DR KENNETH KAUNDA DISTRICT MUNICIPALITY

SUPPLY CHAIN MANAGEMENT POLICY

2025/2026

THE DR KENNETH KAUNDA DISTRICT MUNICIPALITY: SUPPLY CHAIN MANAGEMENT POLICY

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CHAPTER 1

ESTABLISHMENT AND IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY

1. DEFINITIONS

In this policy, except where the context otherwise indicates or it is expressly stipulated otherwise, the following words, expressions and/or abbreviations shall have the respective meanings assigned to them hereunder and words or expressions to which a meaning has been assigned in terms of the provisions of section 1 of the MFMA will have the corresponding meaning assigned thereto in terms of such section. Some of these words, expressions and/or abbreviations may not occur in the Policy, but are included for the sake of completeness. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO	WORD/EXPRESSION	DEFINITION
	"A"	
1.1	**"Accounting Officer"**	The Municipal Manager of the Municipality as referred to the definition of "Accounting Officer" as defined in terms of the provisions of section 1 of the MFMA and referred to in section 60 of the MFMA and includes a person acting as an Accounting Officer, or the person to whom the Accounting Officer has delegated his/her authority to act. Also refer to the definition of Municipal Manager below.

1.2	**“Adjudication points”**	The points referred to in the Preferential Procurement Policy Framework Act, Act 5 of 2000: Preferential Procurement Regulations, 2011, and the preferential procurement section of this policy, also referred to as “evaluation points” or “preference points”.
1.3	**“All applicable taxes”**	Includes value added tax, pay as you earn, income tax, unemployment insurance fund contributions and skills development levies.
1.4	**“Auditor-General”**	The person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person acting as Auditor-General, acting in terms of a delegation by the Auditor-General or designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General.
1.5	**“Authority”**	A right or power attached to a rank or position permitting the holder thereof to make decisions, to execute such decisions or to have such decisions executed, take command or to demand action by others.

"B"		
1.6	**"B-BBEE"**	The Broad Based Black Economic Empowerment as defined in terms of the provisions of section 1 of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003.
1.7	**"B-BBEE status level of contributor"**	The B-BBEE status awarded to a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of the provisions of section 9(1) of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003.
1.8	**"Bid"**	Includes a responsive tender, quotation, expression of interest, proposal, or any other proposition for doing business with the Municipality, whether solicited or not, or a written offer in a prescribed or stipulated form in response to an invitation by the Municipality for the provisions of goods and services.
1.9	**"Bidder"**	Any person or entity submitting a bid.
"C"		
1.10	**"Capital Asset"**	Any immovable asset such as land, property or buildings or any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future economic or social benefit can be derived, such as plant, machinery and equipment.

1.11	**"Chief Financial Officer"**	A person appointed by the Council and designated by the Municipal Manager to manage the financial administration of the Municipality and who remains directly accountable to the Municipal Manager as contemplated in terms of the provisions of section 80(2)(a) read with section 1 and section 81 of the MFMA.
1.12	**"Close family member"**	A spouse, child or parent of a person.
1.13	**"Closing time"**	The time and date specified in bid documentation as the closing time for submission of bids after which no more bids may be submitted to or be accepted by the Municipality.
1.14	**"Community based vendor"**	A supplier of goods and/or services who resides in a target area or community, who/which meets the criteria for community based vendors as determined by the Municipality from time to time, and who/which is registered on the list of the Municipality as an accredited prospective provider of goods and/or services.
1.15	**"Comparative price"**	The price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration. A "non-firm price" means all prices other than a "firm price".
1.16	**"Competitive bid"**	A responsive bid in terms of a competitive bidding process.
1.17	**"Competitive bidding**	A competitive bidding process referred to in regulation
	Process"	12(1)(d) of the SCMR and this policy.

1.18	**"Consortium or joint venture"**	An association of persons or entities formed for the purpose of combining the expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract or contracts. The joint venture or consortium must be formalised by agreement between the parties thereto.
1.19	**"Construction Industry Development Board" or "CIDB"**	The Construction Industry Development Board established by section 2 of the Construction Industry Development Board Act.
1.20	**"Construction Industry Development Board Act"**	The Construction Industry Development Board Act, Act 38 of 2000.
1.21	**"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.
1.22	**"Consultant"**	A person or entity providing labour and knowledge based expertise which is applied with reasonable skill, care and diligence.
1.23	**"Contract"**	A written agreement resulting from the acceptance of a bid or quotation from a bidder by the Municipality and as contemplated in the provisions of section 116 of the MFMA.
1.24	**"Contractor"**	A person or entity whose/which bid or quotation has been accepted by the Municipality and "service provider" has a corresponding meaning.
1.25	**"Council"**	The Municipal Council of the Municipality, its legal successors in title and its delegates.
	"D"	
1.26	**"Days"**	Calendar days, unless the context indicates otherwise.

1.27	**"Demand management"**	A system which insures that the resources required to support the strategic and operational commitments of the Municipality are delivered at the correct time, at the right price, and at the right location, and that the quantity and quality satisfy the needs of the Municipality.
1.28	**"Designated sector"**	A sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced goods and/or services or locally manufactured goods meet the stipulated minimum threshold for local production and content.
1.29	**"Disability"**	In respect of a person means a permanent impairment of a physical, intellectual or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner or in the range considered normal for a human being.
1.30	**"Disciplinary Regulations"**	Local Government: Disciplinary Regulations for Senior Managers, published under GN 344 in GG 34213 of 21 April 2011
1.31	**"Disposal"**	A process of preparing, negotiating and concluding a written contract which involves the alienation of a capital asset of the Municipality, including a capital asset no longer needed by the Municipality or rights in respect thereof, by means of a sale or a donation, and "dispose" has a similar meaning.
1.32	**"Disposal management"**	The system of the Municipality for the disposal or letting of assets, including unserviceable, redundant or obsolete assets in a cost-effective, but transparent and responsible manner, and also entails the maintenance of records and documents.

"E"		
1.33	**"Engineering and construction works**	The provision of a combination of goods and services, arranged for the development and provision of an asset including construction works and engineering infrastructure, or for the refurbishment of an existing asset
1.34	**"Evaluation points"**	Refer to "adjudication points" and/or "preference points".
1.35	**"Exempted capital asset"**	A municipal capital asset which is exempted by section 14(6) of the MFMA from the other provisions of that section, read with regulation 1 of the MATR.

	"F"	
1.36	**"Final award"**	The final decision on which bid or quote to accept.
1.37	**"Firm price"**	The price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change in position, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of a contract.
1.38	**"Formal written price quotation"**	Quotations referred to in this policy and in regulation 12(1)(c) of SCMR and includes an electronic offer to the Municipality in response to an invitation to submit such a quotation.
1.39	**"Functionality"**	The measurement according to predetermined norms and/or criteria, as set out in the bid 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.
	"G"	
1.40	**"General conditions of contract"**	The general conditions of contract as set out in the bid documentation applicable to the said bid and not limited to the General Conditions of Contract for Construction Contracts, 2010 of the South African Institute of Civil Engineers.
1.41	**"Goods and/or services"**	Apart from the normal grammatical meaning, also includes engineering and construction works and consultant works.

1.42	**"Green procurement"**	Taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimised.
	"H"	
1.43	**"Historically disadvantaged individual" or "HDI"**	A South African citizen who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution or the Constitution of the Republic of South Africa, Act 200 1993 ("the Interim Constitution"); and/or who is a female, and/or who has a disability, provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI.
	"I"	
1.44	**"Improper conduct"**	Conduct which is tantamount to fraud, corruption, favouritism, unfair, irregular and unlawful practices, misrepresentation of information submitted in bid documents for the purposes of procuring a contract with the Municipality, misrepresentation regarding the contractor's expertise and capacity to perform in terms of a contract procured via the Supply Chain Management System, breach of a contract procured via the Supply Chain Management System and failure to comply with the Supply Chain Management System.
1.45	**"In the service of the state"**	Means to be: (a) a member of: (i) any municipal council;

		(ii) any provincial legislature; or (iii) the National Assembly or the National Council of provinces; (b) a member of the board of directors of any municipal entity; (c) an official of any municipality or municipal entity; (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution with the meaning of the Public Finance Management Act, Act 1 of 1999; (e) a member of the accounting authority of any national or provincial public entity; or (f) an employee of Parliament or a provincial legislature.
1.46	**"Information technology" or "IT"**	The acquisition, processing, storage and dissemination of vocal, pictorial, textual and numerical information by a microelectronics-based combination of computing and telecommunications.
1.47	**"Integrated Development Plan" or "IDP"**	The plan envisaged in terms of the provisions of section 25 of the MSA.
"L"		
1.48	**"List of accredited prospective providers"**	The list of accredited prospective providers on Central Supplier Database

1.49	**"Local business"**	Service providers with active offices within the municipal area of the Municipality, which shall be interpreted on the basis of whether the offices are utilised for the goods and/or services to be procured, and whether the majority of staff is local.
1.50	**"Local Government: Municipal Finance Management Act" or "MFMA"**	The Local Government: Municipal Finance Management Act, Act 56 of 2003.
1.51	**"Local Government: Municipal Systems Act" or "MSA"**	The Local Government: Municipal Systems Act, Act 32 of 2000.
1.52	**"Structures Act" or "MSTA"**	The Local Government: Municipal Structures Act, Act 117 of 1998.
1.53	**"Long term contract"**	A contract with a duration period exceeding 1 (one) year.
	"M"	
1.54	**"Municipal Asset Transfer Regulations" or "MATR"**	The Asset Transfer Regulations, 2008, published under GN R878 in GG 31346 of 22 August 2008 (with effect from 1 September 2008) and promulgated in terms of the provisions of section 168 of the MFMA.
1.55	**"Municipal Budget & Reporting Regulations, 2008"**	The Municipal Budget & Reporting Regulations, 2008, published under GN R393 in GG 32141 of 17 April 2009 (with effect from 1 July 2009) and promulgated in terms of the provisions of section 168 of the MFMA

1.56	**“Municipal entity”**	Means: (a) a private company referred to in section 86B(1)(a) of the MSA; (b) a service utility; or (c) a multi-jurisdictional service utility; as contemplated in terms of the provisions of the MSA.
1.57	**“Municipality”**	Means the DR KENNETH KAUNDA DISTRICT MUNICIPALITY (also referred to as “DKKDM”) a local government and legal entity with full legal capacity as contemplated in section 2 of the Systems Act read with the provisions of Chapter 7 of the Constitution and sections 12 and 14 of the Structures Act, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of

		section 115(3) of the Systems Act, at: 4 Patmore Road, ORKNEY, NORTH WEST PROVINCE, and may, depending on the context, include: (a) its successor in title; or (b) a functionary, employee or official exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act, or exercising any lawful act in the furtherance of the Municipality's duties, functions and powers; or (c) an authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.
1.58	**"Municipal Manager"**	The person appointed in terms of the provisions of section 54A of the MSA, and Accounting Officer of the Municipality.
1.59	**"Municipal Public-Private Partnership Regulations"**	The Municipal Public-Private Partnership Regulations, published under GN R309 in GG 27431 of 1 April 2005 (with effect from 1 April 2005) and promulgated in terms of the provisions of section 168 of the MFMA.
1.60	**"Municipality's Register of Tender and Contract Defaulters"**	The list compiled by the Municipality for purposes of the combating of abuse of the Supply Chain Management System in terms of which the persons reflected on the list are prohibited from being awarded any contract by the Municipality for the specified period reflected on the list.
"N"		

1.61	**"Non-exempted capital asset"**	A municipal capital asset which is not exempted in terms of the provisions of section 14(6) of the MFMA from the other provisions of that section.
	"O"	
1.62	**"Obsolete"**	As asset of the Municipality which is no longer in use or out of date, or which has become obsolete by reason of it being replaced with something new.
1.63	**"Official"**	In relation to the Municipality or municipal entity, means: (a) an employee of a Municipality or municipal entity; (b) a person seconded to a Municipality or municipal entity to work as a member of the staff of the Municipality or municipal entity; or (c) a person contracted by a Municipality or municipal entity to work as a member of the staff of the Municipality or municipal entity otherwise than as an employee.
1.64	**"Organ of state"**	Means: (a) any department of state or administration in the national, provincial or local sphere of government; or (b) any other functionary or institution: (i) exercising a power or performing a function in terms of the Constitution or a provincial constitution; or (ii) exercising a public power or performing a public function in terms of any legislation, but does not include a court or a judicial officer.

1.65	**"Other applicable legislation"**	Any other legislation applicable to the supply chain management of the Municipality, including but not limited to the Preferential Procurement Policy Framework Act, the Broad-Based Black Economic Empowerment Act, the Construction Industry Development Board Act and the Consumer Protection Measures Act, Act 68 of 2008.
	"P"	

1.66	**"Planned project work"**	As opposed to term bids for the supply of goods and/or services that is of an ad-hoc or repetitive nature for a predetermined period of time.
1.67	**"This policy"**	This Supply Chain Management Policy of the Municipality.
1.68	**Preference points"**	Refer to "adjudication points" and/or "evaluation points".
1.69	**"Preferential Procurement Policy Framework Act" or "PPPFA"**	The Preferential Procurement Policy Framework Act, Act 5 of 2000.
1.70	**"Preferential Procurement Regulations" or "PPR"**	The regulations published in terms of the provisions of section 5 of the PPR 2022,
1.71	**"Prevention and Combating of Corrupt Activities Act" or "PCCAA"**	The Prevention and Combating of Corrupt Activities Act, Act 12 of 2004.
1.72	**"Prime contractor"**	The person or entity with whom the Municipality contracts, as opposed to sub-contractors, suppliers, manufacturers or service providers who contract with the prime contractor.

1.73	**"Prime cost item(s)"**	An item in a bid, the price of which cannot be fixed at the time of bidding, and which may only relate to the supply of materials and not to the carrying out of works.
1.74	**"Provisional sum(s)"**	An amount allocated for specialised work, to be executed by a specialised service provider and for which the details are not available at the time of bidding.
1.75	**"Promotion of Access to Information Act" or "PAIA"**	The Promotion of Access to Information Act, Act 2 of 2000.
1.76	**"Public-Private Partnership" or "PPP"**	Refers to the definition of "public-private partnership"" as defined in terms of the provisions of Regulation 1 of the Municipal Public-Private Partnership Regulations, published under GN R309 in GG 27431 of 1 April 2005 and promulgated in terms of the provisions of section 168 of the MFMA.
"Q"		
1.77	**"Quality"**	The measure according to predetermined criteria, of the suitability of a proposal, design or product for the use for which it is intended, and may also include the measure of the competency of a supplier.
"R"		
1.78	**"Rand value"**	The total estimated value of a contract in South African Rand, calculated at the time of quotation and bid invitations and includes all applicable taxes and excise duties.
1.79	**"Republic"**	The Republic of South Africa.
1.80	**"Responsible agent"**	Internal project managers being officials of the Municipality, or external consultants appointed by the Municipality to oversee the implementation of a project or contract.

1.81	**"Risk management"**	The identification, measurement and economic control of risks that threaten the assets and income/earnings of person or entity or business or other enterprise.
	"S"	
1.82	**"Single-source selection"**	The procuring of services or goods from one single source as a result of the specialised or unique characteristics of the goods or services procured.
1.83	**"SITA"**	State Information Technology Agency.
1.84	**"Small, medium and micro enterprises" or "SMME"**	Refers to "small enterprise" as defined in terms of the provisions of section 1 of the National Small Enterprise Act, Act 102 of 1996.
1.85	**"Sub-contract"**	The agreement in terms of which or the act of a primary contractor appointing a sub-contractor.
1.86	**"Sub-contractor"**	Any person or entity that is employed, assigned, or contracted by the prime contractor to carry out work in support of the prime contractor in the execution of a contract.
1.87	**"Supply Chain Management Policy"**	This Supply Chain Management Policy of the Municipality.
1.88	**"Supply Chain Management Regulations" or "SCMR"**	The Municipal Supply Chain Management Regulations, published under GN 868 in GG 27636 of 30 May 2005 and promulgated in terms of the provisions of section 168 of the MFMA.
1.89	**"Supply Chain Management Unit" or "SCMU"**	The Supply Chain Management Unit which functions under the management and control of the Municipal Manager of the Municipality, which unit is responsible for the implementation and management of this policy, as well as any and all other issues related to supply chain management which may be assigned to them by the Municipality.

"T"		
1.90	**"Tender"**	Means bid in the context of procurement.
1.91	**"Term bid"**	A rates-based bid for the ad hoc or repetitive supply of goods, services or construction works, where the individual rates are approved for use over a specified period.
1.92	**"Total cost of ownership" or "TCO"**	The sum of direct spend, related spend, process spend and opportunity cost associated within a specific commodity and service to the owner.
1.93	**"Treasury guidelines"**	Any guidelines on supply chain management issued by the Minister in terms of the provisions of section 168 of the MFMA.
1.94	**"trust"**	The arrangement through which the property of one

		person is made over of bequeathed to a trustee to administer such property for the benefit of another person.
	"U"	
1.95	**"Unserviceable"**	The condition of an asset which is no longer suitable for use and cannot be economically repaired.
1.96	**"Unsolicited bid"**	An offer submitted by any person or entity at its own initiative, without having been invited by the Municipality to do so as envisaged by section 113 of the MFMA read together with Regulation 37 of the SCMR.

2. INTRODUCTION

(1) Section 111 of the MFMA requires each Municipality to adopt and implement a Supply Chain Management Policy which gives effect to the requirements of the MFMA, and section 217(1) of the Constitution. In addition, the PPPFA requires an Organ of State to determine its preferential procurement policy and to implement it within the framework prescribed. These requirements are given effect to herein.

(2) The Supply Chain Management System of the Municipality, contained in this policy, provides a mechanism to ensure fair, equitable, transparent, competitive and cost effective procurement and, sustainable and accountable supply chain management within the Municipality whilst promoting black economic empowerment, which includes general principles for achieving the following socio-economic objectives:

(a) to stimulate and promote local economic development in a targeted and focused manner;

(b) to promote resource efficiency and “green procurement”;

(c) to facilitate creation of employment and business opportunities for the people of the Municipality with particular reference to HDI’s;

(d) to promote the competitiveness of local businesses;

(e) to increase the small business sector access, in general, to procurement business opportunities created by Council;

(f) to increase participation by small, medium and micro enterprises; and

(g) to promote joint venture or consortium partnerships.

3. TITLE AND APPLICATION OF THE POLICY

(1) This policy shall be known as the Municipality’s Supply Chain Management Policy, and shall be applicable to the municipal area of the Municipality as determined by the Municipal Demarcation Board, and promulgated in terms of the provisions of section 12(1) and section 12(3)(c) of the Structures Act.

(2) This policy applies to:

(a) the procuring of goods and/or services;

(b) the disposal by Council of goods no longer needed;

(c) the selection of contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the MSA applies; and

(d) the selection of external mechanisms referred to in section 80(1)(b) of the MSA for the provisions of municipal services in circumstances contemplated in section 83 of that Act.

(3) Unless specifically stated otherwise herein or in the SCMR, this policy does not apply where the Municipality contracts with another organ of state for:

(a) the provision of goods and/or services to the Municipality; or

(b) the provision of a municipal service or assistance in the provision of a municipal service; or

(c) the procurement of goods and services under a contract secured by that organ of state, provided that the relevant supplier has agreed to such procurement and the process is compliant to the provisions of this policy; or;

(4) Where the Municipality wishes to contract with another organ of state as envisaged in sub-paragraph (3), a report must nevertheless be submitted to the bid adjudication committee or the Municipal Manager seeking authority to contract with another organ of state, including, water from the Department of Water Affairs or a public entity, another municipality or municipal entity and electricity from Eskom or another public entity, another municipality or municipal entity and approval must be given by the Municipal Manager in writing.

(5) The Municipality and all private person/s and/or entities must adhere to the principles, provisions, rules and requirements contained in this policy when dealing with any matter connected with and/or contained herein.

4. AIM AND PURPOSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

(1) The aim and the purpose of the Supply Chain Management System is to have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain system when sourcing and procuring goods and/or services, selling or letting of assets, which conforms to constitutional and

legislative principles and maximises the benefits from the Municipality's consolidated buying power in the market place.

(2) The Municipality must manage its financial and administrative resources in such a manner as to meet and sustain statutory or social obligations.

5. OBJECTIVES OF THIS POLICY

(1) The objectives of this policy are to implement the legislative provisions relating to the supply chain management of the Municipality, that:

(a) gives effect to:

(i) section 217 of the Constitution; and

(ii) Part 1 of Chapter 11 and other applicable provisions of the MFMA;

(b) is fair, equitable, transparent, competitive and cost effective;

(c) complies with:

(i) the regulatory framework prescribed in Chapter 2 of the SCMR; and

(ii) any minimum norms and standards that may be prescribed by means of regulations or guidelines as envisaged by the provisions of section 168 of the MFMA;

(d) is consistent with other applicable legislation;

(e) does not undermine the objective for uniformity in Supply Chain Management Systems between organs of state in all spheres; and

(f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

(2) The Municipality may not act otherwise than in accordance with this Supply Chain Management Policy when:

(a) procuring goods and/or services;

(b) disposing of goods, no longer needed;

(c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the MSA applies; or

(d) In the case of the Municipality selecting external mechanisms referred to in section 80(1)(b) of the MSA for the provision of municipal services in circumstances contemplated in section 83 of that Act.

(3) To assure the creation of an environment where business can be conducted with integrity and in a fair, reasonable and accountable manner, this policy will ensure that the Municipal Manager and all officials of the Municipality involved in supply chain management activities must act with integrity, accountability, transparency and with the highest of ethical standards and free of favouritism, nepotism and corruption of any kind. The officials of the Municipality involved in supply chain management activities must adhere to the code of ethical standards contained in this policy, together with the Code of Conduct for Municipal Staff Members as contained in Schedule 2 of the MSA.

6. DELEGATED AUTHORITY OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

(1) The Council has, in terms of its delegation of powers and functions in terms of the provisions of section 59 of the MSA, delegated such additional powers and duties to the Municipal Manager so as to enable the Municipal Manager:

(a) to discharge the supply chain management responsibilities conferred on Accounting Officers in terms of:

(i) Chapter 8 of the MFMA; and

(ii) this policy;

(b) to maximise administrative and operational efficiency in the implementation of the Supply Chain Management System;

(c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the Supply Chain Management System; and

to comply with his/her responsibilities in terms of section 115 and other applicable provisions of the MFMA.

(2) Section 79 of the MFMA applies to the sub-delegation of powers and duties delegated to the Municipal Manager in terms of sub-paragraph (1) above.

(3) Neither the Council, nor the Municipal Manager may delegate or subdelegate any supply chain management powers or duties:

(a) to a person who is not an official of the Municipality; or

(b) to a committee which is not exclusively composed of officials of the Municipality; or

(c) other than as provided for in the Municipality's system of delegations.

(4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in this policy.

(5) No decision-making in terms of any supply chain management powers and duties may be delegated or sub-delegated to an external advisor or consultant. Consultants may however be engaged to advise or assist the officials and any committee of the Municipality with any functions or advice.

(6) Delegations and/or sub-delegations of authority:

(a) must be in accordance with pre-established levels of authority to ensure control and division of responsibility;

(b) must be in terms of the Municipality's system of delegations;

(c) must be in writing;

must be made to a specific position and not to a named individual;

(e) may be confirmed, varied or revoked by the person who made such delegation or sub-delegation, but no such variation or revocation may detract from any right which may have accrued as a result of the delegation or sub-delegation; and

(f) does not divest the Municipal Manager of the responsibility and/or accountability concerning the exercise of the delegated power or the performance of the delegated duty.

(7) The Municipal Manager may confirm, vary or revoke any decision taken in terms of a delegation or sub-delegation, provided that no such variation or revocation may detract from any right which may have accrued as a result of such decision.

(8) The Municipal Manager of the Municipality must develop and review, annually, a practical and efficient system of delegation and sub-delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the financial administration of the Municipality.

6.1 Sub-delegations

(1) The Municipal Manager may, in terms of the provisions of section 79 of the MFMA sub-delegate any supply chain management powers and duties, including those delegated to the Municipal Manager in terms of subparagraph 6(1) above, but any such sub-delegation must be consistent with the provisions of the MSA, the MFMA, the system of delegations adopted by the Municipality and this policy.

(2) The power to make a final award:

(a) above R10 million (including VAT) may not be sub-delegated by the Municipal Manager;

(b) above R2 million (including VAT), but not exceeding R10 million (including VAT), may be sub-delegated but only to:

(i) the Chief Financial Officer;

(ii) a director/senior manager, appointed in terms of the provisions of section 56 of the MSA; or

(iii) the bid adjudication committee of which the Chief Financial Officer or a director/senior manager is a member; or

(c) not exceeding R2 million (including VAT) may be sub-delegated but only to:

(i) the Chief Financial Officer;

(ii) a director/senior manager, appointed in terms of the provisions of section 56 of the MSA;

(iii) a manager directly accountable to the Chief Financial Officer or a director/senior manager; or

(iv) the bid adjudication committee.

(3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with sub-paragraph (2) above, must within 5 (five) days of the end of each month submit to the official referred to in sub-paragraph (4) below, a written report containing particulars of each final award made by such official or committee during that month, including:

(a) the amount of the award;

(b) the name of the person to whom the award was made; and

(c) the reason why the award was made to that person.

(4) A written report referred to in sub-paragraph (3) above must be submitted:

(a) to the Municipal Manager, in the case of an award by:

(i) the Chief Financial Officer;

(ii) a director/senior manager, appointed in terms of the provisions of section 56 of the MSA; or

(iii) the bid adjudication committee of which the Chief Financial Officer or a director/senior manager is a member; or

(b) to the Chief Financial Officer or the director/senior manager responsible for the relevant bid, in the case of an award by:

(i) a director/manager referred to in sub-paragraph (2)(c)(iii) above; or

(ii) the bid adjudication committee of which the Chief Financial Officer or a director/senior manager is not a member.

(5) Sub-paragraphs (3) and (4) above do not apply to procurements out of petty cash.

(6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in this policy.

6.2 Oversight role of the Municipality

(1) The Council must maintain oversight over the implementation of this policy by the Municipal Manager.

(2) For the purposes of such oversight the Municipal Manager must:

(i) submit a report, as part of the annual report of the municipality for a financial year and which shall be submitted to the Council, as referred to in section 121 of the MFMA, on the implementation of this policy;

(ii) whenever there are serious and material non-compliance, problems or deviations in the implementation of this policy, immediately submit a report on such matters to the Council.

(3) The Municipal Manager must, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this policy to the Executive Mayor of the Municipality.

(4) The Executive Mayor must provide general political guidance over the fiscal and financial affairs of the Municipality and may monitor and oversee the exercise of responsibilities assigned to the Municipal Manager and Chief Financial Officer in terms of the MFMA. This role of the Executive Mayor is an oversight role only, and specifically excludes any interference or influence in or over a decision to award procurement contracts.

6.3 Supply Chain Management Units

(1) The Municipality has established a Supply Chain Management Unit to implement this policy.

(2) The Supply Chain Management Unit operate under the direct supervision of the Chief Financial Officer, or an official to whom this duty has been delegated in terms of this paragraph.

7. COMPETENCY AND TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

(1) The Municipal Manager must ensure that all officials involved in the implementation of this policy meet the prescribed competency levels, and where necessary, shall provide or procure relevant training.

(2) The training of officials involved in implementing this policy must be in accordance with any treasury guidelines on supply chain management training.

(3) Supply Chain Management officials must be trained annually.

8. DUTIES AND RESPONSIBILITIES

8.1 General responsibilities of the officials of the Municipality

(1) Each official must carry out their activities within his/her area of responsibility.

(2) Each official must take appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful expenditure in his/her area of responsibility.

(3) Each official responsible for a task must carry it out in accordance with the various supply chain requirements contained in this policy.

(4) Any matter not specifically delegated or sub-delegated to an official, must be referred to the Municipal Manager for proper allocation thereof.

(5) Each official is responsible for all assets of the Municipality within his/her area of responsibility.

8.2 Responsibilities of the Municipal Manager

(1) The Municipal Manager must:

(a) ensure strict adherence and compliance with the provisions of this policy and all relevant legislation;

(b) implement and comply with the provisions of this policy;

(c) review the targets and this policy annually or cause the targets and Policy to be so reviewed;

(d) appoint the members of the Bid committees after personally ensuring the competency and suitability of such members for the position;

(e) ensure that the most favourable service providers are appointed in accordance with this policy and that any deviations from a proposal by the bid adjudication committee are, reported to the Council at the next available Council meeting;

(f) establish a Supply Chain Management Unit within the financial directorate in order to assist the Municipal Manager to implement this policy;

(g) review this policy at least annually or when the Municipal Manager considers it necessary, and submits proposals or amendments to this policy to the Council.

