



SUPPLY CHAIN MANAGEMENT UNIT

SUPPLY CHAIN MANAGEMENT POLICY


SIGN OFF

I. Head of Department

This Policy on Supply Chain Management has been recommended by Mr. A.A. Fani in his capacity as the Head of Department (HOD) of Cooperative Governance and Traditional Affairs.

I am satisfied and concur with the contents of this Policy.


The development of the Supply Chain Management Policy document will ensure the Department is able to exercise its powers in compliance with the law and provide guidance in decision-making.

Signed:	
Designation:	HOD for Cooperative Governance and Traditional Affairs-Eastern Cape: Mr. A.A. Fani
Date:	13/01/2023

II. Executive Authority

The Department of Cooperative Governance and Traditional Affairs has unprecedented opportunity to improve the lives of the people by effectively rendering services that it is expected to provide. We have envisaged a department that has the required capacity to respond adequately to the challenges of its people.

I, therefore, trust that guidance from this Policy will contribute to the effective curbing/prohibition of the culture of non-compliance in the Department. I approve this policy on Supply Chain Management in my capacity as Executive Authority in terms of Section 38 Part B of Chapter 5 of the Public Finance Management Act of 1999 as amended:

Signed:	
Designation:	Honourable MEC for Cooperative Governance and Traditional Affairs-Eastern Cape: Mr. Z.A Williams
Date:	16/01/2023


16/01/2023.

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1. PREAMBLE

Section 217 of the Constitution of the Republic of South Africa Act, 108 of 1996 requires any organ of state to contract for goods or services in accordance with a system that is fair, equitable, transparent, competitive, and cost effective.

Since 1994 the government of national unity instituted a process of reforms in all spheres of government including the procurement reforms. The procurement reforms were informed by the deficiencies in the previous procurement system and aimed to move away from procurement and provisioning system to an integrated supply chain management function. Cooperative Governance and Traditional Affairs (CoGTA) will continue to adopt new procurement reforms to ensure alignment with latest developments.

The publication of the Public Finance Management Act in 1999, and the Preferential Procurement Policy Framework Act in 2000 marked a new era in procurement in South Africa. The procurement reform process was accelerated significantly with the publication of the Supply Chain Management (SCM) Regulations.

The five major objectives of the SCM Framework are to:

- Transform government procurement and provisioning practices into an SCMU function;
- Introduce a systematic approach to the appointment of consultants;
- Create a common understanding of the preferential procurement policy;
- Promote the consistent application of “best practices” throughout government’s supply chain, whilst embracing “value for money” principle and
- To promote Local Economic Development (LED) of suppliers residing in the Eastern Cape Province.

CoGTA will continue to align its SCMU processes to the norms and standards prescribed by the National Treasury and the Eastern Cape Provincial Treasury. Uniform procurement processes, bid documents and contract documents will be used to enable ease of reading and understanding by emerging enterprises in the province.

CoGTA recognizes that SCMU is a critical operational function for service delivery in the public sector. The SCMU processes will be aligned with new reforms to ensure that service delivery obstacles are reviewed and promote the delivery of services within the required timeframe.

2. DEFINITIONS

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act (Public Finance Management Act) has the same meaning as in the Act.

1.	Accounting Officer or his/her delegate ” means the Head of Department of COGTA or an employee in the employ of the COGTA who has been duly authorised to act on his or her behalf.
2.	“Accounting Standards Board” means the Accounting Standards Board that was established by the Public Finance Management Act to set standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.
3.	“Annual Planning Process” means the process during which the Strategic Plan and budget is considered, motivated and approved by the Accounting Officer, in consultation with the Minister.
4.	“Adjudication points” means the points for price and points for specific goals referred to in the Preferential Procurement Regulations, 2022 and the Preferential Procurement section of this policy, also referred to as “evaluation points”.
5.	“All applicable taxes” includes value-added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
6.	“Asset” means the use of a supply or service which has been delivered, partially or completely installed and commissioned, and which is available for use.
7.	“beneficial use” means the use of a supply or service.
8.	“Bid” means a written offer or bid in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services or goods.
9.	“Bidder” means any person submitting a bid.
10.	“CFO” means the Chief Financial Officer of the COGTA who is charged with the responsibilities and duties of the Chief Financial Officer in terms of the relevant Treasury Regulations.

11.	“ Closing time ” means the time and day specified in the bid documents for the submission of bids.
12.	“ CoGTA ” means Eastern Cape Department of Cooperative Governance and Traditional Affairs.
13.	“ Competitive bid ” means a process of procuring goods, services or professional services more than R 1000 000.
14.	“ Comparative price ” means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration.
15.	“ Consortium or joint venture ” means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity necessary for the execution of a contract.
16.	“ Consultant ” means a person or entity providing services requiring knowledge-based expertise.
17.	“ Contract ” means the agreement that results from acceptance of a bid by the Department.
18.	“ Contractor ” means any legal/juristic person who is contracted to the state for provision of goods or services.
19.	“ Control ” the possession and exercise of legal authority and power to manage the assets, goodwill and daily operations of a business and the active and continuous expertise of appropriate managerial authority and power in determining the policies and directing the operations of the business.
20.	“ CSD ” means Centralised Supplier Database (National Treasury)
21.	“ Day(s) ” means calendar days unless the context indicates otherwise.
22.	“ Delegated authority ” means any person or committee delegated with authority by the department in terms of the provisions of the Public Finance Management Act.
23.	“ Delivery ” means delivery in compliance with the conditions of the contract or order.

