

**OFFICE OF THE CHIEF PROCUREMENT OFFICER**

**BRIEFING PROGRESS REPORT**

**STANDING COMMITTEE ON APPROPRIATIONS (SCOA)**

**MAY 2017**

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6. **INTRODUCTION**

Cabinet, in reference to its Cabinet Resolution of 10 December 2014, resolved that the Office of the Chief Procurement Officer (OCPO) accelerates Supply Chain Management Reforms by modernising the SCM function in the public sector. The Resolution focused on the following:

a) Finalise the legal framework governing the OCPO and SCM function in government;

b) Simplifying, standardizing and automating procurement activities across all spheres of government;

c) Modernise SCM technology and upscale the intelligent use thereof;

d) Develop SCM capacity of government.

The below reforms have been developed in order to accelerate the SCM as mandated by the Cabinet:

* 1. Legal reforms
  2. Technological reforms
  3. Procurement Strategies reforms
  4. Transversal Contracting reforms
  5. Governance Monitoring and Compliance reforms
  6. Stakeholder and Client Management reforms
  7. **LEGAL REFORMS**

Legal reforms that were conducted in the financial year 2016-17 included the reforms on:

* + 1. Public Procurement Bill
    2. Preferential Procurement Policy Framework Act
    3. SCM Commercial Contract
    4. Other Projects
    5. **Draft Public Procurement Bill**

The purpose of the Bill is to regulate the governance of public procurement practices in terms of the Constitution, which directs that when an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation contracts for goods and services it must do so, in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. Furthermore, this directive, the Constitution does not prevent organs of state or institutions from implementing a procurement policy providing for categories of preference in the allocation of contracts and the protection or advancement of persons or categories of persons, disadvantaged by unfair discrimination. However, a framework within which the procurement policy is implemented must be prescribed by National Legislation. Therefore, the Chief Directorate Policy and Legal in the OCPO, prescribes measures to ensure uniform treasury norms and standard in public procurement practices.

The revised ‘Public Procurement Management Bill 2017’ therefore provides the required legal framework that would be the chief legal instrument enabling the statutory regulation, modernization and transformation of public procurement, and regulates preferential targeting & set aside policies to achieve more radical economic equity, job creation and local industrialization through public procurement. The OCPO will publish the new ‘Public Procurement Management Bill 2017’ for public comments as soon as it has been ratified by Cabinet, and would embark on and extensive consultation process with stakeholders during 2017 - 2018 financial year.

* + - 1. *Achievements*

The draft has been finalized and it was submitted to the principal of the Department with the purpose of presenting the Bill to Cabinet for approval to embark on a public consultation process.

* + - 1. *Challenges*

Wide range of interested parties and stakeholder sectors need to be consulted before the Bill can be finalized. This may lead to delays in the process of promulgating the Bill.

* + - 1. *Opportunities*

To consolidate the fragmented legal and policy environment. Furthermore, it will provide a flexible, agile and expanded scope of service delivery, inclusive growth, empowerment, transformation, savings strategies and contract management improvements.

* + 1. **Preferential Procurement Policy Framework Act**

The intention of the revision of the preferential procurement regulations is to leverage public procurement to advance horizontal government policy objectives of building a non-sexist and non-racial society through an inclusive economy.

The regulations seek to advance this objective by giving preference to designated groups (as aligned with the B-BBEE Act) and promoting Small Medium and Micro Enterprises, Cooperatives, rural and township enterprises through public procurement.

The regulations furthermore continue to promote local industrial development through the provision of designated sectors.

* + - 1. *Achievements*

The revised Preferential Procurement Regulations were promulgated on 20 January 2017, with effective date for implementation being 1 April 2017. The main changes contained in the Preferential Procurement Regulations, 2017 (as they are now known) are the following: changes to the thresholds, introduction of compulsory sub-contracting clause and provision for pre-qualification criteria.

* + - 1. *Challenges*

The preference points system (i.e. the 80/20 and 90/10) prescribed in Preferential Procurement Policy Framework Act (PPPFA) is rigid and not responsive to government objectives. Notwithstanding the changes since 1994, the 2001 and 2011 preferential procurement regulations have failed to substantially re-shape the skewed ownership and control of the South African economy. Therefore, in the interim, the revised Preferential Procurement Regulations seek (within the confines of the PPPFA) to address the afore-mentioned challenges and to compliment the objectives of the Broad- Based Black Economic Empowerment Act as amended (the B-BBEEA 2013).