8.3 Responsibilities of the Directors/Manager appointed in terms of the provisions of section 56 of the MSA

(1) Each director/manager of the Municipality, appointed in terms of the provisions of section 56 of the MSA, is responsible and accountable for:

(a) exercising the powers, performing the functions and discharging the duties conferred or assigned to him in terms of this policy or any delegation from the Municipal Manager;

(b) implementing this policy and any procedural and/or other prescripts issued in terms of this policy and within his/her area of responsibility;

(c) ensure compliance with this policy and any procedural and/or other prescripts issued in terms of this policy and within his/her area of responsibility;

(d) developing draft specifications, or causing draft specifications to be developed, for the procurement by his/her directorate of goods or services that exceed an amount of R1 000.00 (including VAT);

(e) the management of asset utilisation in his/her area of responsibility;

(f) planning for and, in as far as is possible, accurately estimating the costs for the provision of services, works or goods for which offers are to be solicited;

(g) selecting the appropriate preference point system to be utilised in the solicitation and evaluation of bids;

(h) assuring that objectives and targets are achieved with regard to procurements and/or disposals by the Municipality; and

(i) proper contract and project management of every contract and/or project undertaken by his/her directorate.

8.4 Responsibilities of the Chief Financial Officer

The Chief Financial Officer is the custodian of this policy and is responsible for:

(1) reporting to the Municipal Manager on the progress regarding the implementation of this policy;

(2) recommending improvements on the practical implementation of this policy and possible amendments;

(3) the conducting of procurement audits of the entire Supply Chain Management System to identify successes and/or failures and/or unauthorised, irregular, fruitless and wasteful expenditure and to report on

any findings which are not in accordance with the provisions of this policy to the Municipal Manager;

(4) management of the quotation and competitive bidding process from the solicitation thereof to processing invoice payment;

(5) promoting a corporate approach by encouraging standardisation of items purchased within the Municipality to realise and achieve economies of scale;

(6) providing supplier interface on supplier performance issues;

(7) ensuring that all procurement and/or disposals are effected in accordance with all relevant legislation;

(8) managing procurement and/or disposals in order to ensure that the Supply Chain Management System and this policy are complied with;

(9) ensuring that the procurement and/or disposal process followed by the Municipality adheres to the preference targets without compromising price, quality, service and developmental objectives;

(10) ensuring that the officials of the Municipality who are involved in the supply chain management process receive the necessary training and are properly qualified to support the implementation of this policy;

(11) specifying the amount to be paid by prospective service providers as a non-refundable deposit for enquiry documents issued by the Municipality;

(12) submitting regular reports to the Municipal Manager and the relevant committee structure of the Municipality regarding progress and any matters of importance relating to this policy; and

(13) authorising and designating officials to distribute bid documentation, and when required notices regarding supply chain management matters.

(14) All identified possible unauthorized, irregular and fruitless and wasteful expenditure must be investigated by the accounting officer and referred to the Municipal Public Accounts Committee (MPAC) or any committee of council to make recommendation to municipal council if the expenditure is certified as irrecoverable or the expenditure should be recovered from the responsible official or councillor.

8.5 Responsibilities of the Supply Chain Management Unit

(1) The SCMU shall be subject to the management and control of, and accountable to the Chief Financial Officer.

(2) The SCMU must consist of at least the following sections or designate persons responsible for:

(a) demand management;

(b) procurement/acquisition management;

(c) logistics;

(d) performance and contract management;

(e) disposal and asset management; and

(f) risk management.

(3) The manager of the SCMU will be responsible and accountable for the day to-day management of the SCMU.

(4) The personnel of the SCMU are appointed by the Municipal Manager in consultation with the Chief Financial Officer.

(5) The SCMU must issue, receive and finalise the appropriate documents for the procurement of goods and/or services by means of formal written price quotations of a transaction value of over R2 000.00 (including VAT), up to R200 000.00 (including VAT), as well as all documents for procurement by means of a competitive bidding process of a transaction value of over R200 000.00 (including VAT).

(6) All documents for the disposal of movable and/or immovable capital assets must be issued, received and dealt with by the SCMU.

9. COMMUNICATIONS

Any and all correspondence with regard to this policy must be addressed to the CFO, and copied to the Municipal Manager.

CHAPTER 2

FRAMEWORK OF THE SCM POLICY

10. ESTABLISHMENT AND IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

The Supply Chain Management System of the Municipality is an integrated system for the acquiring of goods, works and services on a fair, equitable, competitive and cost effective basis and consists of the following systems:

(1) demand management system;

(2) acquisition management system;

(3) logistics management system;

(4) disposal management system;

(5) risk management system; and

(6) performance management system.

11. DEMAND MANAGEMENT

(1) Demand management provides for an effective system to ensure that the resources required to support the strategic and operational commitments of the Municipality are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfies the needs of the Municipality.

(2) The Municipality's Integrated Development Plan (IDP) is a comprehensive strategy document setting out how the Municipality intends to address its development challenges in a financial year. The IDP determines how the resources of the Municipality will be allocated and is the planning device on which the budget is based.

(3) In order to achieve effective demand management, the manager of the SCMU must continuously ensure:

(a) that efficient and effective provisioning and procurement systems and practices are implemented to enable the Municipality to deliver the required quantity and quality of services to the communities;

(b) the establishment of uniformity in policies, procedures, documents and contract options and the implementation of sound systems of control and accountability;

(c) the development of a world-class professional Supply Chain Management System which results in continuing improvement in affordability and value for money, based on total cost of ownership and quality of procurement as competition amongst suppliers is enhanced; and

(d) in dealing with suppliers and potential suppliers that the Municipality responds promptly, courteously and efficiently to enquiries, suggestions and complaints.

(4) Demand management lies at the beginning of the supply chain and the major activities associated with identifying demand are:

(a) establishing requirements;

(b) determining needs; and

(c) deciding on appropriate procurement strategies.

(5) Demand management accordingly involves the following activities:

(a) understanding the future needs;

(b) identifying critical delivery dates;

(c) identifying the frequency of the need;

(d) linking the requirement to the budget;

(e) conducting expenditure analyses based on past expenditure;

(f) determining requirements;

(g) conducting commodity analysis in order to check for alternatives; and

(h) conducting industry analysis.

(6) Each director/manager, appointed in terms of the provisions of section 56 of the MSA, must during the preparation of his/her directorate's estimates for the budget year:

(a) determine which functions must be performed;

(b) determine the products and services it must provide in the performance of those functions;

(c) conduct a condition assessment of the assets managed by his/her directorate;

(d) on the basis of the analysis in terms of the above, make recommendations and determine the financial needs during the budget year for:

(i) maintaining existing assets at an acceptable level calculated to ensure the continued productivity of the asset in question and minor repairs;

(ii) repairing existing assets;

(iii) refurbishing or renovating existing assets;

(iv) extensive repairing of existing assets;

(v) replacing existing assets; and

(vi) acquiring new assets.

(7) The SCMU must, after consultation with each director/manager, compile a schedule of goods and services to be procured for capital projects in respect of each financial year, which schedule must be attached to the Municipality's budget implementation plan.

(8) During the consultations between the SCMU and the directors/managers, all reasonable steps must be taken in order to determine:

(a) the desired date and time at which a specific contract must be awarded;

(b) the desired date and time when specific goods must be delivered, services rendered or work executed including key milestones and deliverables so that performance can be monitored and evaluated;

(c) the place where any goods to be supplied shall be delivered;

(d) the quantity of any goods to be supplied; and

(e) any other relevant matter.

12. ACQUISITION MANAGEMENT

(1) The acquisition management system provides the general conditions and procedures which are applicable, as amended from time to time, to all procurement, contracts and orders of the Municipality.

(2) The acquisition management system of the Municipality must ensure that:

(a) goods and/or services are procured by the Municipality in accordance with authorised processes incorporated herein;

(b) expenditure on goods and/or services is incurred and managed in terms of an approved budget;

(c) the threshold values for the different procurement procedures are complied with;

(d) bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with the requirements of relevant legislation including the PPPFA and any conditions of the CIDBA (in as far as applicable); and

(e) procurement guidelines issued by National Treasury or the Provincial Treasury are properly taken into account.

(3) The Municipality must make public the details of the nature of goods and/or services together with the name/s of the provider/s where the Municipality procures such goods and/or services from another organ of state or a public entity.

(4) The Municipality must make public the fact that it procures goods and/or services otherwise than through its Supply Chain Management System, including:

(a) the kind/type of goods and/or services; and

(b) the name of the supplier.

(5) Where appropriate the Municipal Manager may appoint a neutral and/or independent observer in order to ensure fairness and transparency in the application of the acquisition management system, or to assist and advise the SCMU in the execution of their functions and duties.

(6) The Municipality may not enter into any contract which will impose financial obligations beyond the 3 (three) years covered in the annual budget for that financial year unless the requirements of section 33(1) of the MFMA have been

fully complied with or proper provision has been made in such contract to so comply.

(7) The following applies where the Municipality procures public-private partnership agreements:

(a) Part 2 of Chapter 11 of the MFMA; and

(b) section 33 of the same act where such agreement will have multiyear budgetary implications for the Municipality within the meaning of that section;

(c) the provisions of the Municipal Public-Private Partnership Regulations as published in terms of S 168 of the MFMA.

(8) In respect of any contract relating to the publication of official and/or legal notices and/or advertisements in the press or E-tender Portal, by or on behalf of the Municipality, a competitive bidding process need not be followed.

(9) The Manager of the Supply Chain Management Unit (SCMU) may request formal quotations from community-based vendors registered on the Central Supplier Database (CSD), located within a specific area or community, for the procurement of goods and services valued at less than R200,000.00 (including VAT). In such cases, preference must be given to local businesses through the application of preference points allocated for "Specific Goals" in terms of the Preferential Procurement Regulations.

(10) This policy, save where the SCMR provides otherwise, does not apply in respect of the procurement of:

(a) goods or services to the Municipality in terms of a contract with another organ of state;

(b) the provision of a municipal service in terms of a contract with another organ of state;

(c) goods and services under a contract secured by another organ of state provided that the supplier and that other organ of state has agreed and conserved in writing to such procurement and:

(i) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

(ii) the Municipality has no reason to believe that such contract was not validly procured;

(iii) there are demonstrable discounts or benefits for the Municipality to procure under such contract.

(iv) that other organ of state and the provider have consented to such procurement in writing.

12.1 Range of procurement processes

(1) The procurement of goods and services must be done through the range of procurement processes set out in this paragraph, which are:

(a) petty cash purchases up to, and including a transaction value of R2 000.00 (including VAT);

(b) at least three (3) formal written price quotations for procurements of a transaction value exceeding R2 000.00, up to and including a transaction value of R30 000.00 (including VAT);

(c) formal written price quotations for procurements of a transaction value exceeding R30 000.00, up to and including a transaction value of R200 000.00 (including VAT); and

(d) a competitive bidding process for:

(i) procurements where the estimated transaction value exceeds R200 000.00 (including VAT); and

(ii) the procurement of a long terms contract (exceeding one year in duration).

(2) The Municipal Manager of the Municipality may:

(a) lower, but not increase, the different threshold values specified in this acquisition management system; or

(b) direct that:

(i) formal written price quotation be obtained for any specific procurement of a transaction value lower than R2 000.00;

(ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000.00; or

(iii) a closed quotation bidding process (7day advertisement on the website and the notice board be followed for any specific procurement of a transaction value lower than R200 000.00.

(iv) a competitive bidding process be followed for any specific procurement of a transaction value above R200 000.00.

(3) Goods and/or services may not be deliberately divided into parts or items of a lesser value merely to avoid complying with the requirements of this policy and when transaction values are determined for procurements consisting of different parts or items it must, in as far as possible, be treated, dealt with and be calculated as a single transaction.

12.2 General preconditions for the consideration of formal written price quotations or bids

(1) The Municipality may not consider a formal written quotation or bid unless the provider who submitted the quotation or bid:

(a) has furnished the Municipality with that provider's:

(i) full name;

(ii) identification number or company or other registration number;

(iii) tax reference number;

(iv) VAT registration number, if any; and

(v) a certificate of attendance at a compulsory site inspection, where applicable.

(b) has submitted a valid tax pin of the South African Revenue Services (SARS) or pin certifying that the provider's tax matters are in order;

(c) has authorised the Municipality to obtain a tax clearance/ tax pin from the South African Revenue Services (SARS) certifying that the provider's tax matters are in order, if deemed necessary; and

(d) has indicated whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;

(e) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months;

(f) or whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is

in the service of the state, or has been in the service of the state in the previous twelve months.

12.3 Central Supplier Database (CSD) of accredited prospective providers

(1) The Municipal Manager must:

(a) use the list of accredited prospective providers on CSD for goods and services for the procurement requirements through written or verbal quotations and formal written price quotations;

(b) not use any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector or who is in the service of state.

(2) For quotations up to and including R200 000.00 (including VAT), bidders are required to be registered on the CSD list of accredited prospective providers before the order is provided for their quotations to be responsive.

(3) All parties to a consortium or joint venture must comply with the requirements of sub-paragraphs (6) and (7) above.

12.4 Petty cash purchases

(1) Petty cash purchases may be made where goods and/or services which does not exceed a transaction value of R2 000.00 (including VAT) are required.

(2) The Municipal Manager may delegate the petty cash procurement responsibilities to a manager reporting to the Municipal Manager on the terms and conditions set for delegations in this policy. The Manager may in turn delegate the responsibility for petty cash purchases to any other official.

(3) Each director/manager appointed in terms of the provisions of section 56 of the MSA must compile and submit a monthly reconciliation report or when petty cash is depleted to the Chief Financial Officer, which report must include the total amount of petty cash purchases for that month accompanied by the receipts and appropriate documents for each purchase.

(4) Dividing any purchases into lesser transaction values in order to circumvent the written price quotation and/or formal written price quotation processes is prohibited.

General preconditions for the consideration of Petty Cash referred in regulation 12 (1)(a) which must include conditions

a) determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
b) limiting the number of petty cash purchases or the maximum amounts per month for each manager;
c) excluding any types of expenditure from petty cash purchases, where this is considered necessary;
d) and requiring monthly reconciliation reports from each manager to the chief financial officer, including –
    (i) the total amount of petty cash purchases for that month; and
    (ii) receipts and appropriate documents for each purchase.

12.5 Formal Price written quotations – R 2 000 – R30 000

When the Municipality intends to procure by way of Formal written quotations, goods and/or services which has a transaction value of over R2 000.00 (including VAT) up to and including R 30 000.00 (including VAT), written price quotations must be obtained from at least 3 (three) different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the Central Supplier Database, provided that if quotations are obtained from providers who are not listed on CSD, such providers must meet the listing criteria.

(1) The Municipality must avoid to use same service providers and attempt to promote ongoing competition amongst providers of goods and/or services by inviting such providers to submit formal written price quotations on a rotational basis.

(2) To the extent feasible, providers must be requested to submit such quotations in writing.

(3) If it is not possible to obtain at least 3 (three) formal written price quotations, the reasons must be recorded and approved by the CFO who must, within 3 (three) days before the end of each month, report to the Municipal Manager on any such approvals given in this regard.

(4) The Municipal Manager must record the names of the potential providers requested to provide quotations, together with their quoted prices.

(5) Dividing required purchases into lesser transaction values in order to circumvent the written price quotation process is not permissible.

(6) The Municipal Manager must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused and that full and complete records of all such procurements are kept including the date of the procurement, the goods or services procured, the selected provider, the details and prices of the other providers and any other relevant information.

(7) The Municipal Manager and the Chief Financial Officer must, on a monthly basis, be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub-delegation.

12.6 Formal written price quotations – R 30 000 to R 200 000

When the Municipality intends to enter into the procurement of goods and/or services of a transaction value of over R 30 000.00 (including VAT) up to and including R 200 000.00 (including VAT), formal written price quotations must be obtained from providers who are suitably qualified and experienced that must be advertised for a least seven days , who/which have the necessary resources and who/which are registered and verified on the list of accredited prospective providers the Central Supplier Database.

(1) The Municipality must attempt to promote ongoing competition amongst providers of goods and services by inviting such providers to submit formal written price quotations on a rotational basis.

(2) Formal written price quotations may be obtained from providers who are not listed, provided that if quotations are obtained from providers who are not so listed, such providers must meet the listing criteria of CSD.

(3) The Municipal Manager must record the names of the potential providers requested to provide formal written price quotations, together with their quoted prices.

(4) Notwithstanding the provisions of this paragraph, if formal written price quotations have been invited on the official website of the Municipality and/or e tender portal of National treasury, no additional quotes need be obtained where the number of responses thereto are less than 3 (three).

(5) The Municipal Manager must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations are not abused.

(6) The Municipal Manager and the Chief Financial Officer must, on a monthly basis, be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub-delegation.

12.7 Competitive bids and process for competitive bids

(1) Competitive bids must be called for any procurement of goods and/or services above a transaction value of R200 000.00 (including VAT), and/or for any long term contracts.

(2) No requirement for goods and/or services above an estimated transaction value of R200 000.00 (VAT included), may be deliberately divided into parts or items

of lesser value merely for the sake of circumventing the competitive bidding process and/or procuring such goods and/or services otherwise than through a competitive bidding process.

(3) Goods and/or services to be procured which consist of different parts or items must, in as far as possible, be treated, dealt with and be calculated as a single transaction.

12.7.1 Bid documentation for competitive bids

(1) In addition to the contents of paragraph 12.2 of this policy, the compilation of bid documentation by the Municipality must:

(a) Take into account and contain, where applicable:

(i) The General Conditions of Contract of National Treasury (July 2010, or as amended from time to time);

(ii) Any treasury guidelines on bid documentation;

(iii) The requirements of the CIDB, including the general conditions of contract, in the case of a bid relating to construction works, upgrading or refurbishment of buildings or infrastructure;

(iv) Supply chain management guidelines of National Treasury or the Provincial Treasury in respect of goods and/or services;

(v) The General Conditions & Procedures of the State Tender Board;

(vi) the general conditions of contract, in as far as applicable; and in as far as the contents of the above referred to documents are in accordance and amplification of this policy, but in the event of any conflict between the contents of these documents and this policy, the provisions of this policy will prevail.

(b) include evaluation and adjudication criteria, including any criteria required by other applicable legislation, and in instances where

functionality forms part of such criteria ensure that the bid documentation complies with the conditions set pertaining to functionality as set out in the PPR and National Treasury's SCM Circular 53;

(c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

(d) if the value of the transaction is expected to exceed R10 million (including VAT), require bidders to furnish:

(i) their audited annual financial statements, if the bidder is required by law to prepare annual financial statements for auditing:

(aa) for the past 3 (three) years; or

(bb) since their establishment, if the bidder was established during the past 3 (three) years;

(ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a Municipality or other service provider in respect of which payment is overdue for more than 30 (thirty) days;

(iii) particulars of any contracts awarded to the bidder by an organ of state during the past 5 (five) years, including particulars of any material non-compliance or dispute concerning the execution of such contract; and

(iv) a statement indicating whether any portion of the goods and/or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the Municipality is expected to be transferred out of the Republic;

(e) stipulate that disputes, objections, complaints and queries must be dealt with as prescribed in terms of this policy and the SCMR;

(f) a clear indication of the terms and conditions of contract, specifications, criteria for evaluation and adjudication procedures to be followed where applicable, and include where, in exceptional circumstances, site inspections are compulsory;

(g) an appropriate contract and/or delivery period specification for all contracts;

(h) the requirements of the preferential procurement paragraph of this policy (Chapter 5) and be clearly set out in the bid documentation.

(2) Bid documentation and evaluation criteria may not be aimed at hampering competition, but rather to ensure fair, equitable, transparent, competitive and cost effective bidding, as well as the protection or advancement of persons, or categories of persons, as embodied in the preferential procurement paragraph of this policy.

(3) Bid documentation must compel a bidder to furnish the following:

(a) full name/s;

(b) identification number, company or other registration number;

(c) tax reference number;

(d) VAT registration number, if any;

(e) A valid tax pin from SARS that will verify that the bidder's tax matters are in order;

(f) proof that the bidder's account and that of any member or director of the bidder for municipal rates and taxes and municipal service charges are not in arrears at least for not more than three months, or where the bidder does not have such an account, the person(s) managing or in control of the bidder; and

(g) disclosure as to whether:

(i) the bidder is listed on any government database of persons prohibited from doing business with the public sector; or

(ii) has failed to perform satisfactorily on a previous contract with the Municipality or any other municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

(iii) the bidder or any of its members or directors has committed a corrupt or fraudulent act in competing for the particular contract;

(iv) the bidder or any of its members or directors:

(aa) has abused the Supply Chain Management System of the Municipality or has committed any improper conduct in relation to such system;

(bb) has been convicted or fraud or corruption during the past five years;

(cc) has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past 5 years; or

(dd) has been listed in the Register for Tender Defaulters in terms of S29 of the Prevention and Combating or Corrupt Activities Act, Act 12 of 2004.

(4) A provision for the termination/cancellation of the contract in the case of no or under-performance must be included in the bid documentation.

(5) Unless otherwise indicated in the bid documents, the Municipality will not be liable for any expenses incurred in the preparation and/or submission of a bid.

(6) Bid documentation must state that the Municipality is not be obliged to accept the lowest bid, any alternative bid or any bid.

(7) Bid documentation must compel bidders to declare any conflict/s of interest they may have in the transaction for which the bid is submitted.

(8) The bid documentation must require bidders to disclose:

(a) whether he or she is in the service of the state, or has been in the service of the state within the previous 12 (twelve) months;

(b) if the bidder is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months; or

(c) whether a spouse, child or parent of the bidder or of a director, manager, shareholder or stakeholder referred to in sub-paragraph (8)(b) above, is or has been in the service of the state within the previous 12 (twelve) months.

(9) Bid documentation for consultant services must require bidders to furnish to the Municipality particulars of all consultancy services, and any similar services (to the services being bid for) provided to an organ of state in the last 5 (five) years.

(10) Bid documentation for consultant services must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, item, system or process designed or devised by a consultant in terms of an appointment by the Municipality, shall vest in the Municipality.

(11) Bid documentation must provide the validity period of the bid.

(12) Unless the Municipal Manager directs otherwise, bids are invited within the Republic only.

(13) The laws of the Republic will apply and govern contracts of the Municipality arising from the acceptance of bids.

(14) Bid documentation must also state that:

(a) the Municipality may award the bid to the bidder who has not scored the highest points if objective criteria, in addition to the criteria set out in section 2(1)(d) and section 2(1)(f) of the PPPFA, justify the award of the bid to another bidder; and

(b) where a bid appears to be unrealistic and the Municipal Manager has satisfied himself/herself on enquiry with the bidder that the bid cannot be completed on the terms or for the price so bid, that such bid may be excluded.

12.7.2 Public invitation for competitive bids

(1) A notice of invitation to prospective providers to submit bids must be by means of a public advertisement in on E-Tender Portal, the website of the Municipality, the official notice board of the Municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin).

(2) The notice of invitation contemplated in sub-paragraph (1) above, must contain the following advertisement information:

(a) the closure date and time for the submission of bids, which may not be less than 30 (thirty) days in the case of transactions over R10 million (including VAT), or which are of a long term nature, 14 (fourteen) days in any other case, from the date on which the advertisement is placed in a newspaper, subject to sub-paragraph

(3) below;

(b) a statement that bids may only be submitted on the bid documentation provided by the Municipality;

(c) the title of the proposed contract and the bid or contract reference number;

(d) such particulars of the proposed contract as the Municipality deems fit;

(e) the date, time and location of any site inspection, if applicable;

(f) the place where the bid documentation is available for collection and the times between which bid documentation may be collected;

(g) the place where bids must be submitted;

(h) the required CIDB contractor grading for construction works, if applicable; and

(i) the validity period of the bid.

(3) The Municipal Manager may determine a closure date for the submission of bids which is less than the 30 (thirty) or 14 (fourteen) days requirement provided in sub-paragraph (2) above, but only if such shorter period can be justified on the grounds of an emergency, urgency or any exceptional case where it is impractical or impossible to follow the official procurement process.

(4) The bid notice may require payment of a non-refundable tender fee by bidders wanting to collect bid documents, which tender fee will be determined by the Chief Financial Officer in terms of paragraph 8.4 above.

(5) Bid documentation will be available for collection until the closing date and time of bids.

(6) Bids submitted to the Municipality must be sealed.

12.7.3 Issuing of bid documents

(1) Bid documents and any subsequent notices may only be issued by officials authorised and designated by the Chief Financial Officer as stipulated in paragraph 8.4 above.

(2) Details of prospective bidders must, wherever possible, include the full name of the person drawing documents, a contact person, a contact telephone and fax number and a postal and email address.

12.7.4 Site inspections

(1) In general, and where applicable, site inspections will not be compulsory unless otherwise stated in the bid documents.

(2) If site inspections are compulsory and to be held, this fact, as well as full details of the site inspection must be included in the bid notice.

(3) Where site inspections are made compulsory, the date for the site inspection must be at least 5 days after the bid has been advertised, and a certificate of attendance signed by the responsible agent must be submitted with the bid.

(4) If at a site meeting, any additional information is provided or clarification of vague points is given, such additional information or clarification must be conveyed to all bidders in accordance with sub-paragraph 12.7.12 below of this policy.

12.7.5 Two-stage (prequalification) bidding process

(1) This process may be applied to bids for:

(a) large complex projects of a specialist or long term nature; or

(b) where there are legislative, speciality design, technological and/or safety reasons to restrict bidding to firms who have proven their capability and qualification to meet the specific requirements of the bid;

(c) projects where it may be undesirable to prepare complete detailed technical specifications; or

(d) long term projects with a duration exceeding 3 (three) years.

(2) In the first stage of a bid (prequalification) bidding process, bidders are, invited to firstly prequalify in terms of predetermined criteria, without being required to submit detailed technical proposals and/or a financial offer. In the first stage bidders may be invited to submit technical proposals on conceptual design or performance specifications or other matters.

(3) In the second stage, all bidders that qualify in terms of the predetermined criteria will be shortlisted and invited to submit final technical proposals and priced bids.

(4) The notice inviting bidders to pre-qualify must comply with the provisions for the public invitation of competitive bids as provided in paragraph 12.7.2 above.

(5) Once bidders have pre-qualified for a particular project, they must be given no less than 7 (seven) days to submit a final technical proposal and/or a financial offer.

12.7.6 Two envelope system

(1) A two envelope system differs from a two-stage (prequalification) bidding process in that a technical proposal and the financial offer are submitted in separate envelopes at the same place and time.

(2) The financial offers will only be opened once the technical proposals have been evaluated.

(3) The manager of the SCMU will enter into a register details of all bidders and when the prices are known, the price submitted by each bidder.

12.7.7 Validity periods

(1) The tender offer validity period provided for in the tender data shall generally not exceed Twelve (12) weeks, and in exceptional circumstances shall not exceed Sixteen (16) weeks.

(3) The period for which bids are to remain valid and binding must be indicated in the bid documents. If no bidder has been appointed during the validity period, or the extended validity period as referred to below, the bid will lapse.

(4) The validity period is calculated from the bid closure date and bids shall remain in force and binding until the end of the final day of that period.

(5) This period of validity may be extended by the Municipal Manager, provided that:

a the original validity period of the bid has not already expired;

b all the bidders who have submitted bids have been requested to consent to the extension of the validity period and to confirm that their prices and terms will remain as initially stated until expiry of the extended validity period;

c all the bidders who have submitted bids have agreed in writing to the extension of the validity period of the bid and to their price and terms remaining valid for the extended period; and

d the validity period of a bid may only be extended once.

(6) If bidders are requested to extend the validity period of their bids as referred to in sub-paragraph (3) as a result of an objection or complaint being lodged:

a it must be made clear to bidders that this is the reason for the request for the extension of the validity period; and

b the responsible official must ensure that all bidders are requested to extend the validity period and terms of their bids where necessary in order to ensure that the bids remain valid throughout the objection or complaint period or until the objection or complaint is finalised.

12.7.8 Contract price adjustment

(1) For all contract periods equal to or exceeding 1 (one) year, an appropriate contract price adjustment formula must be specified in the bid documents.

(2) In general, if contract periods do not exceed 1 (one) year, the bid shall be a fixed price bid and not subject to contract price adjustment.