24.	“Disposal” means the act of getting rid of something that is no longer wanted or needed.
25.	“EME” means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act; a supplier/service provider with an annual total revenue of R5 million or less (in terms of the Broad-Based Black Economic Empowerment Act).
26.	“End user” means a person who initiates the process of acquisition management and also plays a very important role during the evaluation process or the whole procurement process up until the completion stage.
27.	“Evaluation of bids” shall be deemed to take place when the Bid Evaluation Committee meets to evaluate bids and make a recommendation to the Bid Adjudication Committee.
28.	“Evaluation Points” also referred to as adjudication points.
29.	“Extension of contracts” means contracts where the scope of works or duration must be extended.
30.	“Firm price” is the price that is normally not subject to any adjustment, however prices are subjected to changes if they are explicitly included in the contract.
31.	“Formal written price quotation” means a written price quotation, “Quotation” or “Quote”: means a written or electronic offer to the department in response to an invitation to submit a quotation. Also referred to as “Bids”.
32.	“Fruitless and wasteful expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been exercised.
33.	“Functionality” means the measurement according to predetermined norms, as set out in the bid or quotation documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder. “Functionality” is also referred to as “Quality”.
34.	“Green Procurement” is defined as taking into account environmental criteria for goods or services to be purchased in order to ensure that the related environmental impact is minimised.

35.	“Historically Disadvantaged Individuals” any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) came into operation.
36.	“In the service of the state” means: (a) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1 of 1999; (b) a member of the accounting authority of any national or provincial public entity.
37.	“irregular expenditure” means expenditure, other than unauthorised or fruitless & wasteful expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including: (a) the Public Finance Management Act 1 of 1999; or (b) the State Tender Board act, 1968 (Act of 1968), or any regulation made in terms of the Public Finance Management Act; or (c) any provincial legislation providing for procurement procedures in that provincial government.
38.	“LED” means local economic development in terms of the country.
39.	“long term contract” means a contract with a duration period exceeding one year.
40.	“Non-firm prices” means all prices other than “firm” prices.
41.	“Organ of state” means an organ of state as defined in section 239 of the Constitution.
42.	“OEM” means Original Equipment Manufacturer.
43.	Employee” refers to any person employed by the state.
44.	“Other applicable legislation” means any other legislation applicable to departmental supply chain management, including – (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000); (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).
45.	“PAIA” means the Promotion of Access to Information Act 2 of 2000;

46.	“Programme Managers” means identified and duly appointed COGTA employees that have been given the responsibility to oversee the management of a certain section of the budget allocation;
47.	“Person” includes reference to a juristic person.
48.	“Policy” means this Supply Chain Management Policy.
49.	“Preferential Procurement Policy Framework Act” means the Preferential Procurement Policy Framework Act, 5 of 2000 and includes the regulations thereto.
50.	“Preferential Procurement Regulations” means the Framework for Supply Chain Management implemented in terms of business unit 76(4)(c) of the PFMA;
51.	“privileged or confidential information” means any information: <ul style="list-style-type: none"> a) determined by the bid specification, evaluation or adjudication committee to be privileged or confidential; b) discussed in close sessions by any of the bid committees; c) disclosure of what would violate a person’s right to privacy; d) declared to be privileged, confidential or secret in terms of any legislative framework.
52.	“PFMA” means the Public Finance Management Act 1 of 1999; as amended (the Act)
53.	“Premium” means a maximum price the state is allowed to pay for not awarding to the bidder with the lowest price which is 25% for 80/20 preferential point system and 11,11 for 90/10 preferential points system.
54.	“Public Private Partnership” or “PPP” means a commercial transaction between an institution and a private party.
55.	“QSE” means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.
56.	“Quotation or quote” means a written or electronic offer to the department in response to an invitation to submit a quotation.

57.	“Rand value” means the total estimated value of a contract in Rand denomination which is calculated at the time of bid invitations and includes all applicable taxes and excise duties.
58.	“Reconstruction and Development Programme (RDP)” means the policy instrument designed to direct the progress of the transformation strategy
59.	“Regulations” means National Treasury Regulations, applicable to Departments, Constitutional Institutions and Public Entities issued in terms of the Public Finance Management Act 1 of 1999 and published as Government Notice No. R. 345 in Government Gazette No. 22219 dated 9 April 2001, as amended by the “Public Finance Management Act, 1999: Amendment of Treasury Regulations” Notice 37 published in Government Gazette No. 25195 dated March 2005.
60.	“Renewal of contracts” means contracts that are to be renewed on a periodic basis.
61.	“Republic” means the Republic of South Africa.
62.	“Requisition” means is document that is used by the end user to request services or goods from the Supply Chain Management directorate.
63.	“Risk Management” means the process of identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events.
64.	“SARS” means the South African Revenue Services.
65.	“SCMU” means Supply Chain Management Unit
66.	<p>“Service providers”</p> <p>a) “Professional Service Provider”:</p> <p>Any person or body corporate that is under contract to the Employer for the provision of Professional Services.</p> <p>b) “General Service Provider”:</p> <p>Any person or body that is under contract to the Employer for the provision of any type of service.</p>

67.	“SMME” stands for Small Medium and Micro Enterprise, means a separate and distinct business entity, including cooperative enterprises and non-governmental Organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy.
68.	“Specific Goals” means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;
69.	“Sub-contracting” means the primary contractor’s assigning or leasing or making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract.
70.	“The Constitution” means the Constitution of the Republic of South Africa
71.	“Treasury guidelines” means any guidelines on supply chain management issued by the Minister.
72.	“The Department” refers to the Cooperative Governance and Traditional Affairs (CoGTA).
73.	“Turnkey Project” a contract under which a firm agrees to fully design, construct and equip a good/ service facility and turn the project over to the purchaser when it is ready for operation.
74.	“Unsolicited bid” means an offer submitted by any person at its own initiative without having been invited by the department to do so.
75.	“Written or verbal quotations” means quotations referred to in section 3.5.2 of this policy.
76.	“Variation” where the actual work to be carried out changes, or where the circumstances in which the work is to be carried out changes.

