

‘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 transparency of procurement procedures, increased the opportunities for alternative suppliers, and reduced the opportunities for corrupt procurement practices.

On the other hand, there is evidence of a downside to these regulations and/or the way in which they are often implemented. In particular, it would seem that the SCM process is, if allowed to be, often the primary cause of extended delays in the appointment of contractors, leading to delay in the delivery of services. The SCM "tail" would appear on those occasions to be “wagging the dog”, viz. service delivery.

This is not an argument for the watering down of SCM regulations, but suggests that the municipalities’ top management should set clear timeframes for each part of the service delivery process, and hold the officials accountable should they take longer without good reason.

For this and other reasons, 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 greatly contributed to improved transparency of procurement procedures, increased opportunities for alternative suppliers, and reduced opportunities for corrupt procurement practices.

On the other hand, there is evidence of a downside to these regulations and/or the way in which they are often implemented. In particular, it would seem that the SCM process is, if allowed to be, often the primary cause of extended delays in the appointment of contractors, leading to delay in the delivery of services. The SCM "tail" would appear on those occasions to be “wagging the dog”, viz. 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 also suggested in this paper that capital works, and also professional services, are generally very situation-specific and site-specific (and could also be community-specific), and therefore their procurement should be treated differently from the procurement of other types of goods and services.

Each of these suggestions is now discussed.

2 Underspending

The inability of many municipalities (and provincial governments) to spend all of their capital budgets each year has for several years been a sore point with National Treasury.

For the last full municipal financial year for which the figures are 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 requirement of the order of R 500 billion. The need is there, the money is available, and yet it does not get spent.

Reflecting the first nine months only, to March 31, of the 2011/2012 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 way through the financial year.] This reflects the challenges of planning for the implementation of capital projects." (National Treasury, 2012, 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 continued: "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;
- lack of capacity to plan¹ and fulfil grant conditions." (National Treasury 2011, page 15)

The first and third of these reasons given by National Treasury are well-known enough – especially the third, long recognised as part of a larger problem of too-frequent municipal incapacity. Having encountered what seemed to be inordinate delays with a number of capital works and professional services contract appointments pertinent to his organisation's cooperations with municipalities, one of the co-authors investigated the second reason, "supply-chain management" (SCM). The investigation comprised:

- polling a number of municipal engineering service departments, of different sizes, as to their capital expenditure record of recent years; and also
- asking them about their supply chain management – in particular, what place it plays in service delivery, and what timeframes apply to it.

The variation in ability to spend the entire capital budget was startling. Some have managed in each recent financial year to spend of the order of 95%-plus. Others, each year, struggle to reach 50%.

These municipalities all operate in terms of the same SCM regulations (National Treasury, 2005), issued in terms of the Municipal Finance Management Act of 2003. All have their share of contractors who fail to perform, and delay completion (and expenditure), and/or 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 apply to the way in which the SCM process is driven by the top management of the municipality.²

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.

There is much evidence that a municipality's programme for the expenditure of the capital budget can be significantly delayed if the SCM process is allowed to become too protracted. 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, need 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.^{3 4}

This is supported in that the larger cities almost without exception achieved the highest percentage spend of recent years in 2008/2009, the period of highest construction activity prior to the Soccer World Cup, with its politically-driven (and publicly very noticeable) non-negotiable deadlines. The "dog" was, for this period, in the driving seat.

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 this, the municipality typically sets up a linear process with well-defined steps, implemented by a committee system of officials which would look something like the following:

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

² Note that the SCM Department is invariably independent of the engineering departments.

³ 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>

⁴ As a business commentator picturesquely 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

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

Proposed tenders, prepared by the department which owns the project, are firstly vetted by the specification committee. The SCM Department then advertises the tenders, and in due course receives them. 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 contract, or the authority may be reserved to a higher level of management.⁵

4 Service delivery timelines: an informal survey

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 time⁶ 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! (In both cases, excluding the process of receiving and dealing with appeals from unsuccessful tenderers.)⁷

The influence that this has on progress with expenditure of capital budget can be imagined.

There appear to be a number of key ingredients of the process used by the more successful municipalities. The principal of these is the extent to which the process is driven by top municipal management. Particularly, if timelines are specified for each stage of the process, and if those timelines can be kept – and what the consequences are if they are not in any particular instance.

In one of the municipalities polled, the time for each stage is tightly specified. For example, maximum 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, SCM Department follows up, and the owner department manager has to formally report to the municipal manager on the reason.

