




DWS infrastructure procurement strategy

Approved: 
Director General
20 September 2022

Contents

1	Introduction.....	1
1.1	Background	1
1.2	Responsibilities for water within the value chain	1
1.3	Problem statement.....	3
1.4	Step change required to address institutional infrastructure delivery capabilities	6
2	Regulatory regime for infrastructure procurement.....	7
2.1	Scope of infrastructure procurement.....	7
2.2	PFMA and CIDB requirements for infrastructure procurement	7
2.3	CIDB register of contracts and register of projects.....	8
2.4	Recent changes in approaches to regulating procurement	10
2.5	New DWS IPDM policy and procedures.....	11
3	The approach to the development of a procurement strategy	12
3.1	General.....	12
3.2	Primary and secondary procurement objectives	12
3.3	Spend, organizational, market and stakeholder analysis.....	14
3.3.1	Organisational analysis.....	14
3.3.2	Spend analysis	24
3.3.3	Market analysis.....	26
3.3.4	Stakeholder analysis.....	29
4	Proposed procurement strategy	30
4.1	Strategic approach to procurement.....	30
4.2	Procurement strategy for categories of procurement	31
4.2.1	Assumptions	31
4.2.2	Strategy for construction contracts.....	31
4.2.3	Strategy for professional services	33
4.2.4	Strategy for services	33

4.2.5	Strategy for supplies	35
4.3	Procurement tactics	35
Annexure A: Constitutional imperatives for the procurement system.....		A1
Annexure B: Infrastructure procurement strategy		B1
B1	Legislative requirements	B1
B2	Guidance on the development of a procurement strategy	B2
B2.1	Overview	B2
B2.2	"Buy" or "make" decision.....	B2
B2.3	"Buying" and "supply" functions.....	B5
B2.4	Framework for the development of a procurement strategy	B5
B3	Selection of a suitable form of contract	B6
B4	Procurement tactics to implement a procurement strategy.....	B7
Annexure C: Framework agreements		C1
C1	Introduction	C1
C2	Reasons entering framework agreements for infrastructure delivery	C2
C3	Appraisal of different approaches to framework agreements.....	C3
C4	Framework agreements as provided for in ISO 10845-1:2020.....	C4
C4.1	General.....	C4
C4.2	Key features of framework agreements	C4
C4.3	Putting in place a framework agreement.....	C6
C4.4	Putting in place an order	C6
C4.5	Identifying a suitable standard form of contract.....	C6
Annexure D: Step changes necessary to develop institutional capacity to deliver infrastructure.....		D1
D1	Introduction.....	D1
D2	Value for money in an infrastructure context	D2
D3	Infrastructure procurement and delivery management concepts.....	D3
D4	Core infrastructure delivery system.....	D6
D5	Unpacking the necessary step changes to improve infrastructure delivery	D8
D5.1	Adopting a strategic approach to procurement.....	D8
D5.2	An enabling regulatory framework	D9
D5.3	Managing infrastructure delivery as an enterprise.....	D10
D5.4	A robust asset management system.....	D13
D5.5	Competencies to deliver	D14
Annexure E: Framework agreements to improve municipal water infrastructure		E1
Annexure F: DWS Planned procurements for 2022/23 financial year		F1

4.3	Procurement tactics	35
Annexure A: Constitutional imperatives for the procurement system.....		A1
Annexure B: Infrastructure procurement strategy		B1
B1	Legislative requirements	B1
B2	Guidance on the development of a procurement strategy	B2
B2.1	Overview	B2
B2.2	“Buy” or “make” decision.....	B2
B2.3	“Buying” and “supply” functions.....	B5
B2.4	Framework for the development of a procurement strategy	B5
B3	Selection of a suitable form of contract	B6
B4	Procurement tactics to implement a procurement strategy.....	B7
Annexure C: Framework agreements		C1
C1	Introduction	C1
C2	Reasons entering framework agreements for infrastructure delivery	C2
C3	Appraisal of different approaches to framework agreements	C3
C4	Framework agreements as provided for in ISO 10845-1:2020.....	C4
C4.1	General.....	C4
C4.2	Key features of framework agreements	C4
C4.3	Putting in place a framework agreement.....	C6
C4.4	Putting in place an order.....	C6
C4.5	Identifying a suitable standard form of contract.....	C6
Annexure D: Step changes necessary to develop institutional capacity to delivery infrastructure.....		D1
D1	Introduction.....	D1
D2	Value for money in an infrastructure context	D2
D3	Infrastructure procurement and delivery management concepts	D3
D4	Core infrastructure delivery system.....	D6
D5	Unpacking the necessary step changes to improve infrastructure delivery	D8
D5.1	Adopting a strategic approach to procurement.....	D8
D5.2	An enabling regulatory framework	D9
D5.3	Managing infrastructure delivery as an enterprise.....	D10
D5.4	A robust asset management system.....	D13
D5.5	Competencies to deliver	D14
Annexure E: Framework agreements to improve municipal water infrastructure		E1
Annexure F: DWS Planned procurements for 2022/23 financial year.....		F1

1 Introduction

1.1 Background

Water is central to life. Water-borne diseases are a major concern in South Africa and are listed as a leading cause of death in children under the age of five. Water is also a critical input to almost all forms of economic activity.

The Constitution of the Republic of South Africa, 1996, gives the right to all people in South Africa to have access to water and to have their dignity protected and respected. Water is life and sanitation is dignity. Furthermore, the Constitution requires the state to take reasonable legislative and other measures within its available resources to achieve the progressive realisation of these rights. Section 3 of the Water Services Act of 1997 (Act No 108 of 1997) stipulates the following in this regard:

- everyone has a right of access to basic water supply and basic sanitation;
- every water services institution must take reasonable measures to realise these rights; and
- every water services authority must, in its water services development plan, provide for measures to realise these rights.

Government is required to provide the following basic minimum water and sanitation services:

- at least 6 000 litres per household per month at a flow rate of not less than 10 litres per minute within 200 metres of a stand;
- no consumer can be without water for more than 7 days per year; and
- a toilet per household including a Ventilated Pit Toilet, which is safe, reliable, environmentally sound, easy to keep clean, provides privacy and protection against the weather, well ventilated, keeps smells to a minimum and prevents the entry of flies and other disease-carrying pests.

The goal of the National Infrastructure Plan 2050 (NIP 2050) published in March 2022 is to create a foundation for achieving the National Development Plan's (NDP) vision of inclusive growth. The NIP 2050, produced by Infrastructure South Africa, offers a strategic vision and plan that links the top NDP objectives to actionable steps and immediate outcomes. Its purpose is to *"promote dynamism in infrastructure delivery, address institutional blockages and weaknesses which hinder success over the long term, as well as guide the way towards building stronger institutions that can deliver on NDP aspirations."* NIP 2050 views water infrastructure as one of the four mission critical areas alongside energy, freight transport and digital communications.

1.2 Responsibilities for water within the value chain

Water services refer to water supply and sanitation services and include regional water schemes, local water schemes, on-site sanitation and the collection and treatment of wastewater and disposal of hazardous waste sludge. The Department of Water and Sanitation, government-owned water boards and municipalities are the primary players in the water services sector. The Department of Water and Sanitation plays the role of sector leader and is responsible for policy development, regulation, monitoring and support functions as well as water resource development and management.

Surface water (large dams), ground water (boreholes) and return flows (from wastewater treatment plants back to the river) account for approximately 78%, 9% and 14% of the water supply, respectively. Desalination (transforming sea or salt water to drinking water) accounts for less than 1%.

Water and sanitation infrastructure as illustrated in Figure 1 needs to be provided to service the needs of South African citizens.

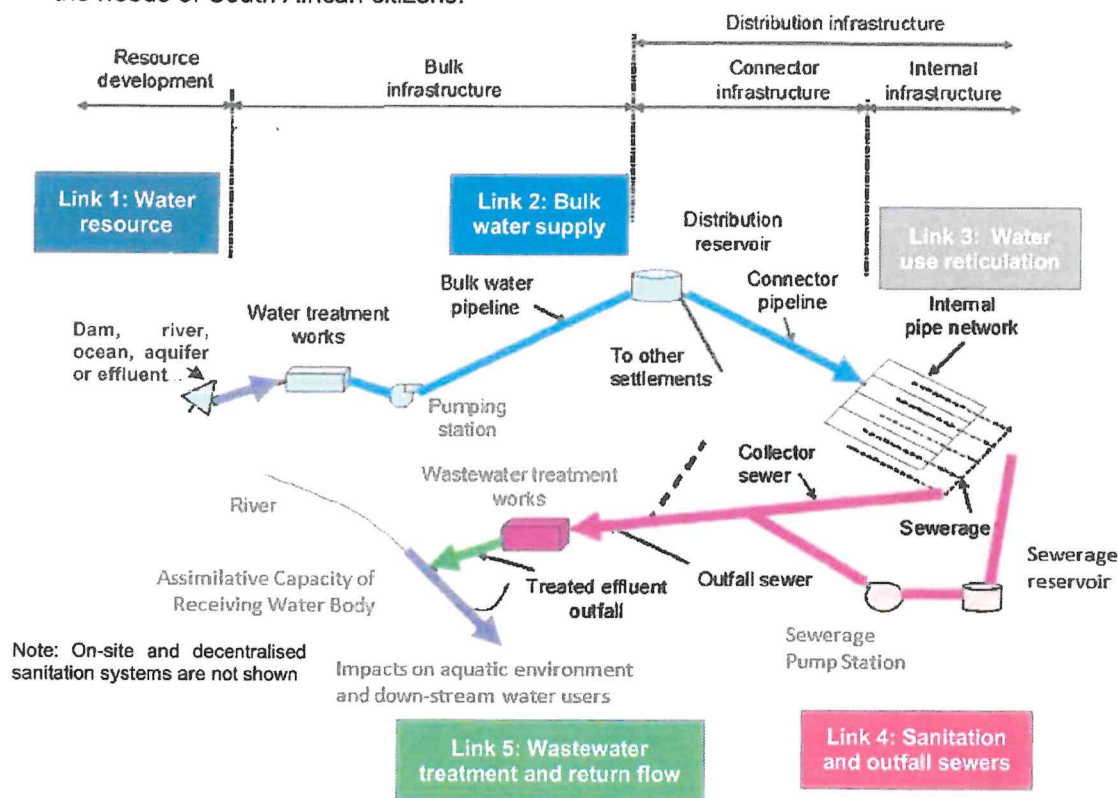


Figure 1: Water and sanitation infrastructure source to consumer and back to source

The 15 water boards in South Africa, which report to the Department of Water and Sanitation, act as intermediaries to distribute raw and potable water across vast distances to multiple users (the regional water supply schemes). Water boards are primarily responsible for bulk water provision, but some water boards also provide retail and reticulation services if appointed by a municipality as a water services provider. They accordingly operate small dams, bulk water supply infrastructure, some retail infrastructure and some wastewater systems. Some also provide technical assistance to municipalities in water quality testing and monitoring.

A water service authority (municipality responsible for ensuring access to water services) has a duty to all customers in its area of jurisdiction to provide progressively efficient, affordable, economic and sustainable access to water services in terms of the Water Services Act of 1997. A water service authority may:

- be a water service provider who provides water services in accordance with the Constitution, the Water Services Act and by-laws of the Water Services Authority; and

- act as a Water Services Provider outside their area of jurisdiction if they are contracted to do so by the Water Services Authority for the area in question.

Water service authorities manage:

- water supply systems, i.e. water purification and bulk distribution and connector infrastructure, excluding local solutions (see link 2 in Figure 1 and Figure 2);
- internal water distribution and sewerage collection systems (see link 3 in Figure 1); and
- wastewater systems (see link 4 in Figure 1)

The provision of water services is a municipal competence in terms of Part B of schedule 4 of the Constitution. However, not all municipalities are water service authorities. The two-tiered local government system requires that powers and functions be divided between category B and C municipalities to avoid duplication and coordination problems. There are currently 8 metropolitan municipalities, 21 district municipalities and 115 local municipalities which are water service authorities. These municipalities as such manage significant infrastructure in links 2, 3, 4 and 5 shown in Figure 1. There are approximately 320 municipal owned dams.