3. APPLICATION OF THE POLICY

This policy applies when the department:

- Procures goods or services;
- Procures professional services;
- Disposes goods no longer needed.

4. COMMENCEMENT AND REVIEW

This Policy is effective from the date of approval and will be reviewed as and when need arises.

5. SUPPLY CHAIN MANAGEMENT UNIT

In terms of Treasury Regulations 16A, the Accounting Officer must establish Supply Chain Management unit that provides for Demand, Acquisition, Logistics, Disposal, Risk, and Performance management. The Supply Chain Management unit reports directly to the Chief Financial Officer.

6. PRINCIPLES OF PROCUREMENT

The following principles of procurement, referred to as the pillars of procurement, should be applicable when procuring goods and services:

- 6.1 Ethics and Fair dealing** - Government officials must conduct themselves properly without compromising their integrity. They may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350. All bidders and contractors shall be dealt with, fairly and without unfair discrimination. Unnecessary constraints shall not be imposed on bidders/contractors and commercial confidentiality shall be protected.
- 6.2 Equity** – All bidders and service providers shall be treated equally throughout the whole supply chain process and shall be given access to the same information as per PAIA.
- 6.3 Openness and Transparency** –The SCM process shall be open and transparent and shall afford each prospective bidder timely access to the same and accurate information, in order to allow all bidders a reasonable chance to compete for tenders. Government officials must make sure that there is no favouritism towards any bidder.

- 6.4 Value for money** - The Department shall achieve value for money through the optimum combination of whole life cycle cost and quality (or fitness for purpose) to meet the customer's requirements while maximizing efficiency effectiveness and flexibility.
- 6.5 Competitiveness** – The Department shall satisfy its requirements through competition unless there are justifiable reasons to the contrary.

7. SOCIO-ECONOMIC OBJECTIVES

The department will strive through its SCMU processes, to achieve socio economic objectives of the country in order to contribute to the upliftment of the lives of the people of the Eastern Cape and facilitate sustainable development. The promotion of socio-economic objectives through public procurement will be guided by the provisions of the Preferential Procurement Policy Framework Act, the Broad Based Black Economic Empowerment Act and their associated regulations and codes of good practice. The socio-economic objectives include, but not limited to, the following:

- 7.1** Empowerment of Historically Disadvantaged Individuals including black people, women, youth, and people with disabilities.
- 7.2** The promotion of SMMEs, QSEs and EMEs.
- 7.3** The promotion of locally manufactured products through implementation of SBD 6.2.
- 7.4** Supporting the proudly South African campaign.
- 7.5** The promotion of enterprises located in the province, enterprises located in rural areas, enterprises located in specific municipalities in the province, and enterprises located in the country through implementation of LED provisions.

8. GOOD GOVERNANCE

The department will promote effective and efficient Supply Chain Management system that enables it to deliver the required quality and quantity of goods and services to its clients. The employees of the department are expected to carry their mandate in accordance with the code of conduct for the public service, Batho Pele principles, the legislative framework governing public sector SCM in the country and other codes of good practice issued by the National Treasury.

The department will also adopt any measures to ensure that the following principles of corporate governance are achieved:

- 8.1 Discipline by employees to adhere to behaviour that is universally recognised and accepted as correct and proper.
- 8.2 Accountability for the decisions and actions taken by employees, through PFMA SCM Instruction No 3 of 2021-2022- Enhancing Compliance, Transparency and Accountability as well as the other relevant established mechanisms.
- 8.3 Mechanisms to avoid conflict of interest in bidding processes and penalise mismanagement.

9. THE LEGISLATIVE FRAMEWORK

This policy is derived from but not limited to the following legislative and regulatory framework:

- 9.1 The Constitution of the Republic of South Africa, No. 108 of 1996 as amended (S217)
- 9.2 Public Finance Management Act 1 of 1999 as amended (S38(1) (a) (iii) of the PFMA)
- 9.3 Preferential Procurement Policy Framework, Act 5 of 2000
- 9.4 Broad Based Black Economic Empowerment, Act 53 of 2003
- 9.5 Public Administration Management, Act 11 of 2014
- 9.6 Provision of Access to Information Act 2 of 2000
- 9.7 Supply Chain Management Framework
- 9.8 Prevention and Combating of Corrupt Activities, Act 12 of 2004
- 9.9 Treasury Regulations as amended (Clause 16.A)
- 9.10 Preferential Procurement Regulations, 2022
- 9.11 The Reconstruction and Development Programme (RDP)
- 9.12 National and Provincial Treasury Practice Notes
- 9.13 National and Provincial Treasury Instruction Notes
- 9.14 National and Provincial Treasury Circulars

10. PROCUREMENT OF GOODS AND SERVICES

Procurement of goods and services must be performed in a manner that is fair; equitable; transparent; competitive and cost effective either by way of quotations or through a bidding process. It must be within the threshold values as determined by the National Treasury from time to time.