* + - 1. *Opportunities*

Changes to the thresholds, introduction of compulsory sub-contracting clause and provision for pre-qualification criteria.

* + 1. **SCM Commercial Contract**

Address poor procurement practices and systems in the government wide system to address inefficiencies, waste and wilful fraud and corruption.

* + - 1. *Achievements*

The Office of the Director: SCM Commercial Contracts became operational in June 2016. There are no long terms projects completed. However in support of contract managers in the OCPO, the Office has provided the following during to date-:legal Opinion- 30 (thirty) legal opinions; vetted/drafted and assisted OCPO contract managers in negotiating about 22 (twenty two) contracts; and review of 2 (two) Instruction Notes.

* + - 1. *Challenges*

The current contracts are generic in its provisions and it does not adequately provide for provisions of the PPPFA Regulations.

* + - 1. *Opportunities*

To align with provision of PPPFA regulations for sub-contracting, protection of the minimum wage.

* + 1. **Progress with Commercial Contract reforms**

*Contract Management Reform*- The OCPO is in the process of reviewing contract management of state departments, institutions and entities in an effort to ensure that state funds are used for what they have been committed for as well as ensuring value for money for services rendered. This process, if successfully implemented will see a reduction irregular expenditure by the state.

*Contract Management Framework-* 1st Draft of the Framework complete. Consulted with Provincial Treasuries. More consultation required; 3 out of 6 contract templates to accompany the contract management framework completed; workshop with OCPO Transversal Contracting scheduled for 11 April 2017.

*Review of construction contract management-* The OCPO has been inundated with concerns from the construction industry for the state to develop state owned contracts as the current construction contracts do not serve the interest of Small Medium and Micro Enterprises (referred to herein as SMMEs) in that environment. However due to lack of human resources and the legal expert knowledge of the construction industry required, the OCPO is in the process of appointing 2 (two) construction contract law expert resources for a period of 6 (six) months. The process to appoint the construction legal specialists has commenced. Specifications have been approved by the DG and the SCM memo is to be presented to BAC between 10 and 14 April 2017

* 1. **TECHNOLOGICAL REFORMS** 
     1. **eProcurement**

The system is used by organs of state to start requisitions and generate purchase orders after Transversal Contracts have been awarded to suppliers.

* + - 1. *Achievements*

The eProcurement system that includes gCommcerce (Buyer site) has been implemented. This provides an opportunity to transact electronically and be able report more accurately on spend. There are 49 National Treasury transversal contracts that have been uploaded on the eProcurement system and 23 available on the buyer site, SITA transversal contracts for hardware and peripherals have also been loaded as well as the Microsoft software packages. Currently the system has been implemented by adoption by various departments.

* + - 1. *Challenges*

Adoption by organs of state buyers has been slow. Lack of resources and staff to campaign because of the moratorium on posts has made it more difficult to go out and campaign on the usage of the gCommerce.

* + - 1. *Opportunities*

Curbing spend done outside transversal contracts, reduction on millions of Rands spent on paper printing requisitions and purchase orders, reduce processing time caused by double capturing of bids, integration to financial system in order to prevent overspending, online tender bidding and evaluation and spend analysis.

* + 1. **eTender Portal**

The eTenders Publication Portal was initially implemented in April 2015 to publish tender opportunities and their results in order to improve competitiveness and increase transparency.

* + - 1. *Achievements*

There has been a number of enhancements since it was launched, in a nutshell eTenders Publication Portal is now an integrated platform that allows access to procurement information from planning to contract closeout. There are 486 organs of state publishing on eTenders Publication Portal http://www.etenders.gov.za with 15 120 bids published to date.

* + - 1. *Challenges*

Without the amendment of the existing legislation, full compliance by all Organs of State (OoS) remains a concern. Effective oversight remains a challenge due to inconsistent reporting channels. The new platform is geared at resolving these inconsistencies, but is heavy reliant on the adoption by all OoS and the support of SITA as the technology provider.

* + - 1. *Opportunities*

Integration with existing Systems (CSD, CIDB etc.), making tender documents available free online, reduce publication cost, procurement schedule are available ,tender publications requirements and opportunities, award information, contact information and contract addendums

* + 1. **Central Supplier Database**

The system is aimed at improving efficiency and effectiveness of Supply Chain Management (SCM) by simplifying this process. Suppliers do not have to submit forms to various organs of state to be registered but are able to self-register on the CSD website www.csd.gov.za. The CSD interfaces to South African Revenue Service (SARS) to enable verification of tax compliance and the Companies and Intellectual Property Commission (CIPC) for verification of business registration and business status. The CSD furthermore verifies supplier information with the register for tender defaulters and database of restricted suppliers, and verifies South African identification numbers with the Department of Home Affairs (DHA).