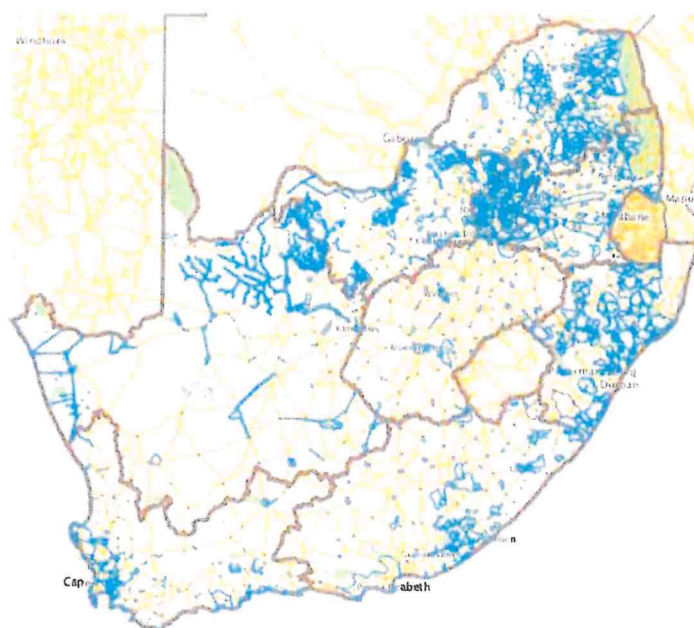


Figure 2: Coverage of the water supply systems in South Africa

1.3 Problem statement

Municipal water services are in decline in many municipalities and government's constitutional obligation to progressively provide safe water and a healthy environment for everyone is being compromised. In many cases, water and sanitation infrastructure is in a critical state after years of inadequate investment and maintenance.

Data from 2019 for water reliability shows that the problem is widespread as indicated in Figure 3. A recent Municipal Strategic Self-Assessment showed that 59 out of 144 water

services authorities (41%) rated themselves as being highly or extremely vulnerable as indicated in Figure 4.

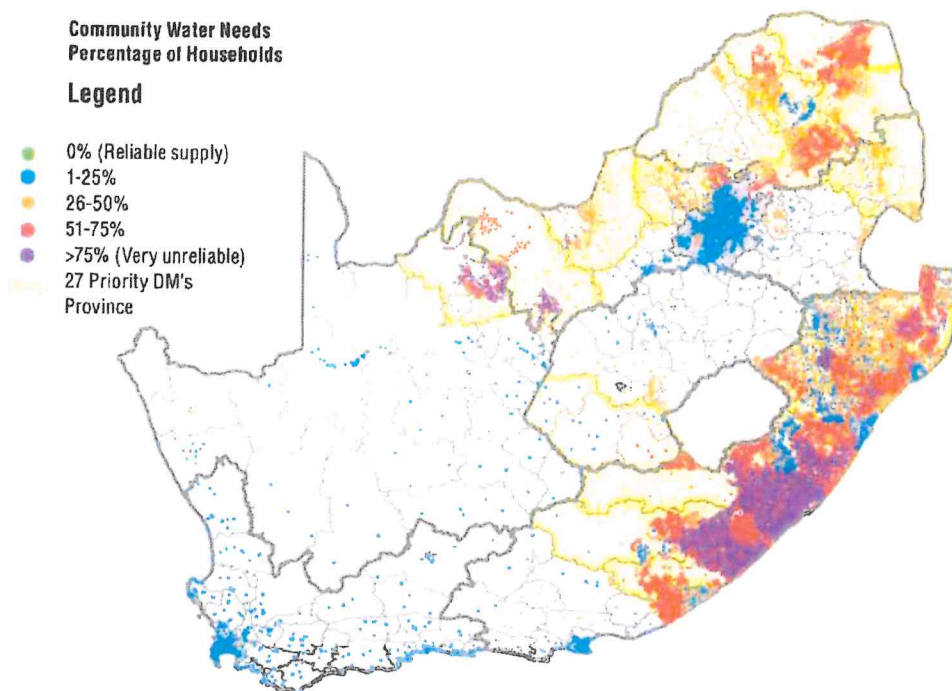


Figure 3: 2019 Community water needs: access to reliable water infrastructure households

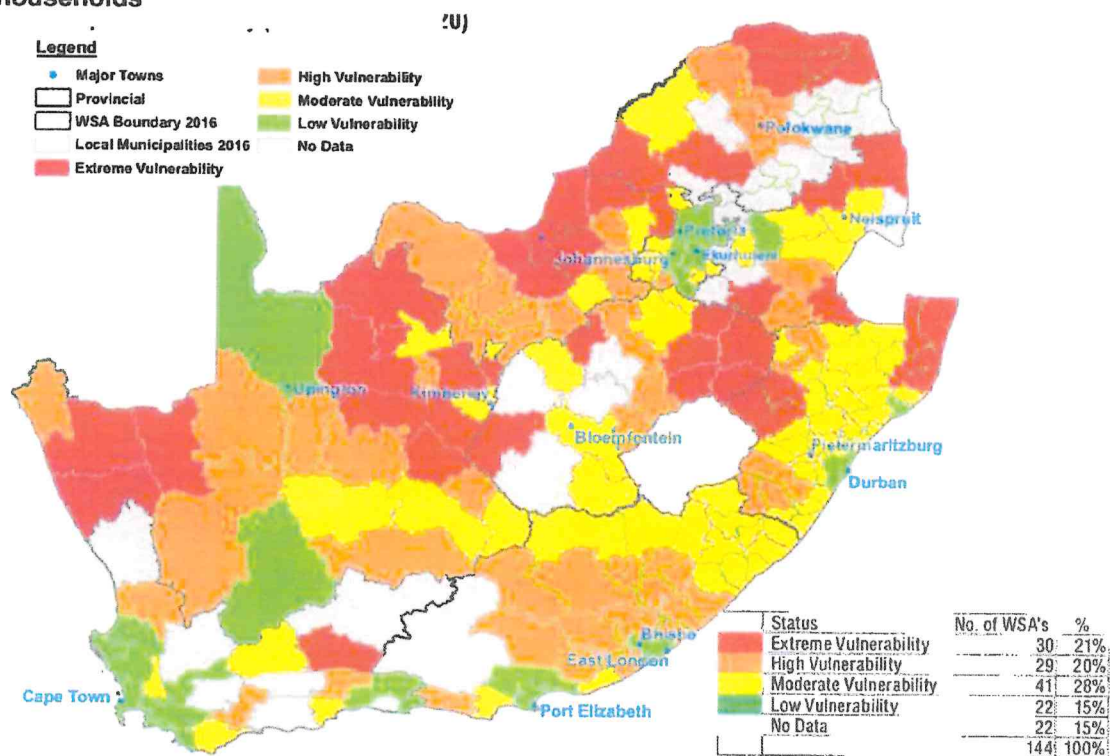


Figure 4: Municipal vulnerability (MUSSA 2019/2020)

In 2006, 2011 and 2017, the South African Institution of Civil Engineering (SAICE) produced an Infrastructure Report Card (IRC) which reflects the expert view of the Institution and its members on the current condition of a broad range of public infrastructure. These report cards categorise sectors and subsectors of infrastructure into one of 5 grades (A – world class, B – fit for the future, C – satisfactory for now, D – at risk of failure and E unfit for purpose). Table 1 indicates the grades over time for water and sanitation including waste water. The report cards suggests that there has been no significant improvement or deterioration in the state of South Africa's water and sanitation infrastructure.

Table 1: Grading of state of sectors and subsectors (2006, 2011 and 2017) (source: SAICE Infrastructure Report Card, 2006, 2011 and 2017)

Sector	Subsector	Grade		
		2006 report	2011 report	2017 report
Water	Bulk water services	D+	D-	D-
	Supply in major urban areas	C+	C+	C+
	Supply for all other areas	D-	D-	D-
Sanitation including waste water	Major urban areas	C-	C-	C-
	All other areas	E	E-	E

The recently published Green Drop report estimated that the cost of restore functionality of existing municipal wastewater infrastructure treatment works is about R8 billion, a figure which is most likely to be an underestimate. The cost of rehabilitating the water and sanitation network, as well as bulk potable water supply systems, is likely to be much higher.

Where infrastructure maintenance and rehabilitation has been neglected over a long period, it is not possible to remedy this in a short period. For example, the replacement cost of municipal water services assets is estimated to be about R1 000 billion¹, and using a benchmark of 1,5% for asset rehabilitation and replacement, then the backlog in rehabilitation over 20 years would amount to R150 billion (assuming actual spending on rehabilitation of half of what was needed), about four times the annual local government transfers to the sector. In addition to the above, high and increasing non-revenue water and real water losses, and low and decreasing revenue collections, are contributing to higher costs and to less money being available to operate and maintain the service. The eight metropolitan municipalities, alone, lose at least R10 billion per year due to non-revenue water and cash collection inefficiencies.

The National Planning Commission's (NPC) background paper *Public infrastructure delivery and construction sector dynamism in the South African economy* (2020) reported significant underspending during the 2015/16, 2016/17 and 2017/18 financial years in all spheres of government and public entities. This paper points out that the data relating to underspending is significantly higher than the data suggests as:

- cost overruns distort the under expenditure;
- the high reported expenditure of municipal and provincial infrastructure budgets is distorted by the transferring of budgets from underperforming entities to high performing entities; and
- the five-year spending trajectory for public-sector infrastructure expenditure has been adjusted downwards every year since 2017 to the extent that an increase in

¹ National Water Investment Framework (DWS,2017), updated to 2022 Rands.

infrastructure investment by 28% year-on-year until 2022 is required to achieve the original trajectory.

This NPC paper found that the major contributor to disappointing infrastructure project outcomes lay in inappropriate procurement practices (the processes which initiate, create and fulfil contracts) and absences of delivery management (the critical leadership role played by a knowledgeable client to plan, specify, procure and deliver infrastructure projects efficiently and effectively, resulting in value for money).

Other contributors were cited as:

- *defects in the identification, assessment and preparation of the project;*
- *poor structuring, management of the tender process, contract management and drafting of contracts;*
- *lack of management capacity and proper skills, continuity/frequent changes in the project team and proper quality control mechanisms;*
- *failures in taking and managing decisions, in stakeholder identification, in internal and external communications and in ensuring that the project matches government's strategic objectives or changes in government objectives;*
- *political interference; and*
- *political rush and unrealistic time scales.*

1.4 Step change required to address institutional infrastructure delivery capabilities

The National Infrastructure Plan 2050 (2022) places a top priority on the strengthening of institutions responsible for infrastructure planning and delivery. The plan requires “a *step change in institutional capability that drives material progress in South Africa's infrastructure ambitions. Planning, procurement and execution systems and capabilities will be operating at the highest global standard commensurate with the country's significant infrastructure transformational agenda. . . to align delivery with the Constitutional imperative (section 195) to promote the 'efficient, economic and effective use of resources' and to ensure that public administration is 'development orientated.'*” This plan also envisages robust and ever developing partnerships and alliances between public and private sectors as a significant feature in infrastructure delivery. This plan is, *inter alia*, premised on there being significant capacity development within infrastructure procurement and delivery management, an enabling regulatory and institutional framework, a strategic approach to infrastructure, systems of accountability and a robust asset management system.

Annexure D sets out the step changes which DWS may need to put place to strengthen its infrastructure delivery capability in line with these NIP 2050 conditions.

2 Regulatory regime for infrastructure procurement

2.1 Scope of infrastructure procurement

The starting point in determining the applicable regulatory regime for infrastructure procurement is to understand how several key terms are defined in various pieces of legislation as indicated in Table 2. Infrastructure as defined in the Framework for Infrastructure Delivery and Procurement Management (FIDPM) includes construction works which is defined in the Construction Industry Development Board Act. It broadens the definition of construction works to include moveable assets such as cranes which operate on rails and trains.