In cases where there are existing Transversal contracts and the department is a participant, procurement of goods and services must be done in accordance with the contract's engagement models.

In a case where there are approved bursary beneficiaries on request or approved funding support requests, payments to the institutions of the learner's (beneficiary's) choice must be done in accordance with the conditions of the award.

In a case where goods or services required are sourced or available from a service provider identified by a particular guide or legislation or in a case where the permanent infrastructure such as Eskom and Government Printers is in place already; the Accounting Officer approves transactions of that nature through this policy.

10.1. A SUPPLY CHAIN MANAGEMENT SYSTEM MUST, IN THE CASE OF PROCUREMENT THROUGH BIDDING PROCESS, PROVIDE FOR:

- 10.1.1.** The establishment, composition and functioning of bid committees;
- 10.1.2.** The selection of bid committee members and
- 10.1.3.** Processing of bids through a Bid Specification, Evaluation and Adjudication Committee;
- 10.1.4.** The approval of bid committee recommendations.

10.2. FRAMEWORK FOR IMPLEMENTATION OF PREFERENTIAL PROCUREMENT POLICY

As prescribed by Section 2(1) of the Preferential Procurement Policy Framework Act, CoGTA determines its preferential procurement policy and will implement it within the following framework:

- 10.2.1.** A preference point system must be followed:
 - (a) for contracts with a Rand value above R50 million, a maximum of 10 points must be allocated for specific goals as contemplated in paragraph (10.2.4) and the lowest acceptable tender scores 90 points for price; and
 - (b) for contracts with a Rand value equal to or below R50 million, a maximum of 20 points must be allocated for specific goals as contemplated in paragraph (10.2.4) and the lowest acceptable tender scores 80 points for price.
- 10.2.2.** Any other acceptable tender/s which is/are higher in price must score fewer points, on a pro rata basis, calculated on their tender prices in relation to the lowest acceptable tender, in accordance with a prescribed formula;

10.2.3. The specific goals may include:

- (a) Contracting with persons or categories of persons that were historically disadvantaged by unfair discrimination especially black people, women, youth, people living with disabilities; and
- (b) Taking into consideration the objectives of the RDP, Eastern Cape Vision 2030 Provincial Development Plan, and the Local Economic Development Procurement Framework (LEDPF) including the current Eastern Cape Provincial targets at the time.

10.2.4. Any specific goal for which a point will be awarded, must be clearly specified in the invitation to submit a tender and the following formula must be used to calculate the points out of 80/90 for price:

- (a) in respect of an invitation/s for tender/s for procurement of goods and services

$$\begin{array}{ccc} \mathbf{80/20} & \mathbf{or} & \mathbf{90/10} \\ \mathbf{Ps} = \mathbf{80} \left(\mathbf{1} - \frac{\mathbf{Pt} - \mathbf{Pmin}}{\mathbf{Pmin}} \right) & \mathbf{or} & \mathbf{Ps} = \mathbf{90} \left(\mathbf{1} - \frac{\mathbf{Pt} - \mathbf{Pmin}}{\mathbf{Pmin}} \right) \end{array}$$

Where

- Ps** = Points scored for price of bid under consideration
Pt = Price of bid under consideration
Pmin = Price of lowest acceptable bid

- (b) in respect of an invitation for tender for income-generating contracts

$$\begin{array}{ccc} \mathbf{80/20} & \mathbf{or} & \mathbf{90/10} \\ \mathbf{Ps} = \mathbf{80} \left(\mathbf{1} + \frac{\mathbf{Pt} - \mathbf{Pmax}}{\mathbf{Pmax}} \right) & \mathbf{or} & \mathbf{Ps} = \mathbf{90} \left(\mathbf{1} + \frac{\mathbf{Pt} - \mathbf{Pmax}}{\mathbf{Pmax}} \right) \end{array}$$

Where

- Ps** = Points scored for price of bid under consideration
Pt = Price of bid under consideration
Pmax = Price of highest acceptable bid

- 10.2.5. If it is unclear whether the 80/20 or 90/10 preference point system applies, the tender/s documents in respect of a tender for income-generating contracts will stipulate that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or
The lowest acceptable tender will be used to determine the applicable preference point system in respect of a tender/s for procurement of goods and services;
- 10.2.6. No potential bidder will be prevented from submitting an offer or will be disqualified for not meeting any specific goal/s, however, such bidder will not score all or some of the points being allocated for specific goals;
- 10.2.7. The contract must be awarded to the tenderer who scores the highest points, unless objective criteria in addition to those contemplated in paragraphs (10.2.4) and (10.2.5) justify the award to another tenderer; and
- 10.2.8. Any contract awarded on account of false information furnished by the tenderer in order to secure preference in terms of this Act, may be cancelled at the sole discretion of the organ of state without prejudice to any other remedies the organ of state may have;
- 10.2.9. Quotations to the estimated value of R1 000 000 (inclusive of all applicable taxes) and below must be sourced from prospective suppliers who are registered on the Central Supplier Database utilising the PPPFA and its regulations from SMMEs within the Eastern Cape where applicable; and
- 10.2.10. Contracts estimated Above R1 000 000 must be sourced through competitive bidding process, applying PPPFA and its regulations.