(3) If, however, as a result of any extension of time granted or extension of the bid validity period, the duration of a fixed price contract exceeds 1 (one) year, the contract will automatically be subject to contract price adjustment for that period by which the extended contract period exceeds such 1 (one) year.

12.7.9 Provisional sums and prime cost items

(1) If monetary allowances in excess of R200 000.00 for provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by subcontractors/suppliers, then a competitive bidding process shall be followed in respect of these sums/items.

(2) When monetary allowances of less than R200 000.00 for provisional sums or prime cost items have been included in the bid documents, and where the work or items to which the sums relate are to be executed/supplied by subcontractors/suppliers, the contractor must be required to obtain a minimum of 3 (three) formal written price quotations for approval by the responsible agent.

12.7.10 Samples

(1) Where samples are called for in the bid documents, samples marked with the bid and item number as well as the bidder's name and address must be delivered separate from the bid to the addressee mentioned in the bid documents.

(2) Bids may not be included in parcels containing samples.

(3) If samples are not submitted as required in the bid documents or within any further time stipulated by the chairperson of the bid evaluation committee in writing, then the bid concerned may be declared non-responsive.

(4) Samples must be supplied by a bidder at his/her own expense and risk.

(5) The Municipality will not be obliged to pay for such samples or compensate for the loss thereof, unless otherwise specified in the bid documents, and reserves the right not to return such samples and to dispose of them at its own discretion.

(6) If a bid is accepted for the supply of goods according to a sample submitted by the bidder, that sample will become the contract sample.

(7) All goods/materials supplied shall comply in all respects to that contract sample.

12.7.11 Closing of Bids

(1) Bids shall close on the date and at the time stipulated in the bid notice inviting the bids.

(2) Save in instances as contemplated in paragraph 12.7.2(3) above, the bid closing date may not be less than the periods as prescribed in terms of paragraph 12.7.2(2)(a) above.

(3) For banking services, the bid closing date must be at least 60 (sixty) days after publication of the notice.

(4) For proposal calls using a two envelope system, the bid closing date must be at least 30 (thirty) days after publication of the notice.

(5) The bid closing date may be extended prior to the original bid closing date by the manager of the SCMU, if circumstances justify such an extension, provided that the closing date may not be extended unless a notice is published in the press where the bid was originally advertised, which notice must also be posted on the official notice boards designated by the Municipal Manager.

(6) The Municipal Manager may determine a closing date for the submission of bids which is less than any of the periods specified in this paragraph, but only if such shorter period can be justified on the grounds of an emergency, urgency or any

exceptional case where it is impractical or impossible to follow the official procurement process.

12.7.12 Communication with bidders before bid closing

(1) The manager of the SCMU may, if necessary, communicate with prospective bidders and/or bidders prior to bids closing.

(2) Such communication shall be in the form of a notice issued to all prospective bidders and/or bidders who have already submitted bids, or indicated the intention to do so by the manager of the SCMU by either e-mail, facsimile, or registered post, as may be appropriate.

(3) A copy of the notice together with a transmission verification report/proof of posting shall be kept for record purposes.

(4) Notices should be issued at least one week prior to the bid closing date, where possible.

(5) Notwithstanding a request for acknowledgement of receipt of any notice issued, the prospective bidders and/or bidders who have already submitted bids, or indicated the intention to do so will be deemed to have received such notice if the procedures in sub-paragraphs (2), (3) and (4) above, have been complied with.

12.7.13 Submission of bids

(1) Bids must be submitted before the closing date and time, at the address and in accordance with the directives in the bid documents.

(2) Each bid must be in legible writing using non-erasable black ink and must be submitted on the official form of bid/offer issued with the bid documents.

(3) The bid must be submitted in a separate sealed envelope with the name and address of the bidder, the bid number and title, the bid box number (where applicable), and the closing date indicated on the envelope.

(4) The envelope may not contain documents relating to any bid other than that shown on the envelope.

(5) Only sealed bids will be accepted.

(6) The onus shall be on the bidder to place the sealed envelope in the official, marked and locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.

(7) Postal bids will not be accepted for consideration.

(8) No bids forwarded by telegram, facsimile or similar apparatus may be considered.

(9) Electronic bids will not be accepted.

(10) The bidder shall choose a *domicilium citandi et executandi* within the Republic and unless notice of the change thereof has duly been given in writing, it shall be the address stated in the bid.

(11) No person may amend or tamper with any bids or quotations after their submission.

12.7.14 Late bids

(1) A bid is late if it is not placed in the relevant bid box by the closing time for such bid.

(2) A late bid will not be accepted for consideration and where feasible, but without any obligation to do so whatsoever, will be returned unopened to the bidder with the reason for the return thereof endorsed on the envelope.

12.7.15 Opening of bids

(1) All bid tender boxes must be opened by at least two (2) officials of the municipality.

(2) At the specified closing time on the closing date, the applicable bid box must be closed in public.

(3) The bid box must be opened in public as soon as practical after the closing time.

(4) Immediately after the opening of the bid box, all bids must be opened in public and at the same time checked for physical and outward compliance as to whether the bid was contained in a sealed envelope.

(5) The officials opening the bids must in all cases read out the name of the bidder and, where practical, the amount of the bid.

(6) As soon as a bid or technical proposal has been opened the Municipal Manager must ensure that:

(a) all bids received in time must be recorded in the bid opening record;

(b) the bid/proposal must be stamped with the official stamps, and endorsed with the opening official's signature;

(c) the name of the bidder, and where possible, the bid sum must be recorded in the bid opening record kept for that purpose;

(d) the responsible official who opened the bid shall forthwith place his/her signature on the bid opening record;

(e) the bid opening record must be made public for inspection; and

(f) the entries in the bid opening record must be published on the website of the Municipality.

(7) There shall be no obligation on the Municipality to re-direct bids found to have been inadvertently placed in the incorrect bid box. Bids shall not be redirected

unless the applicable bids either closed on the same day at the same time, or are still open. The Municipality disclaims any responsibility for seeing that the bids are in fact lodged in the correct bid box.

(8) A record of all bids placed in an incorrect box must be kept and such record must contain details of the official who discovered the bid in the incorrect bid box.

(9) Bids received in sealed envelopes in the bid box without a bid number or title on the envelope will be opened at the bid opening and the bid number and title ascertained where possible. In this regard:

(a) a bid which was in the correct bid box will be read out;

(b) a bid which is found to be in the incorrect bid box, may be redirected provided that the applicable bids either closed on the same day at the same time, or are still open; and

(c) where the bid closes at a later date, the bid will be placed in a sealed envelope with the bid number and title endorsed on the outside, prior to being lodged in the applicable box.

(d) where the bid number or title cannot be ascertained from an examination of the bid documents, the bid may be declared invalid.

(10) The Municipality however disclaims any responsibility for seeing that the bid is in fact lodged in the correct box.

12.7.16 Opening of bids where a two-envelope system (consisting of a technical proposal and a financial proposal) is followed

(1) Where a two-envelope system is followed, only the technical proposal will be opened at the bid opening.

(2) The unopened envelope containing the financial proposal shall be stamped and endorsed with the opening official's signature, and be retained by the SCMU for safekeeping.

(3) When required the financial offers/bids corresponding to responsive technical proposals, must be opened by the opening official in accordance with paragraph 12.7.15(4) and 12.7.15(5) above.

(4) All bidders who submitted responsive technical proposals must be invited to attend the opening of the financial offers/bids.

(5) Envelopes containing financial offers/bids corresponding to non-responsive technical proposals shall be returned unopened along with the notification of the decision of the bid adjudication committee in this regard.

(6) After being recorded in the bid opening record, the bids/technical proposals must be handed over to the official responsible for the supervision of the processing thereof and that official must acknowledge receipt thereof by signing the bid opening record.

12.7.17 Invalid bids

(1) Bids will be invalid and be endorsed and recorded as such in the bid opening record by the responsible official appointed by the manager of the SCMU to open the bid, in the following instances:

(a) where the bid is not sealed;

(b) where the bid, including the bid price/tendered amount, where applicable is not submitted on the official form of bid/offer;

(c) where the bid is not completed in non-erasable ink;

(d) where the form of bid/offer has not been signed;

(e) where the form of bid/offer is signed, but the name of the bidder is not stated, or is indecipherable;

(f) where in a two-envelope system, the bidder fails to submit both a technical proposal and a separate sealed financial offer/bid; or

(g) where the bid envelope does not contain the title of the bid and bid number and these cannot be ascertained from an examination of the bid documents.

(2) When bids are declared invalid at the bid opening, the bid sum of such bids may not be read out, however, the name of the bidder and the reason for the bid having been declared invalid must be announced and recorded in the bid opening record.

12.7.18 Bid sum

(1) A bid will not necessarily be invalidated if the amount in words and the amount in figures do not correspond, in which case the amount in words must be read out at the bid opening and this will be the price upon which the bid is evaluated.

(2) All rates, with the exception of rates set out in rate only bids, and proprietary information are confidential and may not be disclosed.

12.8 Committee system for competitive bids

(1) The committee system of the Municipality for competitive bids provides for:

(a) a bid specification committee;

(b) a bid evaluation committee; and

(c) a bid adjudication committee.

(2) The Municipal Manager of the Municipality:

(a) must appoint the members of each committee and, in doing so, must take into account section 117 of the MFMA;

(b) may, when appropriate, appoint a neutral or independent observer in order to ensure fairness and transparency in the application of this acquisition management system; and

(c) may apply the committee system to formal written price quotations.

12.9 Bid specifications

(1) The bid specification Tender committee must compile the specifications for all procurement of goods and/or services above R200 000 by Municipality.

(2) The specifications:

(a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods and/or services;

(b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, South African Bureau of Standards or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;

(c) where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

(d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;

(e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of

the work, in which case such reference must be accompanied by the words “equivalent”;

(f) must indicate each specific goal for which points may be awarded;

(g) must reserve the Municipality’s right to reject any bid which is unrealistic or which if accepted may expose the Municipality to unacceptable risk provided that the Municipality has first, after consultation with the bidder, satisfied itself that the bid is indeed unrealistic and would expose the Municipality to unacceptable risk if accepted;

(h) must wherever professional services or construction or specialist services are procured, provide for a suitable mechanism to verify the expertise and ability of the bidder to undertake to execute the bid at an appropriate standard. This may include providing for prequalification criteria, previous track record or any other appropriate method; and

(i) must be approved by the Municipal Manager prior to publication of the invitation for bids.

(3) Where specifications are based on standard documents available to bidders, a reference to those documents is sufficient and if the bid specifications also contain extracts from such standard documents, then unless the specifications expressly provide otherwise, the entire document referred to shall be incompetent and the reference to extracts therefrom in the specifications shall not exclude those terms not expressly quoted.

12.10 Bid specification committee

(1) All bid specifications and bid documentation must be compiled by the bid specification committee of the Municipality. An ad hoc bid specification committee may be constituted for a project or procurement activity.

(2) The bid specification committee shall be comprised of at least 3 (three) officials of the Municipality, an appointed chairperson, a responsible official and at least 1 (one) supply chain management practitioner of the Municipality.

(3) Where appropriate a representative of internal audit department/division and/or legal services department/division and/or an external specialist advisor may form part of this committee provided that no person, advisor or competent entity involved with the bid specification committee, or director of such corporate entity, may bid for any resulting contracts.

(4) Green procurement must be incorporated as far as reasonable possible, for all specifications of goods and/or services.

(5) In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.

(6) The Municipal Manager, or his delegated authority, must adhere to the provisions of section 117 of the MFMA when appointing the members of the bid specification committees.

(7) Bid specification committee meetings must be conducted in accordance with the applicable Rules of Order/Standing Rules regulating the conduct of meetings of the Municipality and must be fully minuted.

12.11 Bid evaluation

(1) The Municipality shall not be obliged to accept any bid.

(2) The bid evaluation committee must:

(a) evaluate bids in accordance with:

(i) the specifications which were set for the bid; and

(ii) the points system as prescribed by the PPPFA, and if functionality forms a part of the evaluation criteria of the bid, then

compliance with the applicable provisions of the PPR and National Treasury's SCM Circular 53 pertaining to functionality must be ensured;

(b) evaluate each bidder's ability to execute the contract;

(c) check for responsiveness and compliance with the prescribed formalities and requirements as set out in the bid documentation i.e. whether municipal rates and taxes and municipal service charges are not in arrears and tax matters in order; and

(d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(3) The bid evaluation committee must as far as possible be composed of:

(a) officials from departments requiring the goods and/or services; and

(b) at least one supply chain management practitioner of the Municipality.

(4) The responsible agent, if applicable, must carry out a preliminary evaluation of all valid bids received and submit a draft bid evaluation report to the bid evaluation committee for consideration. The bid evaluation committee may engage independent external experts to provide reports or guidance to assist the bid evaluation committee in their evaluations provided that only the bid evaluation committee may exercise discretion and make any decisions and provided further that no such external person, advisor or entity involved with the bid evaluation committee, or director or member of such corporate entity, may bid for any resulting contracts.

(5) Any evaluation of a bid must consider the bids received and note for inclusion in the evaluation report all details of a bidder:

(a) whose bid was endorsed as being invalid by the responsible official at the bid opening;

(b) whose bid does not comply with the provisions of the Prevention and Combating or Corrupt Activities Act;

(c) whose bid does not comply with the general conditions applicable to bids and quotations of this policy;

(d) whose bid is not in compliance with the specifications for the bid or does not meet the pre-qualification criteria or who is otherwise excluded by the bid specifications or conditions;

(e) whose bid does meet the minimum points for functionality, if applicable;

(f) whose bid is not in compliance with the terms and conditions of the bid documentation;

(g) whose bid does not comply with any minimum points and goals stipulated in terms of the preferential procurement paragraph of this policy and the PPPFA;

(h) who is not registered and listed on the list of accredited providers of the Central Supplier Database providing the bidder must register on CSD;

(i) who, in the case of construction works acquisitions, does not comply with the requirements of the CIDBA regarding registration of contractors;

(j) who has failed to submit an original and valid Tax Compliance Pin from SARS, certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS.

(k) who is listed on the National Treasury's list of restricted providers.

(6) Bids shall be evaluated according to the following, as applicable:

(a) functionality; (If applicable)

(b) bid price and specific goals as per the applicable provisions of the PPPFA (corrected, if applicable and brought to a comparative level where necessary);

(c) the unit rates and prices;

(d) the bidder's ability to execute the contract;

(e) any qualifications to the bid;

(f) the bid ranking obtained in respect of preferential procurement as required by this policy;

(g) the financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable; and

(h) any other criteria specified in the bid documents.

(7) No bidder may be recommended for an award unless the bidder has demonstrated that it has the resources and skills required to fulfil its obligations in terms of the bid document and at the bid price.

(8) Additional information or clarification of bids may be called for if required but only in writing and as stipulated in terms of this policy.

(9) Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted and the alternate is clearly marked as such.

(10) Where a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report for decision by the bid adjudication committee.

(11) The bidder obtaining the highest number of points must be recommended for acceptance unless there are objective criteria in addition to the criteria mentioned in section 2(1)(d) and section 2(1)(e) of the PPPFA justifying the award of the bid to another bidder.

(12) Where, after bids have been brought to a comparative level, 2 (two) or more score equal total adjudication points, the recommended bidder shall be the one scoring the highest preference points.

(13) Where 2 (two) or more bids are equal in all respects, the bid evaluation committee will draw lots to decide on the recommendation for award, or may, in the case of goods and services, recommend splitting the award proportionately, where applicable.

(14) All disclosures of a conflict of interest must be considered by the bid evaluation committee and shall be reported to the bid adjudication committee.

(15) The bid evaluation committee must, having considered the responsible agent's draft report (if any), submit a report, including recommendations regarding the award of the bid or any other related matter, to the bid adjudication committee for award.

12.12 Bid evaluation committee

(1) An ad-hoc bid evaluation committee must be constituted for each project or procurement activity to evaluate bids received.

(2) The bid evaluation committee shall be comprised of at least 3 (three) officials of the Municipality, an appointed chairperson, who may be the same person as the chairperson of the bid specification committee, a responsible official and at least one supply chain management practitioner of the Municipality.

(3) Where appropriate, a representative of internal audit department/division and/or legal services department/division may form part of this committee, which may also include other internal specialists/experts as necessary.

(4) External specialists/experts may advise the bid evaluation committee, as required.

(5) The Municipal Manager, or his delegated authority, must, taking into account section 117 of the MFMA, appoint the members of the bid evaluation committees.

(6) Bid evaluation committee meetings must be conducted in accordance with the applicable Rules of Order/Standing Orders regulating the conduct of meetings of the Municipality.

12.13 Bid adjudication

(1) The bid adjudication committee must:

(a) consider the report and recommendations of the bid evaluation committee; and

(b) either:

(i) depending on its delegations, make a recommendation to the Municipal Manager regarding the making of a final award; or

(ii) make another recommendation to the Municipal Manager on how to proceed with the relevant procurement.

(2) Where it holds the delegated power to do so in terms of the Municipality's system of delegations, the bid adjudication committee may make an award to a preferred bidder, subject to the Municipal Manager negotiating with the preferred bidder, provided that such negotiation is in accordance with the conditions set out in sub-paragraph (3) below, which apply *mutatis mutandis*.

(3) The Municipal Manager may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation:

(a) does not allow any preferred bidder a second or unfair opportunity;

(b) is not to the detriment of any other bidder;

(c) does not lead to a higher price than the bid as submitted; and

(d) minutes of such negotiations must be kept for record purposes; and overall

(e) does not materially affect the bid in a manner which compromises the integrity of the bidding process.

(4) If a bid other than the one recommended in the normal course of implementing this policy is approved, then the Municipal Manager must, within 10 (ten) working days and in writing, notify the Auditor-General, the Provincial Treasury and the National Treasury of the reasons for deviating from such recommendation.

(5) The Municipal Manager may, at any stage of a bidding process, refer any recommendation made by the bid evaluation committee or bid adjudication committee back to that committee for reconsideration of the recommendation.

(6) A person aggrieved by a decision or action taken in the execution of this policy may lodge within 14 (fourteen) days of such a decision or action a written objection or compliant to the Municipality against the decision or action as set out in paragraph 20.3 below of this policy.

(7) Bid documents must state that any objection or complaint in terms of this policy must be submitted in writing to the Municipal Manager at the address stated, and must contain the following:

(a) reasons and/or grounds for the objection or complaint;

(b) the way in which the objector or complainant's rights have been affected; and

(c) the remedy sought by the objector or complainant.

(8) No bid may be formally accepted until either the expiry of the 14 (fourteen) day objection or complaint period, confirmation in writing before the expiry of the 14 (fourteen) day objection or complaint period that none of the affected parties

intend to object or complain or confirmation of the satisfactory resolution of any objection or complaint.

(9) If the bid adjudication committee or the Municipal Manager has resolved that a bid be accepted, the successful bidder must be notified in writing of this decision.

(10) The successful bidder must, in addition, be advised of the 14 (fourteen) day objection or complaint period, and be notified that no rights accrue to him/her until the bid is formally accepted in writing.

(11) Every notification of decision must be faxed or sent via electronic mail to the address chosen by the bidder, with a copy of proof of transmission kept for record purposes, or shall be delivered by hand, in which case acknowledgement of receipt must be signed and dated on a copy of such notification which must be kept for record purposes.

(12) Where it becomes necessary to cancel or re-advertise formal bids, a report to this effect must be submitted to the bid adjudication committee for decision.

(13) Where bids have been cancelled, all bidders must be notified of such cancellation in writing.

(14) It is not necessary to notify original bidders when new bids are invited and advertised.

(15) No bid may be re-advertised before the expiry of the validity period of the original bid or any extended validity period.

(16) Notwithstanding sub-paragraph (14) above and where no valid bids are received or all bidders have indicated in writing that they have no objection to the re-advertisement of the bid, then the bid may forthwith be advertised.

(17) In the case of bids for construction works, and where the bid adjudication committee resolved that there were no responsive bids received, then the bid may forthwith be re-advertised.

12.14 Bid adjudication committee

(1) A bid adjudication committee must –

(a) consider the report and recommendations of the bid evaluation committee; and

(b) either-

(i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or

(ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.

(2) The bid adjudication committee must consist of at least 4 (four) senior managers of the Municipality which must include:

(a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer;

(b) at least one senior supply chain management practitioner who is an official of the Municipality; and

(c) a technical expert in the relevant field who is an official of the Municipality, if the Municipality has such an expert.

(3) In instance where by one Senior Manager of BAC is unable to attend the meeting for an acceptable reason, the quorum requirements will be applied for the meeting to proceed, which means at least 4 senior managers and senior SCM

official must be present for the sitting to proceed and the decisions taken to be binding.

(4) In terms of Government Gazette No. 43281 dated 5 May 2020, where a senior manager is unavailable, either the relevant senior manager or the municipal manager may delegate an experienced senior manager to act on their behalf.

(5) The Municipal Manager must appoint the chairperson of the committee. When the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(6) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

(7) Where the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid:

(a) ensure that the preferred bid is in all respects responsive and compliant and verify that the preferred bidder's municipal rates and taxes and municipal service charges are not in arrears;

(b) notify the Municipal Manager, who may:

(i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee; and

(ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

(8) The Municipal Manager may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

(9) The Municipal Manager must comply with the procedure set out in section 114 of the MFMA within 10 (ten) working days if a bid other than the one recommended in the normal course of implementing this policy is approved.

12.15 Term bids

(1) Term bids are for the supply of goods and/or services that are of an *ad-hoc* or repetitive nature for a predetermined period of time and where awarded will entitle, but not oblige, the Municipality to purchase the specified goods or services at the bid price from the successful bidder for the duration of the term.

(2) The Municipality may invite term bids.

(3) The general acquisition procedure for term bids must comply with procedures contained in the acquisition management system for competitive bids.

(4) Where applicable, bid documentation must state that the acceptance of term bids based on a schedule of rates will not necessarily guarantee the bidder any business with the Municipality.

(5) The practice of using term bids to circumvent the bid process in respect of what should be planned project work is not permissible.

(6) Unless expressly stated in the bid documents, the award of the term bid shall not confer any exclusivity on the successful bidder nor prevent the Municipality from proving the same or similar services elsewhere.

(7) Material for repairs and maintenance can be purchased on a term bid where circumstances warrant it.

(8) Additional items included in a term bid by any bidder, which are clearly not an alternative to any of the items specified in the bid documents, will not be considered.

(9) The process for considering term bids must be in terms of the evaluation and adjudication procedures for conventional competitive bids.

(10) Subsequent to an award where different selections of items are required in terms of the same term bid, and where it is not possible or practical to separate orders for different items from different suppliers, service providers or contractors, then and in that instance, a selection process must be carried out in respect of each application by the responsible agent. Individual orders must be placed on the basis of the highest total evaluation points received, per application.

(11) Where the selected supplier, contractor or service provider, in terms of the selection process specified in the term bid documentation, is unable to provide the required goods, services or construction works at the required time and confirms as such in writing, the bidder with the next highest valuation points (re-calculating the bid scores excluding the successful bidder) must be selected.

12.16 Procurement of banking services

(1) A contract for the provision of banking services to the Municipality:

(a) must be procured through competitive bids;

(b) must be consistent with section 7 of the MFMA and regulation 30 of the SCMR; and

(c) may not be for a period of more than 5 (five) years at a time.

(2) The process for procuring a contract for banking services must commence at least 9 (nine) months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 (sixty) days from the date on which the advertisement is advertised.

(4) Bids must be restricted to banks registered as such in terms of the Banks Act, Act 94 of 1990.

12.17 Procurement of IT related goods and/or services

(1) The Municipal Manager may request the SITA to assist the Municipality with the acquisition of IT related goods and/or services through a competitive bidding process.

(2) The parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to SITA.

(3) The Municipal Manager must notify SITA together with a motivation of the IT needs of the Municipality where:

(a) the transaction value of IT related goods and/or services required by the Municipality in any financial year will exceed R50 million (including VAT); or

(b) the transaction value of a contract to be procured by the Municipality whether for one or more years exceeds R50 million (including VAT).

(4) If SITA comments on the submission and the Municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments of SITA must be submitted to the Council, the Provincial and National Treasury and the Auditor General prior to awarding the bid.

12.18 Procurement of goods and services under contracts secured by other organs of state

(1) The Municipal Manager may procure goods and/or services for the Municipality under a contract secured by another organ of state, but only if:

(a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

(b) the Municipality has no reason to believe that such contract was not validly procured;

(c) there are demonstrable discounts or benefits for the Municipality to do so; and

(d) that other organ of state and the relevant provider have consented to such procurement in writing.

12.19 Procurement of goods necessitating special safety arrangements

(1) Goods, other than water, which necessitate special safety arrangements, may not be acquired or stored in bulk and in excess of immediate requirement, including gasses and fuel, unless sound justification therefore exists.

(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership and cost advantages for the Municipality and the Municipal Manager may then authorise the same, in writing.

12.20 Proudly SA campaign

The Municipality supports the Proudly SA Campaign and may identify, as a specific goal the promotion of South African owned enterprises in its procurement processes.

12.21 Appointment of consultants

(1) The Municipal Manager may procure consulting services provided that National Treasury, Provincial Treasury and CIDB guidelines in respect of consulting services are taken into account when such procurements are made.

(2) A contract for the provision of consultancy services to the Municipality must be procured through competitive bids where:

(a) the value of the contract exceeds R200 000.00 (including VAT); or

(b) the duration period of the contract exceeds 1 (one) year.

(3) In addition to the requirements prescribed for competitive bids in this policy, bidders must furnish the Municipality with particulars of:

(a) all consultancy services provided to an organ of state in the last 5 (five) years; and

(b) any similar consultancy services provided to an organ of state in the last 5 (five) years.

(4) Dividing the transaction values of required consultant appointments into lesser transaction values in order to circumvent the competitive bidding process is not permitted.

(5) Where the estimated value of consultant fees is less than or equal to R200 000.00 (including VAT) and the duration of the appointment is less than 1 (one) year, the selection of a consultant to provide the required

service must follow a written price quotation or a formal written price quotation procedure as provided for in this policy.

(6) Responsible agents must endeavour to ensure that there is rotation in respect of inviting suitably qualified consultants to submit quotes.

(7) A price/preference points system, contained in the preferential procurement paragraph of this policy, must be applied to such quotations.

(8) Where it is in the interests of the Municipality to follow an advertised process, a formal competitive bidding process in accordance with the requirements of this policy may be followed irrespective of the estimated value of the consultant fees.

(9) The Municipality must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process

designed or devised, by a consultant in the course of the consultancy service is vested in the Municipality.

(10) The Municipality may only consider single-source selection where it is in line with the exceptional cases provided in treasury guidelines the justification for single-source selection is examined in the context of the overall interests of the Municipality and the project.

(11) Single-source selection may be appropriate only if it presents a clear advantage over a competitive process:

(a) for services that represent a natural continuation of previous work carried out by the consultant, and continuity of downstream work is considered essential;

(b) where rapid selection is essential;

(c) for very small appointments;

(d) when only one consultant is qualified, or has experience of exceptional worth for the project.

(12) Single source selection may also be justified in instances where the type of consultant services required are of a *sui generis* nature and based on a specific type of relationship of expertise, privilege, confidentiality, the utmost good faith and trust.

(13) The reasons for single-source selection must be fully motivated in a report and approved by the bid adjudication committee prior to conclusion of a contract, provided that if the award is for an amount of R200 000.00 (including VAT) or less, such award must be approved by the Municipal Manager.

(14) Single source shall be regarded as a deviation in terms of paragraph 12.22 below, and must comply therewith.

12.22 Deviation from, and ratification of minor breaches of procurement processes

(1) The Municipal Manager may:

(a) dispense with the official procurement processes established by this policy and to procure any required goods and/or services through any convenient process, which may include direct negotiations, but only:

(i) in an emergency;

(ii) if such goods and/or services are produced or available from a single provider only;

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) for the acquisition of animals for zoos and nature reserve;

(v) for the acquisition of special works of art or historical objects where specifications are difficult to compile; and

(vi) in any other exceptional case where it is impractical or impossible to follow the official procurement processes;

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The Municipal Manager must record the reasons for any deviations in terms of sub-paragraph (1)(a) and (1)(b) above, and report them to the next meeting of the Council and must be included as a note to the annual financial statements. This sub-paragraph does not apply to the procurement of goods and services contemplated in paragraph 3(3) of this policy.

(3) The conditions relating to the procurement of contracts relating to an emergency, as referred to in sub-paragraph (1)(a)(i) above should include the existence of one or more of the following:

(a) the possibility of human injury or death;

(b) the prevalence of human suffering or deprivation of rights;

(c) the possibility of damage to property, or suffering and death of livestock and animals;

(d) the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;

(e) the possibility of serious damage occurring to the natural environment;

(f) the possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and

(g) the possibility that the security of the state could be compromised.