FIDPM defines infrastructure procurement in such a manner that it includes goods, services and construction works (combination of goods and services) associated with various aspects of infrastructure. This definition is not inconsistent with that included in the Construction Industry Development Regulations as procurement within the construction industry includes the procurement of goods or services and any combination thereof in delivering construction industry products.

Table 2: Definition of terms in various pieces of legislation

Reference	Key defined terms
Framework for Infrastructure Delivery and Procurement Management (FIDPM) through Treasury Instruction 3 of 2019/2020	Infrastructure: a) immovable assets, which are acquired, constructed or result from construction operations; or b) movable assets, which cannot function independently from purpose-built immovable assets.
	Infrastructure procurement: the procurement of goods or services including any combination thereof associated with the acquisition, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.
Construction Industry Development Board Act	construction works: the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset including building and engineering infrastructure
	construction industry: the broad conglomeration of industries and sectors which add value in the creation and maintenance of fixed assets within the built environment
Construction Industry Development Regulations	construction procurement: procurement in the construction industry, including the invitation, award and management of contracts;

2.2 PFMA and CIDB requirements for infrastructure procurement

The CIDB first published in CIDB Notice No. 62 of 9 June 2004 the CIDB Standard for Uniformity in Construction Procurement (SFU) in terms of their legislative mandate, viz:

- CIDB Act of 2000 - promote, establish or endorse uniform standards (section 4(f)), within the framework of the procurement policy of Government, promote the standardisation of the procurement process with regard to the construction industry (section 5(3)c)) and standardisation of procurement documentation, practices and procedures (section 5(4)(b));

- Regulation 24 of the Construction Industry Development Regulations (2004) - the solicitation process for construction works is to be in accordance with the CIDB Standard for Uniformity in Construction Procurement.

The SFU establishes requirements for procurement within the construction industry which are aimed at bringing about standardisation and uniformity in construction procurement documentation, practices and procedures. This standard, which addressed supply, services, engineering and construction works and professional services contracts within the construction industry, was updated at regular intervals, the last revision was made in Board Notice 136 of 2015.

Regulation 16A6.3 of the PFMA Supply Chain Management Regulations 2005 requires that the *accounting officer or accounting authority must ensure that –*

- (a) *bid documentation and the general conditions of a contract are in accordance with –*
 - (i) *the instructions of the National Treasury; or*
 - (ii) *the prescripts of the Construction Industry Development Board, in the case of a bid relating to the construction industry*

The CIDB published under the Department of Public Works Notice 423 of 2019 a Standard for Uniformity in Engineering and Construction Works Contracts. This standard establishes requirements for engineering and construction works contracts and references several normative documents which include the first four parts of SANS 10845 (South African National Standards for Construction Procurement). The CIDB Standard for Uniformity in Engineering and Construction Works Contracts does not replace or superseded the CIDB Standard for Uniformity in Construction Procurement.

FIDPM references numerous normative references (documents which are indispensable for the application of this document) which include "*applicable Construction Industry Development Board Standard for Uniformity.*" Clause 6.1 of FIDPM requires, in a manner consistent with the provisions of the CIDB prescripts, that procurement documents be developed in accordance with the applicable CIDB Standard for Uniformity. FIDPM accordingly recognises that there may be more than one CIDB Standard for Uniformity.

2.3 CIDB register of contracts and register of projects

The Construction Industry Development Board Act, 2000 provides for the establishment of the CIDB to implement an integrated strategy for the reconstruction, growth and development of the construction industry. The Act creates a register of contractors linked to a best practice contractor recognition scheme and a register of projects linked to a best practice project assessment scheme.

The Act:

- prohibits the award of a construction works contract in the public sector to an unregistered contractor;
- requires all organs of state to apply the register of contractors to their procurement processes when procuring construction works.

- requires from a date determined by the Minister in the Gazette that all construction contracts above a prescribed tender value be subject to an assessment of compliance with best practice standards and guidelines published by the Board in the Gazette.

The CIDB has set up a national fund through the best practice project assessment scheme to which construction projects must contribute financially to construction industry development through the B.U.I.L.D. Programme. Construction projects of grade 7 and above must contribute to the B.U.I.L.D Fund a percentage of the contract value.

DWS is required, in terms of a CIDB Best Practice Project Assessment Scheme notice 505 of 2020 and amendments to the Construction Industry Development Regulations included in Government Gazette 43726 of 18 September 2020, to be assessed for compliance with the requirements of the following CIDB standards:

- 1) *Standard for Indirect Targeting for Enterprise Development*² as published by Board Notice No. 180 of 2013 in Gazette No. 36760 of 23 August 2013 or any amendment thereof where a contract falls within the General Building (GB) or Civil Engineering class of construction works and has a tender value equal to or above the minimum tender value associated with a CIDB grade 7 contractor³ and which has a project duration of 6 months or more.
- 2) *Standard for Developing Skills through Infrastructure Contracts*⁴ published by Board Notice No. 21 of 2013 in Gazette No. 36190 of 25 February 2013 or any amendment thereof where the contract amount (financial value of the contract at the time of the award of the contract or an order at the time of issue, including value added tax but excluding all allowances and expenses) exceeds the R5 m and R 40 m in the case of professional services and construction works contracts, respectively, and the project has a duration of 12 months and more.

DWS is required within one calendar month of the date of the issuing of a practical completion certificate on payment of a fee of 0,2% of the total value of the project on the date of award of the tender / issuing of the order but not more than R 2 000 000 and to notify the CIDB of compliance of the project with:

- 1) the Standard for Indirect Targeting for Enterprise Development and submit to the Board the Targeted Enterprise Declaration Affidavits as specified in the Standard for Indirect Targeting for Enterprise Development through Construction Works Contracts pertaining to the developing enterprises concerned; and

² This CIDB Standard promotes enterprise development by requiring contractors to achieve a minimum 5% contract participation goal coupled to the provision of development support in the performance of their contracts. The required monetary value of expenditure on targeted enterprises (cidb registered contractors who are either 50% black owned or 30% black women owned) performing work either as joint venture partners or subcontractors is not to be less than 5%. Credits towards the contract participation goal are denied should the contractor not provide internal mentorship to the targeted enterprises in at least two mutually agreed developmental areas identified during a needs analysis following the award of the contract.

³ The current upper limit of the tender value range for a grade 7 contractor is R 40 to R 60 million.

⁴ This CIDB Standard establishes a minimum contract skills development goal which is to be achieved in the performance of a contract in relation to the provision of different types of workplace opportunities linked to work associated with a contract which culminate in or lead to:

- 1) a part- or full occupational qualification registered on the National Qualification Framework;
- 2) a trade qualification leading to a listed trade (GG No. 35625, 31 August 2012);
- 3) a national diploma registered on the National Qualification Framework; and
- 4) registration in a professional category by a statutory council.

- 2) the Standard for Developing Skills through Infrastructure Contracts and the contract skills development achieved.

2.4 Recent changes in approaches to regulating procurement

A recent National Planning Commission discussion paper “Public infrastructure delivery and construction sector dynamism in the South African economy” (2020) found that there is widespread confusion among even senior infrastructure procurement and SCM officials over what the law expects of them, arising from a plethora of legal prescripts that officials find difficulty in clearly understanding and implementing and even to simply keep track of. This paper also pointed out that a lack of focus on strategic delivery is an underlying cause of problems in public procurement. Simply put the procurement system has not successfully engaged with issues of operational efficiency, value for money and effectiveness. This is due in part to over-regulation, a one-size fits all approach to procurement and an excessive rigidity in the framing and the interpretation of procurement rules which frustrates or stifles rather than supports effective delivery.

The procurement regime is also changing. The Preferential Procurement Regulations 2017 have been declared as being invalid by the courts for a number of reasons including the usurping by National Treasury of an organ of state’s right to determine its own preferential procurement policy. The draft Preferential Procurement Regulations 2022, in response to the Supreme Court of Appeal and Constitutional Court ruling, have removed the following as organs of state are required to determine their own preferential procurement policy and to implement it within the framework provided for in the Act:

- the reference to the use of B-BBEE status as a specified goal;
- the regulations providing for local production and content, subcontracting after the award of a tender, cancellation of tenders, prequalification for preferential procurement, subcontracting as a condition of tender, issuance of circulars and guidelines; and
- the provisions for evaluation on functionality;

The regulations have also reintroduced a prescribed formulae to be used when allocating preferential points in tenders to generate income, dispose of or lease assets by an organ of state.

The National Infrastructure Plan 2050 (2022) requires government to become a “sophisticated client” in *“its procurement of infrastructure, operating at a global standard commensurate with the significance and complexity required to deliver on South Africa’s long-term economic imperatives. There must be continuous improvement in its Infrastructure Procurement and Delivery Management (IPDM).”* This plan in recognising the need to strengthen institutions for delivery has identified the following conditions to be met to achieve the 2050 vision (see Annexure D):

- 1) *Public sector competencies must operate at a high professional level.*
- 2) *The regulatory framework must enable network infrastructure procurement and delivery.*
- 3) *A strategic approach must be taken to infrastructure procurement.*
- 4) *Infrastructure delivery must be managed as an “enterprise” and not an ad hoc collection of projects.*

- 5) *The asset management function must be robust.*
- 6) *The environment for public infrastructure delivery must be safe, secure and ethical.*

2.5 New DWS IPDM policy and procedures

DWS needs to put in place an Infrastructure Procurement and Delivery Management (IPDM) policy and procedures which aligns with the current and emerging procurement regime to ensure that:

- 1) infrastructure delivery is undertaken in accordance with the Constitutional expectations (see Annexure A);
- 2) the recent requirements of the B.U.I.L.D programme are embraced;
- 3) DWS takes responsibility for determining its own preferential procurement policy and to implement it within the framework provided for in the Preferential Procurement Policy Framework Act; and
- 4) progress is made towards the realisation of the necessary NIP 2050 step changes to improve infrastructure delivery outcomes.

The putting in place of a comprehensive IPDM policy and procedures is a prerequisite to effectively implement the procurement strategy included in this document.

This will need to be accompanied by capacity building and training at various levels within DWS in the following areas:

- Infrastructure procurement fundamentals (supply chains, governance, soliciting and evaluating tenders, preparing procurement documents, forms of contract and framework agreements)
- Infrastructure planning and budgeting;
- Infrastructure procurement and delivery management; and
- Infrastructure asset management.

3 The approach to the development of a procurement strategy

3.1 General

The National Treasury Framework for Infrastructure Delivery and Procurement Management (FIDPM) requires that an Infrastructure Procurement Strategy (IPS) be developed, updated annually and approved (see Annexure B). Such a strategy is required as a minimum to *"include a list of programmes and projects covering the prescribed planning period and include the following minimum contents:*

- a) *Delivery Plan*
- b) *Contracting Arrangements*
- c) *Procurement Arrangements"*

The delivery plan needs to identify not only the categories of spend but also the capacity and capabilities of the client delivery management team which needs to be put in place to perform the "buying" function i.e. plan, specify, procure and oversee delivery (see Annexure B). Such a team can be put in place within the department or an implementing agent such as a water board, public entity or municipality.

A procurement strategy identifies the best way of achieving objectives and value for money for a single contract or a group of contracts linked to a project, whilst considering risks and constraints. Different options in a procurement strategy carry different levels of risk for the client. No one option is right for every project. For each situation, there are advantages and disadvantages in the use of any specific method. DWS needs to carefully assess its project requirements, objectives and potential challenges and find the method that offers the best opportunity for success and achieving its value proposition (promise of value to be delivered) for the project.

The framework as set out in Figure 5 enables choices to be made and aligned with procurement objectives in the development of a procurement strategy. The application of the framework can rationalise the delivery of projects within a programme or portfolio of projects and minimise the contractual relationships which are entered. This can be used to address capacity constraints in spending public sector budgets as it reduces the number of contracts that need to be procured and managed and tap into the resources of the private sector without compromising objectives.