10.3. DEMAND MANAGEMENT

Demand management is the first phase of SCM wherein a total needs assessment should be undertaken.

- 10.3.1** The objective is to ensure that the resources required to fulfil the needs identified in the strategic plan of the department are delivered at the right time, place, price, quantity and quality which will satisfy those needs.

- 10.3.2 A detailed needs analysis of the goods, works, services and lead time must be correctly reflected in the procurement plan to meet the departmental strategic objectives.
- 10.3.3 The Accounting Officer should ensure that the department performs demand forecasting.
- 10.3.4 The Accounting Officer should ensure development, approval and implementation of a Sourcing Strategy.
- 10.3.5 The Sourcing Strategy should be in line with the PPPFA and its regulations. Preference is given to service providers residing where the service is needed unless in exceptional instances where such a service is not available in that local area concerned.

10.4. THRESHOLD VALUES FOR PROCUREMENT OF GOODS AND SERVICES

The Accounting Officer or delegate may lower but not increase the different threshold values listed below specified by National Treasury for the procurement of goods and services.

10.4.1 R0,01 to R1 000 000 apply PPPFA

- (a) Request at least three (3) written quotations from the prospective suppliers. The contract will be awarded to the highest scoring acceptable quotation;
- (b) 80/20 Preference points will be applicable for acquisition of goods and services or for tender for income-generating contracts for rand value equal to or below R1 million;
- (c) Local content for designated sectors as determined by Department of Trade and Industry (DTI) must be complied with.

10.4.2 Above R1 000 000 (Competitive bid) apply PPPFA

- (a) The Procurement of goods and services above R1 000 000 must be procured through a competitive bidding system and the successful supplier will be determined based on the supplier achieving the highest number of points through application of the Preferential Procurement Policy Framework Act 5, of 2000 and Preferential Procurement Regulations, 2022'
- (b) 80/20 Preference points will be applicable for acquisition of goods and services or for tender for income-generating contracts for rand value equal or above R1 000 000 up to R50 million;
- (c) 90/10 Preference points will be applicable for acquisition of goods and services or for tender for income-generating contracts for value above R50 million;

- (d) Local content for designated sectors as determined by Department of Trade and Industry (DTI) must be complied with.
- (e) The department subscribes to the National Industrial Participation Programme as administered by the DTI and therefore all contracts of **R10 million** or more will be subjected to DTI for clearance on award.

10.5. CRITERIA FOR BREAKING DEADLOCK IN SCORING

- 10.5.1** If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.
- 10.5.2** If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

10.6. REMEDIES

- 10.6.1** If an organ of state is of the view that a tenderer submitted false information regarding a specific goal, it must:
 - (a) inform the tenderer accordingly; and
 - (b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified
- 10.6.2** After considering the representations referred to in 10.5.3(b), the department may, if it concludes that such information is false;
 - (a) disqualify the tenderer or terminate the contract in whole or in part; and
 - (b) if applicable, claim damages from the tenderer.

10.7. AWARD OF CONTRACTS TO BIDDERS NOT SCORING HIGHEST POINTS

- 10.7.1** A contract may be awarded to a bidder that did not score the highest points only in accordance with section 2(1)(f) of the PPPFA.
- 10.7.2** If an organ of state intends to apply objective criteria in terms of section 2(1)(f) of the PPPFA, the department must stipulate the objective criteria in the tender documents.

10.8. COMMITTEE SYSTEM

The Accounting Officer or his/her delegate must appoint cross - functional (not from the same Directorate) bid committees (specification, evaluation, and adjudication) members on annual basis:

10.8.1 Bid Specification Committee

- a. The committee is responsible for the compilation of bid specifications / terms of reference in an unbiased manner to allow all potential bidders to offer their goods and / or services without favour or prejudice for procurement transactions with the estimated value of more than R1 000 000 (inclusive of all applicable taxes).
- b. The chairperson of the committee must be at director level and the deputy chairperson may be at a deputy director level.
- c. The quorum of the committee is formed by least 50% + 1 members including the Chairperson and one supply chain management practitioner excluding the secretariat and end user. The committee should be composed of cross-functional team of officials.
- d. The deputy chairperson has the same powers and duties as those of members and in addition, where necessary shall in the absence of the chairperson, preside as chairperson and take the seat of and act as chairperson, should the chairperson wish to partake in partial discussions.
- e. In the event that both the chairperson and vice-chairperson are absent from a meeting, the members present may elect one of their members to preside at such meeting.
- f. The Bid Specification Committee may coopt additional internal experts/ officials or advisors on account of their specialised knowledge, skill and expertise.
- g. The BSC has a responsibility of developing the evaluation criteria for all bids where functionality is required on the terms of reference / specification(s).
- h. General Conditions of Contract (GCC) apply to all departmental procurement of goods and services.

- i. Special Conditions of Contract must be compiled in advance and complement the General Conditions of Contract as stipulated on the terms of reference / specification(s).