* + - 1. *Achievements*

There are 439 378 number of users of the CSD as at 2017-03-31 and 313 186 of them are verified suppliers. This is a huge improvement taking into consideration that the CSD was officially implemented in 1 April 2016.

* + - 1. *Challenges*

There is a number of organs of state especially state entities and municipalities that have not yet fully embraced and implemented the CSD within their institutions. This will make it difficult for these institutions to efficiently implement the revised PPPFA regulations. The Office of the Chief Procurement Officer is embarking on campaigns to ensure that all Organs of State fully on-board and utilise the CSD.

* + - 1. *Opportunities*

It is the source of supplier information for all organs of state; it reduces duplication of effort and cost for both business and government while enabling electronic procurement processes, as suppliers are only required to register once when doing business with the state, reduction in red tape and administrative burden of suppliers that are in good standing on the various compliance requirements of government; curbing fraud due to standardised and electronic verification of supplier information; significant reduction in compliance audit effort and cost; the ability to implement government legislation such as PPPFA (e.g. locating businesses run by youth, women, cooperatives and people with disabilities) more effectively; and the CSD forms the base for implementation of eProcurement for Government.

* 1. **PROCUREMENT STRATEGIES REFORMS**
     1. **Strategic Procurement Framework and Methodology**

The purpose of this framework is to advocate the principle that government must have a differentiated approach to procurement where, through a systematic and rigorous analysis process, different commodity groups have different procurement approaches.

* + - 1. *Achievements*

The developed SPF has been web-enabled as a user-friendly walk-through process and will be made available to users during April 2017 on the pfm portal (http://pfmportal.treasury.gov.za).

* + - 1. Challenges

Government tends to be risk averse due to public expectations around value for taxpayer money, constant scrutiny by the media, and a lack of public understanding around economic multipliers. Many institutions do not have sufficient capacity to engage in complex or strategic approaches to procurement. Strategic procurement requires skills that are often missing within government. Government’s narrow definition of value-for-money to procurement processes, often discounts the broader multiplier benefits. The current procurement model is common across the public sector does not, for the most part, account for these benefits in its assessment. Government’s limited view of integrated models of procuring, servicing, maintaining and disposing of goods, also known as Total Cost of Ownership or Life Cycle Costing, is often a barrier to implementing strategic procurement.

* + - 1. *Opportunities*

Applying strategic sourcing to complex goods and services with the aim of procuring for outcomes, gives departments and the industry the flexibility to apply innovative solutions.

Public procurement can generate more jobs at the local level through promoting labour intensive activities (such as infrastructure investment or assembly lines for technology products). A more strategic approach to public procurement can be a critical tool to improve job quality and skills improvement. Designated sectors for local procurement are typically sectors in industry that has a specific focus. Promoting local procurement in these sectors have the potential to encourage local manufacturing and creating local expertise. This brings new wealth into the South African region and help drive economic growth.

* + 1. **Health Related Projects**

The OCPO is assisting the Department of Health with a procurement reform initiative in five categories and across all provincial departments of health: medical equipment and devices, hospital cleaning services, hospital laundry & linen, hospital food services and medical waste management. The spend value of these five categories are approximately R18.5 billion (2015/2016).

* + - 1. *Achievements*

The “Diagnostic Phase” of the project was completed end of March 2017 for each of the categories. This included, but was not limited to, detailing the current sourcing methods, analysis of current contracts, analysis of category spend, determining cost drivers and risk areas. In-depth industry, market and supplier analysis was also done to determine the market complexity. It further determined opportunities for standardization in product design specifications or service requirements. Savings opportunities as well as process improvements have been identified. The “as-is” situation will form the basis of the next phases which is the category procurement strategy development and the strategy execution phases. The outcome of this project will impact all provincial departments of health.

* + - 1. *Challenges*

Health services are delivered through a network of healthcare facilities and each of these facilities require a distinctive range of services and commodities .The complex challenge is to identify the most appropriate sourcing solutions for each of these diverse categories that also addresses the issues unique to public sector healthcare delivery.