3.2 Primary and secondary procurement objectives

DWS's primary procurement objectives are to:

- 1) accelerate progress in improving the reliability of the water service and access to sustainable sanitation services;
- 2) respond rapidly to emerging needs and emergencies as and when they arise in the shortest possible time;
- 3) enable DWS Construction Units to function efficiently, effectively and economically through the timeous and in sequence delivery of resources to sites or workshops;
- 4) reduce costs through more efficient procurement practices;

- 5) reduce the time taken to solicit tenders and award contracts;
- 6) improve the quality of existing and future infrastructure;
- 7) increase the internal capacity and capability of DWS to efficiently, economically and effectively deliver infrastructure projects; and
- 8) deliver value for money, while minimising the scope for corruption.

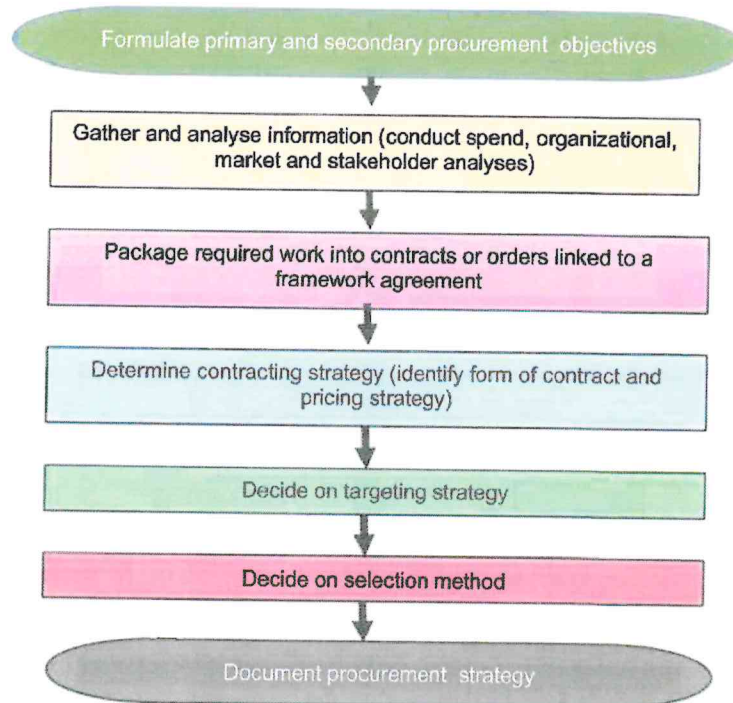


Figure 5: Framework for the development of a procurement strategy

DWS's secondary (developmental) objectives are to:

- 1) promote broad based black economic empowerment in support of the economic transformation of South Africa;
- 2) develop internal skills and capacity to execute projects;
- 3) support skills development by increasing the number of people who have part qualifications, national qualifications and professional designations awarded by statutory councils;
- 4) promote and support local participation throughout the supply chain and local employment through the delivery of infrastructure;
- 5) promote enterprise development amongst CIDB registered contractors who are black owned or at least 30% black women owned;

- 6) promote local production and content of designated goods.⁵

3.3 Spend, organizational, market and stakeholder analysis

3.3.1 Organisational analysis

3.3.1.1 Organisational structure and estimates of National Expenditure

The Department of Water and Sanitation is the custodian of South Africa's water resources. It is primarily responsible for the formulation and implementation of policy governing this sector. The organisational top management structure is as set out in Figure 6.

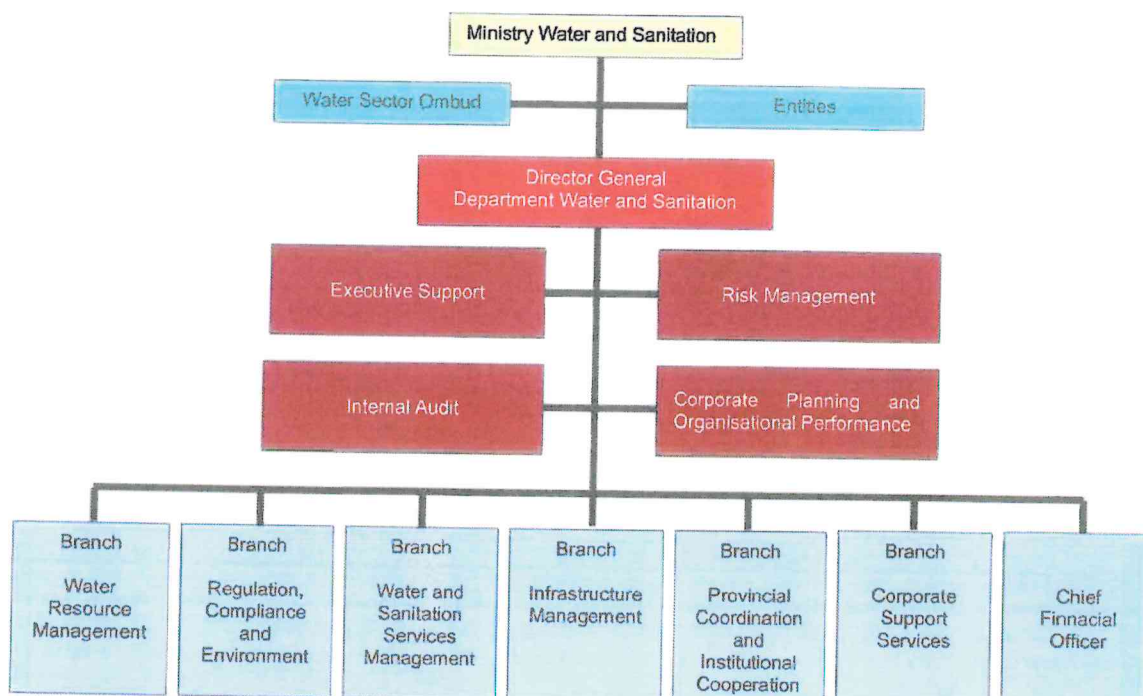


Figure 6: Top management structure

The department has in place 3 programmes with the subprogrammes in line with its organizational structure as indicated in Table 3.

The department 2021/22 budget allocation as per the Estimates of National Expenditure (ENE) is allocated in shown in Table 4, the economic classification of which is indicated in Table 5.

The President announced in his February 2021 SONA addresses the establishment of the National Water Resource Infrastructure Agency (NWRIA). The primary objective of the Agency will be to sustain and improve the performance of all strategically important water supply systems in regions where water security is at increasing risk. The Agency will be responsible for, amongst other things:

- 1) The provision of water for all in the country in the most equitable manner;

⁵ The Department of Trade and Industry in consultation with the National Treasury designates a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content and stipulate a minimum threshold for local production and content.

- 2) Making sure that the ordinary South African has access to sufficient clean water;
- 3) The economy should have sufficient water to ensure that it is functional and continue to expand;
- 4) Further, support to the vision of universal dignified sanitation.

This agency is in the process of being established.

Table 3: Departmental programmes

Programme		Overview of programme	Sub-programmes
No	Title		
1	Administration	Provides strategic leadership, management and support services to the Ministry and the Department through various activities such as financial management, shared corporate support services, as well as the coordination of water resources between neighbouring countries.	<ul style="list-style-type: none"> • Ministry • Departmental Management • Corporate Services • Financial Management. • Office Accommodation • Provincial and International Coordination
2	Water resources management	Responsible for the protection, use, development, conservation, management and control of water resources in a sustainable manner for the benefit of all people and the environment. It provides for the development of a knowledge base for proper planning and informed decision making. It also provides for the development of effective policies and procedures as well as oversight of all water resource management institutions.	<ul style="list-style-type: none"> • Water Resource Management Support • Integrated Water Resource Planning • Water Ecosystems Management • Water Resource Information and Management • Water Resources Infrastructure Management • Water Resources Policy and Strategy • Water Resources Regulation • Water Resources Institutional Oversight
3	Water services management	Addresses the water and sanitation services provision across water and sanitation value chain in support to water service authorities. The integration of bulk and retail water services to improve the coherence of the sector and to realise economies of scale and efficient use of water. It also provides for the development of effective policies, strategies, guidelines and procedures and plans as well as oversight and regulation of all water service management institutions.	<ul style="list-style-type: none"> • Water Resource Management Support • Water Services and Local Management • Regional Bulk Infrastructure Grant • Water Services Policy and Strategy • Water Services Infrastructure Grant • Water Services Regulation • Water Services Institutional Oversight

Table 4: Estimates of National Expenditure per programme

Programmes	2021/22	2022/23	2023/24
Administration	R 1,950 b	R 1,972 b	R 1,980 b
Water resource management	R 3,538 b	R 3,567 b	R 3,662 b
Water Resource Management	R 11,421 b	R 11,899 b	R 12,392 b
Total	R 16,910 b	R 17,439 b	R 18,035 b

Table 5: Estimates of National Expenditure per economic classification

Programmes	2021/22	2022/23	2023/24
Compensation for employees	R 1,085 b	R 1,787 b	R 1,741 b
Goods and services	R 1,691 b	R 1,755 b	R 1,799 b
Transfers and subsidies	R 9,214 b	R 9,476 b	R 9,880 b
Payment for capital assets	R 4,199 b	R 4,420 b	R 4,613 b
Total	R 16,910 b	R 17,439 b	R 18,035 b

3.3.1.2 Infrastructure build and achievements

The Report to Parliament Budget Vote 2021/22 In Context Achievements and Progress reports the following achievements:

- 1 bulk raw water project under construction;
- 106 regional bulk infrastructure project phases under construction;
- 10 regional bulk infrastructure project phases completed;
- 382 small water services infrastructure projects under construction;
- 112 small water services infrastructure projects completed;
- Vaal intervention project implemented;
- 39% projects (i.e. 474 of 1203) completed as per Maintenance Plan (Planned Maintenance);
- Unscheduled maintenance projects completed as a proportion of planned maintenance projects was kept at 26%;
- 25 dam safety projects evaluated;
- 428 non-compliant wastewater systems monitored against the Regulatory Requirements; and
- 366 non-compliant water supply systems monitored against the Regulatory Requirement.

3.3.1.3 Departmental construction units

DWS has its own construction units which undertake a range of water infrastructure projects falling within the Department's mandate. These projects include bucket eradication, pipelines, water treatment works, bulk water supply, COVID 19 tanks, weirs, syphons, dams, housing, measuring structures and canals projects. Bills of quantities are prepared for these projects to estimate the costs associated therewith. The current high value infrastructure projects executed by DWS construction units include Babanana pipeline (R 346,9 m), Brits WTW (R 122,3m), Butterworth emergency (R 481,57m), Giyani water services project (R 278,0m), Groblersdal water treatment plant (R108,0m), Moutse Bulk Water Supply (Multiple) (R 182,1m), Mowkop Valdezia Pipeline (R 230,1 m), Namakwa Pipeline Phase II B (R 163,96m), Taung BWS Phase 2d (R 187,5 m), Clanwilliam Dam (R 2,393b), Nzhelele Canal Rehabilitation (R 262,7 m) and Vlakfontein Canal Phase 2 (R 609,2 m).

The construction units are based in 11 offices clustered into 4 regions, namely Northern, Central, Southern and Eastern regions as indicated in Figure 7.

The DWS Construction Unit owns plant and equipment and has at Jan Kempdorp a facility which is capable of manufacturing, refurbishment and re-building of plant and equipment. The functions of this facility include the rebuilding of construction equipment (Fleet), Building / Refurbishment of Mechanical Items, Manufacturing of Pipes and Mechanical Items.