(4) The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process.

(5) Where interim measures to alleviate the immediate situation are appropriate, these should be considered to give time to procure a permanent solution.

(6) Emergency dispensation will not be granted in respect of circumstances other than those contemplated in sub-paragraph (3) above.

(7) Where possible, in an emergency situation, 3 (three) quotes in accordance with general acquisition management principles should be obtained and a report submitted to the Municipal Manager for approval. Where, however, time is of the essence, the emergency must be immediately addressed, and the process formalised in a report to the Municipal Manager as soon as possible thereafter.

(8) The Municipal Manager may, upon recommendation of the bid adjudication committee, and only if good cause exists condone any expenditure incurred in contravention of, or that is not in accordance with, a requirement of this policy, provided that:

(a) this power may not be sub-delegated by the Municipal Manager;

(b) such condonation will not preclude the taking of disciplinary steps against the responsible official; and

(c) the Municipal Manager record the reasons for the condonation in writing, and report them to the next meeting of the Council and must be included as a note to the annual financial statements.

(9) In the event where the Municipal Manager refuses to condone any expenditure referred to in sub-paragraph (7) above, such expenditure will be deemed to be irregular expenditure as defined in terms of the provisions of section 1 of the MFMA, and must be treated as such by the Municipal Manager according to the relevant provisions provided therefore in the MFMA.

The following will be deemed not to be deviations from SCM processes:

a) Advertisements that are placed in National Government and Provincial Government Gazettes.
b) The acquisition of accommodation and air travel for official purposes subject there to that the acquisition of such services be dealt with in terms of the Municipality's Payment of Travel and Subsistence for Councillors' and Officials Policy as amended from time to time as well as in terms of the Municipality's Delegation of Powers and Duties as amended from time to time.
c) The procurement of fuel from any recognized Fuel Company and their depots, except when fuel is procured for the Municipal Depot.
d) Vehicles serviced by the agent in terms of the warranty or service plan of the vehicle as well as any other repairs or maintenance that is identified when the vehicle is being serviced by an agent in terms of the warranty or service plan of the vehicle.
e) The acquisition of services of medical specialists as may be required from time to time and in terms of the Pension Funds Amendment Act, Act 65 of 2001 and

relate regulations and amendments.

f) Any machinery or other equipment serviced by the agent in terms of the warranty or service plan of that machinery or equipment.
g) Training, courses, seminars and/or workshops advertised by a professional institution related to local government.
h) The use of restaurants for special functions where quotations cannot be obtained.
i) The procurement of newspapers for municipal libraries and other municipal offices.
j) The acquisition of driving license cards from the service provider officially appointed by the National Department of Transport to issue such cards.
k) Pauper burials and cremations. The processes unfolding during the pauper burials assistance must be dealt with in conjunction with the Dr Kenneth Kaunda District Municipality's Burial Policy (unclaimed/unidentified and unknown human remains), Sections, 5 (e) indicates that, A quotation and a fully completed Declaration of Interest Form (MBD4) must be attached from a registered funeral undertaker; and Sections, 6 (h) states, that, In the case of a pauper burial, all registered funeral undertakers will be appointed on a rotational basis (eliminating each undertaker that has been utilised before until the cycle is completed) as per the List of Benefits, which includes the cost for such a funeral within the different categories.
l) Terms of the Municipality's Delegation of Powers and Duties as amended from time to time and any Bargaining Council Agreements on Disciplinary Procedures.
m) Newspaper advertisement and radio station interviews and announcements.
n) License or subscription fee for service or goods rendered by a single service provider.
o) The testing of water and food sampling

Emergency Dispensation

The conditions warranting Emergency dispensation should include the existence of one or more of the following:

- ✓ the possibility of human injury or death;
- ✓ the prevalence of human suffering or deprivation of rights;
- ✓ the possibility of damage to property, or suffering and death of livestock and animals;

- ✓ the possibility of damage to property, or suffering and death of livestock and animals;
- ✓ the interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipal Manager as a whole;
- ✓ the possibility of serious damage occurring to the natural environment;
- ✓ the possibility that failure to take necessary action may result in the Municipal manager not being able to render an essential community service; and
- ✓ the possibility that the security of the state could be compromised.

- The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be granted in respect of circumstances other than those contemplated in clause.

- The procurement procedure to be followed in an emergency situation shall be determined by the Municipal Manager.

Other Specific Goals

Unbundling Strategies

- In order to encourage increased participation and the sustainable growth of the small business sector, the unbundling of larger projects into smaller, more manageable, contracts is encouraged.
- Unbundling must however be considered in the context of:

- ✓ economies of scale being lost;
- ✓ abortive work becoming necessary;
- ✓ additional demands (not only financial) being placed on the municipality's resources; and

- the risk of later phases not being completed as a result of budget cuts becoming necessary in the future.

- Unbundling, and all of its associated implications, must therefore be carefully considered at the planning stage of any project and the budgets for, and design thereof, should be structured accordingly.

- It is important to note that while it is the municipality's policy to procure goods, services or construction works in the smallest practicable quantities, the practice of parcelling such procurement in order to avoid complying with the requirements of the different range of procurement processes described in this policy is not permitted.

Increasing Employment Opportunities

- One of the municipality's key socio-economic objectives is to facilitate the creation of employment for the people of Dr. Kenneth Kaunda District Municipality.
- Increasing employment opportunities through procurement may be achieved by specifying labour intensive technologies and/or methods of construction in the bid documents.
- It is up to Responsible Agents to thoroughly investigate the options available in the above regard, to evaluate the positive versus negative impact of any proposals, and to specify labour intensive technologies and/or methods where appropriate.

Targeted Labour and/or Targeted Enterprises

- The targeting of labour and/or enterprises from specific areas within the boundaries of the Municipal area may be achieved, where appropriate, by specifying in the bid documents, a minimum level of participation (a contract participation goal) that must be achieved in respect of targeted labour and/or targeted enterprises in the performance of the contract.

- Specified contract participation goals must be measurable and achievable, and the performance in respect of which must be monitored by the Responsible Agents during the execution of the contract.

- Where a minimum contract participation goal has been specified in respect of targeted labour and/or enterprises, the contractor is obliged to meet that goal, and must be penalised if he or she does not.

- Contract participation goals in respect of targeted labour and/or enterprises may not be introduced into the preference point system used for the evaluation of bids.

12.23 Unsolicited bids

(1) The Municipality is not obliged to consider any unsolicited bids received outside a normal bidding process.

(2) The Municipality may only consider an unsolicited bid if:

(a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

(b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages for the Municipality;

(c) the person or entity who made the bid is the devia provider of the product or service; and

(d) the reasons for not going through the normal bidding processes are found to be sound by the Municipal Manager.

(3) Where the Municipal Manager decides to consider an unsolicited bid that complies with sub-paragraph (2) above, the Municipality must make its decision public in accordance with section 21A of the MSA, together with:

(a) its reasons as to why the bid should not be open to other competitors;

(b) an explanation of the potential benefits for the Municipality were it to accept the unsolicited bid; and

(c) an invitation to the public or other potential suppliers to submit their written comments within 30 (thirty) days of the notice.

(4) Once the Municipality has received written comments pursuant to subparagraph (3) above, it must submit such comments, including any responses from the unsolicited bidder, to the National Treasury and the relevant Provincial Treasury for comment.

(5) The Municipality's adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Municipal Manager, depending on its delegations.

(6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

(7) When considering the matter, the adjudication committee must take into account:

(a) any comments submitted by the public; and

(b) any written comments and recommendations of the National Treasury or the relevant Provincial Treasury.

(8) Where any recommendations of the National Treasury or Provincial Treasury are rejected or not followed, the Municipal Manager must submit to the Auditor General, the relevant Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations.

(9) Such submission must be made within 7 (seven) days after the decision on the award of the unsolicited bid is taken, but no contract committing the Municipality to the bid may be entered into or signed within 30 (thirty) days of the submission.

13. LOGISTICS MANAGEMENT

Logistics management provides an effective logistic management system for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration, as set out below:

13.1 Setting of inventory levels

(1) Levels must be determined.

(2) Stock items must be systematically replenished using the re-order point planning strategy in conjunction with minimum and maximum levels.

(3) Open reservations must be taken into account during the replenishment run.

13.2 Placing of orders

(1) Purchase orders must be created with reference to requisitions where the supply source is by means of a contract or verbal, written or formal quotations.

(2) All purchase orders which are for imported goods and which are subject to rate and exchange adjustments must specify that the vendor must take out a

forward exchange contract in order to fix the Rand based price in the purchase order.

(3) A proper record of all purchase orders must be kept by the manager of the SCMU and a copy thereof must be submitted to the Chief Financial Officer on a monthly basis.

(4) Standing orders will be utilised in cases where a longer term arrangement, such as after hour services and copier contracts, are required.

(5) Purchase order approvals must be system based and will involve the procurement department only.

(6) The assets (for asset creation) and the insurance section (for claims) must be informed after approval of any purchase orders.

13.3 Receiving and distribution of goods

(1) Goods will be received on the Municipality's inventory system with specific reference to purchase orders.

(2) No over-receipt of stock may be allowed. The purchase order must be kept open for under-receipts for the outstanding delivery quantity.

(3) Goods must be issued from stock with reference to reservations.

(4) Goods may be issued for consumption against internal orders, cost centres, projects and assets under construction.

13.4 Stores and warehouse management

(1) The stores and warehousing function must be decentralised in different areas and will operate under the jurisdiction of the SCMU.

(2) The SCMU must ensure proper financial and budgetary control, uphold the principle of effective administration, proper stock holding and control, product standardisation, quality of products and a high standard of service levels.

13.5 Expediting orders

(1) The purchasing expeditor is required to monitor and expedite outstanding purchase orders.

(2) Reminder letters must be faxed automatically to vendors based on the reminder levels prior to the delivery due date which is set in the purchase order.

13.6 Transport management

The Municipality's fleet management system/policy must be adhered to at all times.

13.7 Vendor performance

(1) The Municipality must have a system which is able to evaluate a vendors' performance with regard to certain pre-determined criteria.

(2) The information will be available for contract negotiations and regular feedback to the vendors.

13.8 Contract management

(1) The Municipal Manager must take all reasonable steps to ensure that contracts procured through this policy are properly implemented and enforced. To this end the Municipal Manager shall devise a system to ensure that he is given, monthly, all relevant details regarding the performance of each contract and details of defaults.

(2) The performance of contractor under the contract procured through this policy must be monitored on a monthly basis.

(3) All contracts must be administered by a designated official(s), having the necessary competencies to ensure effective management of the contract. The responsibility of managing a contract falls on the specific directorate to which such a contract relates together with and in co-operation with the SCMU.

(4) The Municipal Manager must regularly report to the Council on the management of contracts and the performance of contractors.

13.9 Maintenance and contract administration

(1) Contracts relating to the procurement of goods and/or services will be captured on the Municipality's contract administration system in the form of a price schedule.

(2) Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts must be utilised in as far as possible.

(3) The use of fixed price and fixed term contracts must be promoted and expenditure will be driven towards such contracts as opposed to once-off purchases.

(4) Consolidated procurement volumes must be utilised to drive down negotiated contract prices.

(5) Contract price adjustments may only be processed in accordance with contract terms and conditions and must accord with the provisions of this policy.

13.10 Contract administration

(1) Contract administration is the last stage of the procurement and contract cycle, and includes all administrative duties associated with a contract after it is executed, including contract review.

(2) The effectiveness of contract administration depend on how thoroughly the earlier steps were completed as changes can be made far more readily early in the tendering cycle than after contract management has commenced.

(3) Some of the key early stages, which influence the effectiveness of contract administration and which the Municipality must properly implement, include:

(a) defining the outputs by writing specifications which identify what the aims and outputs of a contract will be;

(b) assessing risk;

(c) researching the market place, including conducting pre-tender briefings;

(d) formulating appropriate terms and conditions of contract;

(e) identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;

(f) actively creating competition, so the best possible suppliers bid for contracts; and

(g) evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

13.11 Levels of contract administration

(1) There are three levels of contract administration, being:

(a) the first operational level for standard contracts for goods and services. Day to day contract administration should become no more than the execution of performance monitoring, record keeping and price adjustment authorisation functions;

(b) the second or intermediate level is for more complex contracts for services. This type of contract requires a more active role for the contract manager in developing the relationship between the Municipality and the contractor and includes the functions set out as part of the first operational level;

(c) the third level is for strategic contracts involving complex partnerships and outsourcing arrangements. These contracts require more active management of the business relationships between the supplier and the users, for example to manage outputs and not the process and include

the functions set out in the first operational level and the second level, as referred to above.

13.12 Appointing a contract manager

(1) A contract manager must be appointed by the Municipal Manager together with the director in charge of the project prior to the execution of the contract.

(2) Where it is practical to do so, the contract manager must be involved at the earliest stage of the acquisition, which is the time of writing the specifications for the contract.

(3) Contract administration arrangements must be identified and planned including, delegations, reporting requirements and relationships and specific task responsibilities.

(4) Departments are responsible for ensuring that contract managers:

(a) prepare the contract administration plan;

(b) monitor the performance of the contract;

(c) are appointed with appropriate responsibility and accountability;

(d) are adequately trained so that they can perform and exercise the responsibility; and

(e) act with due care and diligence and observe all accounting and legal requirements.

13.13 Duties and powers of a contract manager

(1) The contract manager's duties and powers are governed by the conditions of contract and the applicable legal principles and statutes.

(2) The contract manager must monitor the performance of the contract on a monthly basis and must report to the Municipal Manager on the performance of the contractor and the progress of the contract on a monthly basis.

(3) The contract manager is also required to form opinions and make decisions, and in doing so is expected to be even-handed, prudent and to protect the interests of the Municipality.

(4) The SCMU is responsible for notifying the contract manager 90 (ninety) days prior to the expiry of each contract in order to allow the contract manager sufficient time in order to decide whether to renew a contract or efficiently conclude a new contract.

(5) The contract manager must ensure that the contractor duly performs according to the specifications of the contract in delivering goods and/or services on time, in the correct manner and/or quantity and to the required standard.

(6) Regular meetings and site inspections must be held by the contract manager and the contractor to inspect the progress, deliverables, identify possible problems and/or possible remedial action during the contract period.

13.14 Contract guidelines

(1) A guideline, which provides a description of the roles and responsibilities of a contract manager during the contract administration stage, must be documented.

(2) The provisions of this paragraph is not an exhaustive description of contract administrative activities, and some tasks may not be carried out in the sequence presented, may be done concurrently with other tasks or may not be necessary in some circumstances.

13.15 Delegating to contract administrator

(1) Where appropriate, a contract manager may delegate some contract administration duties to a contract administrator.

(2) The contract administrator will be required to perform duties related to processes for record keeping, authorising payment and collecting data on contractor performance.

(3) The contract manager will however remain ultimately responsible and accountable for the performance of the contract.

13.16 Contract management process

(1) The contract manager must ensure that the contractor fulfils its obligations and complies with its liabilities under the contract and must also ensure that contractors are treated fairly and honestly. Any non-compliance with the terms of the contract and any non-delivery or anticipated non-delivery or breaches must be reported to the Municipal Manager in writing immediately.

(2) Both parties adhering to the agreed terms will result in:

(a) value for money;

(b) timeliness;

(c) cost effectiveness; and

(d) proper contract performance.

(3) In the event of non-compliance with any contract, the contractor must be placed in default in writing approved by the Municipality's legal advisors and a complete record of all written notices of non-compliance or nature of breach, as the case may be, must be kept on record.

13.17 Document retention

(1) The need exists to retain documents on a contract file for information and audit purposes, and in order to comply with the requirements of the records office.

(2) Proper records regarding all aspects of the contract must accordingly be maintained. The contract manager shall be responsible for ensuring that the Municipality has, on the appropriate control sheet, copies of all procurement documents, bids, awards, notices and other written communications.

13.18 Guidelines on contract administration

(1) The responsibilities of a contract manager may include the following:

(a) establishing a contract management plan for the execution of the contract, especially for contracts pertaining to construction and land development projects;

(b) reviewing the contract management process (including the contract management plan) on a regular basis;

(c) providing a liaison between internal managers and users, and suppliers to pre-empt, identify and resolve issues as they arise;

(d) monitoring the contractor's continuing performance against contract obligations;

(e) providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided;

(f) determining if staged products should continue, and providing a procurement process for additional stages which meet the principle of obtaining value for money;

(g) providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems;

(h) ensuring that insurance policy terms and conditions provide adequate protection for the Municipality and are maintained throughout the contract period;

(i) ensuring all products provided are certified as meeting the specifications before the supplier is paid;

(j) maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;

(k) managing contract change procedures;

(l) resolving disputes as they arise;

(m) conducting post contract reviews;

(n) pursuing remedies in the event of any breach of the contract;

(o) reporting on performance/non-performance to the Municipal Manager on a monthly basis; and

(p) the Municipal Manager must establish capacity and a system to ensure effective contract management.

14. DISPOSAL MANAGEMENT

(1) The disposal management system of the Municipality provides an effective system for the transfer of ownership, disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 and 90 of the MFMA.

(2) Every disposal by the Municipality must comply with the relevant and applicable provisions of the MFMA in as far as capital assets are concerned.

(3) The manner in which assets may be disposed of by the Municipality includes, but is not limited to, the following:

(a) transferring an asset to another organ of state in terms of a provision of the MFMA enabling the transfer of assets;

(b) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;

(c) selling the asset; or

(d) destroying the asset.

(4) Immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise and in accordance with the provisions of the Disposal Policy of the Municipality.

(5) Movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the Municipality.

(6) In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 (thirty) days whether any of the local schools are interested in the equipment.

(7) In the case of the disposal of firearms, the National Conventional Arms Control Committee must approve any sale or donation of firearms to any person or institution within or outside the Republic.

(8) Immovable property must be let at market related rates except when the public interest or the plight of the poor demands otherwise.

(9) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property must be reviewed annually.

(10) Where assets are traded in for other assets, the highest possible trade-in price must be negotiated.

(11) As far as possible, assets to be disposed of must be subjected to recycling. Disposal to landfill is not allowed unless there are no available recycling options.

(12) Non-exempted capital assets must be transferred or permanently disposed of strictly in accordance with section 14 of the MFMA read with Chapter 2 of the MATR.

(13) Exempted capital assets must be transferred strictly in accordance with Chapter 3 of the MATR.

(14) The granting of rights by the Municipality to use, control or manage municipal capital assets, where section 14 of the MFMA do not apply, must be executed strictly in accordance with Chapter 4 of the MATR.

15. RISK MANAGEMENT

(1) The risk management system of the Municipality provides for an effective system to identify, consider and avoid potential risks in the Supply Chain Management System.

(2) The management of risks pertaining to supply chain management must at all times comply with the criteria laid down in the Risk Management Policy of the Municipality.

(3) Managing risk must be part of the philosophy, practices and business plans of the Municipality and should not be viewed and practiced as a separate activity in isolation but must be integrated in the systems and functions of the Municipality. Risk management is an integral part of good management of acquisition activities and cannot be effectively performed in isolation from other aspects of acquisition management.

(4) Risk management includes, but is not limited to:

(a) early and systematic identification of risks on a case-by-case basis, analysis and assessment of risk, including conflicts of interest and the development of plans for handling the same;

(b) the allocation and acceptance of the responsibility of risk to the party best suited and placed to manage such risk;

(c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

(d) the management of risk in a pro-active manner and the provision of adequate cover for residual risk;

(e) the assignment of relative risk to the contracting parties through clear and unambiguous contract documentation;

(f) ensuring that the costs incurred in managing risk are commensurate with the importance of the purchase and the risk to the operations of the Municipality; and

(g) taking appropriate professional advice from the appropriate officials or service providers to identify appropriate processes, procedures, outcomes, controls and other pertinent factors prior to undertaking activities with high levels of risk.

(5) The risk management process must be applied to all stages of supply chain management, be it the conceptual stage, project definition, specification preparation, acquisition approval or implementation to completion.

(6) Appropriate risk management conditions must therefore be incorporated in contracts and monitored.

16. PERFORMANCE MANAGEMENT

(1) The performance management system of the Municipality provides for an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes are being, or were followed, and whether the desired objectives of this policy are being, or were achieved.

(2) The Municipal Manager must establish and implement the system contemplated in sub-paragraph (1) above.

(3) Performance management must contain a monitoring process together with a process of retrospective analysis to determine whether:

(a) value for money has been attained;

(b) proper processes have been followed;

(c) desired objectives have been achieved;

(d) there is an opportunity to improve the process and limit similar risk in future;

(e) suppliers have been assessed and the results of the assessment; and

(f) there has been deviation from procedures and, if so, what the reasons for such deviation are.

(4) The performance management system must accordingly focus on, amongst others outcomes, the:

(a) achievement of goals;

(b) compliance to norms and standards and applicable legislation;

(c) savings generated;

(d) cost variances per item;

(e) non-compliance with contractual conditions and requirements; and

(f) cost efficiency of the procurement process itself.

16.1 Establishment of a Panel/ list of approved service providers

16.1.1 Where goods or services are required on a recurring basis, a panel/list of approved service providers for the rendering or delivery of these goods or services

may be established. These panels/lists should be established through the competitive bidding process.

16.1.2 The intention to establish a panel/list of approved service providers is published in the newspaper, e tender portal or Government Tender Bulletin (Where possible) and the closing time and date for inclusion in the panel/list of approved service providers should be indicated.

16.1.3 Once the panel/list of service providers has been approved, only the successful applicants are approached, depending on the circumstances, either by obtaining quotes on a competition basis or on a rotation basis.

CHAPTER 3

OTHER MATTERS

17. PROHIBITION ON AWARDS TO PERSONS WHOSE/WHICH TAX MATTERS ARE NOT IN ORDER

(1)

The Municipality may not under any circumstances, irrespective of the procurement process followed, make an award above R15 000.00 to any person or entity whose/which tax matters have not been declared to be in order by The South African Revenue Services.

(2) Before making an award to a person or entity, the Municipality must first check with the South African Revenue Services whether that person's or entities' tax matters are in order.

(3) If a service provider's tax matter is not in order before appointment, the municipality should inform them to address the tax matter within 7 days for purposes of subparagraph (1) above, be presumed to be in order.

18. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

The Municipality may not under any circumstances, irrespective of the procurement process followed, make an award to a person or entity:

(a) who is in the service of the state;

(b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or

(c) who is an advisor or consultant contracted with Municipality.

19. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

The Municipal Manager must ensure that the notes to the annual financial statements of the Municipality disclose the particulars of any award of more than R2 000.00 to a person who is a spouse, child or parent of a person in the service of the state, or who has been in the service of the state in the previous 12 (twelve) months, including:

(a) the name of that person;

(b) the capacity in which that person is or was in the service of the state; and

(c) the amount of the award.

20. CODE OF ETHICAL STANDARDS

(1) In addition to this code of ethical standards, the codes of conduct for councillors and municipal staff members as set out in Schedule 1 and Schedule 2 to the MSA shall apply in the implementation of this policy.

(2) The code of ethical standards for officials and all other role-players in the Supply Chain Management System which is established hereby seeks to promote:

(a) mutual trust and respect; and

(b) an environment where business can be conducted with integrity and in a fair, honest and reasonable manner.

(3) An official and/or other role-player involved in the implementation of this policy:

(a) must treat all providers and potential providers equitably;

(b) may not use his or her position for private gain or to improperly benefit another person;

(c) 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 more than R350.00 in value;

(d) notwithstanding sub-paragraph (c) above, must declare to the Municipal Manager details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;

(e) must declare to the Municipal Manager details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by the Municipality;

(f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

(g) must be scrupulous in his or her use of property belonging to the Municipality;

(h) must assist the Municipal Manager in combating fraud, corruption, favouritism, unfair and irregular practices in the Supply Chain Management System; and

(i) must report to the Municipal Manager any alleged irregular conduct in the Supply Chain Management System which that person may become aware of, including:

(i) any alleged fraud, corruption, favouritism or unfair conduct; (ii) any alleged contravention of Regulation 47 of the SCMR; or

(iii) any alleged breach of the code of ethical standards.

(4) All declarations in terms of sub-paragraph 20(3)(d) and 20(3)(e) above, must be recorded by the Municipal Manager in a register which the Municipal Manager must keep for this purpose.

(5) All declarations by the Municipal Manager must be made to the Executive Mayor of the Municipality, who must ensure that such declarations are recorded in the register.

(6) The Municipal Manager is responsible to ensure that appropriate steps are taken against any official or other role-player who commits a breach of any provision of this code of ethical standards, and Council must ensure that the same measures are enforced where a breach has been committed by the Municipal Manager.

(7) A breach of the code of ethical standards and any adopted code/s of conduct must be dealt with in accordance with Schedule 1 or Schedule 2 of the MSA, depending upon the circumstances, or the Disciplinary Regulations.

(8) This Municipal Manager must, in his/her implementation of this policy, take into account, adopt and apply the National Treasury's Code of Conduct for Supply Chain Management Practitioners (Practise Note SCM 4 of 2003). This code of conduct is binding on all officials and other role-players involved in the implementation of this policy and a copy thereof is available on the website www.treasury.gov.za/mfma located under “legislation”.

20.1 Inducements, rewards, gifts and favours to the Municipality, its officials and/or other role-players

(1) No person who is a provider or prospective provider of goods and/or services to the Municipality, or a recipient or prospective recipient of goods disposed or to be disposed of by the Municipality, may either directly or through a representative or intermediary promise, offer or grant:

(a) any inducement or reward to the Municipality for or in connection with the award of a contract; or

(b) any reward, gift, favour or hospitality to any official of the Municipality or any other role-player involved in the implementation of this policy of the Municipality.

(2) The Municipal Manager of the Municipality must promptly report any alleged contravention of sub-paragraph (1) above to the National Treasury for

considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Sub-paragraph (1) above does not apply to gifts less than R350.00 in value.

(4) The Municipal Manager must, on becoming aware that any reasonably suspected crime has been committed involving any procurement or disposal process or contract, report same to the SAPS, Council and the Provincial and National Treasuries. The Municipality may offer assistance to the SAPS and the National Prosecuting Authorities to ensure the effective prosecution of wrongdoers.

(5) The Municipality has a “zero tolerance” approach to criminal wrongdoing.

20.2 Sponsorships

The Municipal Manager of the Municipality must promptly disclose to the National Treasury and the relevant Provincial Treasury any sponsorship promised, offered or granted to the Municipality or any of its officials, whether directly or through a representative or intermediary, by any person who is:

(a) a provider or prospective provider of goods and/or services to the Municipality; or

(b) a recipient or prospective recipient of goods disposed or to be disposed of by the Municipality.

20.3 Objections and complaints

Persons aggrieved by decisions or actions taken by the Municipality in the implementation of this policy, may lodge within 14 (fourteen) days of the decision or action, a written objection or complaint against the decision or action.

20.4 Resolution of disputes, objections, complaints and queries

(1) The Municipal Manager must appoint an independent and impartial person not directly involved in the supply chain management processes of the Municipality:

(a) to assist in the resolution of disputes between the Municipality and other persons regarding:

(i) any decisions or actions taken by the Municipality in the implementation of its Supply Chain Management System; or

(ii) any matter arising from a contract awarded in the course of its Supply Chain Management System; or

(b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2) The Municipal Manager, or another official designated by the Municipal Manager, is responsible for assisting the appointed person to perform his or her functions effectively.

(3) The person appointed by the Municipal Manager in terms of sub-paragraph (1) above must:

(a) strive to resolve promptly all disputes, objections, complaints or queries received; and

(b) submit monthly reports to the Municipal Manager on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant Provincial Treasury if:

(a) the dispute, objection, complaint or query is not resolved within 60 (sixty) days; or

(b) no response is received from the Municipality within 60 (sixty) days.

(5) If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

(6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

20.5 Contracts providing for compensation based on turnover

Where a service provider acts on behalf of the Municipality to provide any service or act as a collector of fees, service charges or taxes, and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Municipality must stipulate:

(a) a cap on the compensation payable to the service provider; and

(b) that such compensation must be performance based.

CHAPTER 4

COMBATING ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

21. COMBATING OF ABUSE OF THE SUPPLY CHAIN MANAGEMENT SYSTEM

(1) The terms of reference of this paragraph of this policy ensure compliance with Regulation 38 of the SCMR.