* + - 1. *Opportunities*

Move away from the traditional approach of procuring medical devices as supply and delivery to the total life-cycle of devices which will include supply, delivery, installation, commissioning and maintenance thereof. The development of generic specifications and a national procurement process for many of these categories has the potential to result in more efficient and significant cost savings. The standardisation of equipment specifications and service specifications will ensure that the department procures based on functionality requirements and that all facilities have the basic required items and services to be able to render the enhanced operational services. Standardisation of equipment and service requirements has the additional benefit to facilitate maintenance and technical support of the equipment procured. It is envisaged that the greatest potential for both cost-saving and improved efficiency would occur with the categories that are often used in the health facilities

* + 1. **Travel and Accommodation**

The OCPO has developed a sourcing strategy for Travel & Accommodation which includes domestic air transport, accommodation, car rental, shuttle services and Travel Management Companies. The spend value on this category (Travel & Subsistence) for national and provincial departments is approximately R10 billion per annum.

* + - 1. *Achievements*

OCPO has implemented a number of interventions since the start of 2016/2017 and intends to implement more interventions as a measure to curb expenditure. These include: Negotiated improved upfront discounts for domestic flights with the two full service carriers. A potential saving of R89 million per annum is targeted. Established maximum allowable rates for accommodation which holds a potential saving of R132 million per annum. Standardised bid specifications and evaluation requirements for the appointment of Travel Management Companies which can potentially save government another R35 million per annum. Doing away with volume driven incentives being paid to TMCs (rebates and commissions) by third party travel suppliers. Issuing a National Travel Policy Framework that is applicable across all government departments which will institute a culture of planning and which can potentially save another R75 million per annum. Instituting cost containment measures for government departments. Investigating the implementation of a Government Online Booking Tool which is TMC and GDS agnostic.

* + - 1. *Challenges*

The huge stakeholder base of this category makes it almost impossible to agree on a single strategy that will satisfy everybody. Travel is an emotive subject. Whether a new travel management service is introduced for the first time or if planning is done to change the incumbent provider, people from every corner of the organisation will have an opinion on the matter. The implications of making wrong decisions has a far reaching ripple effect for both government departments and industry alike.

* + - 1. *Opportunities*

The National Travel Policy Framework as well as the Minimum Bid Specification requirements present the opportunity for a common, standardised approach to travel management services and behaviour across government. It further improves transparency in how government deals with the industry with regards to volume driven incentives and rebates which posed a conflict in the current business model.

* + 1. **Education Related Projects**

Currently the OCPO is assisting the Department of Basic Education with two initiatives: OCPO has developed a sourcing strategy for Learner, Teacher Support Material (LTSM) that will result in improved demand planning, supply and delivery of LTSM to schools. The value spend value of this category is approximately R4.2 billion per annum and includes school stationery, school text books and prescribed books. This project is at execution phase. OCPO has also developed a Framework for e-Education Procurement Strategy in line with the Department of Basic Education’s Five-Year Strategic Plan and which will greatly assist with the rollout of ICT in schools. This is a fit-for-purpose framework that will guide e-education stakeholders through the planning, readiness assessment and procurement of ICT at school level. This project is at execution phase.

* + - 1. *Achievements*

The project is currently at execution phase. The procurement strategy that was developed indicated that LTSM is best suited to be managed centrally through Transversal Contracts to leverage on economies of scale and making the best use of government’s negotiation power. HEDCOM endorsed the strategy on 5 December 2016. When fully implemented, this strategy has the potential to save government approximately R700 million.The Framework for e-Education Procurement Strategy was presented at the DBE’s ICT Advisory Committee on 16 Feb 2017 and it was recommended that this Framework be taken forward as the basis of the Operation Phakisa ICT Strategy for DBE.

* + - 1. *Challenges*

The greatest concern is that the rollout of ICT in schools has not been implemented with the expediency it deserves in the last ten years. Schools are faced with children who have been born in an era of advanced technology, and it makes sense for the sector to provide education that conforms to these developments.

* + - 1. *Opportunities*

The objective is to create procurement data transparency and therefore enable the identification of the many hidden opportunities in the Government environment that can be exploited to the benefit of the South African population through increasing the visibility in the supply chain activities and processes of the various levels of Government. This transparency will mean a reduction in fraud and corruption and increased bolstering of service delivery.