- Cement (bulk and bags)

- Timber
- Shutter boards
- Reinforcing steel
- Pipes, pipe specials and valves
- Sanitation Services
- Ready Mix Concrete
- Formwork
- Plant hire
- Different sizes mild steel plates
- Different sizes stainless steel plates
- Different sizes and thickness of various steel (angle iron, round bars, flat bar, I-beams, square, round and rectangular tubing and solid bars)
- Concrete stone
- Concrete sand
- Drilling and blasting services

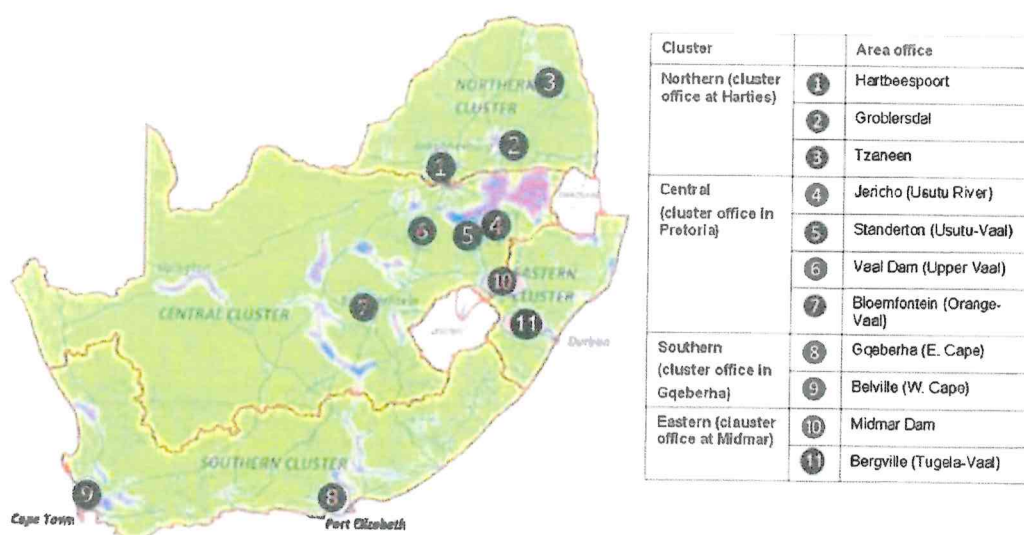


Figure 7: Construction Unit offices located within Regions

The list of projects with confirmed budgets for 2021/22 totals R 1 604 329 903. Water projects are only put out to the private sector when insufficient internal capacity exists or where the project is of a relatively low value and is not viable for the unit to execute it.

Resources are required to delivery infrastructure projects i.e.: finance, fuel, people, materials and plant which are incorporated into the works and equipment which is used to provide the works but are not incorporated into the work. Equipment can either be owned or hired. DWS owns and maintains most of its equipment but needs to hire some specialised or bespoke equipment where it makes no sense to own and maintain such equipment. DWS also has a manufacturing capability in its workshop to manufacture certain components for incorporation into the works e.g. large diameter pipes and associated assemblies. It has people to perform the works, but as is the case with private sector contractors, it needs to procure materials and subcontract portions of the works to specialist companies who have the necessary capabilities to perform aspects of the works.

Infrastructure projects need to be planned, resourced and scheduled. A construction programme is an essential management tool, enabling forward-planning to ensure projects are delivered on time, within budget and to the specified quality. Such programmes need to clearly outline a project's scope of work, identify timescales, lead times, development phases and durations, as well as the sequence of activities and the human and material resources needed to reach each milestone. A comprehensive construction programme assists in identify tasks which can be carried out simultaneously and those which rely on other jobs having been completed first. It can also assist site managers in allocating staff to jobs, ensuring no time or money is lost between phases.

Resources relating to physical construction are supplied through a supply chain which needs to be contracted and mobilised to provide the necessary professional services, manufacture or supply materials, products, components and assemblies as well as the necessary equipment and labour to provide the works. Such a chain, which is bound together through contracts, has many interdependencies and interfaces. Each member of the supply chain needs to provide the work for which they are responsible for in accordance with the project's construction programme. If one part of the supply chain fails to delivery in accordance with the construction programme it can cause a knock on or ripple effect on other parts.

Failure to adhere to a construction programme can be costly from two points of view. Firstly, work may have to be done out of sequence to enable workers and equipment to be employed on a site which may result in inefficient outcomes. Secondly, it can cause works or parts of the works to come to a halt and people and equipment to stand. In the extreme, sites may have to be closed and people and equipment redeployed to other sites. Where this happens, sites need to be made secure until such time that they are re-opened and people and equipment are re-established on site. Given that people and equipment costs typically make up between 35 and 75% of a civil engineering infrastructure project cost, significant delays can cause project costs to rise sharply and resources not to be used efficiently, economically and effectively (see Annexure A).

The current Departmental procurement policy, processes and procedures are not fit for purpose in the delivery of infrastructure by DWS construction units as it is not capable of delivering the resources which the Construction Unit requires in accordance with a construction programme. This is evident from extracts from the bid register for the 2021/22 financial year for bids which are not yet awarded:

Construction South:	Site specifications for reinforcement steel and aggregates for a dam rehabilitation project were available during September and December 2019, respectively
Construction East:	Site specifications for a range of aggregates, pipes, ready mix concrete and gabions for an access road were available during November 2018 and for mesh reinforcing, steel, cement, stone, fly ash and ready mix concrete for a canal during March 2019
Construction North:	Site specifications for were available for filter sand for a dam during March 2019

A step change in approach is required to enable DWS construction units to deliver projects efficiently and economically.

3.3.1.4 National Water Resources Infrastructure Branch (NWRIB)

The National Water Resources Infrastructure Branch (NWRIB) is responsible for the development, operations, maintenance and rehabilitation of National Water Resources

Infrastructure Assets for the Department of Water Affairs. It distributes bulk (untreated/raw) water in terms of the National Water Act (No. 36 of 1998) to authorised users. The NWRIB's responsibility is to design, develop, construct and maintain infrastructure assets comprising of dams, tunnels, pipelines, canals, pump stations, Waste Water Treatment Plants (WWTP's), Water Treatment Plants (WTP's), Buildings and associated infrastructure that is positioned across Southern Africa.

3.3.1.5 Directorate National Water Resource Planning

The Directorate National Water Resource Planning develops national strategies and procedures for the reconciliation of water availability, resource quality and requirements to meet national, social and economic development objectives, including strategic requirements and international obligations.

This Directorate requires several specialist professional services to undertake various prefeasibility, feasibility, social, technical and environmental impact studies ranging from R 1 to R 40 m. Such services are characterised as follows:

- The services require a high level of innovation and engineering experience.
- There is potential for standardisation as all studies have similar scope of works.
- The services have time schedule urgency.
- Projects and their spheres of influence are usually in specific locations

Professional services are required because of the specialized and multi-disciplinary nature of the studies. Furthermore, the EIA Study are by law required to be undertaken by an Independent Environmental Practitioner (EAP).

3.3.1.6 Current and previous procurement practices

DWS has previously put in place panels to service their needs for consulting and construction services. For example:

- 1) WP 0485 WTE Appointment of Professional Services Providers (PSP) to render professional multi-disciplinary services covering: civil, structural, mechanical, electrical engineering, architectural services and project management services for a period of three (3) years and to render support to the National Water Resources Infrastructure Branch (NWRIB) (October 2012), the key features of which are as follows:
 - Contracts based on National Treasury General Conditions of Contract and latest ECSA (Engineering Council of South Africa) Guideline Scope of Services and Tariff of Fees as per Government Gazette.)
 - Bids were evaluated in terms of five categories of projects based on value (up to R 10 m; R10 m to R 50 m; R50 m to R 100 m; R100 m to R 250 m; R 250 m to R 500 m; and above R 500 m)
 - Bidders were scored in terms of the following:

1.	Project Specific Expertise within the Employ of the Tenderer
2	Technical and Support Staff (minimum personnel as indicated)
3	Infrastructure and Technology
4	Labour Intensive Design and Construction Methods and SMME Development

5	Track Record, Experience (projects up to R200 million) and understanding of Projects at National, Provincial & Municipal Level
---	--

- Appointments were made to panelists in the aforementioned 5 categories for two types of services - design and construction monitoring assignments, and study assignments on a rotational basis.
 - 3 quotes were invited for study assignments to obtain a lump sum for the service. Design and construction monitoring services were based on a percentage of construction using published tariff of fees.
- 2) W1014WTE (Appointment of civil, mechanical, electrical and specialists work contractors into panel of preferred contractors for new works, emergency and maintenance works (water and sanitation) for period of three years), the key features of which were:
- The terms of reference were approved on 24 November 2014, bid advertised on 5 February 2015, the Bid Evaluation Committee sat on 08 -- 24 June 2015, 12-- 17 June 2015, 08 -- 09 July 2015 and 28 July - 04 September 2015 for the evaluation of CIDB grade 9, 8, 7 and 6 contractors respectively, recommended by the Departmental Bid Adjudication Committee to the DG for approval was submitted on 18 September 2015, and was approved by the DG on the 10 October 2015.
 - Once the panel/list of service providers had been approved, only the successful applicants were approached, depending on the circumstances, either by obtaining three quotes on a rotational basis or according to the bid procedure when services are required, with the exception that the requirement is not advertised in the Government Tender Bulletin again. Bids were evaluated in three phases – administrative, functionality, price and B-BBEE.
 - Contracts entered into were based on SAICE's General Conditions of Contract for Construction Works.
 - DWS requested National Treasury's opinion on irregular expenditure of R 90,8 m raised by Auditor General relating to the procurement of services using a panel of suppliers/contractors. (The AG found that the department did not strictly follow the requirements on the SCM guideline to make sure that competition is achieved, the services procured did not meet the definition of consultancy services and there is no evidence that the panel was updated at least quarterly.) National Treasury construction does not qualify for establishment of a panel, institutions should go out on tender when construction service is required. National Treasury responded that *a panel/list of approved service providers should be established through "a competitive bidding process, usually for services that are routine or of simple in nature where the scope and content of the work to be done can be described, and for a period of not more than three years . . . However, construction does not qualify for establishment of a panel, institutions should go out on tender when construction service is required."*

The internal processes to appoint a professional service provider for water resource planning Technical Feasibility Study and EIA study) is in outline as follows:

- **Step 1:** Draft Terms of References (ToRs) for both the Technical Feasibility Study and EIA Study'

- **Step 2A:** Submission to the Director General (DG) to Approve the Bid Specification Committee (BSC) for the Technical Feasibility Study, and the DG's Approval of the BSC for the Technical Feasibility Study.
- **Step 2B:** Submission to the Director General (DG) to Approve the Bid Specification Committee (BSC) for the EIA Study, and the DG's Approval of the BSC for the EIA Study.
- **Step 3:** BSC Reviews of, and Comments on, the ToRs for both the Technical Feasibility Study and the EIA Study.
- **Step 4:** Finalize the ToRs for both the Technical Feasibility Study and the EIA Study.
- **Step 5A:** Submission to the Departmental Bid Adjudication Committee (DBAC) to Approve the use of PSPs for the Technical Feasibility Study, Invite Tenders through an Open Tender, as well as to Approve the ToR for the Technical Feasibility Study and the Bid Evaluation Committee (BEC) for the Technical Feasibility Study.
- **Step 5B:** Submission to the DBAC to Approve the use of PSPs for the EIA Study, Invite Tenders through an Open Tender, as well as to Approve the ToR for the EIA Study and the BEC for the EIA Study.
- **Step 6A:** DBAC's Approval the use of PSPs for the Technical Feasibility Study, Invite Tenders through an Open Tender, as well as to Approval the ToR for the Technical Feasibility Study and the BEC for the Technical Feasibility Study.
- **Step 6B:** DBAC's Approval the use of PSPs for the EIA Study, Invite Tenders through an Open Tender, as well as to Approval the ToR for the EIA and the BEC for the EIA Study.
- **Step 7A:** Tender Process and Submission of Tenders for the Technical Feasibility Study.
- **Step 7B:** BEC Technical Evaluation of Tenders for the Technical Feasibility Study, and only Bidders scoring 70/100 or higher Financial Proposals are considered for the Technical Feasibility Study.
- **Step 7C:** Recommendation to the DBAC to Appoint the Successful Bidder for the Technical Feasibility Study.
- **Step 7D:** DBAC Approval to Appoint the Successful Bidder for the Technical Feasibility Study.
- **Step 7E:** Appointment of the PSP for the Technical Feasibility Study and Signing of Contract.