10.8.2 Bid Evaluation Committee

- a. The committee is responsible for the evaluation of all bids received in respect of the departmental requests for proposals in an unbiased manner without favour or prejudice for procurement transactions with the estimated value of more than R1 000 000 (inclusive of all applicable taxes).
- b. The chairperson of the committee must be at a director level and the deputy chairperson may be at a deputy director level.
- c. The deputy chairperson has the same powers and duties as those of members and in addition, where necessary shall in the absence of the chairperson, preside as chairperson and take the seat of and act as chairperson, should the chairperson wish to partake in partial discussions.
- d. In the event that both the chairperson and vice-chairperson are absent from a meeting, the members present may elect one of their members to preside at such meeting.
- e. The quorum of the committee is formed by least 50% + 1 members including the Chairperson and one Supply Chain Management practitioner excluding the secretariat and end-user. The committee should be composed of cross-functional team of officials. The secretariat and end-user do not form part of the cross-functional team and therefore have no voting rights.
- f. Where considered necessary, additional officials or advisors may be co-opted on account of their specialised knowledge, skill and expertise with no voting rights.
- g. A member of the BEC may not participate in the adjudication of the same bid in which they have participated during its evaluation with the exception of the chairperson or delegated member who is responsible for presenting the bid evaluation report.

- h.** If the bid committee requires additional information from a specific bidder for a sole purpose of seeking clarity, such communication must be done through the Chief Financial Officer.

10.8.3 Bid Adjudication Committee

- a.** The Bid Adjudication Committee (BAC) must consider the recommendations/reports of the Bid Evaluation Committee and make a recommendation to the accounting officer to make a final award;
- b.** The BAC must also consider variations of contracts that were adjudicated by the BAC;
- c.** Where possible, the chairperson of the committee must be a Chief Financial Officer and the deputy chairperson should be on at least director level;
- d.** The deputy chairperson has the same powers and duties as those of members and in addition, where necessary shall in the absence of the chairperson, preside as chairperson and take the seat of and act as chairperson, should the chairperson wish to partake in partial discussions;
- e.** In the event that both the chairperson and vice-chairperson are absent from a meeting, the members present may elect one of their members to preside at such meeting;
- f.** The Bid Adjudication should be composed of cross-functional teams comprising senior officials of whom at least one must be a supply chain practitioner. Where considered necessary, additional officials or advisors may be co-opted on account of their specialized knowledge, skill and expertise with no voting rights;
- g.** The quorum of the committee is formed by least 50% + 1 members including the Chairperson and one Supply Chain Management practitioner excluding the secretariat and end-user;

- h.** For the purpose of continuity and not to delay meetings, the accounting officer / authority may also appoint members on *ad-hoc* basis to temporarily replace members that are absent from meetings due to illness, leave, etc. The accounting officer / authority will also decide whether or not such *ad-hoc* member will have the same powers as members;

10.9. Advertisement of Bids

- 10.9.1** Prospective bidders are invited to submit bids/proposals through advertising in the Provincial Tender Bulletin, E-Tender Portal, departmental website and/or where possible the relevant print media.
- 10.9.2** Competitive bids must be advertised for at least a minimum of 21 days before closure, except in urgent cases when bids may be advertised for such shorter period as the Accounting Officer may determine on the recommendation submitted.
- 10.9.3** Formal quotations must be advertised for at least a minimum of seven (7) days before closure.
- 10.9.4** Briefing sessions should be arranged to take place at least seven days (7) after publishing of the bid, where deemed necessary.
- 10.9.5** The bid closing date may be extended by the Accounting Officer / Delegated Official if circumstances justify such action.
- 10.9.6** The bid closing date and time will be disclosed on the invitation to bid determined by considering the particular circumstances of the project, magnitude and complexity of the contract.
- 10.9.7** The bidding document must be available on the publication date of the advertisement.
- 10.9.8** Records of such publication must be retained for audit purposes.
- 10.9.9** The department may opt to participate in transversal term contracts facilitated by National / Provincial Treasury and when this occurs the department may not solicit bids for the same or similar product or service during the tenure of the transversal term contract. Prior to participation permission must be sought through Provincial Treasury.

10.9.10 The department may also participate in any contract arranged by means of a competitive bidding process by any other organ of state, subject to the written approval by the initial contracting department and the relevant contractor in accordance with Provincial Treasury Circular No.4 of 2014/15.

10.10. BID SUBMISSION AND OPENING OF BIDS

10.10.1 All bids must be submitted in a designated tender box situated at the foyer of the Departmental Head Office in Phalo Avenue, Tyamzashe Building, Bhisho.

10.10.2 Bids received after the bid closing date and time will not be accepted.

10.10.3 Immediately after the opening of the bid box, all bids must be opened and recorded in public.

10.10.4 When two envelope systems are followed, only the technical proposal will be opened.

10.10.5 The employee/s opening the bids must read out the name of the bidder and if practical, the amount of the bid.

10.10.6 The department must publish within 10 days after closure of any advertised competitive bids in the departmental website the names of all bidders that submitted bids in relation to a particular advertisement, which should remain on the website for at-least thirty (30) days.

10.10.7 The department must take into account any discounts which have been offered unconditionally when calculating comparative prices.

10.10.8 When the department is in need of a service provided by only tertiary institutions, such services must be procured through a bidding process in line with the sourcing strategy.

10.10.9 The department reserves the right to cancel any bid prior to the award.

10.11. REGISTRATION OF SUPPLIERS ON CSD AND LOGIS

All suppliers / bidders who are interested to do business with the department must be registered on CSD and LOGIS.

10.12. DEVIATIONS FROM NORMAL SCM PROCESSES

10.12.1. If in a specific case it is impractical to invite competitive bids, the department may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the Accounting Officer (*Treasury Regulations 16A6.4*).