* + 1. **Infrastructure procurement**
       1. **Cost Model for Schools**

The OCPO in consultation with the Department of Basic Education (DBE) developed a cost model which establishes a control budget for the provision of new schools (small, medium and large primary and secondary) and additional buildings at existing schools. This cost model is based on the menu of prototype designs and the cost model developed by the DBE during 2011 and is aligned with the Minimum Uniform Norms and Standards for Public School Infrastructure published in terms of the South African Schools Act, 1996.

* + - 1. **Standard for Infrastructure Procurement and Delivery Management**

A Standard for Infrastructure Procurement and Delivery Management (SIPDM) has been issued and it covers the supply chain management system for infrastructure delivery. It has been framed around the five focus areas proposed by the National Planning Commission for the design of a procurement system. It was issued as an instruction (Treasury Instruction 4 of 2015) in terms of Section 76(4)(c) of the Public Finance Management Act of 1999 (Act No.1 of 1999).

* + - 1. **Projects on Data transparency and uniform item codification standard**

Data mining, cleansing, categorization, integration, visualization and reporting. The objective with the establishment of procurement data transparency is to identify the many hidden opportunities in the Government environment that can be explored to the benefit of the South African population if we can manage to increase the procurement spend visibility across all levels of Government. Increased visibility in the supply chain activities of the various levels of Government will unlock opportunities in terms of the monitoring and control of processes and procedures from an OCPO perspective.

* 1. **TRANSVERSAL REFORMS**
     1. **Savings**

The OCPO is currently facilitating 70 transversal contracts with an estimated value of R62 billion. These are classified into 6 main commodity groups as follows: health & medical technology, vehicles equipment & services, textiles, perishables & consumables, information communication technologies, property and leasing and education.

* + - 1. *Achievements*

The following savings efficiencies have been recorded for the 2016/17 FY -

1. Vehicle Procurements – R285 million per annum through further negotiations. In total this contract benefits the State to the tune of R2.6 billion.
2. Mobile Communications – R400 million per annum recorded through changing Governments modality of purchasing from a consumer/ individualised product through to a wholesale enterprise model
3. Health related savings per annum - HIV MC R17m, Surgical instruments R0,5m, Medical Equipment R48m
4. Other savings include - Animal feed R33 million, Courier Services R5,4m per annum and Textiles R1,5m
5. Renegotiation of Microsoft contract – R1.5 bil over 3 years (reduction of licence cost to a one – government rate and standardisation of services rate card)
6. Renegotiation of Telecoms contracts R1 bil over two years from 1 April 2017 (changing billing to per second billing from per minute billing, reduction of rates charged to government, elimination of duplications in technology providers for fixed line to mobile calls

1.4.1.2 *Opportunities*

* 1. Health Projects - Male and female condoms and lubricants, Bandages and dressings, Crutches and walking aids, Surgical sundries, Surgical gloves, Sterilisation related items, Surgical catheters, tubes and related items, Hypodermic syringes, needles and bloodletting devices, Rapid HIV test kits, Administration accessories
  2. Online Media Advertisements
  3. Leasing – 18% - R800 million – these can be saved over the MTEF.
  4. Office Automation - photocopiers
  5. Maintenance of vehicles
  6. ICT – Hardware and software
  7. Other projects
  8. medical – savings will accrue but the volatile currency keeps beating us, agricultural and veterinary products – seasonal uncertainty in SA problematic.

1.4.1.3 *Challenges*

1. Fragmented procurement system across the State
2. Lengthy tender processes – 6 months to a year to finalise a tender
3. Huge price variations between procuring entities
4. Poor standardisation in procuring same goods/ services/ works
5. Interference
6. Tenderpreneurism
7. Lack of capacity to conduct monitoring and compliance
8. Shoddy quality/workmanship in products/ services
9. Lack of focus on core service delivery
10. Lack Procurement planning
11. Over-use of RFQ methods
12. Inadequate Procurement Capacity
13. Manual Procurement System
14. Lack of Self-Monitoring Culture
15. Weak contract management
16. Unnecessarily appeals and judicial review process
17. Duplication of effort - RFx’s, Contract creation, Contract management, Supplier management, Supplier queries, Litigation, Cancelled tenders and contracts, Audit queries.
    1. **GOVERNANCE AND MONITORING REFORMS**

The OCPO has embarked on the following reforms in order to ensure that procurement of goods and services complies with treasury norms and standards. Review bid evaluation and adjudication minutes; review contracts; review specifications; conduct bid committee trainings; provide advised and guidance as and when required; and attend bid committees as observer.