(2) The Municipal Manager shall take all reasonable steps to prevent abuse of the Supply Chain Management System and to investigate any allegations of

improper conduct against the concerned official, councillor, or other role player and when justified may:

(a) take, or ensure that appropriate steps are taken, against such official, councillor or other role player; and/or

(b) inform the Speaker of any allegations against any councillor involved in contraventions of the Supply Chain Management System; and/or

(c) report any alleged criminal conduct to the South African Police Service and/or other recognised state authority dealing with criminal investigations.

(3) The steps referred to in sub-paragraph (2) above which the Municipal Manager may take include registering the affected person in the Municipality's Register of Tender and Contract Defaulters as well as:

(a) rejection or withdrawal of recommendations, or invalidation of decisions that were unlawfully or improperly made or influenced, including recommendations or decisions that were made or in any way influenced by:

(i) councillors in contravention of item 5, 6 or 9 of the Code of Conduct for Councillors set out in Schedule 1 of the MSA; or

(ii) municipal staff members in contravention of item 4, 5 or 8 of the Code of Conduct for Municipal Staff Members set out in Schedule 2 of the MSA;

(iii) the unlawful or improper conduct of a bidder or its representatives in competing for the particular contract;

(b) rejection of the bid of an affected person if that person or any of its representatives (including partners, directors of members):

(i) has failed to pay municipal rates and taxes or municipal service charges and such rates, taxes and charges are in arrears for a period longer than 3 (three) months, as at the date of the submission of the bid;

(ii) has abused the Supply Chain Management System or has committed any improper conduct in relation to the Supply Chain Management System;

(iii) has been convicted of fraud or corruption during the 5 (five) year period immediately preceding the invitation of bid in question;

(iv) is listed:

(aa) in the Register for Tender and or Contract Defaulters in terms of the provisions of section 29 of the Prevention and Combating of Corrupt Activities Act;

(bb) on the National Treasury's database as a person prohibited from doing business with the public sector or;

(cc) on the Municipality's Register of Tender and Contract Defaulters.

(v) who, during the last 5 (five) year period immediately preceding the invitation of the bid in question, failed to perform satisfactorily on a previous or current contract with the Municipality or other organ of state after written notice

was given to the affected person that such person's performance was unsatisfactory; and/or

(vi) wilfully neglected and/or breached any government, municipal or other public sector contract during the 5 (five) year period immediately preceding the invitation of the bid in question;

(c) cancellation of a contract awarded to a person if that person:

(i) committed a fraudulent act during the procurement process or the execution of the contract;

(ii) incited or participated in any corrupt or fraudulent act, by an official, councillor or other role player during the procurement process or in the execution of that contract and the person who committed the corrupt or fraudulent act benefited there from.

21.1 Municipality's register of tender and contract defaulters

(1) The Municipal Manager shall, subject to the procedures prescribed in this policy, been entitled to list a person or any of its representatives, where applicable, on the Municipality's Register of Tender and Contract Defaulters for a period not exceeding 5 (five) years in any of the circumstances listed in terms of this policy.

(2) In the circumstances referred to in paragraph 21(3)(c)(i) and 21(3)(c)(ii) above, the person convicted of the relevant offence shall automatically also be listed on the Municipality's Register of Tender Contract Defaulters by the Municipal Manager.

(3) In circumstances where a preference in terms of the PPPFA has been obtained on a fraudulent basis or any specific goals are not attained in the performance of the contract, the affected person may be listed on the Municipality's Register of Tender and Contract Defaulters for a period not exceeding 10 (ten) years.

(4) Any listing in terms of paragraph 21(3) above shall, at the discretion of the Municipal Manager, also be applicable to any other enterprise or any partner, manager, director or other person who wholly or partly exercises or exercised or may exercise control over the enterprise of the first mentioned person, and with

which enterprise or person the first-mentioned person, is, or was, in the opinion of the Municipal Manager, actively associated.

(5) A person who has been listed on the Municipality's Register of Tender and Contract Defaulters shall not be entitled to be awarded any contract by the Municipality for the duration of the period reflected on such register.

(6) The Municipal Manager may, on good cause shown, remove a person from the Municipality's Register of Tender Contract Defaulters or reduce the period for which a person is prohibited from being awarded any contract by the Municipality. The reasons therefor shall be disclosed at the next opportunity to Council.

21.2 Automatic rejection of bid

The Municipal Manager may, after written verification with a person, automatically reject the bid of such a person if the person:

(a) has been convicted of fraud or corruption during the past 5 (five) year period immediately preceding the invitation of the bid in question; and/or

(b) is listed on the:

(i) Register for Tender Defaulters in terms of the provisions of section 29 of the Prevention and Combating of Corrupt Activities Act;

(ii) National Treasury's database as a person prohibited from doing business with the public sector; and/or

(iii) Municipality's Register of Tender and Contract Defaulters.

21.3 Adequate notice of manner of abuse of Supply Chain Management System

(1) Once the Municipality has obtained *prima facie* evidence which it deems to be sufficient to initiate proceedings to take steps against the affected person as contemplated in paragraph 21(2) and 21(3) of this policy, the Municipality must

give the affected person adequate written notice of the manner in which it is alleged that the affected person abused the Supply Chain Management System

(2) In order to constitute adequate notice of the manner in which it is alleged that the affected person abused the Supply Chain Management System the notice must:

(a) outline the grounds on which it is alleged that the affected person abused the Supply Chain Management System, with sufficient particulars to enable the affected person to respond to the allegations stipulated in the notice;

(b) refer to the applicable provisions of this policy in terms of which steps may be taken in the event where it is proved that the affected person abused the Supply Chain Management System;

(c) stipulate that the affected person must make written representations in response to such allegations of abuse of the Supply Chain Management System within 14 (fourteen) calendar days of the date when the notice was served by a duly authorised person, acting on behalf of the Municipality, on the affected person;

(d) state that written submissions received after the due date for such submissions shall be disregarded, unless good cause is shown by way of a request for condonation for the late lodgement of the submissions and only when the condonation would not lead to unnecessary delays or otherwise prejudice the public interest;

(e) state the name, official title, postal address, street address, telephone number and fax number of the official of the Municipality to whom written submissions or any correspondence in terms of this policy must be sent.

21.4 Right of access to information

(1) When furnishing the affected person with the notice referred to in paragraph 21.3 above, the Municipality shall furnish the affected person with access to all documents upon which the Municipality relies in respect of the allegations against the affected person.

(2) The affected person shall be furnished by the Municipality with any such additional information as the affected person is entitled to in terms of PAIA on the same terms provided therein.

(3) Where further information is requested, the Municipality may, in its sole discretion and upon a written request to do so, appropriately extend the time period contemplated in paragraph 21.3(2)(c) so that the affected person is granted adequate time to consider any information provided pursuant to such request prior to the due date for such submissions.

21.5 Administration of hearings

(1) The Municipal Manager shall appoint an independent and impartial person, who may be an official of the Municipality, to preside and adjudicate on allegations of abuse of the Supply Chain Management System against an affected person.

(2) The Presiding Officer will adjudicate on the matter based on the written notice and written response and will inform all relevant parties accordingly should the matter, or part thereof be referred for an oral hearing.

21.6 Right to be heard

(1) An affected person shall, in accordance with and subject to, the procedures in terms of this policy, be granted the right to be heard upon receiving notice as

contemplated in terms of paragraph 21.3 above, and prior to the Municipal Manager taking any of the steps listed in paragraph 21(2) and 21(3) above.

21.7 Oral hearings

(1) An affected person does not have an automatic right to an oral hearing but may submit an application to the presiding officer to have the matter set down for an oral hearing in instances where the presiding officer decided to entertain the matter without oral evidence being heard, or not to refer the matter for an oral hearing.

(2) The presiding officer may grant such an opportunity in its discretion where the affected person has provided sufficient grounds to the presiding officer to refer the matter for an oral hearing

(3) The presiding officer shall take any relevant factor into account when deciding whether or not to grant an application referred to in sub-paragraph
(2) above by an affected person.

(4) The presiding officer must ensure that notice of an oral hearing shall be served by a duly authorised person on all relevant parties within 7 (seven) days of receipt of their presentations referred to in paragraph 21.3(2)(c) above, and must:

(a) set the date of the oral hearing;

(b) inform the affected person of their right to legal representation; and

(c) include any other information which the presiding officer may deem relevant or necessary to be included in the notice.

(5) The Municipality must be appropriately represented at these hearings by a natural person to lead the evidence against the affected person.

21.8 Procedure at oral hearing

(1) The procedure to be followed at an oral hearing shall be determined by the presiding officer.

(2) Witnesses must testify under oath.

(3) Affected person(s) or their representatives shall have the right to present their case and to cross-examine any witnesses who testify at the hearing.

(4) Witnesses called by the affected person(s) shall be subjected to cross examination by any party who may have an interest at the hearing.

21.9 Onus of proof

The onus is on the Municipality to prove any allegations of abuse of the Supply Chain Management System which proof shall be on a balance of probabilities.

21.10 Right to legal representation

An affected person shall have a right to legal representation.

21.11 Right to request reasons

An affected person shall be informed of the right to request written reasons in terms of the provisions of section 5 of PAIA in respect of any decision taken by the Municipality in terms of this policy.

21.12 Criminal proceedings

The Municipal Manager shall institute criminal proceedings where there is *prima facie* proof of abuse of the Supply Chain Management System that constitutes a criminal offence of corruption or fraud.

21.13 Informing Provincial and National Treasury

The Municipal Manager must inform the Provincial and National Treasury of any actions taken in terms of this paragraph.

CHAPTER 5

PREFERENTIAL PROCUREMENT

22. PLANNING AND STIPULATION OF PREFERENCE POINT SYSTEM TO BE UTILISED

The Municipality must, prior to making an invitation for bidders:

(1) properly plan for, and, as far as possible, accurately estimate the costs of the provision of goods and/or services for which an invitation for bids is to be made;

(2) determine and stipulate the appropriate preference point system to be utilised in the evaluation and adjudication of the bids; and

(3) determine whether the goods and/or services for which an invitation for bids is to be made have been designated for local production and content in terms of paragraph 28 below.

23. EVALUATION OF BIDDERS ON FUNCTIONALITY

(1) The Municipality must indicate in the invitation to submit a bid if such a bid will be evaluated for functionality.

(2) The evaluation criteria for measuring functionality must be objective and clearly stated.

(3) When evaluating bids on functionality, the:

(a) evaluation criteria for measuring functionality;

(b) weight of each criterion;

(c) applicable values; and

(d) minimum qualifying score for functionality;

must be clearly specified in the invitation to submit a bid.

(4) No bid must be regarded as an acceptable bid if such bid fails to achieve the minimum qualifying score for functionality as indicated in the bid invitation.

(5) Bids which have achieved the minimum qualification score for functionality must be evaluated further in terms of the preference point system prescribed in paragraphs 24 and 25 below.

24. IDENTIFICATION OF PREFERENCE POINT SYSTEM

(1) An organ of state must, in the tender documents, stipulate—

(a) the applicable preference point system as envisaged in regulations 4, 5, 6 or 7;

(b) the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

(2) If it is unclear whether the 80/20 or 90/10 preference point system applies, an organ of state must, in the tender documents, stipulate in the case of—

(a) an invitation for tender for income-generating contracts, 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

(b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

25.) 80/20 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR SERVICES WITH RAND VALUE EQUAL TO OR BELOW R50 MILLION

(1) The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$Ps = 80\left(1 - \frac{Pt - P\,min}{P\,min}\right)$$

Where

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

(2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

26. 90/10 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR SERVICES WITH RAND VALUE ABOVE R50 MILLION

(1) The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$Ps = 90\left(1 - \frac{Pt - P\,min}{P\,min}\right)$$

Where:

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

(2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points

80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million

(1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$Ps = 80\left(1 + \frac{Pt - Pmax}{Pmax}\right)$$

Where

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

(2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

(1) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

$$Ps = 90\left(1 + \frac{Pt - Pmax}{Pmax}\right)$$

Where

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

(2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

Criteria for breaking deadlock in scoring

(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.

(2) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

27. SPECIFIC GOALS

The goals for both 80/**20** and 90/**10** ***will*** **apply**

- Women

- Disability
- Military Veterans
- Youth
- Locality (within the Dr Kenneth Kaunda District Municipality)/ Township Enterprise

It the discretion of the Municipality to determine the goals and points allocation as per bids.

28. AWARD OF CONTRACTS TO BIDDERS NOT SCORING THE HIGHEST NUMBER OF POINTS

A contract may be awarded to a bidder who/which did not score the highest total number of points, but only if objective criteria in addition to those contemplated in section 2(1)(d) and section 2(1)(e) of the PPPFA justify the award to another tenderer.

29. CANCELLATION AND RE-INVITATION OF BIDS

(1) (a) When, in the application of the 80/20 preference point system as stipulated in the bid documents, **all** bids received exceed the estimated rand value of R50 million, the bid invitation must be cancelled.

(b) Where 1 (one) or more of the acceptable bids received are within the prescribed threshold of R50 million, all bids received must be evaluated on the 80/20 preference point system.

(2) (a) When, in the application of the 90/10 preference point system as stipulated in the bid documents, **all** bids received are equal to, or below R50 million, the bid must be cancelled.

(b) Where 1 (one) or more of the acceptable bids received are above the prescribed threshold of R50 million, all bids received must be evaluated on the 90/10 preference point system.

(3) Where the Municipality cancels a bid invitation as contemplated in subparagraphs (1) and (2) above, the Municipality must re-invite bidders and must stipulate in the bid documents the correct preference point system to be applied.

(4) The Municipality may, prior to the award of a bid, cancel such a bid when:

(a) due to changed circumstances, there is no longer a need for the requested goods and/or services;

(b) funds are no longer available to cover the total envisaged expenditure of the bid; or

(c) no acceptable bids are received.

(5) The decision to cancel a bid in terms of sub-paragraph (4) above must be published in the Government Tender Bulletin or the media in which the original bid invitation was advertised.

30. LOCAL PRODUCTION AND CONTENT

(1) The Municipality will, in the case of designated sectors, where local production and content is of critical importance in the award of bids (R200 000 and above), advertise such bids with a specific bid condition that only locally produced goods and/or services or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.

(a) The municipality may, in the bid specification for construction or infrastructure projects with cost estimate above R3 million, require contractors whose head offices are not located in the area of jurisdiction of the Dr. KKDM or whose head offices are located in the area of

jurisdiction of the Dr. KKDM, to subcontract at least 30% of their contract value including construction work , skills transfer and procurement of goods and services in line with the bill of quantities in the bid, to a local contractor or co-operatives registered in the municipal local contractor database, in which the supply chain management unit will produce to the appointed bidder. The latter will be conducted in line with the amended preferential procurement policy framework act.

(b) With no liability to the municipality, no construction work on awarded contracts above R3 million shall commence unless the contractor has satisfied the Municipal Manager or his delegated authority with the following in respect of subcontracted work:

(i) The contractor has signed a subcontract which is legal and valid and is subject to written consent of the municipality with such a contract indicating amongst others.

(ii) The contractor will pay the local sub-contractor timeously at least 30 days after submission of invoices by the subcontractor.

(iii) The Contractor grants the municipality the authority and power to deduct local subcontractor invoices from payments due to the contractor and pay to the subcontractor directly, should the contractor have previously defaulted in paying the local contractor after the municipality had paid the contractor payments covering the local contractor's invoices.

(iv) The sub-contracted local contractor is registered in the municipal database for local contractors and co-operatives.

(v) The sub -contracted local contractor is validly registered with the CIPC, is validly registered with appropriate CIDB grading and

where applicable NHBRC or any other legislative body requirements other than the latter.

(vi) The sub-contracted local contractor will procure most goods and services with Dr. KKDM.

(vii) The subcontracted local contractor will employ local residents within Dr. KKDM.

(c) In the ordinary course of business local contractors or contractors whose head offices are located within the jurisdiction of the Dr. KKDM and contribute on at least level 4 are not precluded from directly bidding for infrastructural and construction projects above R3 Million if they meet requirements of the bid and shall be exempted from a requirement to subcontract 30% of the bid value to another local contractor in terms of section (1)(a) of the policy.

(d) The supply chain management unit must prior to the signing of the service level or appropriate agreement and commencement of construction by the contractor, facilitate and convene a meeting with the project management unit and the appointed contractor to consider and facilitate compliance with requirements of section (1)(b).

(e) The Municipal Manager may in consultation with council, extend the requirement for subcontracting of 30% of the contract value to other services and supplies.

(f) An automated database or database for all local contractors and co-operatives must be established and all sub-contracting projects must be appointed on a rotational basis, through the supply chain management systems.

(g) Therefore, after the bid has been awarded, all sub-contractors that have been selected by the automated database or database, must be invited for quotations, evaluated and adjudicated by the relevant bid committees as established by this policy.

(h) The municipality will ring fence some part of its capital projects to small emerging enterprises and co-operatives with a construction industry board grading 1,2 and 3 that are listed on the municipalities database.

(i) In support of local economic development, the municipality will only allow a competitive bidding process on projects with a value below R3 Million (vat inclusive) to only to local small medium enterprises and co-operatives residing in the Dr. KKDM.

(2) The instructions, circulars and guidelines issued by the National Treasury with specific reporting mechanisms to ensure compliance with subparagraph (1) above, must be taken into account by the Municipality when applying this paragraph.

(3) Where there is no designated sector, the Municipality may include, as a specific bid condition, that only locally produced goods and/or services or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered, provided that such prescript and threshold(s) are in accordance with the specific directives issued for this purpose by the National Treasury in consultation with the Department Trade and Industry.

31. GENERAL CONDITIONS

(1) Only bidders who/which have completed and signed the declaration part of the bid documentation may be considered for such bid.

(2) The Municipality must, when calculating comparative prices, take into account any discounts which have been offered unconditionally as reflected in the bid.

(3) A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is effected.

(4) Points scored must be rounded off to the nearest 2 (two) decimal places.

(5) In the event that 2 (two) or more bids have scored equal total points, the successful bid must be the one scoring the highest number of preference points in terms of specific goals:

(a) When, however, functionality is part of the evaluation process and 2 (two) or more bids have scored equal points including equal preference points in terms of specific goals, the successful bidder must be the one scoring the highest score for functionality.

(b) Where 2 (two) or more bids are equal in all respects, the award will be decided by the drawing of lots.

(6) A trust, consortium or joint venture will qualify for points for its preferential status as a legal entity, provided that such entity submits preferential status.

(7) A trust, consortium or joint venture will qualify for points for preferential status as an unincorporated entity, provided such entity submit its consolidated their preferential status as required.

(8) A person may not be awarded any points for preferential status where the bid documents indicates that such a bidder who/which intends to subcontract more than 25% of the value of the contract to any other enterprise that does not qualify for at least the same amount of points of the bidder, unless the intended sub-contractor is an exempted micro enterprise which has the capacity and ability to execute the sub-contract.

(9) A person to whom/which a contract has been awarded may not sub-contract more than 25% of the value of the contract to any other enterprise which does not have an equal to or higher preferential status than the person concerned, unless the contract is sub-contracted to an exempted micro enterprise which has the capacity and ability to execute the sub-contract.

(10) A person to whom/which a contract has been awarded in relation to a designated sector, may not sub-contract in such a manner that the local production and

content of the overall value of the contract is reduced below the stipulated minimum threshold.

(11) When the Municipality is in need of services which is provided by tertiary institutions only, such services must be procured through a bidding process from the tertiary institutions identified.

(12) The tertiary institutions referred to in sub-paragraph (11) must be required to submit its preferential status..

(13) Where the Municipality require services which can only be provided by 1 (one) or more tertiary institutions or public entities and enterprises from the private sector, the appointment of a contractor must be done by means of a bidding process.

(14) Public entities must be required to submit its preferential status in terms of the specialised scorecard .

32. DECLARATIONS

(1) A bid must, in the manner stipulated in the bid document, compel a bidder to declare that:

(a) the information provided is true and correct;

(b) the signatory to the bid is duly authorised; and

(c) documentary proof regarding any bid issue must, when required, be submitted to the satisfaction of the Municipality.

33. REMEDIES

(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 or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part.

(2) After considering the representations referred to in subregulation (1)(b), the organ of state 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.

34. REPEAL OF REGULATIONS

.(1) Subject to this regulation, the Preferential Procurement Regulations, 2017 published in Government No. 40553 of 20 January 2017, are hereby repealed with effect from the date referred to in regulation 11.

(2) Any tender advertised before the date referred to in regulation 11 must be dealt with in terms of the Preferential Procurement Regulations, 2017.

35. AVAILABILITY OF THIS POLICY

(1)

A copy of this policy shall be included in the Municipality's Municipal Code as required by the provisions of section 15 of the MSA.

(2) The Municipality shall take all required legal steps to inform consumers, debtors, owners and occupiers of the content of this policy.

(3)

A copy of this policy shall be available for inspection at the offices of the Municipality at all reasonable times.

36. IMPLEMENTATION AND REVIEW OF THE POLICY

(1) This policy shall be implemented once approved by Council as part of the budgetary policies of the Municipality, as referred to in the provisions of regulation 7 of the Municipal Budget & Reporting Regulations, 2008, and section 17(3)(e), section 21(1)(b)(ii)(bb), section 22(a)(i) and section 24(2)(c)(v) of the MFMA.

(2) In terms of the provisions of section 17(1)(e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

37. SHORT TITLE

This policy shall be called the Supply Chain Management Policy of the Dr Kenneth Kaunda District Municipality.

PART B

SUPPLY CHAIN MANAGEMENT POLICY FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

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1. Scope

This policy establishes the DR. Kenneth Kaunda District Municipality's policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:

a) the storage of goods and equipment following their delivery to Dr Kenneth Kaunda District Municipality which are stored and issued to contractors or to employees;

b) the disposal or letting of land;

c) the conclusion of any form of land availability agreement;

d) the leasing or rental of moveable assets; and

e) public private partnerships.

2. Terms, definitions and abbreviations

2.1 Terms and definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

Agent: person or organization that is not an employee of Dr Kenneth Kaunda District Municipality that acts on the Dr Kenneth Kaunda District Municipality's behalf in the application of this document

Authorised person: the municipal manager or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order

Conflict of interest: any situation in which:

a) someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,

b) an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or

c) incompatibility or contradictory interests exist between an employee and the organization which employs that employee

Contract manager: person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view

Family member: a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

Framework agreement: an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

Gate: a control point at the end of a process where a decision is required before proceeding to the next process or activity

Gateway review: an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based

Gratification: an inducement to perform an improper act

Infrastructure delivery: the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

Infrastructure procurement: the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

Maintenance: the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

Operation: combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

Order: an instruction to provide goods, services or any combination thereof under a framework agreement

Organ of state: an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

Procurement document: documentation used to initiate or conclude (or both) a contract or the issuing of an order

Principal: a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)

Standard: the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury

Working day: any day of a week on which is not a Sunday, Saturday or public holiday

2.2 Abbreviations

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

3. General requirements

3.1 Delegations

3.1.1 The council of Dr.Kenneth Kaunda District Municipality hereby delegates all powers and duties to the municipal manager which are necessary to enable the municipal manager to:

a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;

b) maximise administrative and operational efficiency in the implementation of this document;

c) enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this document; and

d) comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

3.1.2 No departure shall be made from the provisions of this policy without the approval of the municipal manager of Dr.Kenneth Kaunda District Municipality

3.1.3 The municipal manager shall for oversight purposes:

a) within 30 days of the end of each financial year, submit a report on the implementation of this policy to the council of the Dr.Kenneth Kaunda District Municipality.

b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council.

c) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the mayor and

d) make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

3.2 Implementation of the Standard for Infrastructure Procurement and Delivery Management

3.2.1 Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management.[5]

3.2.2 Pre-feasibility and feasibility reports are required on the provision of new infrastructure, rehabilitation, refurbishment or alteration of existing infrastructure.

3.3 Supervision of the infrastructure delivery management unit

The Infrastructure Delivery Management Unit shall be directly supervised by the Director Technical Services.

3.4 Objections and complaints

Persons aggrieved by decisions or actions taken in the implementation of this policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

3.5 Resolution of disputes, objections, complaints and queries

3.5.1 The municipal manager shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the municipality and other persons regarding:

a) any decisions or actions taken in the implementation of the supply chain management system;

b) any matter arising from a contract awarded within the Dr.Kenneth Kaunda District Municipality

infrastructure delivery management system; or

c) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

3.5.2 The Corporate Services Department shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.

3.5.3 The person appointed in terms of 3.5.1 shall:

a) strive to resolve promptly all disputes, objections, complaints or queries received; and
b) submit monthly reports to the municipal manager on all disputes, objections, complaints or queries received, attended to or resolved.

3.5.4 A dispute, objection, complaint or query may be referred to the Provincial Treasury if:
a) the dispute, objection, complaint or query is not resolved within 60 days; or
b) no response is forthcoming within 60 days.

3.5.5 If the Provincial Treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

4. Control framework for infrastructure delivery management

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

4.2 Gateway reviews

4.2.1 Gateway reviews for major capital projects above a threshold

4.2.1.1 The Municipal Manager shall appoint a gateway review team in accordance with the provisions of clause of the standard to undertake gateway reviews for major capital projects.

4.2.1.2 The requirements for a gateway review in addition to those contained in section of the standard are as follows:

4.2.2 Elective gateway reviews

Gateway reviews shall be undertaken

Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery

Stage			**Person assigned the responsibility for approving or accepting end of stage deliverables.**
No.	**Name**		
0	Project initiation		Manager PMU accepts the initiation report
1	Infrastructure planning		Director Technical Services approves the infrastructure plan
2	Strategic resourcing		Municipal Manager approves the delivery and / or procurement strategy
3	Pre-feasibility		Manager PMU accepts the pre-feasibility report
	Preparation and briefing		Director Technical Services accepts the strategic brief
4	Feasibility		Municipal Manager accepts the feasibility report
	Concept and viability		Director Technical Services accepts the concept report
5	Design development		Director Technical Services accepts the design development report
6	Design documentation	6A Production information	Municipal Manager accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance

		6B	Manufacture, fabrication and construction information	The contract manager accepts the manufacture, fabrication and construction information
7	Works		The contract manager certifies completion of the works or the delivery of goods and associated services	
8	Handover		The end user accepts liability for the works	
9	Package completion		The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract The contract manager certifies final completion in accordance with the provisions of the contract Director Technical Services and Municipal Manager accepts the close out report	

5. Control framework for infrastructure procurement

5.1 The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2.

5.2 The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows: [18]

a) Municipal Manager shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;

b) the authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

5.3 The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

6 Infrastructure delivery management requirements

6.1 Institutional arrangements

6.1.1 Committee system for procurement

6.1.1.1 General

6.1.1.1.1 A Bid Specification committee system comprising the documentation committee, evaluation committee and bid adjudication committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

6.1.1.1.2 The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.

6.1.1.1.3 The persons appointed in writing as technical advisors and subject matter experts may attend any committee meeting.

6.1.1.1.4 No person who is a political officer bearer, a public office bearer including any councillor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a bid specification, evaluation or bid adjudication committee.

6.1.1.1.5 Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

6.1.1.1.6 Committees may make decisions at meetings or, subject to the committee chairperson’s approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

6.1.1.2 Bid specification committee

6.1.1.2.1 The municipal manager shall appoint in writing on a procurement by procurement basis:

a) the persons to review the procurement documents and to develop a bid specification review report in accordance with clause 4.2.2.1 of the standard; and

b) the members of the bid specification committee.