10.12.2. Procurement by "other means" includes:

- (a) limited bidding;
- (b) written price quotations not within the threshold determined by National Treasury Instruction; and
- (c) procurement that occurs in emergency situations and urgent cases (where immediate action is necessary to avoid a dangerous or risky or life-threatening situation or misery or disaster such as floods and fires).

NB: Lack of proper planning should not be constituted as an urgent case.

10.12.3. When procuring goods or services by "other means", the AO must ensure that the department complies with other applicable SCM prescripts and must within 14 days after the finalisation of the procurement by "other means", report the procurement to the relevant treasury and the Auditor-General of South Africa (AGSA) in a format determined by the National Treasury.

10.12.4. In the event that approval of a written application is impractical due to the nature of the emergency or urgency, any written communication from the Accounting Officer or his/her delegate giving consent will be acceptable; however, this must be followed by a properly written approval

10.12.5. In cases where a **deviation exceeds R1 million** it must also be reported to Treasury and Auditor General within ten (10) working days (Practice Note 6 of 2007/2008).

10.13. UNSOLICITED PROPOSALS

10.13.1 An unsolicited proposal / concept means any proposal received by the department outside its normal procurement process.

10.13.2 Unsolicited bids will only be considered if it will be exceptionally beneficial to the department and in terms of the National Treasury Instruction Note issued on 28 October 2004 and Practice Note No.11 of 2008/2009.

11. APPOINTMENT OF CONSULTANTS / PROFESSIONAL SERVICES

11.1 Section 4.5 of Treasury Instruction No 2 of 2016/17 (Cost Containment Measures) states: “Accounting officers must ensure that consultants are appointed only where this is a cost-effective alternative to the utilisation of staff employed by the department. The appointment of consultants must be supported by a motivated business case setting out an analysis of the underlying skills gap and a diagnosis of requirements and specified deliverables, as approved by the accounting officer.

11.2 The department will engage consultants principally for the following reasons:

11.2.1 To provide specialised services for limited periods without any obligation of permanent employment;

11.2.2 To benefit from superior knowledge, transfer of skills and upgrading of a knowledge base while executing an assignment; and

11.2.3 To provide independent advice on the most suitable approaches, methodologies and solutions of projects.

11.3 Consultants are required to provide professional, objective and impartial advice and at all times hold the client’s interest’s paramount, without any consideration for future work and strictly avoid conflicts with other assignments or their own corporate interests.

11.4 Consultants should not be hired for any assignment that would be in conflict with their prior obligations to other clients, or that may place them in a position of not being able to carry out the assignment in the best interest of the State. Without limitation on the generality of this rule, consultants will not be hired under the following circumstances:

- 11.4.1. A firm, which has been engaged by the Accounting Officer to provide goods or works or services for a project and any of its affiliates, should be disqualified from providing consulting services for the same project.
- 11.4.2. Similarly, a firm hired to provide consulting services for the preparation or implementation of a project and any of its affiliates, should be disqualified from subsequently providing goods or works or services related to the initial assignment (other than a continuation of the firm's earlier consulting services) for the same project, unless the various firms (consultants, contractors, or suppliers) are performing the contractor's obligations under a turnkey or design-and-build contract.

11.5 In sourcing consulting services, the Accounting Officer must satisfy himself / herself that:

- 11.5.1. The procedures to be used will result in the selection of consultants who have the necessary professional qualifications;
- 11.5.2. The selected consultant will carry out the assignment in accordance with the agreed schedule, and
- 11.5.3. The scope of the services is consistent with the needs of the project.
- 11.5.4. If the assignment includes an important component for training or transfer of skills, the Terms of Reference (TOR) must indicate the objectives, nature, scope and goals of the training programme, including details of trainers and trainees, skills to be transferred, timeframes and monitoring and evaluation arrangements.
- 11.5.5. The cost for the training must be included in the consultant's contract price (bid price) for the assignment.

12. EXPRESSION OF INTEREST (EOI)

- 12.1 An EOI is only a preliminary step to a bid and is used to test whether there are potential bidders in the market that are interested in, and capable of satisfying the procurement needs.
- 12.2 An EOI is not a bid and should not be used as a means of obtaining quotations or offers for the procurement of goods and / or services.
- 12.3 An EOI is a multi-stage process that is used to shortlist potential bidders before seeking detailed bids.

- 12.4 The first stage of the process involves calling for bidders who have the capacity / interest to provide goods or services by responding to the invitation of the EOI.
- 12.5 The second stage involves the responding bidders being requested to submit a detailed bid in accordance with the procurement system.

13. CONTRACT MANAGEMENT

- 13.1. The key elements of a thoughtful contract management process comprise of the following:
 - 13.1.1 Developing the contract
 - 13.1.2 Formalising the contract
 - 13.1.3 Monitoring the contract
 - 13.1.4 Ending the contract
- 13.2. Through this policy, the Accounting Officer of the department must take all reasonable steps to ensure that a contract or agreement is properly enforced; monitored on a monthly basis and establish capacity in the department to oversee the day-to-day management of the contract or agreement.
- 13.3. All contracts must be administered by a contract manager, who will be an internal employee assigned to ensure the effective administration of the contracts including contract price adjustments and variations.
- 13.4. The contract manager will work with the internal project manager/ end user assigned to the project as a whole, but may also work with the chief director responsible for the project or any other delegated employee.
- 13.5. Prior to signing a formal contract or service level agreement with a contractor, Contracts Manager must ensure that such contracts or agreements are legally sound to avoid litigation and to minimize possible fraud and corruption by ensuring that the finalised Contracts or Service Level Agreements are forwarded to the departmental Legal Services prior to submission to the Accounting Officer for legal vetting.
- 13.6. The Accounting Officer (AO) may:
 - 13.6.1 expand a contract by increasing the scope of work; or

13.6.2 vary a contract by changing the scope of work.