Other ingredients include:

- frequent regular meetings of the bid adjudication committee – preferably every week⁸;
- providing budget for, and then carrying out the planning, design and tender process in the financial years before construction.

There are usually a number of reasons for the slow turnarounds. Anecdotal evidence suggests that this relates 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 is,
- a lack of understanding on the part of SCM personnel how infrastructure is planned and delivered, and

⁵ Subject only to appeals, if there are any.

⁶ The times reported by departments have not been independently verified.

⁷ In both cases, also, excluding term tenders.

⁸ 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.

- a lack of forward planning.

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

5.1 Introduction

As pointed out above, protracted procurement processes particularly 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.

A good case can be made that capital works, and also professional services, are generally very situation-specific and site-specific (and could also be community-specific), and therefore 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 infrastructure in accordance with the requirements of the specifications and drawings or to perform maintenance services frequently on infrastructure that is in use, and hand the infrastructure over to or back to the user upon completion of the works or services. Professional services are generally also required, as necessary, to plan, 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 design intent is met during construction.

Construction procurement accordingly includes:

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

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 and 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.

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

5.2 Differences in the approach to the evaluation of tenders and award of contracts

The SCM regulations issued in terms of the Municipal Financial Management Act (MFMA) establish minimum requirements for procurement policies. These include procedures for handling, opening and recording of bids and negotiations with the preferred bidder.

In contrast, 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.

5.3 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 Act (the PPPFA) (Act 5 of 2000), 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 is, points for "functionality" (quality) can be added to the total point 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 in the main 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 therefore there cannot be the 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 in the time available. Many risks relate to the "unforeseen" which may occur during the performance of the contract – for example 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 of award to the time for completion. Key persons who are 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 per cent of the overall lifecycle cost of a project, with construction accounting for approximately 6 to 18 per cent of the cost. All the rest - 80 to 93 per cent 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 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.

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 provides 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 Standard for Uniformity in Construction Procurement 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 Preferential Policy Framework Act, 2000 and points for quality 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 (SCC) 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 and acceptance and the administration of the contract in a clear, unambiguous, comprehensive and understandable manner.

Standard conditions for the calling for 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 contemplates that conditions of tender will 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 standardization 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.

5.5 Difference in approach to administration of contracts

National Treasury's General Conditions of Contract cover the provision of non-construction related goods and services that do not require sophisticated management techniques, comprise straightforward work and 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 based 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 contract (CIDB) for provision of a one 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 based on a wide range of price based and cost based contracting approaches.
- 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 based on a wide range of price-based and cost-based contracting approaches.

Accordingly, 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. At the same time, there are far more permutations and standard options available for construction-related procurement than there are for non-construction procurement.

6 Difference between procurement and supply chain management

ISO 10845-1 defines "procurement" as *the process which creates, manages and fulfils contracts*. On the other hand, the recently published Western Cape Provincial Treasury Instructions define "supply chain management" (SCM) 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*.

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

- Procurement 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.
- 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 to the point of consumption.

Procurement at a municipal level that is unrelated to the delivery and maintenance of infrastructure is typically for goods and services that are standard and 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, namely (see Figure 1):