6.1.1.2.2 The bid specification committee shall comprise one or more persons. The chairperson shall be an employee of Dr Kenneth Kaunda District Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

6.1.1.2.3 No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold

Activity		Sub-Activity (see Table 3 of the standard)		Key action	Person assigned responsibility to perform key action
1*	Establish what is to be procured	1.3 PG1	Obtain permission to start with the procurement process	Make a decision to proceed / not to proceed with the procurement based on the broad scope of work and the financial estimates.	Relevant Senior Manager
2*	Decide on procurement strategy	2.5 PG2	Obtain approval for procurement strategies that are to be adopted including specific approvals to approach a confined market or the use of the negotiation procedure	Confirm selection of strategies so that tender offers can be solicited	Chief Financial Officer
3	Solicit tender offers	3.2 PG3	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	Manager SCM

		3.3 PG4	Confirm that budgets are in place	Confirm that finance is available for the procurement to take place	Manager Budget
4	Evaluate tender offers	4.2 PG5	Obtain authorisation to proceed with next phase of tender process in the qualified, proposal or competitive negotiations procedure	Review evaluation report, ratify recommendations and authorise progression to the next stage of the tender process	Manager SCM and Chairpersons of committees.
		4.7 PG6	Confirm recommendations contained in the tender evaluation report	Review recommendations of the evaluation committee and refer back to evaluation committee for reconsideration or make recommendation for award	Bid adjudication Committee
5	Award contract	5.3 PG7	Award contract	Formally accept the tender offer in writing and issue the contractor with a signed copy of the contract	Municipal Manager
		5.5 GF1	Upload data in financial management and payment system	Verify data and upload contractor's particulars and data associated with the contract or order	Manager Expenditure

6	Administer contracts and confirm compliance with requirements	6.4 PG8A	Obtain approval to waive penalties or low performance damages.	Approve waiver of penalties or low performance damages	Municipal Manager
		6.5 PG8B	Obtain approval to notify and refer a dispute to an adjudicator	Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law	Municipal Manager
		6.6 PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage[21]	Approve amount of time and cost overruns up to the threshold	Director Technical Services and CFO
		6.7 PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a	Approve amount of time and cost overruns above a the threshold	Municipal Manager

			contract or the issuing of an order by more than 20% and 30%, respectively		
		6.8 PG8E	Obtain approval to cancel or terminate a contract	Approve amount	Municipal Manager
		6.9 PG8F	Obtain approval to amend a contract	Approve proposed amendment to contract	Municipal Manager

Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

Activity		**Key action**	**Person assigned responsibility to perform key action**
1 FG1	Confirm justifiable reasons for selecting a framework contactor where there is more than one framework agreement covering the same scope of work	Confirm reasons submitted for not requiring competition amongst framework contractors or instruct that quotations be invited	Manager SCM
3 FG2	Obtain approval for procurement documents	Grant approval for the issuing of the procurement documents	CFO
4 FG3	Confirm that budgets are in place	Confirm that finance is available so that the order may be issued	Manager Budget
6 FG4	Authorise the issuing of the order	If applicable, review evaluation report and confirm or reject	CFO

		recommendations. Formally accept the offer in writing and issue the contractor with a signed copy of the order	

6.1.1.3 Evaluation committee

6.1.1.3.1 The Municipal Manager shall appoint on a procurement by procurement basis in writing:

a) the persons to prepare the evaluation and, where applicable, the quality evaluations, in accordance with clauses 4.2.3.2 and 4.2.3.4 of the standard, respectively; and

b) the members of the evaluation committee.

6.1.1.3.2 The evaluation committee shall comprise not less than three people. The chairperson shall be an employee of Municipality with requisite skills. Other members shall include a supply chain management practitioner and, where relevant, include an official from the department requiring infrastructure delivery.

6.1.1.3.3 The evaluation committee shall review the evaluation reports prepared in accordance with sub clause 4.2.3 of the standard and as a minimum verify the following in respect of the recommended tenderer:

a) the capability and capacity of a tenderer to perform the contract;

b) the tenderer's tax and municipal rates and taxes compliance status;

c) confirm that the tenderer's municipal rates and taxes and municipal service charges are not in arrears;

d) the Compulsory Declaration has been completed; and

e) the tenderer is not listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

6.1.1.3.4 No tender submitted by a member of, or technical adviser or subject matter expert who participates in the work of the bid specification committee or a family member or associate of such a member, may be considered by the evaluation committee.

6.1.1.3.5 The chairperson of the evaluation committee shall promptly notify the municipal manager of any respondent or tenderer who is disqualified for having engaged in fraudulent or corrupt practices during the tender process.

6.1.1.4 Bid adjudication committee

6.1.1.4.1 The bid adjudication committee shall comprise the following persons or their mandated delegate:

a) Chief Financial Officer who shall be the chairperson:

b) Director Technical Services

c) Director Corporate Services

d) Director Community Services

e) Director Planning and Development

f) a supply chain management practitioner and

g) a technical expert in the relevant field, if the mainly the relevant director

6.1.1.4.2 No member of the Bid evaluation committee may serve on the bid adjudication committee. A member of an evaluation committee may, however, participate in the deliberations of a bid adjudication committee as a technical advisor or a subject matter expert.

6.1.1.4.3 The bid adjudication committee shall:

a) consider the report and recommendations of the evaluation committee and:

1) verify that the procurement process which was followed complies with the provisions of this document;

2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;

3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and

4) consider commercial risks and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and

b) refer the report back to the evaluation committee for their reconsideration or make a recommendation to the authorised person on the award of a tender, with or without conditions, together with reasons for such recommendation.

6.1.1.4.4 The bid adjudication committee shall consider proposals regarding the cancellation, amendment, extension or transfer of contracts that have been awarded and make a recommendation to the authorised person on the course of action which should be taken.

6.1.1.4.5 The bid adjudication committee shall consider the merits of an unsolicited offer and make a recommendation to the municipal manager.

6.1.1.4.6 The bid evaluation committee shall report to the municipal manager any recommendation made to award a contract to a tenderer other than the tenderer recommended by the evaluation committee, giving reasons for making such a recommendation.

6.1.1.4.7 The bid adjudication committee shall not make a recommendation for an award of a contract or order if the recommended tenderer or framework contractor has:

a) made a misrepresentation or submitted false documents in competing for the contract or order; or

b) been convicted of a corrupt or fraudulent act in competing for any contract during the past five years.

6.1.1.4.8 The bid adjudication committee may on justifiable grounds and after following due process, disregard the submission of any tenderer if that tenderer or any of its directors, members or trustees or partners has abused the delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system. The National Treasury and the [name of applicable provincial treasury] shall be informed where such tenderers are disregarded.

6.1.2 Actions of an authorised person relating to the award of a contract or an order

6.1.2.1 Award of a contract

6.1.2.1 The Municipal Manager shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the bid adjudication committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the [CFO], and either:

a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or

b) decide not to proceed or to start afresh with the process.

6.1.2.2 The Municipal Manager shall immediately notify the [CFO] if a tender other than the recommended tender is awarded, save where the recommendation is changed to rectify an irregularity. Such person shall, within 10 working

days, notify in writing the Auditor-General, the National Treasury and [NW provincial treasury], of the reasons for deviating from such recommendation.

6.1.2.3 Issuing of an order

The CFO, if the value of an order issued in terms of a framework contract, is within his or her delegation, consider the recommendation of the evaluation committee or the [Manager SCM], as relevant, and either:

a) authorise the issuing of an order in accordance with the provisions of clause 4.25 of the standard; or

b) decide not to proceed or to start afresh with the process.

6.1.3 Conduct of those engaged in infrastructure delivery

6.1.3.1 General requirements

6.1.3.1.1 All personnel and agents of Dr Kenneth Kaunda District Municipality shall comply with the requirements of the CIDB Code of Conduct for all Parties engaged in Construction Procurement. They shall:

a) behave equitably, honestly and transparently;

b) discharge duties and obligations timeously and with integrity;

c) comply with all applicable legislation and associated regulations;

d) satisfy all relevant requirements established in procurement documents;

e) avoid conflicts of interest; and

f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

6.1.3.1.2 All personnel and agents engaged in Dr Kenneth Kaunda District Municipality ‘s infrastructure delivery management system shall:

a) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;

b) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;

c) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;

d) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;

e) ensure that resources are administered responsibly;

f) be fair and impartial in the performance of their functions;

g) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;

h) not abuse the power vested in them;

i) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;

j) assist Dr Kenneth Kaunda District Municipality in combating corruption and fraud within the infrastructure procurement and delivery management system;

k) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;

l) not make false or misleading entries in reports or accounting systems; and

m) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

6.1.3.1.2 An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

6.1.3.2 Conflicts of interest

6.1.3.2.1 The employees and agents of Dr Kenneth Kaunda District Municipality who are connected in any way to procurement and delivery management activities which are subject to this policy, shall:

a) disclose in writing to the employee of the Dr Kenneth Kaunda District Municipality to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflicts of interest; and

b) not participate in any activities that might lead to the disclosure of Dr Kenneth Kaunda District Municipality proprietary information.

6.1.3.2.2 The employees and agents of Dr Kenneth Kaunda District Municipality shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to whoever is responsible for overseeing the procurement process at the start of any deliberations relating to a procurement process or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

6.1.3.2.3 Agents who prepare a part of a procurement document may in exceptional circumstances, where it is in Dr Kenneth Kaunda District Municipality's interest to do so, submit a tender for work associated with such documents provided that:

a) Dr Kenneth Kaunda District Municipality states in the tender data that such an agent is a potential tenderer;

b) all the information which was made available to, and the advice provided by that agent which is relevant to the tender, is equally made available to all potential tenderers upon request, if not already included in the scope of work; and

c) the bid specification committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

6.1.3.3 Evaluation of submissions received from respondents and tenderers

6.1.3.3.1 The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

a) not have any conflict between their duties as an employee or an agent and their private interest;

b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;

c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and

d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to Dr Kenneth Kaunda District Municipality.

6.1.3.3.2 The evaluation process shall be free of conflicts of interest and any perception of bias. Any connections between the employees and agents of Dr Kenneth Kaunda District Municipality and a tenderer or respondent shall be disclosed and recorded in the tender evaluation report.

6.1.3.3.3 Dr Kenneth Kaunda District Municipality personnel and their agents shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

6.1.3.4 Non-disclosure agreements

Confidentiality agreements in the form of non-disclosure agreements shall, where appropriate, be entered into with agents and potential contractors to protect Dr Kenneth Kaunda District Municipality ’s confidential information and interests.

6.1.3.5 Gratifications, hospitality and gifts

6.1.3.5.1 The employees and agents of Dr Kenneth Kaunda District Municipality shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

6.1.3.5.2 The employees and agents of Dr Kenneth Kaunda District Municipality as well as their family members of associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

a) money, loans, equity, personal favours, benefits or services;

b) overseas trips; or

c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

6.1.3.5.3 The employees and agents of Dr Kenneth Kaunda District Municipality shall not purchase any items at artificially low prices from any tenderer,

respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

6.1.3.5.4 All employees and agents of Dr Kenneth Kaunda District Municipality may for the purpose of fostering inter-personal business relations accept the following:

a) meals and entertainment, but excluding the cost of transport and accommodation;

b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc.;

c) incidental business hospitality such as business lunches or dinners, which the employee is prepared to reciprocate;

d) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature; and

e) gifts in kind other than those listed in a) to d) which have an intrinsic value greater than R350 unless they have declared them to the municipal manager.

6.1.3.5.5 Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

6.1.3.5.6 Employees and agents of Dr Kenneth Kaunda District Municipality shall without delay report to the municipal manager any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

6.1.3.6 Reporting of breaches

Employees and agents of Dr Kenneth Kaunda District Municipality shall promptly report to the [municipal manager or chief executive or chief financial officer or appropriately delegated authority] any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

6.1.4 Measures to prevent abuse of the infrastructure delivery system

The Municipal Manager or Chief Financial Officer or appropriately delegated authority] shall investigate all allegations of corruption, improper conduct or failure to comply with the requirements of this policy against an employee or an agent, a contractor or other role player and, where justified:

a) take steps against an employee or role player and inform the National Treasury and NW provincial treasury] of those steps;

b) report to the South African Police Service any conduct that may constitute a criminal offence;

c) lodge complaints with the Construction Industry Development Board or any other relevant statutory council where a breach of such council's code of conduct or rules of conduct are considered to have been breached;

d) cancel a contract if:

(i) it comes to light that the contractor has made a misrepresentation, submitted falsified documents or has been convicted of a corrupt or fraudulent act in competing for a particular contract or during the execution of that contract; or

(ii) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

6.1.5 Awards to persons in the service of the state

6.1.5.1 Any submissions made by a respondent or tenderer who declares in the Compulsory Declaration that a principal is one of the following shall be rejected:

a) a member of any municipal council, any provincial legislature, or the National Assembly or the National Council of Provinces;

b) a member of the board of directors of any municipal entity;

c) an official of any municipality or municipal entity;

d) 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, 1999 (Act No. 1 of 1999);

e) a member of the accounting authority of any national or provincial public entity; or

f) an employee of Parliament or a provincial legislature.

6.1.5.2 The notes to the annual financial statements of the municipality shall disclose particulars of an award of more than R 2000 to a person who is a family member of a person identified in 6.1.5.1 or who has been in the previous 12 months. Such notes shall include the name of the person, the capacity in which such person served and the amount of the award.

6.1.6 Collusive tendering

Any submissions made by a respondent or tenderer who fails to declare in the Compulsory Declaration that the tendering entity:

a) is not associated, linked or involved with any other tendering entity submitting tender offers; or

b) has not engaged in any prohibited restrictive horizontal practices including consultation, communication, agreement, or arrangement with any competing or potential tendering entity regarding prices, geographical areas in which goods and services will be rendered, approaches to determining prices or pricing parameters, intentions to submit a tender or not, the content of the submission (specification, timing, conditions of contract etc.) or intention to not win a tender shall be rejected.

6.1.7 Placing of contractors under restrictions

6.1.7.1 If any tenderer which has submitted a tender offer or a contractor which has concluded a contract has, as relevant:

a) withdrawn such tender or quotation after the advertised closing date and time for the receipt of submissions;

b) after having been notified of the acceptance of his tender, failed or refused to commence the contract;

c) had their contract terminated for reasons within their control without reasonable cause;

d) offered, promised or given a bribe in relation to the obtaining or the execution of such contract;

e) acted in a fraudulent, collusive or anti-competitive or improper manner or in bad faith towards Dr Kenneth Kaunda District Municipality; or

f) made any incorrect statement in any affidavit or declaration with regard to a preference claimed and is unable to prove to the

satisfaction of Dr Kenneth Kaunda District Municipality that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

g) Chief Financial Officer shall prepare a report on the matter and make a recommendation to the municipal manager for placing the contractor or any of its principals under restrictions from doing business with the Dr Kenneth Kaunda District Municipality.

6.1.7.2 The municipal manager may, as appropriate, upon the receipt of a recommendation made in terms of 6.1.7.1 and after notifying the contractor of such intention in writing and giving written reasons for such action, suspend a contractor or any principal of that contractor from submitting a tender offer to Dr Kenneth Kaunda District Municipality for 3 years.

6.1.7.3 The Budget and Treasury Office shall:

a) record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of Dr Kenneth Kaunda District Municipality who are engaged in procurement processes; and

b) notify the National Treasury and [name of applicable provincial treasury] and, if relevant, the Construction Industry Development Board, of such decision and provide them with the details associated therewith.

6.1.8 Complaints

6.1.8.1 All complaints regarding the Dr Kenneth Kaunda District Municipality's infrastructure delivery management system shall be addressed to the municipal manager. Such complaints shall be in writing.

6.1.8.2 The RISK UNIT manager shall investigate all complaints regarding the infrastructure procurement and delivery management system and report on actions taken to the [Municipal Manager] who will decide on what action to take.

6.2 Acquisition management

6.2.1 Unsolicited proposal

6.2.1.1 The Dr Kenneth Kaunda District Municipality is not obliged to consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;

b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer;

c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for; Dr Kenneth Kaunda District Municipality;

d) the offer is in writing and clearly sets out the proposed cost;

e) the person who made the offer is the sole provider of the goods or service; and

f) the municipal manager finds the reasons for not going through a normal tender processes to be sound.

6.2.1.2 The municipal manager may only accept an unsolicited offer and enter into a contract after considering the recommendations of the bid adjudication committee if:

a) the intention to consider an unsolicited proposal has been made known in accordance with Section 21A of the Municipal Systems Act of 2000 together with the reasons why such a proposal should not be open to other competitors, an explanation of the potential benefits for the municipality and an invitation to the public or other potential suppliers and providers to submit their comments within 30 days after the notice;

b) the Dr Kenneth Kaunda District Municipality has obtained comments and recommendations on the offer from the National Treasury and [NW provincial treasury];

c) the bid adjudication committee meeting which makes recommendations to accept an unsolicited proposal was open to the public and took into account any public comments that were received

and any comments and recommendations received from the National Treasury and North West provincial treasury]; and

d) the provisions of 6.2.1.3 are complied with.

6.2.1.3 The municipal manager shall, within 7 working days after the decision to award the unsolicited offer is taken, submit the reasons for rejecting or not following the recommendations to the National Treasury, the [name of applicable provincial treasury] and Auditor General. A contract shall in such circumstances not be entered into or signed within 30 days of such submission.

6.2.2 Tax and rates compliance[32]

6.2.2.1 SARS Tax Compliance Pin

6.2.2.1.1 No contract may be awarded or an order issued where the value of such transaction exceeds R 15 000, unless a tenderer or contractor is in possession of an original valid Tax Compliance Pin or Tax Compliance Status Pin issued by SARS provided that the tenderer is not domiciled in the Republic of South Africa and the SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

6.2.2.1.2 In the case of a partnership, each partner shall comply with the requirements of 6.2.2.1.1.

6.2.2.1.3 No payment shall be made to a contractor who does not satisfy the requirements of 6.2.2.1.2. An employee of Dr Kenneth Kaunda District Municipality shall upon detecting that a tenderer or contractor is not tax compliant, immediately notify such person of such status.

6.2.2.1.4 Notwithstanding the requirements of 6.2.2.1.1 and 6.2.2.1.3 the following shall apply, unless a person who is not tax compliant indicates to Municipal Manager that it intends challenging its tax compliance status with SARS,

a) a contract may be awarded to a non-compliant tenderer if such a tenderer is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;

b) an order may be awarded to a non-compliant contractor if such a contractor is able to remedy its tax compliance status within a period not exceeding 10 working days after being duly notified of its non-compliant status;

c) a non-compliant contractor shall be issued with a first warning that payments in future amounts due in terms of the contract may be

withheld, before the authorising of any payment due to such contractor;

d) before authorising a further payment due to a non-compliant contractor who has failed to remedy its tax compliance status after receiving a first warning, a second and final warning shall be issued to such contractor;

e) no payments may be released for any amounts due in terms of the contract due to a noncompliant contractor if, after a period of 30 calendar days have lapsed since the second warning was issued, the non-compliant contractor has failed to remedy its tax compliance status.

6.2.2.1.5 The Dr Kenneth Kaunda District Municipality may cancel a contract with a non-compliant contractor if such a contractor fails to remedy its tax compliance status after a period of 30 calendar days have lapsed since the second warning was issued in terms of 6.2.2.1.4e).

6.2.2.2 Municipal rates and taxes

No contract may be awarded to a tenderer who, of the principals of that tenderer, owes municipal rates and taxes or municipal service charges to any municipality or a municipal entity and are in arrears for more than 3 months.

6.2.3 Declarations of interest

Tenders and respondents making submissions in response to an invitation to submit a tender or a call for an expression of interest, respectively shall declare in the Compulsory Declaration whether or not any of the principals:

a) are an employee of the Dr Kenneth Kaunda District Municipality or in the employ of the state; or

b) have a family member or a business relation with a person who is in the employ of the state.

6.2.4 Invitations to submit expressions of interest or tender offers

6.2.4.1 All invitations to submit tenders where the estimated value of the contract exceeds R200 000 including VAT, except where a confined tender process is followed, and expressions of interest shall be advertised on the Dr Kenneth Kaunda District Municipality's website and on the National

Treasury e-Tender Publication Portal. Advertisements shall be placed by Manager SCM

6.2.4.2 Advertisements relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.4.1 be advertised on the CIDB website. Advertisements shall be placed by Manager SCM.

6.2.4.3 Where deemed appropriate by [name of designated person] an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers and the Government Tender Bulletin as directed by such person. Advertisements shall be placed by Manager SCM.

6.2.4.4 Such advertisements shall be advertised for a period of at least 30 days before closure, except in urgent cases when the advertisement period may be shortened as determined by the municipal manager.

6.2.4.5 Invitations to submit expressions of interest or tender offers shall be issued not less than 10 working days before the closing date for tenders and at least 5 working days before any compulsory clarification meeting. Bid documents shall be made available not less than 7 days before the closing time for submissions.

6.2.5 Publication of submissions received and the award of contracts

6.2.5.1 The Manager Supply Chain shall publish within 10 working days of the closure of any advertised call for an expression of interest or an invitation to tender where the estimated value of the contract exceeds R200 000 including VAT on the municipality's website, the names of all tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed. Such information shall remain on the website for at least 30 days.

6.2.5.2 The Manager Supply Chain shall publish within 7 working days of the award of a contract the following on' Dr Kenneth Kaunda District Municipality s website

a) the contract number;

b) contract title;

c) brief description of the goods, services or works;

d) the total of the prices, if practical;

e) the names of successful tenderers and their B-BBEE status level of contribution;

f) duration of the contract; and

g) brand names, if applicable.

6.2.5.3 The Manager Supply Chain shall submit within 7 working days of the award of a contract the information required by National Treasury on the National Treasury e-Tender Publication Portal regarding the successful and unsuccessful tenders. Submissions shall be made by Manager Supply Chain.

6.2.5.4 The award of contracts relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 6.2.5.3 be notified on the CIDB website. The notification shall be placed by Manager Supply Chain.

6.2.6 Disposal committee

6.2.6.1 The Municipal Manager shall appoint on a disposal-by-disposal basis in writing the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of clause 10 of the standard.

6.2.6.2 The disposal panel shall comprise not less than three people. The chairperson shall be an employee of Dr Kenneth Kaunda District Municipality.

6.2.6.3 The disposal committee shall make recommendations to [MM] who shall approve the recommendations, refer the disposal strategy back to the disposal committee for their reconsideration, decide not to proceed or to start afresh with the process.

6.3 Reporting of infrastructure delivery management information

The Chief Financial Officer shall submit any reports required in terms of the standard to the National Treasury or North West provincial treasury.

7. Infrastructure procurement

7.1 Procurement documents

7.1.1 The forms of contract that may be used are as follows:

Form of contract37	Code	Usage

7.2.2 The Dr Kenneth Kaunda District Municipality's preapproved templates for Part C1 (Agreements and contract data) of procurement documents shall be utilised to obviate the need for legal review prior to the awarding of a contract. All modifications to the standard templates shall be approved by Municipal Manager prior to being issued for tender purposes.

7.2.3 Disputes arising from the performance of a contract shall be finally settled in a South African court of law.

7.2.4 State additional requirements, if any e.g. use of standard access specifications, health and safety specifications etc.

7.2.5 The Municipal Declaration and returnable documents contained in the standard shall be included in all tenders for:

a) consultancy services; and

b) goods and services or any combination thereof where the total of the prices is expected to exceed R10 m including VAT.

7.3 Developmental procurement policy

The following specific goals shall be proposed:

a) 30% of the infrastructure project amount tendered will be allocated to local SMME'S within the municipality's area of jurisdiction.

7.4 Payment of contractors

The Dr Kenneth Kaunda District Municipality shall settle all accounts within 30 days of invoice or statement as provided for in the contract.

7.5 Approval to utilise specific procurement procedures

7.5.1 Prior approval shall be obtained for the following procurement procedures from the following persons, unless such a procedure is already provided for in the approved procurement strategy:

a) BID Adjudication committee shall authorise the use of the negotiated procedure above the thresholds provided in the standard.

b) BID Adjudication committee shall authorise the approaching of a confined market except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in the standard and which can be dealt with or the risks relating thereto arrested within 48 hours; and

c) the proposal procedure using the two-envelope system, the proposal procedure using the two stage system or the competitive negotiations procedure.

7.5.2 The person authorised to pursue a negotiated procedure in an emergency is the Chief Financial Officer in consultation with the relevant director

7.6 Receipt and safeguarding of submissions

7.6.1 A dedicated and clearly marked tender box shall be made available to receive all submissions made.

7.6.2 The tender box shall be fitted with two locks and the keys kept separately by two Manager and risk officer/any official appointed in writing by Municipal Manager. Such personnel shall be present when the box is opened on the stipulated closing date for submissions.

7.7 Opening of submissions

7.7.1 Submissions shall be opened by an opening panel comprising two people.

7.7.2 The opening panel shall open the tender box at the stipulated closing time and:

a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;

b) return submissions unopened and suitably annotated where:

i) submissions are received late, unless otherwise permitted in terms of the submission data;

ii) submissions were submitted by a method other than the stated method,

iii) submissions were withdrawn in accordance with the procedures contained in SANS 108453; and.

iv) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions;

c) record in the register submissions that were returned unopened;

d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;

e) record in the register the name of any submissions that is returned with the reasons for doing so;

f) record the names of the tenderer's representatives that attend the public opening;

g) sign the entries into the register; and

h) stamp each returnable document in each tender submission.

7.7.3 Each member of the opening panel shall initial the front cover of the submission and all pages that are stamped in accordance with the requirements of 7.7.3h).

7.7.4 Respondents and tenderers whose submissions are to be returned shall be afforded the opportunity to collect their submissions.

7.7.5 Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

7.8 Use of another organ of state's framework agreement

The Dr Kenneth Kaunda District Municipality may make use of another organ of state's framework contract which has been put in place by means of a competitive tender process and there are demonstrable benefits for doing so. The [municipal manager shall make the necessary application to that organ of state to do so.

7.9 Insurances

7.9.1 Contractors shall be required to take out all insurances required in terms of the contract.51

7.9.2 The insurance cover in engineering and construction contracts for loss of or damage to property (except the works, Plant and Materials and Equipment)

and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract shall in general not be less than the value stated in Table 4, unless otherwise directed by [designated person].

7.9.3 Lateral earth support insurance in addition to such insurance shall be take out on a case-by-case basis.

Table 4: Minimum insurance cover

Type of insurance	Value
Engineering and construction contracts - loss of or damage to property (except the works, Plant and Materials and Equipment) and liability for bodily injury to or death of a person (not an employee of the Contractor) caused by activity in connection with a contract	Not less than R20 million
Professional services and service contracts - death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract or damage to property	Not less than R10 million
Professional indemnity insurance	geotechnical, civil and structural engineering: R5,0 million electrical, mechanical and engineering: R3,0 million architectural: R5,0 million Other: R3,0 million

7.9.4 The insurance cover in professional services and service contracts for damage to property or death of or bodily injury to employees of the Contractor arising out of and in the course of their employment in connection with a contract shall not be less than the value stated in Table 4 for any one event unless otherwise directed by [designated person].

7.9.5 SASRIA Special Risk Insurance in respect of riot and associated risk of damage to the works, Plant and Materials shall be taken out on all engineering and construction works.

7.9.5 Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount not less than the value stated in Table 4 in respect of each claim, without limit to the number of claims, unless otherwise directed by the [designated person] in relation to the nature of the service that they provide.

7.9.6 Dr Kenneth Kaunda District Municipality shall take out professional indemnity insurance cover where it is deemed necessary to have such insurance at a level higher than the levels of insurance commonly carried by contractors.

7.9.7 Where payment is to be made in multiple currencies, either the contractor or Dr Kenneth Kaunda District Municipality should be required to take out forward cover. Alternatively, the prices for the imported content should be fixed as soon as possible after the starting date for the contract.

7.10 Written reasons for actions taken

7.10.1 Written reasons for actions taken shall be provided by a [designated person].

7.10.2 The written reasons for actions taken shall be as brief as possible and shall as far as is possible, and where relevant, be framed around the clauses in the:

a) SANS 10845-3, Construction procurement - Part 3: Standard conditions of tender, and giving rise to the reason why a respondent was not short listed, prequalified or admitted to a data base; or

b) SANS 10845-4, Construction procurement - Part 4: Standard conditions for the calling for expressions of interest;

c) as to why a tenderer was not considered for the award of a contract or not awarded a contract.

7.10.3 Requests for written reasons for actions taken need to be brief and to the point and may not divulge information which is not in the public interest or any information prejudice fair competition between tenderers.

7.11 Request for access to information

7.11.1 Should an application be received in terms of Promotion of Access to Information Act of 2000 (Act 2 of 2000), the “requestor” should be referred to the Dr Kenneth Kaunda District Municipality the criteria that have to be met for the “requester” to request access to records in the possession or under the control of Dr. Kenneth Kaunda District Municipality.

7.11.2 Access to technical and commercial information such as a comprehensive programme which links resources and prices to such programme should be refused as such information provides the order and timing of operations, provisions for time risk allowances and statements as to how the contractor plans to do the work which identifies principal equipment and other resources which he plans to use. Access to a bill of quantities and rates should be provided in terms of the Act.

PART C

STANDARD FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

INTRODUCTION

Public infrastructure

South African citizens are surrounded by public infrastructure. Offices and facilities provide places of work for officials. Schools, hospitals and clinics provide essential services. Roads and railways not only enable travel, but also distribute goods and services. Border posts, harbours and airports are the physical links with neighbouring countries and the world. Dams provide water for human consumption and agricultural and industrial purposes. Networks deliver water and electricity to consumers and convey industrial effluent, soil water and wastewater to treatment works. Such infrastructure is foundational to a better life for all. However, investment in economic infrastructure will not necessarily lead to economic growth. Infrastructure which provides improvements or efficiencies in services, production or export capabilities, and which is delivered and maintained in a manner that minimises waste of materials, time and effort in order to generate the maximum possible amount of value, is most likely to contribute to economic growth.