Enhance transparency and good governance through publication of procurement plans and once procured, the offices also publish the implementation of procured plan. This will be through deviations and expansion.

* + 1. *Achievements*

Tenders are advertised in advance for the public to be able to participate as the Constitutions prescribe as such.

* + 1. *Opportunities*The public are able to plan in advance on concerning tenders that will be public by Departments and Public Entities.
    2. *Challenges*

None

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Q1 (April - June 16)** | | **Difference** | **Q2 (July - Sept 16 )** | | **Difference** | **Q3 (Oct - Dec 16 )** | | **Difference** | **Q4 (Jan - March 17)** | | **Difference** | **Annual Difference** | **Annual** | | **Percentage** |
|  | **Received** | **Reviewed** | **Received** | **Reviewed** | **Received** | **Reviewed** | **Received** | **Reviewed** |  | **Received** | **Reviewed** | **%** |
| Specification | 34 | 34 | 0 | 65 | 57 | 8 | 32 | 30 | 10 | 34 | 34 | 0 | 10 | **165** | **155** | **93.94** |
| BEC and BAC Minutes | 38 | 38 | 0 | 113 | 96 | 17 | 66 | 66 | 17 | 76 | 76 | 0 | 17 | **293** | **276** | **94.20** |
| Contract | 80 | 80 | 0 | 78 | 75 | 3 | 36 | 26 | 10 | 82 | 92 | -10 | 3 | **276** | **273** | **98.91** |
| Site Inspection - Infrastructure | 28 | 28 | 0 | 64 | 64 | 0 | 19 | 19 | 0 | 28 | 28 | 0 | 0 | **139** | **139** | **100.00** |
| Deviations | 261 | 261 | 0 | 223 | 223 | 0 | 222 | 214 | 8 | 274 | 280 | 2 | 2 | **980** | **978** | **99.80** |
| Expansions | 264 | 264 | 0 | 147 | 147 | 0 | 194 | 183 | 11 | 273 | 281 | 3 | 3 | **878** | **875** | **99.66** |
| Procurement Plan | 219 | 219 | 0 | 130 | 130 | 0 | 130 | 130 | 0 | 219 | 219 | 0 | 0 | **698** | **698** | **100.00** |

* 1. **STAKEHOLDER AND CLIENT MANAGEMENT REFORMS**
     1. **Radio Campaign**

A community radio campaign was run early in the 2017. The campaign was aired on different languages conveying the same message on SCM related matters.

In addition to this, further engagements were undertaken with departments such as the Department of Military Veterans to establish the SCM units amongst others.

1.6.2.1 Achievements

Most of the suppliers were informed about the behind the scenes of government planning, what their responsibilities are in the Supply Chain Management process importantly in ensuring that government carries out the policies as they should.

* + - 1. *Challenges*

Lack of support from the Communications Unit within the National Treasury by using other modes of communication such as the National Treasury social media tools to enforce the messages shared through the campaign. The uncoordinated communication from the OCPO creates distorted understanding on the reforms undertaken by the OCPO, thus creating the impression that the reforms are not beneficial.

Most organs of state have managers who are not capable to implement the policy changes unfolding from the OCPO.

* + - 1. *Opportunities*

Approval from the DG to create the OCPO social media account will assist in reaching out to suppliers consistently and constantly on the developments within the SCM environment.

* + 1. **30 day payment**

Partnership was made with Black Business Council Built Environment (BBCBE) to address the non-payment of suppliers within 30-days. An amount R224 million made up of 2430 invoices was processed from June 2016 to date. A total of 3204 invoices amounting to R392 million is still owed to suppliers as per the queries received to date. The BBCBE provides the OCPO with learners who capture these queries and track the payment thereof. These apply only to provincial departments and municipalities.

* + - 1. *Achievements*

Some payment queries were resolved.

* + - 1. *Challenges*

The 30 day payment process is handled by too many stakeholders within government. The Office of the Accountant General (OAG) is responsible for receiving the reports from organs of state reflecting the period it takes for organs of state to process payments for suppliers. The submitted reports are not easily verifiable since what is reported through the OCPO from suppliers does not correspond with the reports submitted to the OAG. The reporting to parliamentary is done by DPME with inputs from the OCPO and OAG.

* + - 1. *Opportunities*

The organs of state and units responsible for oversight to procuring organs of state should strengthen the measures that can accurately monitor the spending, accruals and purchase orders not finalised for payments.