The terms of reference are then inserted into a request for a bid which comprises several standard National Treasury Bidding Documents, based on the National Treasury General Conditions of Contract.

Bids for supplies for DWS Construction Units such as steel pipes, concrete adhesives, sluice gates and bulk pulverized fly ash, are based on the standard National Treasury Bidding Documents and General Conditions of Contract. Some require the supply of goods over a period of up to 36 months. Pricing is typically in the form of rates only or basic bills of quantities

or a combination thereof. Provision is made in some of these bids for price escalation and currency fluctuations. Bidders are required to make proposals in this regard.

Procurements for the provision of formwork, concrete surface preparation, medium voltage powerlines, the development of an onsite quarry and production of aggregates and the drilling and grouting of foundations for DWS Construction Units are based on the South African Institution of Civil Engineer's General Conditions of Contract for Construction Works. Bills of quantities are included in these procurement documents

The current and previous procurement practices do not support a strategic approach to procurement as envisaged by NIP 2050. They are crafted around an administrative approach to procurement designed to cater for the general goods and services for consumption. They are very sluggish and deal with infrastructure procurement as an afterthought. They are very basic in nature and do not take due account of the specific nature of infrastructure delivery and do not cater for advanced procurement options to achieve best value, including long-term, collaborative relationships.

3.3.1.7 Appetite to take expand the DWS's reach

DWS has a leadership role to play in the water sector. Senior management has an appetite to expand its reach to address the challenges in delivering water and sanitation services. It has a desire to capacitate itself to respond to the Water Services Improvement Programme which responds to the massive demand to address deteriorating water and waste-water services in the country.

Water Services Institutions authorised in terms of Section 21 (f) of the National Water Act, are required to effectively manage the water and wastewater systems they are responsible for, ensuring that all untreated sewage is conveyed to a wastewater treatment works where the influent is treated to an acceptable standard as specified in the water use authorisation. The Department and delegated catchment management agencies have been issuing directives in terms of the National Water Act where non-compliance to these legislative requirements were detected. Responses to such notifications is in many instances far from satisfactory necessitating that the Regulator step in to redress the situation through remedial action. The capacity for the remedial action will be sourced through competent water boards, DWS Construction unit, Municipal-owned entities, or the private sector.

DWS manages grant funding to municipalities to improve service delivery. The effectiveness of these grants is questionable as some municipalities have an inability to spend the allocated grants while others fail to meet the constitutional requirement for the efficient, economic and effective use of resources. The putting in place of regional contracts by DWS which implementing agents and municipalities can access could assist in delivery.

The Municipal Infrastructure Support Agency (MISA) developed in 2016 a procurement strategy to improve the capacity of municipal water and sanitation infrastructure. This strategy following a review of challenges facing municipalities and the nature of the water and sanitation infrastructure owned and maintained by municipalities in support of their service delivery mandates proposed that framework agreements which are accessible to municipalities be put in place (see Annexure E). Table 6 outlines the proposed coverage and basis for framework agreements to service the needs of municipalities of this strategy.

The Department has also expressed a need to have a capability to address emergencies arising from extreme weather events to assist those engaged in the water and sanitation value chain to restore functionality post an event as quickly as possible.

3.3.1.8 Delivery management capability

The Department has centralised the administration of contracts in its head office. It has some capacity to perform delivery management functions ("client buying" function) (see B2.3 of Annexure B and D3 of Annexure D), namely:

- **plan:** decide on what needs to be done, how it is to be resourced and achieved and in what time frames, and set a budget;
- **specify:** define the client's functional and other requirements for the project clearly and precisely;
- **procure:** obtain project resources (internal and external) to execute project activities with care and effort; and
- **oversee delivery:** observe and define the execution of the project to realise the client's value proposition associated with a business case (promise of measurable benefits resulting from the project).

DWS may need some strengthening in the implementation of procurement strategies which are unfamiliar to the Department in the form of technical advisors (see D5.5 in Annexure D). DWS will also need additional capacity to engage with municipalities and implementing agents should framework agreements be put in place to serve their needs and to deal with sewer spillages. Such advisors can in addition to providing delivery management support could be called upon to mentor DWS staff to enable DWS to ultimately perform delivery management functions with its own staff.

Table 6: Proposed coverage and framework arrangements for municipal water and sanitation projects

Coverage (see Annexure E for high level scope of work and classification of contract types)	Proposed framework agreement arrangements
<ul style="list-style-type: none"> • Project planning for municipal water and wastewater projects • Service life cycle planning for municipal water infrastructure • Service life cycle planning for municipal sanitation infrastructure • Hydrogeological services 	<p>The parties enter into a framework agreement based on the NEC3 Professional Service Contract: Option G Term contract.</p> <p>Consultants can in terms of this contracting arrangement be paid on a time charge basis, a lump sum or a percentage of construction costs</p>
<ul style="list-style-type: none"> • Maintenance, repair and operation of municipal water infrastructure • Maintenance, repair and operation of municipal sanitation infrastructure • Quality control and laboratory services for water • Quality control and laboratory services for waste water 	<p>The parties enter into a framework agreement based on the NEC3 Term Service Contract: Option E: Cost reimbursable contract</p> <p>The Contractor is permitted by agreement to do work himself in the maintenance, repair and operation of municipal infrastructure and will subcontract a major portion of the works.</p>
<ul style="list-style-type: none"> • Design and construction or installation of new municipal water infrastructure other than water treatment plants • Design, construction, refurbishment, rehabilitation, alteration or operation of water treatment plants • Design and construction or installation of new municipal sanitation infrastructure other than waste water treatment plants • Design and construction, refurbishment, rehabilitation, alteration or operation of wastewater treatment plants • The provision of on-site sanitation 	<p>The parties enter into a framework agreement based on the NEC3 Engineering and Construction Contract : Option C – Target Contract or Option F – Management contractor</p>
<ul style="list-style-type: none"> • Construction and rehabilitation of boreholes • Supply of selected water related goods • Supply of selected waste water goods 	<p>The parties enter into a framework agreement based on the NEC3 Supply Contract or NEC3 Supply Short Contract</p>

3.3.2 Spend analysis

The procurement plans prepared by the Office of the Chief Financial Officer establishes DWS's need for procurement within a financial year. Two types of procurement plans are available:

- 1) Main account 2022-23 Consolidated procurement plan comprising three programmes (Programme 1: administration; Programme 2: water resource management and Programme 3: Water Services Management) involving 73 procurements totalling R463 79 m.
- 2) WTE 2022-23 Consolidated procurement plan comprising 175 procurements totalling R 3,929 b.

Another source of information is the Department's website which provides information on previous bids.

The DWS procurement plans for 2022-23 include for non-infrastructure and infrastructure procurement needs (see Annexure F). An analysis of these plans enables the identification of non-infrastructure procurement and infrastructure procurement and the clustering of infrastructure procurements as indicated in Tables 7 and 8.

Table 7: Clustering of infrastructure procurements included in the main account 2022-23 consolidated procurement plan

Cluster	High level descriptions	Number of transactions	Estimated total and range of values
DWS building maintenance services	<ul style="list-style-type: none"> Airconditioning service for the certain DWS buildings for a period of 36 months Plumbing service for certain DWS buildings over a period of 36 months 	2	R2,72m (R1,0 m to R 1,72m)
Supply of specialist equipment	Hydrological measuring equipment, Radiometer (Autotitrator Analytical Instrument) and hydrological equipment, sensors, application software and accessories for the measurement and transmission of surface water parameters	4	R16,18 m (2,5 m to R6,53m)
Laboratory services	laboratory services to conduct water quality analysis for Surface, Ground, Drinking and Wastewater samples	1	R3,3m
Unique services	<ul style="list-style-type: none"> Update the PES EIS database (60 mnts) through Water Research Commission as the implementing agent Provision of RDM DSS Maintenance and Support Development of national Sanitation Framework and its implementation plan provision of technical support and coordination of assessment, demonstration, validation, certification and accreditation processes for alternative sanitation technologies WSDPs Development of Provincial Water Services and Bulk Development Plans Five Year Reliable Water & Sanitation Services Delivery Implementation Plan for the remainder of the 44 DMs 	7	R106,97 (2,6m to R44,0m)
Professional services	Professional services for <ul style="list-style-type: none"> Water resource classified and RQO Minimising operational water loss Undertaking pre feasibility studies, feasibility studies and environmental impact assessments undertake a pre-feasibility study . feasibility plan undertake an Environmental Impact Assessments develop Bridging Study 	9	R115,25m (R1,0m to R48,0m)
Bucket eradication programme	Bucket eradication programme	2	R93,975 (R33,337m to R60,638m)
Total		25	R 350,4

Table 8: Clustering of infrastructure procurements included in the WTE 2022-23 Consolidated procurement plan

Cluster	High level descriptions	Number of transactions	Estimated total and range of values
Non infrastructure	Computer software, SAP support and maintenance, server hardware maintenance, disaster recovery as a service, backup as a service, cloud including migration services SAP HANA implementation, failover, acquisition of land and servitudes and appointment of valuers	12	R347 800 000,00 (R 1,4 m to R 100 m)
Professional services	Geotechnical, design, site supervision and engineering contract management services and environmental audits services Hydropower strategy and implementation plan	5	R99 300 000,00 (R 1,5 to R 50 m)
Supply of diesel and lubricants	Diesel and lubricants	5	R69 750 000,00 R 3 m to R 30 m)
Supply of equipment and spares	Various equipment for current and future projects and replacement of old equipment, fitment tyres and tubes, lowbed 120 ton for transporting machines to various construction sites, 2 high precision total stations, equipment and QC measuring instruments, hydraulic hammers and hydraulic cutter and corrosion protection equipment	10	R306 530 000,00 (R 1,5 to R 96.98 m)
New Works (large projects)	Jericho pump station	2	R1 000 000 000,00 (R 500 m)
Central operations construction works	Re-lining pipeline and replace valves; refurbishment of the Water tower, rehabilitation of siphon and fit plug and refurbish all equipment. replacement of needle valve, and repair seals on the slab gate.	4	R286 500 000,00 (R 3 m to R 150 m)
Northern operations construction works projects	Construction of gabion slope protection, design, supply and installation of a sewer treatment package plant, upgrade of the water purification plant and water reticulation, repairing of canal linings, repair of canal linings, repair access road and alterations to a building	8	R22 500 000,00 (R 1,5 m to R 4,5 m)
Southern operations construction works projects	Replace fencing around outlet structure, emergency repair of canals and siphons, pump station rehabilitation, replacement of water supply, pipeline replacement, dam crest road resurfacing, siphon and tunnel portal rehabilitation, replacement of fencing; and asbestos removal and dispose at a registered waste disposal site	9	R107 000 000,00 (R 1,5 m to R 50 m)
Eastern operations construction works projects	Construction of WC-Office and fencing living quarters	2	R5 000 000,00 (R 2,0 m to R 3,0 m)
Rehabilitation projects	Rehabilitation of dams and office renovation	17	R148 650 000,00 (R 1,35 , to R 50 m)
Services	Transformer condition monitoring, cable condition monitoring and electrical protection relays setting review	3	R9 000 000,00 (R 2,0 to R 4,0 m)
Goods or services to support construction units on specific projects	Concrete surface preparation, caspated drainage sheets, special mechanical items , transport, erection and commissioning of tower crane, communication facilities and IT, concrete additives, dam monitoring instrumentation, steel pipes, welding consumables and accessories, medical surveillance services, 4 wall mounted sluices, hard blasting and rock stabilization, WQ for Instrumentation pipes, reinforcing steel, corrosion protect and wrap pipes, wood (various timber), drilling and grouting, hard excavation and rock stabilization, concrete demolition, materials (concrete aggregates and other materials), formwork and staging, waterstops, cement and pulverised fuel ash, steel mesh, fencing, filters and aggregates, construction of parabolic canal, rehabilitation of pressure relief wells, valves, corrosion protection of exist. pipeline, inlet pipe specials, cranes and hoists louveres, gratings and ladders, electrical, ready mix concrete 30mpa, rockfill and roading aggregates, joint sealant, PPE's , G9 gravel material, G7 Gravel material, G5 Gravel material, Class E wearing course material, river/crusher sand, plaster sand, medicals for all employees, training, steel material (various grades), stainless steel flanges and rings, stainless steel, stainless steel pipes, precast beams, piling services, paving bricks and anti-intruder fence	76	R1 502 191 503,40 (R 1,2 m to R 225 m)
Security	Security guarding services	22	R39 450 131,73
Total			R3 929 671 635,13

It should be noted that there are several existing contracts in place for most of the provision of fuel and lubricants (95% of allocated budget) and the supply of equipment and spare parts (66%) included in Table 8.