Infrastructure is required by the state and state-owned businesses to deliver services to citizens. Each organ of state has a legislated mandate. Some organs of state generate revenue but require capital to expand their revenue generating services, while other are totally reliant on funding from the fiscus to satisfy their infrastructure needs. The fiscal has limited financial resources to fund infrastructure projects. New infrastructure projects need to be budgeted for, taking into account future operation and maintenance costs and current commitments. Accordingly, organs of state requiring funds for infrastructure projects compete for budget allocations. Projects need to be prioritized both within an organ of state and between organs of state. Such prioritisation is sometimes based on political prerogatives while at other times it is based on objective decision-making criteria, which take into account factors such as overarching government wide, long and medium-term policies and plans, including integrated sector plans and mandates.

The time taken between the submission of a project proposal and a final decision by an organ of state to implement a project can, depending upon the nature, complexity and size of a project and requirements for statutory approvals, take several years. Funding may also be required to develop project proposals so that informed decisions can be made regarding their implementation. In the first

instance, initiation reports need to be developed to outline the business case. Should funding be made available to progress the proposal, a prefeasibility report is required on major capital projects to determine whether or not it is worthwhile to proceed to the feasibility stage where sufficient information is presented to enable a final decision to be made regarding the implementation of a project. On smaller projects of a routine nature, a strategic brief is required to brief the professional team so that they can develop a viable and integrated concept for the project. A final decision to proceed to implementation is based on a concept report.

The initiation reports and feasibility reports on major capital projects, above a threshold, other than those initiated by municipalities, require cabinet or executive council approval. This enables the inputs of other organs of state in the national and provincial spheres of government who may have competing projects, or projects which may be negatively impacted by the diversion of funds to such large projects, to make their inputs in the project approval process. Projects which are categorised as strategic integrated projects are given priority in planning, the obtaining of statutory approvals and implementation by the Presidential Coordinating Commission.

Procurement and supply chain management reform

The South African Planning Commission's National Development Plan 2030: *Our future – make it work* proposes that the following five areas be focused on in designing a procurement system that is better able to deliver value for money, while minimising the scope for corruption:

- differentiate between the different types of procurement which pose different challenges and require different skills sets;
- adopt a strategic approach to procurement above the project level to balance competing objectives and priorities rather than viewing each project in isolation;
- build relationships of trust and understanding with the private sector;
- develop professional supply chain management capacity through training and accreditation; and
- incorporate oversight functions to assess value for money.

National Treasury's 2015 Public Sector Supply Chain Management Review expresses the view that supply chain management (SCM) is one of the key mechanisms enabling government to implement policy which traditionally has been misunderstood and undervalued. This Review, which identified the need for

SCM reform, suggests that if such reforms are implemented as envisaged in terms of section 217 of the Constitution, the benefits will be enormous, namely that:

- good-quality service delivery will be increasingly possible, with significant improvements in the welfare of South Africa's citizens, and especially the poor who rely heavily on government for support;
- the economy will grow as economic infrastructure is expanded and efficiently maintained;
- goods, services and infrastructure will be bought at lower costs;
- innovation will result in different approaches to the commodities used in some sectors; and
- for suppliers, the cost of doing business with the state should decrease substantially.

Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued for use. Services are most often of a routine and repetitive nature with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.

In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immoveable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level, and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

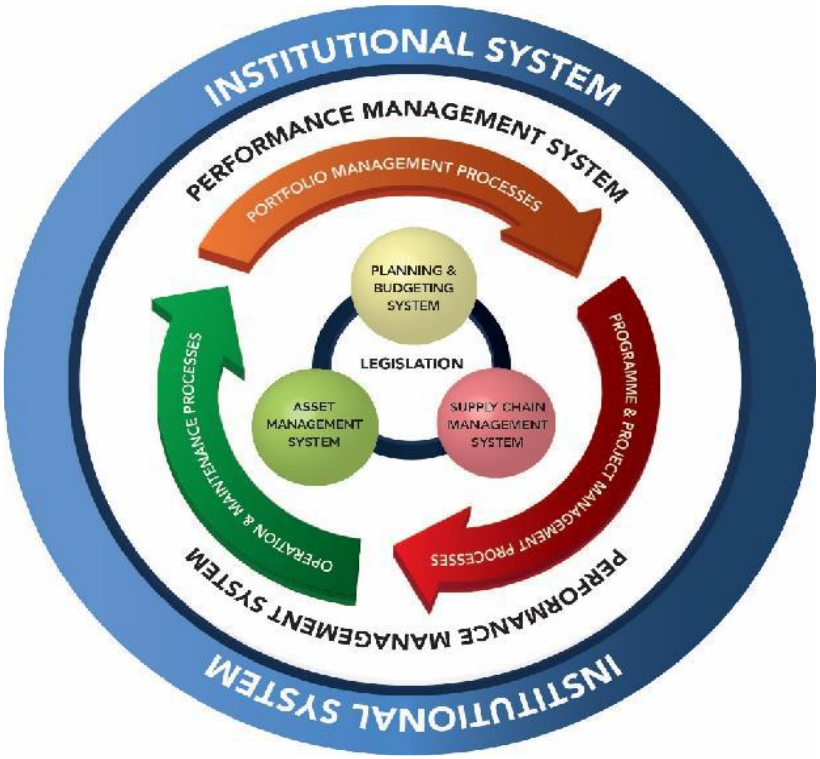
Infrastructure delivery is the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment,

rehabilitation, alteration, maintenance, operation or disposal of infrastructure. There is an urgent need to separate supply chain management requirements for general goods and services from those for infrastructure delivery in order to improve project outcomes.

Government's Infrastructure Delivery Management System

Government's Infrastructure Delivery Management System (IDMS) comprises three core systems, namely, a planning and budgeting, a supply chain management and an asset management system, all of which have forward and backward linkages. These core systems are located within portfolio, programme and project management, and operation and maintenance processes. Collectively these processes and systems, together with a performance management system, establish the institutional system for infrastructure delivery as indicated in the following sketch.

The Infrastructure Delivery Management System



The IDMS is supported by legislation and performance monitoring. It has a strong focus on the effective and efficient functioning of the supply chain management system.

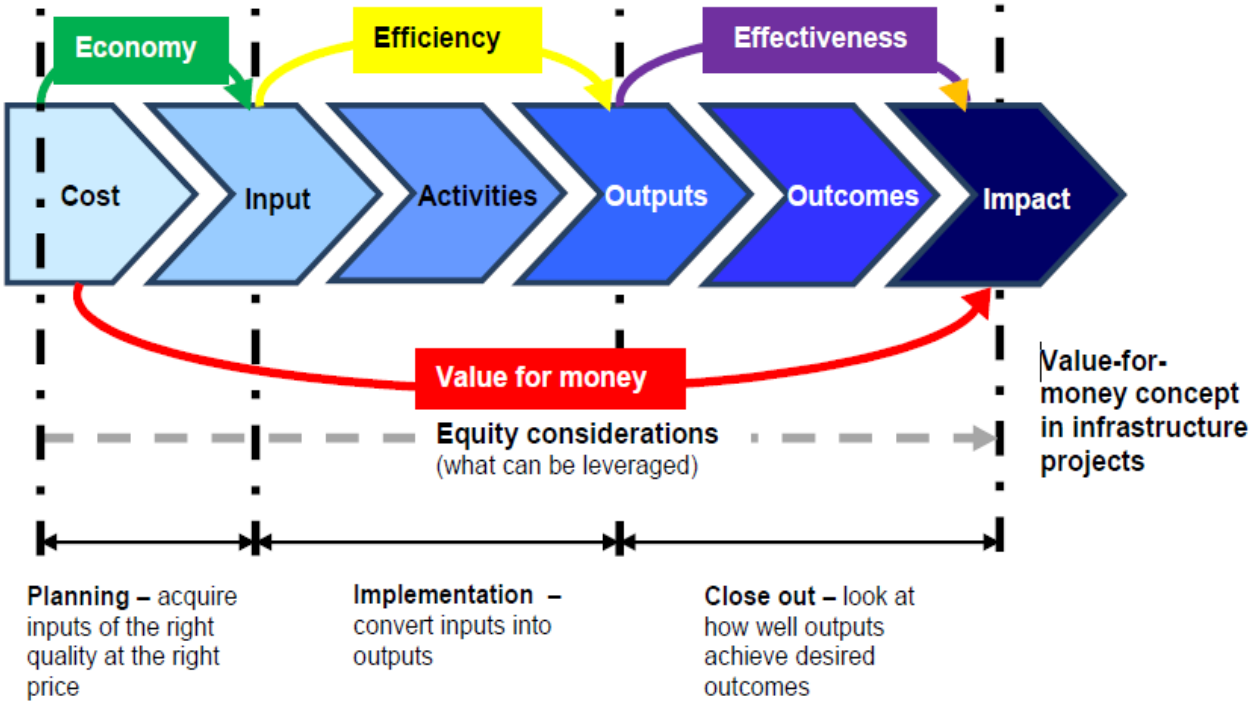
Standard for Infrastructure Procurement and Delivery Management

This Standard for Infrastructure Procurement and Delivery Management (SIPDM) covers the supply chain management system for infrastructure delivery. It has been framed around the five focus areas proposed by the National Planning Commission for the design of a procurement system and draws upon the work of the 2015 Public Sector Supply Chain Management Review. It is issued as an instruction in terms of Section 76(4)(c) of the Public Finance Management Act of 1999 (Act No.1 of 1999) and is applicable to the following organs of state:

a) a national or provincial department as defined in the Public Finance Management Act;
b) a constitutional institution entity as listed in schedule 1 of the Public Finance Management Act;
c) a public entity as listed in schedules 2 and 3 of the Public Finance Management Act of 1999; and
d) any organ of state which implements infrastructure delivery projects on behalf of another organ of state.

This standard also forms an integral part of the Model SCM Policy for Infrastructure Delivery Management which has been issued as a Treasury guideline determining a standard for municipal supply chain management policies in terms of Section 168 of the Municipal Finance Management Act of 2003 (Act No. 56 of 2003) in support of Regulation 3(2) of the Supply Chain Management Regulations. Accordingly, the standard applies to a municipality or municipal entity whose council or board of directors, respectively, adopts the aforementioned guideline standard.

Underlying this standard is the notion that the effective and efficient functioning of the supply chain management system for the procurement and delivery of infrastructure will realise value for money and good-quality service delivery. Value for money may be regarded as the optimal use of resources to achieve the intended outcomes. Underlying value for money is an explicit commitment to ensure that the best results possible are obtained from the money spent, or maximum benefit is derived from the resources available. It is about striking the balance between the three “E’s”, namely, economy, efficiency and effectiveness, whilst being mindful of a fourth “E” – equity– as indicated in the diagram below.



The critical starting point in delivering value for money through infrastructure projects is, in the first instance, to align such projects with strategic objectives, priorities, budgets and plans, and thereafter, during the planning phase, to clearly define objectives and expected outcomes, as well as parameters such as the timelines, cost and levels of uncertainty. This frames the value-for-money proposition that needs to be implemented at the point in time that a decision is taken to proceed with a project, i.e. it establishes “economy” and identifies “equity”. The end point is to compare the projected outcomes against the actual outcomes, ie. to confirm the “effectiveness” of the project in delivering value for money.

Implementation sits between “economy” and “effectiveness” in the results chain framework. It needs to be executed “efficiently” in order to minimise time delays, scope creep and unproductive costs, and to mitigate the effects of uncertainty on objectives so as to maintain the value-for-money proposition formulated at the outset of the project. This necessitates that the implementer of an infrastructure project exercises due care and reasonableness during implementation. Failure to do so may result in substandard or unacceptable performance, which results in a gap between intended and achieved outcomes. This gap puts value for money for a project at risk and may result in unintended consequences, such as community instability and unrest.

Organs of state which are required to implement this standard need to establish a suitable supply chain management policy for infrastructure procurement and delivery management in order to do so.

Standard for Infrastructure Procurement and Delivery Management

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1 SCOPE

1.1.1 This standard establishes a supply chain management system for infrastructure procurement and delivery management by organs of state which are subject to the Public Finance Management Act, the Local Government: Municipal Finance Management Act, or which implement infrastructure projects on behalf of another organ of state in terms of section 238 of the Constitution of the Republic of South Africa, 1996. This standard:

a) provides a control framework for the planning, design and execution of infrastructure projects, the tracking of such projects and the monitoring of performance which:

1) enables risks to be proactively managed;
2) is capable of being audited;
3) is aimed at ensuring that any infrastructure acquired or to be acquired:

- is in accordance with the legal mandates and strategic priorities;
- is delivered in the right quantity and quality, and at the right place and time;
- is financially, economically and technically viable and offers value for money over its life cycle;
- is affordable in terms of existing budget and future budgetary projections after taking into account life cycle costs;
- is acquired in accordance with any required statutory permissions;
- makes optimal utilisation of existing infrastructure as demand patterns change over time;
- can be readily and economically maintained; and
- is aligned between those who design and construct infrastructure, and those who subsequently occupy, use and manage the infrastructure;

b) provides a control framework for infrastructure procurement;

c) establishes requirements for the following matters as applied to infrastructure procurement and delivery management:

- institutional arrangements;
- demand management;
- acquisition management;
- contract management;
- logistics management;
- disposal management;
- reporting of supply chain management information;
- regular assessment of supply chain management performance;
- risk management and internal control; and

d) establishes minimum requirements for infrastructure procurement.

1.2 This standard facilitates the allocation of clear responsibilities for performing activities and making decisions at gates.

1.3 The standard does not apply to:

a) the storage of goods and equipment, following their delivery to an organ of state, which are stored and issued to contractors or to employees of that organ of state;
b) the disposal or letting of land;
c) the conclusion of any form of land availability agreement;
d) the leasing or rental of moveable assets;
e) public private partnerships; and
f) the provision of municipal services by means of external mechanisms referred to in Chapter 8 of the Municipal Systems Act.

1.4 The standard includes the procurement of goods and services necessary for a new facility, as delivered to be occupied and used as a functional entity.

2 TERMS AND DEFINITIONS

2.1 For the purposes of this document, the definitions and terms given in SANS 10845-1, SANS 108452 and the following apply.

adjudication: a form of dispute resolution where, unlike other means of resolving disputes involving a third party intermediary, the outcome is a decision by a third party which is binding on the parties in dispute and is final unless and until reviewed by either arbitration or litigation

advance payment: sum of money paid to the contractor after the contract is signed but before work starts or goods or services or any combination thereof are supplied

alteration: changing, extending or modifying the character or condition of infrastructure

building: infrastructure that has the provision of shelter for its occupants or contents as one of its main purposes, usually partially or totally enclosed and designed to stand permanently in one place

building tuning: the review and fine-tuning of all the system settings made during the preoccupation commissioning, so that the re-commissioning which takes place at the end of the 12month tuning period results in settings which reflect how the occupants actually behave and the building responds to climatic conditions

construction: everything that is constructed or results from construction operations

control budget: the amount of money which is allocated or made available to deliver or maintain infrastructure associated with a project or package, including site costs, professional fees, all service and planning charges, applicable taxes, risk allowances and provision for price adjustment for inflation

contract management: applying the terms and conditions, including the agreed procedures for the administration thereof

contractor: person or organisation that contracts with the employer to provide goods or services or any combination thereof covered by the contract

defect: non-conformity of a part or component of the works to a requirement specified in terms of a contract

employer: organ of state intending to or entering into a contract with a contractor

framework agreement: an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

gate: a control point at the end of a process where a decision is required before proceeding to the next process or activity

gateway review: an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based

infrastructure:

a) immovable assets which are acquired, constructed or which result from construction operations; or
b) movable assets which cannot function independently from purpose-built immoveable assets

infrastructure delivery: the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

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

maintenance: the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

major capital project: an infrastructure project or a series of interrelated infrastructure projects on a single site having an estimated cost, including those required for new facilities or systems to become fully operational, above a prescribed threshold

major public entity: a public entity included in the list in Schedule 2 to the Public Finance Management Act

metropolitan municipality: a Category A municipality as provided for in section 155 of the Constitution of the Republic of South Africa, 1996

national government business enterprise: a public entity included in the list in Schedule 3B to the Public Finance Management Act

operation: combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

operations and maintenance support plan: a plan which establishes the organisational structure required for the operation and maintenance of the works over its service life, and the office, stores, furniture, equipment, Information and Communications Technology (ICT), engineering infrastructure and staff training requirements

order: an instruction to provide goods, services or any combination thereof under a framework agreement

organ of state: an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

package: work which is grouped together for delivery under a single contract or an order

portfolio: collection of projects or programmes and other work that are grouped together to facilitate effective management of that work to meet a strategic objective

procurement document: documentation used to initiate or conclude (or both) a contract or the issuing of an order

procurement strategy: selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement

programme: the grouping of a set of related projects in order to deliver outcomes and benefits related to strategic objectives which would not have been achieved had the projects been managed independently

provincial government business enterprise: a public entity included in the list in Schedule 3D to the Public Finance Management Act

public private partnership: a commercial transaction between an organ of state and a private party in terms of which the private party:

a) performs an institutional function on behalf of the organ of state or acquires the use of state property for its own commercial purposes; and
b) assumes substantial financial, technical and operational risks in connection with the performance of the institutional function or use of state property; and
c) receives a benefit for performing the institutional function or from utilising the state property, either by way of:

1) consideration to be paid by the organ of state which derives from a revenue fund or, where an organ of state is a national government business enterprise or a provincial government business enterprise, from the revenues of such institution; or

2) charges or fees to be collected by the private party from users or customers of a service provided to them; or

3) a combination of such consideration and such charges or fees

quality: totality of features and characteristics of a product or service that bears on the ability of the product or service to satisfy stated or implied needs

refurbishment: modification and improvements to existing infrastructure in order to bring it up to an acceptable condition

rehabilitation: extensive work to bring infrastructure back to acceptable functional conditions, often involving improvements

repair: physical action taken to restore the required function of a faulty item

retention sum: sum retained for a certain period to offset costs which may arise from the contractor's failure to comply fully with the contract

service delivery agreement: an agreement between two or more organs of state setting out the terms and conditions and roles and responsibilities regarding infrastructure delivery which promotes and facilitates inter-institutional relations and the principles of participation, cooperation and coordination

service life: the period of time after acquisition or construction during which the infrastructure or its parts meet or exceed the performance demanded or expected to be fulfilled

stage: a collection of logically related activities in the infrastructure delivery cycle that culminates in the completion of a major deliverable

statutory permission: any relevant approval, consent or permission in terms of any legislation required to plan and deliver the infrastructure

target contract: a cost reimbursement contract in which a preliminary target cost is estimated and on completion of the work the difference between the target cost and the actual cost is apportioned between the parties to the contract on an agreed basis.

value for money: the optimal use of resources to achieve intended outcomes

3 NORMATIVE REFERENCES

3.1 Acts of Parliament

The following referenced Acts of Parliament are indispensable for the application of this document:

- Architectural Profession Act, 2000 (Act No. 44 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- Constitution of the Republic of South Africa, 1996
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- Engineering Profession Act, 2000 (Act No. 46 of 2000)
- Landscape Architectural Profession Act, 2000 (Act No. 45 of 2000)
- Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003)
- Municipal Systems Act, 2000 (Act No. 32 of 2000)
- National Archives and Record Services of South Africa Act, 1996 (Act No. 43 of 1996) Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)
- Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Quantity Surveying Profession Act of 2000 (Act No. 49 of 2000)
- South African Schools Act, 1996 (Act No. 84 of 1996)

3.2 Standards

The following referenced standards and the forms of contract identified in this standard are indispensable for the application of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

- South African Bureau of Standards, SANS 10845-1, *Construction procurement – Part 1: Processes, methods and procedures*
- *South African Bureau of Standards,* SANS 10845-2, *Construction procurement* – Part 2: Formatting and compilation of procurement documentation
- *South African Bureau of Standards,* SANS 10845-3, *Construction procurement* – Part 3: *Standard conditions of tender*
- *South African Bureau of Standards*, SANS 10845-4, *Construction procurement – Part 4: Standard conditions for the calling for expressions of interest*
- Standard for Uniformity in Construction Procurement, Construction Industry Development Board

4 CONTROL FRAMEWORKS

4.1 Control framework for infrastructure delivery management

4.1.1 General

4.1.1.1 The control framework for the management of infrastructure delivery shall comprise the applicable stages and gates as set out in Figure 1 and the key deliverables described in Table 1.Stages 3 to 9may be omitted where the required work does not involve the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure. Stages 5 and 6 may be omitted if sufficient information to proceed to stage 7 is contained in the stage 4 deliverable. Decisions to proceed to the next stage shall at each gate, subject to the provisions of 4.1.1.2, be based on the acceptability or approval of the end-of-stage deliverable.

4.1.1.2 A stage shall only be complete when the deliverable has been approved or accepted by the person or persons designated in the institutional arrangements to do so. Activities associated with stages 5 to9may be undertaken in parallel or series, provided that each stage is completed in sequence.

4.1.1.3 The level of detail contained in a deliverable associated with the end of each stage shall be sufficient to enable informed decisions to be made to proceed to the next stage. In the case of stages 3 to 6, such detail shall, in addition, be sufficient to form the basis of the scope of work for taking the package forward in terms of the selected contracting strategy.

4.1.1.4 Prefeasibility and feasibility reports shall be required as end-of-stage deliverables for stages 3 and 4, respectively, where one or more of the following applies:

a) the major capital project is required for:

1) a major public enterprise where the total project capital expenditure exceeds R1,5 billion; or

2) an organ of state subject to the Municipal Finance Management Act other than a major public enterprise where the total project capital expenditure exceeds R1,0 billion including VAT, or where the expenditure per year for a minimum of three years exceeds R250 million per annum including VAT;

b) the project is not:

1) a building project with or without related site works; or

2) a process-based, somewhat repetitive or relatively standardized project where the risk of failing to achieve time, cost and quality objectives is relatively low; or

c) the organ of state's infrastructure procurement and delivery supply chain management policy requires that prefeasibility and feasibility reports be produced during stages 3 and 4 respectively.

4.1.1.5 Stages 3 and 4 shall be repeated for each package if the acceptance at stage 4 is for the acceptance of a project comprising a number of packages which are to be delivered over time.

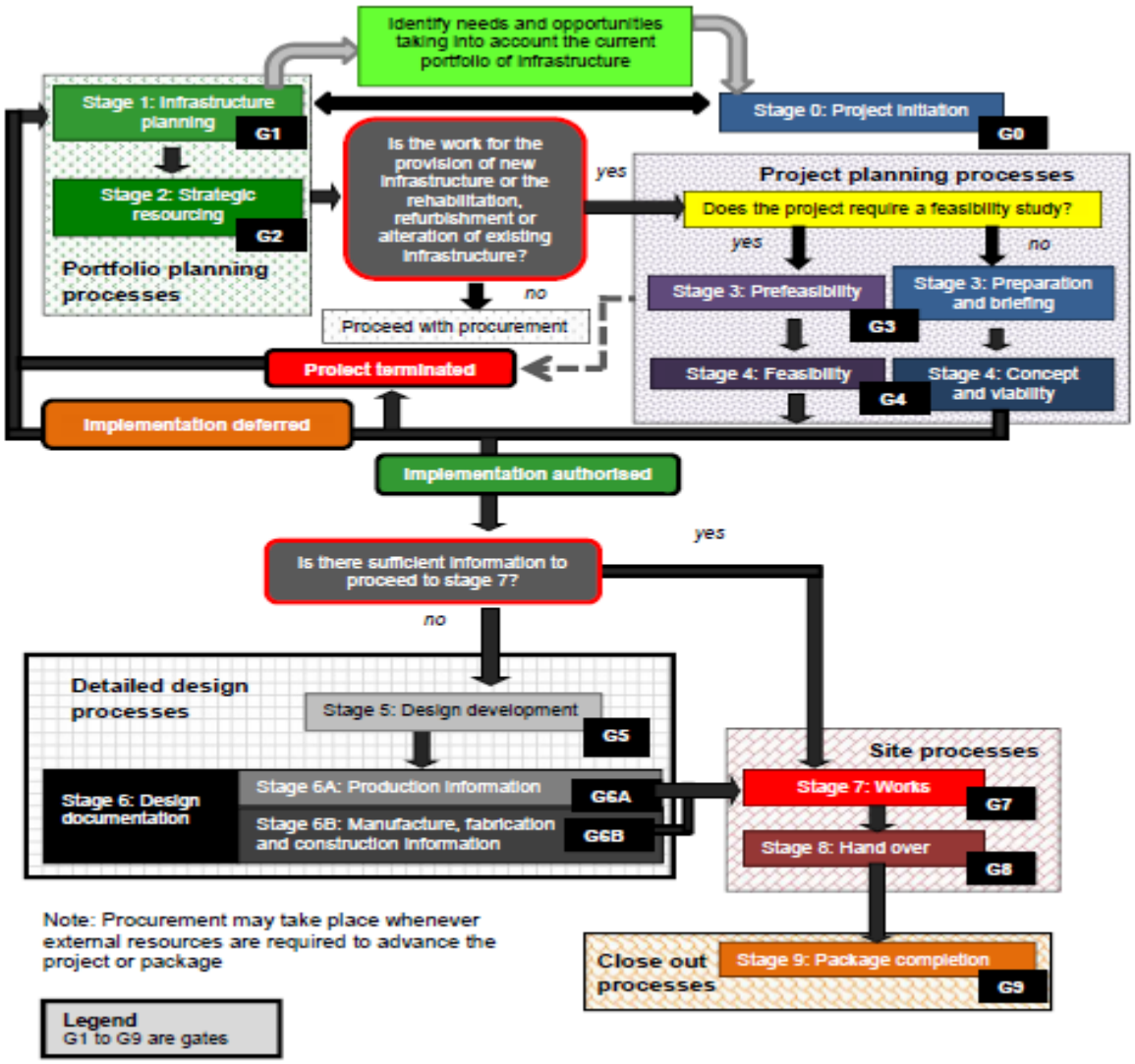

Figure 1: Stages and gates associated with the control framework for infrastructure delivery management

Table1: End-of-stage deliverables

Stage			End-of-stage deliverable
No	**Name**		
0	Project initiation		An initiation report which outlines the high-level business case together with the estimated project cost and proposed schedule for a single project or a group of projects having a similar high-level scope
1	Infrastructure planning		An infrastructure plan which identifies and prioritises projects and packages against a forecasted budget over a period of at least five years
2	Strategic resourcing		A delivery and/or procurement strategy which, for a portfolio of projects, identifies the delivery strategy in respect of each project or package and, where needs are met through own procurement system, a procurement strategy
3	Prefeasibility		A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage
	Preparation and briefing		A strategic brief which defines project objectives, needs, acceptance criteria and client priorities and aspirations, and which sets out the basis for the development of the concept report for one or more packages
4	Feasibility		A feasibility report which presents sufficient information to determine whether or not the project should be implemented
	Concept and viability		A concept report which establishes the detailed brief, scope, scale, form and control budget, and sets out the integrated concept for one or more packages
5	Design development		A design development report which develops in detail the approved concept to finalise the design and definition criteria, sets out the integrated developed design, and contains the cost plan and schedule for one or more packages
6	Design documentation	6A Production information	Production information which provides the detailing, performance definition, specification, sizing and positioning of all systems and components enabling either

			construction (where the constructor is able to build directly from the information prepared) or the production of manufacturing and installation information for construction
		6B Manufacture, fabrication and construction information	Manufacture, fabrication and construction information produced by or on behalf of the constructor, based on the production information provided for a package which enables manufacture, fabrication or construction to take place
7	Works		Completed works which are capable of being occupied or used
8	Handover		Works which have been taken over by the user or owner complete with record information
9	Package completion		Works with notified defects corrected, final account settled and the close out report issued

4.1.1.6 The infrastructure plan (stage 1), which is informed by demand management requirements as set out in 6.2, initiation reports (stage 0), decisions made during stages 3 and 4 and work in progress in stages 5 to 9, and the procurement strategy (stage 2) shall be reviewed and updated at least once a year.

4.1.1.7 An organ of state may, if it deems it necessary, add additional gates to the control framework presented in Figure 1.

4.1.1.8 The approval of the infrastructure plan and the securing of the necessary budget shall be obtained prior to advancing to stage 3. All subsequent stages shall only be proceeded with if the necessary budget is in place.