1. **DETAILS ON MAJOR SAVINGS AND EFFICIENCIES REALISED ACROSS ALL STATE AGENCIES**

2.1 The following savings have been realised for 2016- 2017

1. Vehicle Procurements – R285 million per annum
2. Mobile Communications – R400 million per annum
3. Health related savings per annum - HIV MC R17m, Surgical instruments R0,5m
4. Medical Equipment R48m
5. Animal feed R466 million (not factored into budget process due to foreign exchange, farming conditions and uncertainty and drought sensitivity)
6. Renegotiation of Microsoft contract – R1.5 bil over 3 years (reduction of licence cost to a one – government rate and standardisation of services rate card)
7. Renegotiation of Telecoms contracts R1.1 bil over two years from 1 April 2017 (changing billing to per second billing from per minute billing, reduction of rates charged to government, elimination of duplications in technology providers for fixed line to mobile calls.
8. Courier Services R5,4m per annum
9. Textiles R1,5m
10. Software R3 bil over 3 years
11. Travel and Accommodation R1.4 bil over 3 years

Contracts with major suppliers of government were renegotiated to avoid cost of R7 bil as at end of March 2017.

1. **DETAILED OPPORTUNITIES GOING FORWARD TO IMPROVE THE QUALITY OF STATE EXPENDITURE**

3.1 **Transversal**

New projects have been identified as follows to increase quality of state expenditure: increase centre led contract spend to R90 Billion – this will entail a deep dive into frequently procured Government spend items that will be placed on transversal contracts. Increase participation by black and small business across centre led contracts. Play a direct role in creating 10 000 jobs through procurement contracting interventions.

3.2 **Strategic Sourcing**

Over the next year, Strategic Procurement will focus on the implementation of all the projects mentioned above: Institutionalising Strategic Procurement in government supply chain management. Developing and implementing sourcing strategies and standard operating procedures for the five health related categories. Implementing a Government Travel Online Booking Tool which is TMC and GDS agnostic.

3.3 **Stakeholder and Client Management**

Expand engagement to suppliers across the 9 provinces, to particularly engage on the newly promulgated Preferential Public Procurement Framework Act. Additional to this, groups of business falling within the selected categories will be engaged, including the civil society. Development of a supplier brochure in order to reinforce the matters raised from radio campaign.

* 1. **State Owned Entities/ Enterprises**

State owned entities /enterprises have a huge responsibility to ensure that delivery of different services is done efficiently for all strategic government projects. Corporate governance embodies processes and systems by which SOE’s are directed, controlled and held to account. In addition to legislative requirements based on a SOE’s enabling legislation, and the Companies Act, corporate governance with regard to SOE’s is applied through the precepts of the Public Finance Management Act,(PFMA) and run in tandem with the Protocol on Corporate Governance, which encapsulates the principles contained in the King III Report on Corporate Governance. In order for the SOE’s to function efficiently it is important that a review on the Supply Chain Management framework be done and implemented. Develop a strategic sourcing plan for common utilised goods to maximise on savings while promoting a system driven and reporting architecture.

1. **MAJOR PROJECTS BY OCPO- ESKOM, PRASA AND OTHER MAJOR STATE CONTRACTS**

4.1 A number of investigations are currently conducted. Eskom- Tegeta report has been issued for comments by Eskom. PRASA- forensic audit reports have been forwarded to PRASA board for consideration and comments and once finalised they will be sent to Public Protector. Transnet - some of the information is awaited after intervention by SCOPA. SABC- additional documentation has been received after intervention of SCOPA, currently reviewing, and SAA. The investigations are conducted in accordance with accepted procedure.

1. **OVERSIGHT STRUCTURES ACROSS ALL SPHERES OF GOVERNMENT IN UTILISATION OF SERVICES BY OCPO**
   1. This is covered in Section 16 A of the Treasury Regulations
   2. Instruction 3 also makes provision for submission of complaints and remedial actions by relevant treasuries.
   3. OCPO attends Parliamentary Committee meeting on request from the Chairperson of the Committee to deal with oversight issues.
2. **ANY OTHER MATTER TO ASSIST THE COMMITTEE**
   1. There is need for skilled personnel to assist with specialised functions;
   2. The OCPO must be properly resourced to have optimal impact;
   3. eProcurement systems are key to modernise procurement, optimise spending and create transparency and visibility;