No delivery plan / implementation management plan is available to understand the timing of projects and future needs due to the current slow and unpredictable procurement process within the Department and backlogs in procurement. As a result, the categories of spend needs to be based on generic / high level procurements gleaned from Tables 6, 7 and 8 as these procurements are most likely to be representative of future needs for goods and services.

The categories of spend with each of the four basic types of contracts (construction contract, professional service contract, service contract and supply contract) are indicated in Table 9.

3.3.3 Market analysis

There is a good supply of contractors in the CIDB general, civil, electrical and mechanical classes of work to serve the needs of water sector. Accordingly, the market is not constrained in servicing DWS needs.

Section 18(1) of the Construction Industry Development Board Act prohibits a contractor from undertaking, carrying out or completing *"any construction works or portion thereof for public sector contracts, awarded in terms of competitive tender or quotation, unless he or she is registered with the Board and holds a valid registration certificate issued by the Board."* A "contractor" according to this Act *"is a person or body of persons who undertakes to execute and complete construction works"* whereas a client is *"a person, body or organ of state who enters into a contract to procure construction works."* The Act is not clear as to whether the DWS Construction Unit is a contractor as per the Act as DWS is an organ of state. If it is a contractor, it does not compete with the private sector for the award of a contract and therefore does not need to be registered. If the Unit did it may well have to be registered.

Subcontractors are not required to be registered with the CIDB as the intent of the register is to assist the public sector to manage its risks when contracting with the private sector at a main or prime contractor level. The CIDB categories for specialist works are not geared for subcontracting as they envisage that such contractors will be contracted as main contractors.

The DWS Construction Unit needs to "subcontract" work out to the market which will frequently involve touch upon the work undertaken by CIDB specialist works contractors. If the specialist works categories are rigorously applied in large civil engineering works there may be shortages of contractor registered in such classes of works. For example, if Class SE (Demolition of buildings and engineering infrastructure and blasting) is applied to blasting and drilling in dam construction, there may well be difficulty in obtaining a response from a registered contractor. If the class CE (civil engineering) is applied, capacity will exist.

The South African consulting industry can service DWS's needs for professional services in the delivery of infrastructure. The specialist capability of consulting engineers in the water sector is dwindling with the retirement of the seasoned and experienced engineers and insufficient investment in developing the next generation of engineers to take over. This is becoming apparent in sourcing professional engineers who are approved by the Minister in consultation with the Engineering Council of South Africa to perform tasks associated with dam safety including the design, repair, alteration and the abandonment of a dam in terms of the National Water Act of 1998 (Act no 36 of 1998). It is also beginning to present in some of the water resource planning services that DWS requires.

Table 9: Categories of procurement

Type of contract	Scope and nature of the project	Required scope	Comment
Construction contract	Construct, alter, refurbish or rehabilitate construction works on a site including any level of design responsibility. The contractor is generally responsible for loss of or damage to the works from the time that access is granted to provide the works until the works are completed and taken over by the client	Construction or installation of new municipal water infrastructure other than water treatment plants / wastewater treatment plans	Required if support is provided to municipalities or DWS addresses water and waste-water capacity constraints
		Refurbishment, rehabilitation, alteration or operation of water treatment plants / waste water treatment plants	Required if support is provided to municipalities or DWS addresses deteriorating water and waste-water services
		Design and construction or installation of new municipal sanitation infrastructure other than waste water treatment plants / wastewater treatment plants	Required if support is provided to municipalities or DWS addresses water and waste-water capacity constraints
		Construction / refurbishment of infrastructure and associated works relating to water resources and bulk services	Required for works other than that undertaken by the DWS Construction Units (see Table 8)
		The provision of on-site sanitation	Required if support is provided to municipalities or DWS addresses sewerage spillages or bucket eradication
		Emergency rehabilitation of water and sanitation infrastructure	Required if DWS wishes to embrace
		Dam safety services	Require professional engineer approved by Minister in consultation with ECSA
		Health and safety agency services	Legislative requirement to comply with the OHS Construction Regulations
		Contract management services	Required to administer construction contracts where the management contractor option is applied
		Client delivery management team advisors	Required to support DWS staff to perform the client buying functions
Professional service contract	Provide construction works related services with the skill and care normally used by professionals providing services similar to the required services	Engineering (civil, structural, electrical and mechanical) design and supervision services	Required to design and supervise civil engineering works for DWS Construction Units and works put out to tender.
		Environmental impact assessments	Legislative requirement
		Environmental compliance monitoring	Legislative requirement
		Geotechnical engineering services	Support to DWS Construction Units and inputs into engineering designs
		Geohydrological services	
		Project planning for municipal water / wastewater projects	
		Service life cycle planning for municipal water / sanitation infrastructure	Required if support is provided to municipalities
		Miscellaneous professional services other than those described above (see Table 7) and hydropower strategy and implementation plan	Includes water resource classified and ROO, minimising operational water loss, Undertaking pre feasibility and feasibility studies and developing a bridging study

Type of contract	Scope and nature of the project	Required scope	Comment
Service contract	Manage and provide a construction works related service other than a professional service or maintain construction works and plant in an existing state, typically over a term, which may involve a modest amount of improvement through renewal and replacement	Maintenance, repair and operation of municipal water / wastewater infrastructure	Required if support is provided to municipalities
		Quality control and laboratory services for water / wastewater	Required if support is provided to municipalities and for DWS Construction Unit
		Airconditioning / plumbing services for various DWS buildings	Required on various DWS buildings
		Unique services (see Table 7)	One of a kind type services
		Security guarding services	Required on various DWS construction sites
		Transformer condition monitoring, cable condition monitoring and electrical protection relays setting review	Required on DWS infrastructure
		Construction and rehabilitation of boreholes	Required if support is provided to municipalities
Supply contract	Supply local and international construction works related goods and provide any associated services, if any, including design	Supply of selected water / sanitation related goods	Required if support is provided to municipalities and for DWS Construction Unit
		Supply construction materials for DWS construction units	See Table 8
		Supply of specialist equipment (see Table 7)	Includes hydrological measuring equipment, Radiometer (Autotitrator Analytical Instrument) and hydrological equipment, sensors, application software and accessories for the measurement and transmission of surface water parameters
		Supply of diesel and lubricants	Required if not covered by existing / transversal contracts
		Supply of equipment and spares (see Table 8)	Required for DWS Construction Unit plant and equipment

3.3.4 Stakeholder analysis

The roles and responsibilities of the various stakeholders within the water and sanitation value chain from source to consumer and back to source are described in 1.2.

4 Proposed procurement strategy

4.1 Strategic approach to procurement

The primary procurement objectives set out in 3.2 can best be served should:

- 1) the number of contracts put in place and administered through the SCM system be significantly reduced;
- 2) the contractual arrangements:
 - a) enable certainty in delivery dates for materials, spares, equipment and construction related services to support the work of DWS Construction Units to be achieved;
 - b) provide programming flexibility to manage expenditure relating to the delivery of projects over time against fixed annual budgets and address the issue of underspending;
 - c) provide capacity to deliver an infrastructure project within specified time frames or to respond to emergencies as and when they arise or increased budget allocations; and
 - d) enable collaborative relationships which deliver better value and project outcomes.

ISO 22058, *Construction procurement — Guidance on strategy and tactics*, suggests that:

Framework agreements are appropriate where the available budgets and the detailed scope of work are uncertain, the need for goods or services involves repetitive work of a similar nature over a period of time, a quick response time is required, or long-term relationships (e.g. to 5 year) are desirable to achieve efficiencies or desired project outcomes. They also are appropriate where the client wishes to foster collaborative relationships and wishes to move away from a delivery model based on a series of isolated, highly transactional relationships.

Accordingly, framework agreements should where appropriate be used to satisfy the primary procurement objectives identified in 3.4.

Black owned and 30 percent Black Women owned businesses having a CIDB contractor grading of 6 or less face several challenges to their growth and development including:

- a lack of resources and proper systems to grow their businesses;
- a lack of experienced people to prepare competitive tenders;
- inadequate equipment and experience to gain access to work opportunities; and
- weak balance sheets.

Furthermore, they lack mentors (big brothers) to assist them in their growth and require continuity of work to do so.

Framework agreements, given the scale of DWS's infrastructure needs, will typically be awarded to contractors having a CIDB contractor grading designation of 8 or 9. Such contractors, depending upon how they are contracted, can be used as a platform to empower

Black owned or at least 30 percent Black Women owned CIDB contractors having a grading not high than 6 through training and mentoring whilst reducing unemployment and improving service delivery. Furthermore, they are well placed to:

- provide skills development opportunities leading to part qualifications, national qualifications and professional designations awarded by statutory councils;
- develop DWS's internal skills and capacity to execute projects; and
- promote and support local participation throughout the supply chain and local employment.

Framework agreements will provide longer horizons for contractors to do so. The taking of lessons from one project to another over time will enable the approach to be refined and development targets to be improved upon and requirements for local content and production to be effectively and systematically implemented.

4.2 Procurement strategy for categories of procurement

4.2.1 Assumptions

The strategy that is proposed assumes that:

- 1) A step change in infrastructure procurement and delivery management is required to efficiently, economically and effectively service DWS's procurement needs and aspirations; and
- 2) DWS's SCM policies and procedures for infrastructure will be adapted or revised to support its implementation (see section 2 and Annexures A, C and D)

4.2.2 Strategy for construction contracts

DWS delivers construction works projects through its DWS Construction Units and CIDB registered contractors. Consultants are required to design and specify the required works and confirm that design intent is achieved during construction. Suppliers are required to provide materials, components, equipment, spares, diesel, lubricants etc to enable DWS Construction Units to deliver construction works projects. Service providers are required to provide certain construction services such as the provision of formwork and drilling and blasting to support the work of DWS Construction Units. The CIDB requires on contracts having a value more than R 40 m that skills development and enterprise development take place.

The NEC3 Engineering and Construction Contract makes provision for a management contract under Option F. Option F is a cost reimbursable management contract in which the works are constructed by several different works contractors who are contracted to a management contractor. The management contractor is typically appointed by the client early in the design process so that their experience can be used to improve the cost and buildability of proposals as they develop, as well as to advise on works packages and long lead supply items and the interface risks. It also enables some work packages and long lead items to be tendered earlier than others, and sometimes, even before the detailed design is complete. It also enables the co-ordination of a number of suppliers, service providers and subcontractors.

Management contracting differs from construction management in that management contractors contract resources directly, whereas construction managers provide a professional service and only manage resources contracted by the client. The implications of

this are that the client has only one contract to administer whereas with construction management there can be several contracts to administer. The management contracting arrangement enables the client to assign single point accountability to a contractor for the delivery of a project in a flexible and collaborative manner.

A management contract as provided for in the NEC3 Engineering and Construction Contract (ECC), Option F (Management contract) can be used as the basis of the framework agreement. The NEC3 ECC is drafted on a relational contracting basis, based on the belief that collaboration and teamwork across the whole supply chain optimises the likely project outcomes. The first clause in this contract requires the parties to the contract and the project manager (employer's agent) appointed in accordance with the contract, to "act as stated in the contract and in a spirit of mutual trust and co-operation."

