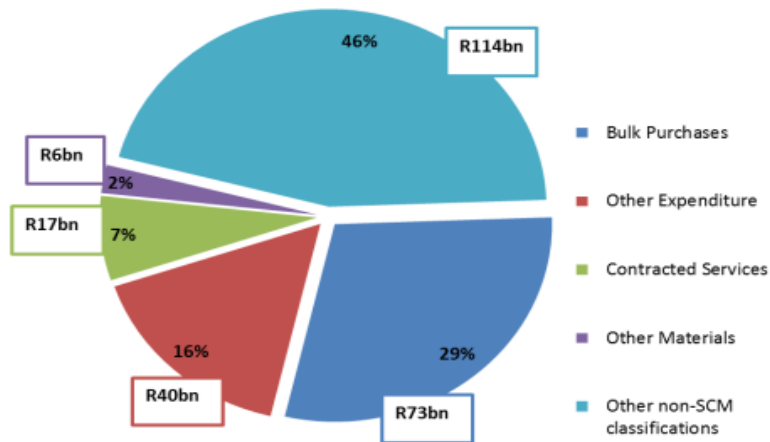
1. Demand Planning
2. Procurement Planning
3. Items and Specifications management
4. Supplier management
5. Bids management through the required committees
6. Legal, Contracting and Disputes management
7. Supplies and Contract management (supply schedules)
8. Inspection and Quality management
9. Product and Services management (utilisation)
10. Audit and Enforcement

# Municipal expenditure for 2013/14 (unaudited)

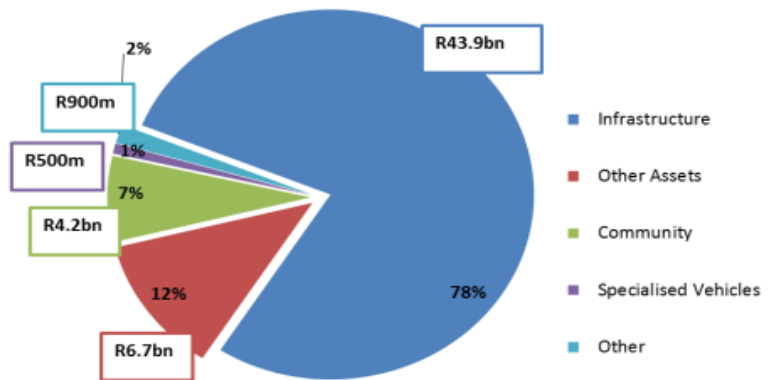
2013/14 LOCAL GOVERNMENT SPEND  
R306bn



2013/14 Local Government  
Operating Expenditure  
R250bn



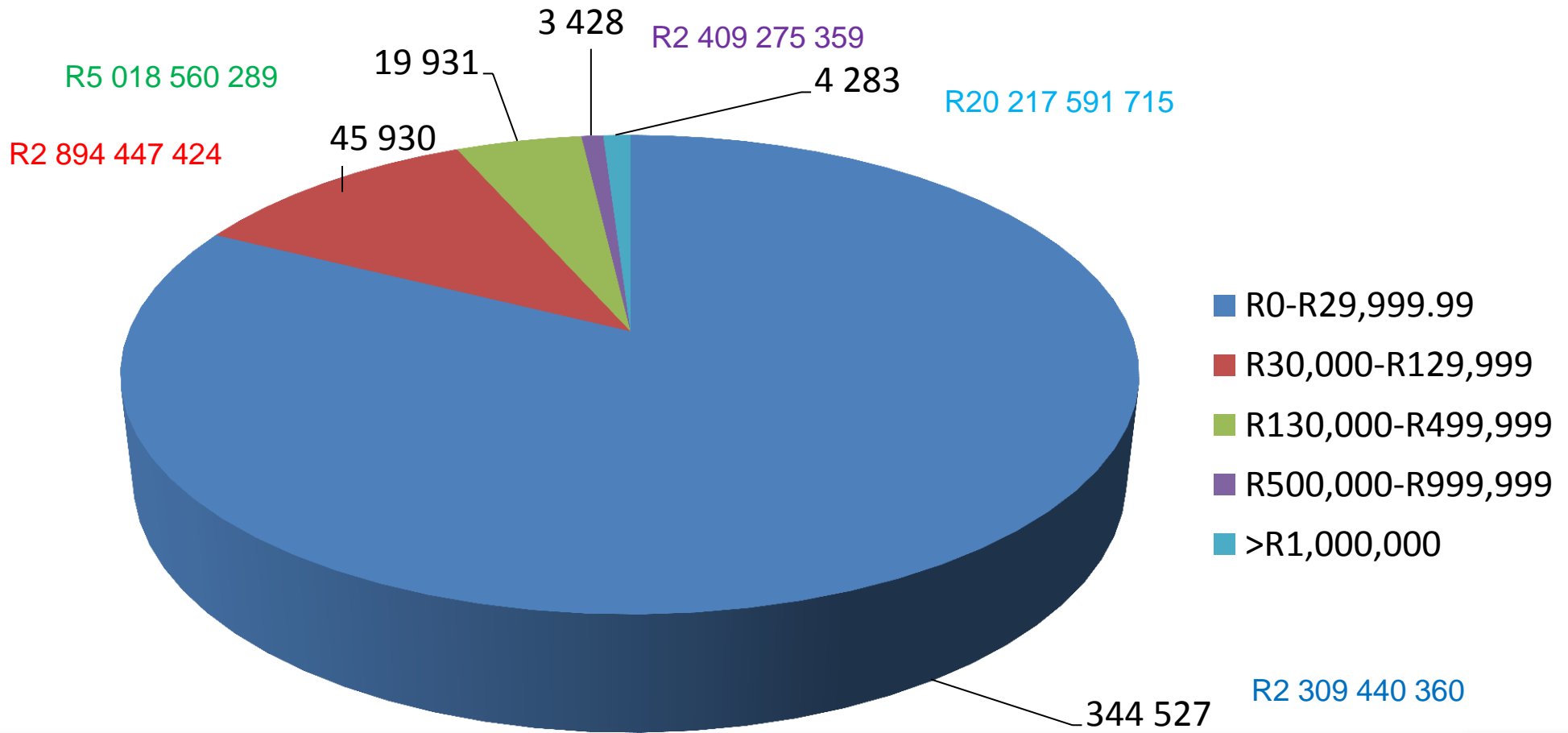
2013/14 Local Government  
Capital Expenditure  
R56bn



# Research and projects under development

- **Simplify**
  - Common codification standard
  - Appropriate sourcing strategy
- **Standardise**
  - Central Supplier Database
  - Transparent reporting on procurement
- **Automate**
  - Compliance verification (tax certificates, CIPC etc)

# Contracts: transactions-rand value



# Implications for municipalities and vendors

- Ensure that SCM policy and procedures are in place and understood by all stakeholders in the municipality;
- Ascertain that your current ICT system for procurement can support the entire suite of core SCM functions
- Clean data
- Setup (sensible) automated reports
- Analyse and put in place appropriate procurement strategies (scientific analysis must be the driver)
- Bench mark with peers
- Transparency (regular reports to council and public on what is bought at what price and awarded to whom 😊)
- Manage ITC investment
- Vendors to support municipalities to extract optimal value from their products
- Build a partnership between vendor and municipality – the team win, not only one partner



# Conclusion

- SCM must evolve from a compliance based function to a pro active orientated financial management function;
- Vendors must add value in to their clients in terms of quality of the spent;
- Performance evaluation of SCM will receive more prominence
- Transparency and outcomes of SCM activities will feature prominently in accountability mechanisms.
- Data is the future of public financial management