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

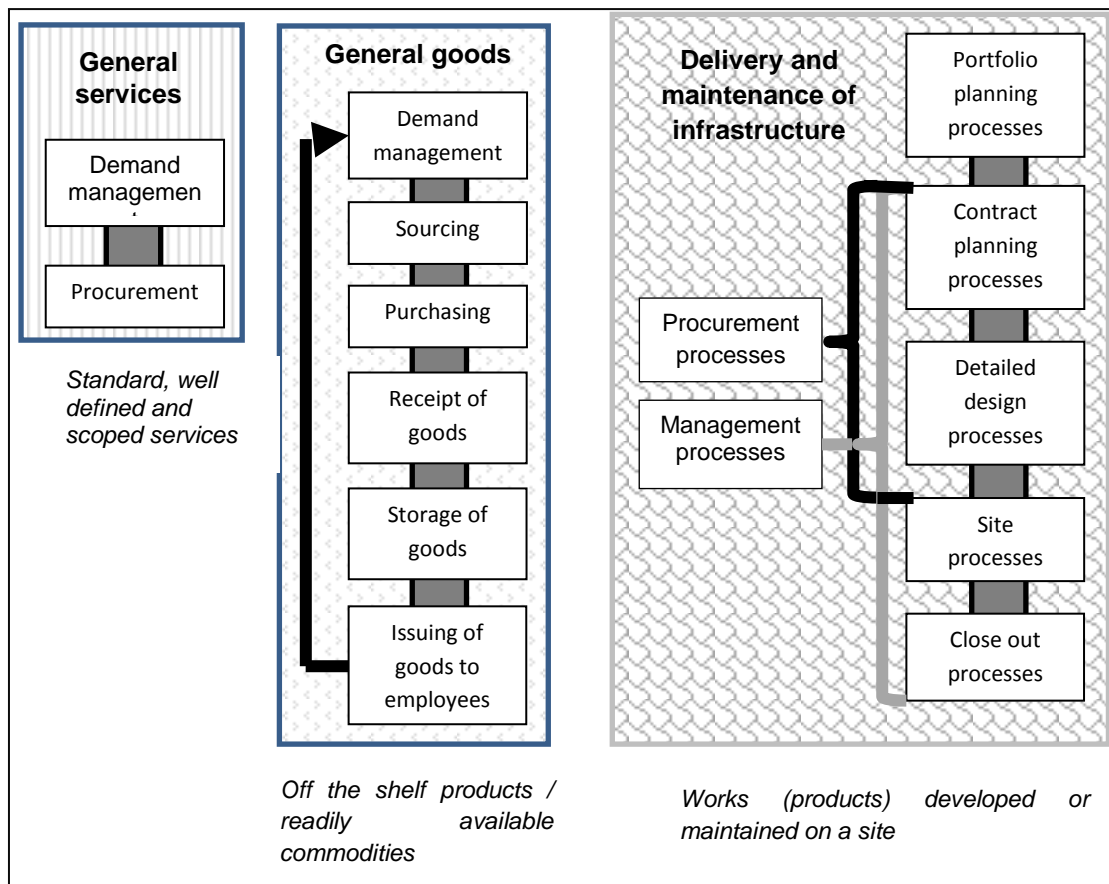


Figure 1: Supply chains commonly encountered in municipalities

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** (see Figure 1) 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 subcontractors to produce a product on a site (i.e. works). There is no need for the municipality to store and issue materials unless materials or equipment are issued to officials responsible for maintenance or are issued free of charge to contractors for incorporation into construction works.

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.

It is pleasing that National Treasury has of its own volition identified issues around procurement similar to, if not the same as, 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)".

At the time of writing (early August 2012), the authors were advised that the officials at National Treasury are putting a proposal together for the Minister. If he agrees, Treasury will reintroduce the functionality element in the procurement of capital works and professional services.

7 New though leadership emerging from the National Development Plan

The authors had already fully drafted the paper when "*The National Development Plan 2030: Our future - make it work*", published by the National Planning Commission, 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. (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. (page 60)
- Improve the ability of procurement systems to deliver value for money and minimise the scope for corruption by differentiating between different forms of procurement, approaching trade-offs more strategically, building relationships of trust and understanding, building enabling support structures and ensuring effective oversight (page 426)
- 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. (page 460)

The authors fully support this call for taking a more holistic view and raising the bar for SCM practices.

8 Conclusions

Some SCM departments:

- appear to have lost sight of the fact that their role constitutes only a part of the process of service delivery;
- (partly because of the preceding, but no doubt also for other reasons, including at times not having the expertise to deal with some of the complex tender types) take too long about their deliberations.

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

- strict compliance with the legislation;
- a differentiated system 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 and ethical officials (Cockayne 2012, CESA 2012);
- setting deadlines for each step of the SCM process – and ongoing monitoring, with intervention where necessary; and
- a bid adjudication committee that meets frequently.

This is not an argument for the watering down of SCM regulations, but suggests that the municipal top management should not only articulate all the SCM processes required in terms of the SCM regulations, but should also set clear timeframes for each part of the service delivery process, and hold the officials accountable should they take longer without good reason.

For this and other reasons, 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.

SCM is a lot more than simply the solicitation of tender offers, the evaluation of submissions, the award of a contract, and the administration of a contract. Rather, it 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.

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"

is failing the citizens and the economy of that municipality.

8 Recommendation

The requirements of sustainable service delivery and the schedule (timeframe) of the capital works programme of municipalities should drive the timetables for their supply chain management process. If supply chain management 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, while adhering strictly to the SCM regulations laid down by National Treasury, to achieve fast SCM processes. 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

With thanks to the many municipal officials (names withheld) who answered questions about their service delivery processes.

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