The management contractor's responsibilities for construction work are the same as those of a contractor working under one of the other options provided in the NEC3 ECC. However, the management contractor performs only a limited amount of construction works typically relating to site establishment and de-establishment and that which is agreed with the client. The remainder of work is contracted from sub-contractors and suppliers who will be subcontracted through direct contracts with the contractor, who acts as a management contractor.

The NEC3 ECC permits any level of design responsibility to be assigned to the contractor. The contractor can be required to appoint any built environment professionals (consultants) as may be necessary.

The management contractor under the NEC3 ECC Option F tenders his fee and is paid on a cost reimbursable basis i.e. defined cost (market related or competitively tendered prices with deductions for all discounts, rebates and taxes which can be recovered) uplifted by his tendered fee percentage which includes his overheads, profit, insurance, finance charges, management fees and the like. Defined cost includes subcontract amounts and the prices of the work done by the contractor himself less disallowed cost. Disallowed cost includes costs not justified by accounts and records, costs not in accordance with a subcontractor's contract, costs incurred because procedures were not followed and payment to a subcontractor for work which the contractor is to do himself.

The NEC3 ECC includes a partnering option which can be developed to enable DWS Construction Units to partner with a management contractor. The management contractor can procure resources which the DWS Construction Unit requires at market related or competitively tendered prices, provide ancillary works with its own resources, subcontract professional services, mentor CIDB contractors, oversee skills development etc. The contractor can also collaborate on any aspects of the works in accordance with a partnering arrangement including the programming of the works.

Five framework agreement management contractors should initially be appointed to perform work in the regions shown in Figure 8. As the work load increases to address , additional framework agreements can be put in place to increase capacity as necessary.

The management contracting arrangement can be applied to any size of project. However, it is prudent to tender some of the higher value work to the market on a design by employer basis (see Figure B1 in Annexure B) to provide them with an opportunity to contract directly with the Department. Accordingly, it is recommended that some tenders be issued to the market for construction works exceeding R 40 million including VAT.

To ensure single point accountability, it is desirable to assign design responsibilities to the management contractor who can then subcontract such work to consultants should they not have in house capabilities. However, it would be prudent to contract a team of consultants on

a framework agreement basis to design the works having a value exceeding R 40 million and work executed by the DWS Construction Unit. Such a team can also be employed to undertake conditions assessments and to provide technical support to the client delivery manager in performing the buying functions with works associated with the work allocated to the management contractor.

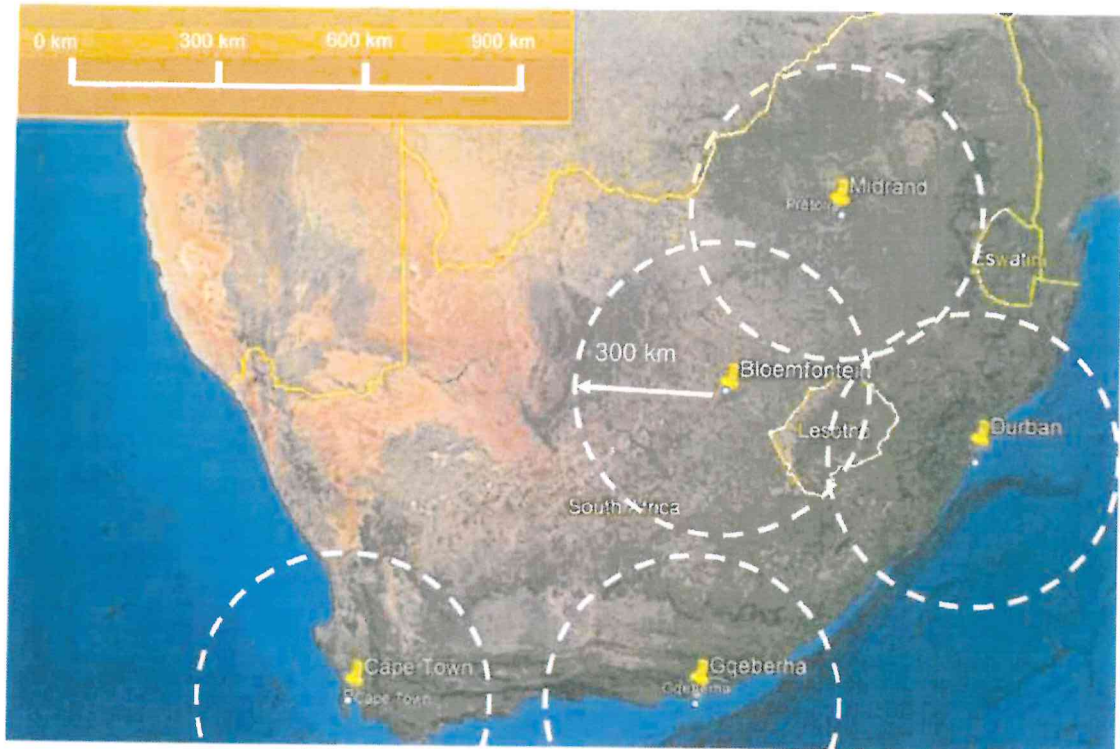


Figure 8: Bases from which the management contractors should operate from spread across the country

The proposed procurement strategy for construction contracts covering the scope outlined in Table 9 is set out in Table 10.

4.2.3 Strategy for professional services

The proposed procurement strategy for professional services covering the scope outlined in Table 9 is set out in Table 11.

4.2.4 Strategy for services

The proposed procurement strategy for services covering the scope outlined in Table 9 is set out in Table 12.

Table 10: Procurement strategy for construction contracts

Aspect of strategy	Selected option	
	Management contractor option	Construction works having a tender value above the threshold for a CIDB contractor grading designation of 7 ⁶
Packaging strategy	brief description of the package: selected construction works identified in Table 9 under construction contract including the supply of resources to DWS Construction Units and workshops.	brief description of the package: selected construction works projects not undertaken by DWS Construction Units for which DWS is responsible for
	framework agreement	non-framework agreement
Design and interface management strategy	design strategy: design and construct / design and supply	design strategy: design by employer
	interface management strategy: management contractor	interface management strategy: general contractor
Contracting strategy	contract type: construction standard form of contract: NEC3 Engineering and Construction Contract (Option F: management contract linked to a partnering agreement)	contract type: construction standard form of contract: SAICE's General Conditions of Contract for Construction Works, NEC3 Engineering and Construction Contract Option A – priced contract with activity schedule or Option B – priced contract with bill of quantities)
	pricing strategy: cost plus	pricing strategy: activity schedule or bill of quantities
Targeting strategy	prequalifying tenderers on the basis of B-BBEE levels 1 to 4 granting of tender evaluation points for B-BBEE creation of contractual obligations for skills development, enterprise development, local participation and local production and content	prequalifying tenderers on the basis of B-BBEE levels 1 to 4 granting of tender evaluation points for B-BBEE creation of contractual obligations for skills development, enterprise development, local participation and local production and content
Selection method	qualified procedure (expression of interest followed by tender submissions) ⁷	open or qualified procedure

Table 11: Procurement strategy for professional service contract

Aspect of strategy	Selected option		
	Repetitive work where a recommended fee scales apply	Non-repetitive work where recommended fee scales apply	Non-repetitive work where recommended fee scales do not apply
Packaging strategy	framework agreement	non-framework agreement	non-framework agreement
Contracting strategy	contract type: professional services standard form of contract: NEC3 Professional Service Contract (Option G – term contract)	contract type: professional services standard form of contract: NEC3 Professional Service Contract (Option G – term contract)	contract type: professional services standard form of contract: NEC3 Professional Service Contract (Option A – priced contract with activity schedule)
	pricing strategy: time charge, lump sums or percentage of construction works, as appropriate	pricing strategy: : time charge, lump sums or percentage of construction works, as appropriate	pricing strategy: activity schedule
Targeting strategy	prequalifying tenderers on the basis of B-BBEE levels 1 to 5 granting of tender evaluation points for B-BBEE creation of contractual obligations for skills development where the fee exceeds R5 m where built environment professional services are required	prequalifying tenderers on the basis of B-BBEE levels 1 to 5 granting of tender evaluation points for B-BBEE creation of contractual obligations for skills development where the fee exceeds R5 m where built environment professional services are required	prequalifying tenderers on the basis of B-BBEE levels 1 to 5 granting of tender evaluation points for B-BBEE creation of contractual obligations for skills development where the fee exceeds R5 m where built environment professional services are required
Selection method	open procedure	open procedure	open procedure

⁶ This threshold is currently R 40 m.

⁷ A framework agreement is a zero value contract. An expression of interest is required to enable the CIDB contractor grading designations to be applied.

Table 12: Procurement strategy for service contracts

Aspect of strategy	Selected option		
	Repetitive work	One of a kind / unique services (see Table 7)	Services for buildings (see Table 7)
Packaging strategy	framework agreement	non-framework agreement	non-framework agreement
Contracting strategy	contract type: services standard form of contract: NEC3 Term Service Contract (Option E – Cost reimbursable contract)	contract type: services standard form of contract: NEC3 Term Service Contract (Option A – priced contract with price list) or (Option E – Cost reimbursable contract) or NEC3 Term Service Short Contract	contract type: services standard form of contract: NEC3 Term Service Short Contract
	pricing strategy: price list	pricing strategy: price list :	pricing strategy: price list
Targeting strategy	prequalifying tenderers on the basis of B-BBEE levels 1 to 4 granting of tender evaluation points for B-BBEE creation of contractual obligations for local participation and local production and content	prequalifying tenderers on the basis of B-BBEE levels 1 to 4 granting of tender evaluation points for B-BBEE creation of contractual obligations for local production and content	prequalifying tenderers on the basis of B-BBEE levels 1 to 4 granting of tender evaluation points for B-BBEE creation of contractual obligations for local production and content
Selection method	open procedure	open procedure	open procedure

4.2.5 Strategy for supplies

All supplies for DWS Construction Units will be supplied by management contractors. The proposed procurement strategy for supplies other than those required for DWS Construction Units covering the scope outlined in Table 9 is set out in Table 13.

Table 13: Procurement strategy for supply contracts

Aspect of strategy	Selected option		
	Construction and rehabilitation of boreholes	Supply of goods which are repetitive	Supply of one of a kind / unique goods
Packaging strategy	framework agreement	framework agreement	non-framework agreement
Contracting strategy	contract type: supply standard form of contract: NEC3 Supply Contract	contract type: supply standard form of contract: NEC3 Supply Short Contract	contract type: supply standard form of contract: NEC3 Supply Short Contract
	pricing strategy: price schedule	pricing strategy: price schedule	pricing strategy: price schedule
Targeting strategy	prequalifying tenderers on the basis of B-BBEE levels 1 to 4 granting of tender evaluation points for B-BBEE creation of contractual obligations for local production and content where appropriate	prequalifying tenderers on the basis of B-BBEE levels 1 to 4 granting of tender evaluation points for B-BBEE creation of contractual obligations for local production and content where appropriate	prequalifying tenderers on the basis of B-BBEE levels 1 to 4 granting of tender evaluation points for B-BBEE creation of contractual obligations for local production and content where appropriate
Selection method	open procedure	open procedure	open procedure

4.3 Procurement tactics

Procurement tactics are required to implement identified procurement strategies (see B4 in Annexure B). It is important that procurement documents are of a high quality and are developed in accordance with the provisions of SANS ISO 10845-2, *Construction procurement*

— *Part 2: Formatting and compilation of procurement documentation* and that stringent eligibility criteria are used to ensure that contracts are entered into only with those who are capable for executing such contracts.

It is important in the setting up of procurement documents to solicit tender offers and to enter into contracts to focus on the selection of a contractor (the other party to a contract) who is most likely to provide the most advantageous combination of factors such as financial offer, quality and expertise to meet procurement objectives or deliver a cost-effective solution through the performance of the contract. It is also important to pay particular attention to the setting up of the terms and conditions of contracts to not only allocate specific risks between the parties to a contract but also to incentivize performance to achieve best results.