- 13.7.** If an expansion or variation in the scope of work requires an extension in the period of the contract, the motivation must distinguish between the change in the scope of work and the period for which the contract is extended.
- 13.8.** If the AO participates in a transversal contract, the AO may not expand or vary the transversal contract but may request the relevant treasury to expand or vary the contract.
- 13.9.** The AO must, in a format determined by the National Treasury, submit a monthly report, including the reasons for the expansion or variation, to the relevant treasury and the AGSA; if a contract for:
- 13.9.1** construction-related goods or services or both, is accumulatively expanded or varied by more than 20% or R20 million (including all applicable taxes), whichever is the lesser; and
 - 13.9.2** all other goods or services or both, is accumulatively expanded or varied by more than 15% or R15 million (including all applicable taxes), whichever is the lesser.
- 13.10.** The department accept the cession with the objective of promoting SMMEs, QSEs and EMEs.

14. LOGISTICS MANAGEMENT

The department will make provision for an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders and vendor performance.

15. DISPOSAL MANAGEMENT

- 15.1** The purpose of disposal management is to dispose movable assets to the best value for money to the state. The SCMU is responsible for sourcing service provider/s for executing the physical disposal process.
- 15.2** When disposing assets by means of a bid process the normal bid/quotation process will apply. It will consist of:
- 15.2.1.** Initiation;
 - 15.2.2.** Preparation of bid documents;
 - 15.2.3.** Solicitation;
 - 15.2.4.** Evaluation;
 - 15.2.5.** Assess and award by the relevant bid committees.

16. AVOIDING ABUSE OF SUPPLY CHAIN MANAGEMENT SYSTEM

The Accounting Officer must take all reasonable steps to prevent abuse of the Supply Chain Management system making use of Treasury Regulations 16A.9 with the guidance of PFMA Instruction Note 3 of 2021/2022 (enhancing compliance transparency and accountability in SCM).

17. ETHICS

- 17.1. All employees of the department dealing with procurement processes must declare their interest and sign the code of conduct annually.
- 17.2. COGTA has the obligation to treat, and to be seen to be treating, all stakeholders objectively and fairly. Supply Chain Management activities must demonstrate a high degree of integrity with a view to be consistent with CoGTA's intent to sustain highest ethical standards.
- 17.3. All procurement transactions and interactions with suppliers, including supplier selection and evaluation, are subject to the provisions outlined in the Departmental SCM Policy.
- 17.4. No employee may accept any gift, hospitality or other inducement that may influence them in their decision-making responsibilities, or that may be seen to influence them in their decision-making. Any such attempted inducements must immediately be reported to the Accounting Officer.

18. DECLARATION OF INTEREST

- 18.1. All bid committee members and any person involved in the procurement, evaluation, adjudication or negotiation process; must complete and sign the applicable declaration of interest.
- 18.2. Any person with an interest that may affect or could be seen to affect their impartiality should immediately declare the conflict of interest, in writing and withdraw entirely from the process.
- 18.3. All employees involved in procurement activities other than evaluation, adjudication, or negotiation, will only be required to declare an interest if they in fact have an interest in a particular matter. Should such an employee not make any declaration in a particular matter, he / she will be deemed not to have an interest in the matter. If it is later discovered that an employee did have an interest which he / she failed to declare, such employee will be found to have failed to comply with the duty to declare conflicts of interests and must be subjected to consequence management process.

- 18.4. CoGTA reserves the right to conduct the necessary due diligence on employees, suppliers and bidders for procurement related matters and take the necessary steps to ensure compliance.

19. REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION

The Accounting Officer will submit to the Relevant Treasury such Supply Chain Management information as required. Such information will be submitted in such format and at such intervals as Treasury requires.

20. REGISTER OF COMPLAINTS AND ALLEGATIONS

- 20.1.** The AO must establish a procedure for the management of complaints and allegations of abuse in the SCM system, which must provide for:
- 20.1.1 the submission of written complaints/allegations of abuse in the SCM system; and
 - 20.1.2 the establishment of a register of all complaints/allegations of abuse in the SCM system in the prescribed format.
- 20.2.** The chief financial officer of the institution must report a complaint/allegation of abuse in the SCM system that implicates the AO to the relevant treasury within 14 days of receipt of the complaint/allegation, by the institution.

21. COST MANAGEMENT ON TRAVEL AND SUBSISTENCE

The Accounting Officer must in relation to the cost management on travel and subsistence always ensure that the department's procurement transactions are in compliance with the latest legislation including but not limited to:

- 21.1.** Departmental Travel and Subsistence Policy
- 21.2.** Treasury Instruction No. 7 of 2022/23 on Cost Containment Measures related to travel and subsistence
- 21.3.** Treasury Instruction No. 6 of 2022/23 – National Travel Framework

22. NON-COMPLIANCE WITH THIS POLICY

Any failure to comply with this policy and its provisions may constitute financial misconduct and any employee found to be transgressing this policy will be subjected to a disciplinary enquiry in terms of the Public Services Act, 1999 (Proclamation 103 of 1994) and other relevant legislation.