4.1.1.9 The approvals or acceptances at each gate shall be retained for record purposes for a period of not less than five years of such acceptance or approval in a secured environment, unless otherwise determined in terms of the National Archives and Record Services of South Africa Act.

4.1.2 Stage 0: Project initiation

4.1.2.1 Projects, or groups of projects having a similar high-level scope, which are appraised, shall address particular strategic needs or business opportunities which fall within the organ of state's legislated or sanctioned mandate.

4.1.2.2 Objective decision-making criteria based on factors such as those relating to strategic objectives, national, provincial or regional priorities, the level of stakeholder support, legislative compliance, risk considerations and financial justification shall be used to motivate the acceptance of a project into the infrastructure plan.

4.1.2.3 The initiation report for a project shall as a minimum:

a) provide a project description and high-level scope of work;

b) outline key issues and solution options that were interrogated;

c) outline options that were evaluated;

d) indicate the high-level business case; and

e) provide the estimated project cost and indicative high-level schedule.

4.1.2.4 The decision-making criteria, findings, assumptions and recommendations shall be documented in the initiation report.

4.1.2.5 Stage 0 is complete when the initiation report is accepted.

4.1.3 Stage 1: Infrastructure planning

4.1.3.1 The infrastructure plan for a portfolio of projects or packages which require implementation shall cover a period of not less than five years. Such a plan shall be:

a) described by the high-level scope of work for each project, the proposed time schedule, the estimated total project cost and annual budget requirement, the geographical location, any known encumbrances and estimated timeframes for removing these encumbrances; and

b) aligned with all prescribed planning, budgeting, monitoring and reporting requirements.

4.1.3.2 Stage 1 is complete when the infrastructure plan is approved.

4.1.4 Stage 2: Strategic resourcing

4.1.4.1 A delivery management strategy shall be developed following the conducting of a spend, organisational and market analysis. Such a strategy

shall indicate how needs are to be met for each category of spend through one or more of the following:

a) a public private partnership;

b) another organ of state on an agency basis;

c) another organ of state's framework agreement;

d) own resources; or e) own procurement system.

4.1.4.2 A procurement strategy shall, based on the spend, organisational and market analysis, document the selected packaging, contracting, pricing and targeting strategy and procurement procedure for all required goods or services or any combination thereof including professional services.

4.1.4.3 The procurement strategy shall include the rationale for adopting a particular option.

4.1.4.4 Organs of state who engage another organ of state to provide agency services shall develop a delivery management and procurement strategy covering the projects which are subject to an agency agreement (see 5.2), in consultation with that organ of state.

4.1.4.5 Stage 2 is complete when the delivery and procurement strategy is approved.

4.1.5 Stage 3: Preparation and briefing or prefeasibility

4.1.5.1 The strategic brief shall as necessary:

a) confirm the scope of the package and identify any constraints, including those relating to occupational health and safety;

b) establish the project criteria, including the performance and reliability requirements, design life, service life of components, function, maintenance and replacement requirements, mix of uses, scale, location, quality, value, time, safety, health, environment and sustainability;

c) identify procedures, organisational structure, key constraints, statutory permissions (e.g. environmental, heritage, social, planning, building control), and utility approvals, policies (e.g. environmental, developmental, social, maintenance or facilities management) and strategies to take the package forward;

d) identify risks that need to be mitigated;

e) identify interfaces between packages as necessary; and

f) establish the control budget for the package, ownership costs and schedule for the package or series of packages.

4.1.5.2 The prefeasibility study shall as necessary:

a) document the owner or user requirements specification;

b) shortlist the options that were considered;

c) provide a preliminary design for study options;

d) provide preliminary capital estimate and the proposed schedule; and e) present the study outcomes.

4.1.5.3 Stage 3 is complete when the prefeasibility report or the strategic brief, as required, is accepted.

4.1.6 Stage 4: Concept and viability or feasibility

4.1.6.1 The concept report shall as necessary:

a) document the initial design criteria and design options or the methods and procedures required to maintain the condition of infrastructure for the package;

b) establish the detailed brief, scope, scale, form and cost plan for the package;

c) provide an indicative schedule for documentation and construction or maintenance services associated with the package;

d) contain a site development plan or other suitable schematic layouts of the works;

e) describe the statutory permissions, funding approvals or utility approvals required to proceed with the works associated with the package;

f) include a baseline risk assessment for the package, and a health and safety plan which is required in terms of the requirements of the Construction Regulations issued in terms of the Occupational Health and Safety Act;

g) contain a risk report linked to the need for further surveys, tests, other investigations and consents and approvals, if any, during subsequent stages and identified health, safety and environmental risk;

h) contain an operations and maintenance support plan which establishes the organisational structure required for the operation and maintenance of the works resulting from the package or series of packages over its service life, and the office, stores, furniture, equipment, Information and Communications Technology (ICT), engineering infrastructure and staff training requirements;

i) confirm the financial sustainability of the project; and

j) establish the feasibility of satisfying the strategic brief for the packageor series of packages within the control budget established during stage 3 and, if not, motivate a revised control budget.

4.1.6.2 A feasibility report shall as a minimum provide the following:

a) details regarding the preparatory work covering:

1) a needs and demand analysis with output specifications; and

2) an options analysis;

b) a viability evaluation covering:

1) a financial analysis; and

2) an economic analysis, if necessary;

c) a risk assessment and sensitivity analysis;

d) a professional analysis covering:

1) a technology options assessment;

2) an environmental impact assessment; and

3) a regulatory due diligence; and

e) implementation readiness assessment covering:

1) institutional capacity; and

2) a procurement plan

4.1.6.3 Stage 4 is complete when the feasibility report or the concept report, as required, is accepted.

4.1.7 Stage 5: Design development

4.1.7.1 The design development report shall as necessary:

a) develop in detail the accepted concept to finalise the design and definition criteria;

b) establish the detailed form, character, function and costings;

c) define all components in terms of overall size, typical detail, performance and outline specification;

d) describe how infrastructure, or elements or components thereof, are to function, how they are to be safely constructed, how they are to be maintained and how they are to be commissioned; and

e) confirm that the package or series of packages can be completed within the control budget or propose a revision to the control budget.

4.1.7.2 Outline specifications shall be in sufficient detail to enable a view to be taken on the operation and maintenance implications of the design and the compatibility with existing plant and equipment.

4.1.7.3 Stage 5 is complete when the design development report is accepted.

4.1.8 Stage 6: Design documentation

4.1.8.1 Stage 6A (Production information) is complete when all the production information that is required to be accepted prior to being issued for construction, manufacturing or fabrication purposes has been accepted.

4.1.8.2 Stage 6B (Manufacture, fabrication and construction information) is complete when the manufacture, fabrication and construction information is accepted as being in accordance with the production information.

4.1.9 Stage 7: Works

Stage 7 is complete when:

a) completion of the works is certified in accordance with the provisions of the contract; or

b) the goods and associated services are certified as being delivered in accordance with the provisions of the contract.

4.1.10 Stage 8: Handover

4.1.10.1 The handover stage shall include as necessary the training of the end user's or the owner's staff in the operation of the delivered infrastructure.

4.1.10.2 The record information shall as relevant:

a) accurately document the condition of the completed works associated with a package;

b) accurately document the works as constructed or completed;

c) contain information on the care and servicing requirements for the works or a portion thereof;

d) contain information or instructions on the use of plant and equipment;

e) confirm the performance requirements of the design development report and production information;

f) contain certificates confirming compliance with legislation, statutory permissions and the like; and

g) contain guarantees that extend beyond the defects liability period provided for in the package.

4.1.10.3 Record information shall as relevant provide those tasked with the operation and maintenance of infrastructure with the information necessary to:

a) understand how the designers intended the works, systems, subsystems, assemblies and components to function;

b) effectively operate, care for and maintain the works, systems, subsystems, assemblies and components to function;

c) check, test or replace systems, subsystems, assemblies or components to ensure the satisfactory performance of works, systems, subsystems, assemblies and components over time;

d) develop maintenance plans;

e) determine stock levels for components and assemblies that need to be regularly replaced; and

f) budget for the operation and maintenance of the works, systems, subsystems and components over time.

4.1.10.4 Arrangements shall be put in place to secure and safeguard the works from the time that the contractor's liabilities for damage to the works end until such time that the works are handed over to the end user or owner who shall accept such liabilities.

4.1.10.5 Stage 8 is complete when the end user or owner accepts liability for the works.

4.1.11 Stage 9: Close out

4.1.11.1 The close out report for the package shall outline what was achieved in terms of at least the following:

a) the performance parameters outlined in 12;

b) unit costs of completed work or major components thereof; and

c) key performance indicators relating to developmental objectives.

4.1.11.2 The close out report shall make suggestions for improvements on future packages of a similar nature. Such a report should also comment on the performance of the contractor and, if relevant, include building tuning or similar reports.

4.1.11.3 Stage 9 is complete when, as relevant, defects certificates or certificates of final completion are issued in terms of the contract, the final amount due to the contractor in terms of the contract is certified and the close out report is accepted.

4.1.12 Approval of high-value national and provincial major capital projects

4.1.12.1 The approval process for major capital projects described in
4.1.12.2 to 4.1.12.6 shall apply to all national and provincial projects where the value of such projects including VAT exceeds:

a) national and provincial departments and constitutional institutions: R7,5 billion

b) major public enterprise, national government business enterprise, provincial government business enterprise and other public entities, the lessor of:

1) R10 billion; or

2) 4% of the organ of state's total assets or, if applicable, 2% of the organ of state's total revenue as reflected in its latest audited financial statements.

4.1.12.2 The end-of-stage deliverables for stage 0(initiation report) and stage 4 (feasibility report) in the control framework for the management of infrastructure delivery (see Figure 1) shall, after taking into account the comments and recommendations of the relevant treasury, be approved by:

a) cabinet, in the case of national departments, constitutional institutions and public entities listed in schedules 2, 3A and 3B of the Public Finance Management Act; or

b) the executive council, in the case of provincial departments and public entities listed in schedules 3C and 3D of the Public Finance Management Act.

4.1.12.3 The end-of-stage deliverables for stage 3 (prefeasibility) shall, after taking into account the comments and recommendations of the relevant treasury, be approved by:

a) the relevant member of the cabinet, in the case of national departments, constitutional institutions and public entities listed in schedules 2, 3A and 3B of the Public Finance Management Act; or

the relevant member of the executive council, in the case of provincial departments and public entities listed in schedules 3C and 3D of the Public Finance Management Act.

4.1.12.4 The initiator of the inception, prefeasibility and feasibility reports shall submit such reports to the relevant treasury for comment prior to making a submission to cabinet, the relevant minister, executive council or relevant member of the executive council, as applicable. The relevant treasury shall within three weeks of receiving a report submit comments and recommendations to the initiator who may revise such reports in the light of the comments and recommendations made, and:

a) request the relevant treasury to make comments and recommendations on the revised reports; or

b) submit the report together with the latest version of the relevant treasury comments and recommendations for approval.

4.1.13 Gateway reviews

4.1.13.1 Gateway reviews for major capital projects above a threshold

4.1.13.1.1 All major capital projects having an estimated capital expenditure equal to or above the threshold established in Table 2 shall have a gateway review of the end-of-stage 4 deliverable, prior to the acceptance of such deliverable. The review shall be initiated by the organ of state which intends implementing the project. The focus of such a review shall in the first instance be on the quality of the documentation, and thereafter on:

a) deliverability (the extent to which a project is deemed likely to deliver the expected benefits within the declared cost, time and performance envelope);

b) affordability (the extent to which the level of expenditure and financial risk involved in a project can be taken up on, given the organisation's overall financial position, both singly and in the light of its other current and projected commitments); and

c) value for money.

Table2: Thresholds for gateway reviews of major capital projects

Organ of state	Estimated cost inclusive of VAT
National department	R100 million
Provincial department or metropolitan municipality	R100 million
Municipality other than a metropolitan municipality	R50 million
Major public entity	R500 million
National government business enterprise Provincial government business enterprise	R250 million
Other	R100 million

4.1.13.1.2 A gateway review team shall comprise not less than three persons who are not involved in the project associated with the works covered by the end of the stage 4 deliverable, and who are familiar with various aspects of the subject matter of the deliverable at the end of the stage under review. Such a team shall be led by a person who has at least six years postgraduate experience in the planning of infrastructure projects and is registered either

as a professional engineer in terms of the Engineering Profession Act, a professional quantity surveyor in terms of the Quantity Surveying Profession Act or a professional architect in terms of the Architectural Profession Act. The members of the team shall, as relevant, have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects.

4.1.13.1.3 The relevant treasury shall be notified of a proposed gateway review for a major capital project, three weeks prior to the conducting of such a review. Such notification shall be accompanied by a brief outline of the proposed project or package, the names and qualifications of the reviewers and the timeframes for the review. The relevant treasury may nominate additional persons to serve on the review team.

4.1.13.1.4 The gateway review team shall base its findings primarily on:

a) the information contained in the end-of-stage deliverables;

b) supplementary documentation, if any, provided by key staff obtained during an interview process; and

c) interviews with key staff members and stakeholders.

4.1.13.1.5 The gateway review team shall issue a report at the conclusion of a gateway review which indicates the team's assessment of the information at the end of a stage and provides findings or recommendations on areas where further work may be undertaken to improve such information.

4.1.13.1.6 Aspects in the report shall be flagged as being: a) code red: team considers the aspect to pose a significant risk to the projector package; b) code amber: team considers the aspects which indicate a minor risk to the project or package; or c) code green: team considers the aspect to have been given adequate consideration to the extent that it is unlikely to jeopardise the success of progressing to the next stage, or minor adjustments may be required before proceeding.

4.1.13.1.7 The contents of the gateway review report shall be taken into account when accepting the stage 4 deliverable. A stage 4 deliverable shall not be accepted until such time that all code red risks have been addressed in the stage 4 end-of-stage deliverable.

4.1.13.2 Gateway reviews initiated by the relevant treasury

4.1.13.2.1 A relevant treasury may at any time institute a gateway review of any of the end-of-stage deliverables associated with the control framework, irrespective of the estimated cost of a project. The focus of such a review shall be determined by the relevant treasury. The implementer of a project

shall be notified of the review and its focus at least three weeks prior to the conducting of the review.

4.1.13.2.2 The implementer shall provide a person to lead the review and one other person to serve on the team, both of whom satisfy the requirements of 4.1.13.1.2.

4.1.13.2.3 The gateway review shall be conducted substantially in accordance with the provisions of 4.1.13.1.4 to 4.1.13.1.6.

4.2 Control framework for infrastructure procurement

4.2.1 General

4.2.1.1 Infrastructure procurement shall be implemented in accordance with the provisions of the control framework indicated in Figure 2 which contains:

a) procurement gates;

b) framework agreement gates;

c) reporting points, where applicable, for interfacing with the Construction Industry Development Board's (CIDB) register of projects; and

d) a gate relating to the interface with a financial management system.

4.2.1.2 The activities associated with the control framework indicated in Figure 2 are set out in Tables 3 and 4 whenever a negotiated, competitive selection or competitive negotiations procedure is applied, with the exception of the shopping procedure. Procurement Gates 6 and 7 may be combined in the case of the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure.

4.2.1.3 The level of detail contained in the documentation upon which a decision is made at a gate shall be sufficient to enable informed decisions to be made to proceed to the next activity or to undertake a particular procedure.

4.2.1.4 The approvals or acceptances at each gate shall be retained for record and audit purposes for a period of not less than five years of such acceptance or approval in a secured environment, unless otherwise determined in terms of the National Archives and Record Services of South Africa Act.

4.2.2 Specific requirements relating to the review of procurement documents

4.2.2.1 The approval of procurement documents at Procurement Gate 3 or Framework Agreement Gate 2 shall be based on the contents of a procurement documentation review report. Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, such a report shall be prepared by one or more persons who participated in the review and who are registered as:

a) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act or a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;

b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act; or

c) a professional quantity surveyor in terms of the Quantity Surveying Professions Act.

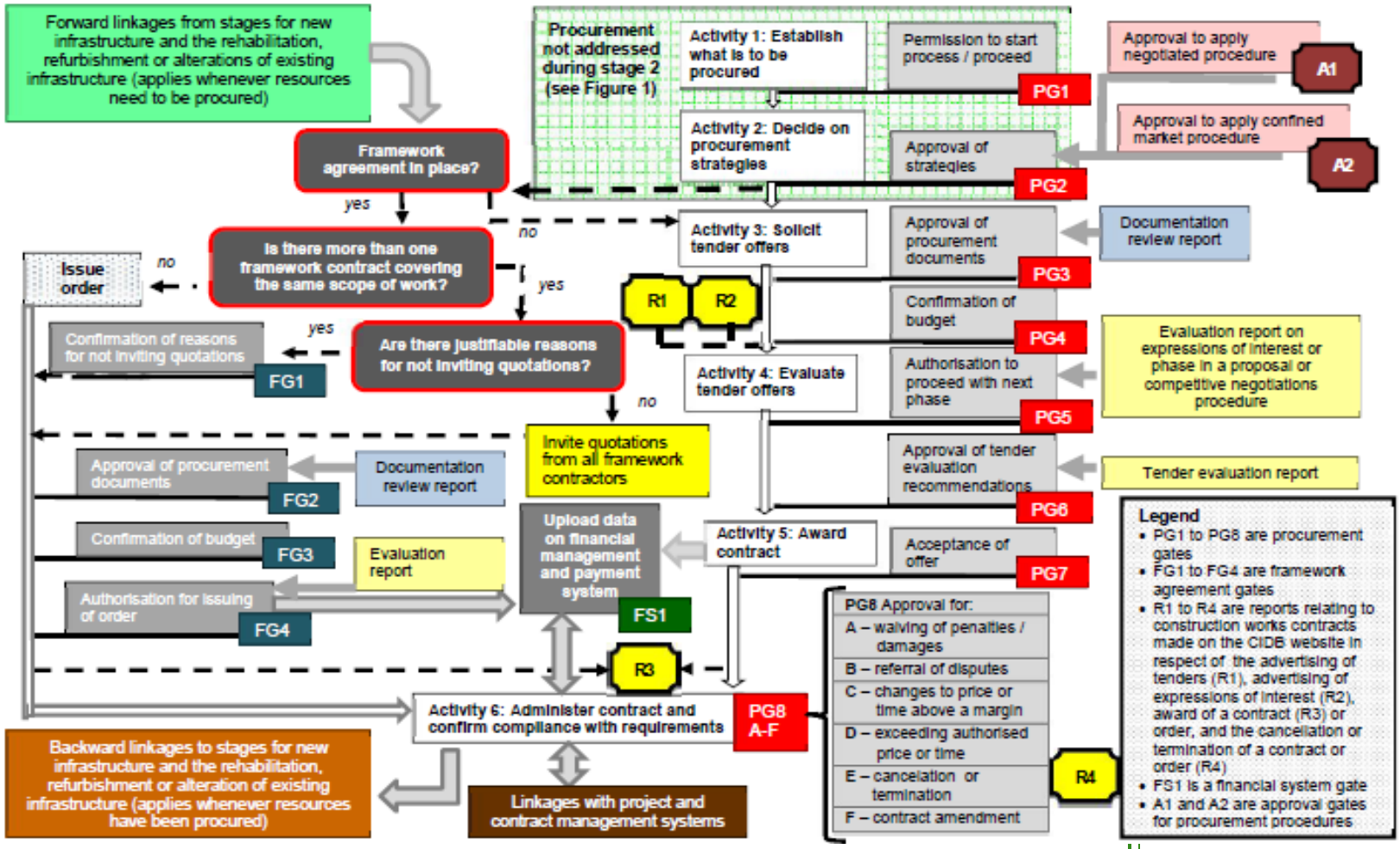

Figure 2: Control framework for procurement (acquisition and contact management) processes

Table3: Procurement activities and gates associated with the formation and conclusion of contracts above the threshold for the quotation procedure

Activity		Sub-Activity*		
1	Establish what is to be procured (Applies only to goods and services not addressed in a procurement strategy developed in terms of 4.1)	1.1	Prepare broad scope of work for procurement	
		1.2	Estimate financial value of proposed procurement	
		1.3 **PG1**	Obtain permission to start with the procurement process	
2	Decide on procurement strategy (Applies only to goods or services not included in a procurement strategy developed in terms of 4.1)	2.1	Establish opportunities for using procurement to promote developmental procurement policies, if any	
		2.2	Establish contracting and pricing strategy	
		2.3	Establish targeting strategy	
		2.4	Establish procurement procedure	
		2.5 **PG2**	Obtain approval for procurement strategies that are to be adopted, including specific approvals to approach a confined market or the use of the negotiation procedure	
3	Solicit tender offers	3.1	Prepare procurement documents	
		3.2 **PG3**	Obtain approval for procurement documents	
		3.3 **PG4**	Confirm that budgets are in place	
		3.4	Invite: • tender offers; or • expressions of interest (qualified procedure or restricted competitive negotiations procedure)	
		3.5	Receive submissions	
		3.6	Open and record submissions received	
4	Evaluate tender offers	4.1	Qualified procedure, proposal procedure or competitive negotiations procedure only	Evaluate and prepare evaluation report on submissions received
		4.2 **PG5**		Obtain authorization to proceed with next phase of tender process
		4.3		Invite tender offers from qualified respondents or selected tenderers
		4.4		Open and record submissions received and, if necessary, repeat 4.1 to 4.4
		4.5	Evaluate tender offers and prepare a tender evaluation report	
		4.6 **PG6**	Confirm recommendations contained in the tender evaluation report	
5	Award contract	5.1	Notify unsuccessful tenderers of outcome	
		5.2	Compile contract document	
		5.3 **PG7**	Award contract	
		5.4	Capture contract award data on management systems	
		5.5 **GF1**	Upload data in financial management and payment system	
6		6.1	Administer contract in accordance with the terms and provisions of the contract	

	Administer contracts and confirm compliance with requirements	6.2	Confirm compliance with requirements
		6.3	Capture contract completion / termination data
		6.4 PG8A	Obtain approval to waive penalties or low performance damages
		6.5 PG8B	Obtain approval to notify and refer a dispute to an adjudicator, or for final settlement to an arbitrator or court of law
		6.6 PG8C	Obtain approval to increase the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage
		6.7 PG8D	Obtain approval to exceed the total of prices, excluding contingencies and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than 20% and 30%, respectively
		6.8 PG8E	Obtain approval to cancel or terminate a contract
		6.9 PG8F	Obtain approval to amend a contract
		6.10	Close out the contract

* Shaded cells indicate the presence of a procurement gate

Table4: Procurement activities and gates associated with the issuing of an order in terms of a framework agreement

Activity*	
1 **FG1**	Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work
2	Prepare procurement documents
3 **FG2**	Obtain approval for procurement documents
4 **FG3**	Confirm that budgets are in place
5	Quotations amongst framework contractors not invited: Issue draft order documentation and consult with contractor and prepare evaluation report Quotations amongst framework contractors invited: Invite quotations from all framework contractors participating in the agreement, receive and evaluate submissions and prepare evaluation report
6 **FG4**	Authorize the issuing of the order
7	Log order onto management system
8	Issue order to contractor
9	Notify issuing of order to oversight person

10	Administer orders in accordance with contract and confirm compliance with requirements

*Shaded cells indicate the presence of a framework ga

4.2.2.2 The review of procurement documents associated with the negotiation, competitive selection or competitive negotiation procedure shall confirm that:

a) the procurement documents have been formatted and compiled in accordance with the requirements of SANS 10845-2, this standard and, where applicable, the CIDB Standard for Uniformity in Construction Procurement, and are aligned with the approved procurement strategy;

b) appropriate prompts for judgement are included in procurement documents in accordance with the requirements of SANS 10845-1 whenever quality is evaluated and scored in the evaluation of calls for expressions of interest or tender offers;

c) the selected form of contract in the case of a tender that is solicited is in accordance with the requirements of 14.5.3 and any standard templates required by the organ of state have been correctly applied;

d) the necessary approval has been obtained for additional clauses or variations to the standard clauses in the conditions of contract, conditions of tender or conditions for the calling for expressions of interest, as relevant, not provided for in the organ of state's approved templates;

e) the selected submission data in the case of a call for an expression of interest, or tender data and contract data options in the case of a tender, are likely to yield best value outcomes;

f) the scope of work adequately establishes what is required and the constraints to the manner in which the contract work is to be provided, and satisfies the drafting requirements of SANS 10845-1;

g) the submission or returnable documents are necessary and will enable submissions to be evaluated fairly and efficiently; and

h) the risk allocations in the contract and pricing data are appropriate.

4.2.2.3 The review of procurement documentation associated with the issuing of an order shall confirm that:

a) any standard templates required by the organ of state have been correctly applied;

b) the necessary approval has been obtained for additional clauses or variations to the standard clauses in the conditions of contract not provided in the organ of state's approved templates or the contract;

c) the scope of work adequately establishes what is required and the constraints to the manner in which the contract work is to be provided;

d) the provisions for competition amongst framework contractors, if relevant, and the selected options are likely to yield best value outcomes; and

e) the risk allocations are appropriate.

4.2.2.4 The review conducted to confirm the provisions of 4.2.2.2 and 4.2.2.3 shall identify sections, if any, which require amendments or improvements.

4.2.2.5 The documentation review report shall:

a) list the names and qualifications of the team members;

b) confirm that the documents are in accordance with the requirements of this standard;

c) capture any comments or opinions which the team may wish to express; and

d) recommend that the procurement documents be accepted with or without modifications.

4.2.3 Specific requirements relating to the evaluation of submissions

4.2.3.1 The authorization to proceed with the next phase (Procurement Gate 5), the approval of tender evaluation recommendations (Procurement Gate 6) and the authorization for the issuing of an order (Framework Agreement Gate 4) shall be based on the contents of an evaluation report.

4.2.3.2 The evaluation report shall be prepared by one or more persons who are conversant with the nature and subject matter of the procurement documents or the framework contract, and who are registered as:

a) a professional architect or professional senior architectural technologist in terms of the Architectural Profession Act;

b) a professional engineer or professional engineering technologist in terms of the Engineering Profession Act;

c) a professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession;

d) a professional project manager or a professional construction manager in terms of the Project and Construction Management Professions Act; or

e) a professional quantity surveyor in terms of the Quantity Surveying Profession Act.

4.2.3.3 All communications with respondents and tenderers during the procurement process to obtain information and clarifications shall be made in writing through the employer's agent named in the submission or tender data. Records of all communications in this regard shall be made and retained for auditing purposes.

4.2.3.4 Submissions shall be evaluated strictly in accordance with the provisions of the procurement documents (see Annex C of SANS 10845-3 and Annex C of SANS 10845-4, as relevant). Where quality is evaluated, at least three persons who satisfy the requirements of 4.2.3.2 shall undertake such evaluation. Quality shall be scored in terms of the prompts for judgement, with fixed scores assigned to each prompt, either individually and averaged or collectively, as appropriate.

4.2.3.5 Those involved in the evaluation of submissions shall record their scores for quality against each of the criteria during the process of evaluation, preferably with notes to substantiate the scores. Individuals should record their own markings on a separate sheet. These documents shall be placed on file as an audit trail and may form the basis of any debriefing that takes place.

4.2.3.6 Evaluation reports shall be prepared in accordance with the content headings and relevant guidelines contained in Tables 5 or 6, with modifications as necessary where a two-envelope, two-stage process or competitive negotiation procedure is followed. Such reports shall contain extracts from the procurement documents which are linked to the

evaluation of submissions, such as eligibility criteria, criteria associated with evaluation methods, preferencing, quality criteria (including prompts for judgement), the method by which tenders are reduced to a common base and lists of returnable documents. Such references shall enable those who are tasked with making decisions based on these documents to do so without having to refer back to submissions in order to understand the content of the report.

4.2.3.7 An evaluation report which recommends the award of a contract shall contain in annexures the reports, if any, of prior processes, e.g. a call for an expression of interest, a round in a competitive negotiation procedure or a stage in a competitive selection procedure.

4.2.3.8 An evaluation report covering the application of the negotiated procedure for the award of a contract or the issuing of an order, shall confirm that the negotiated amounts are market-related and represent value for money. Where the total of the prices associated with a target cost contract is negotiated, the total of prices shall be certified as being fair and reasonable by a professional quantity surveyor registered in terms of the Quantity Surveying Profession Actor a professional engineer registered in terms of the Engineering Profession Act.

Table 5: Content of an evaluation report relating to an expression of interest

Section heading		Subsection heading		Guidelines for the preparation of content
1	Summary	-	-	Provide an overview of the parameters associated with the expression of interest, preferably in tabular form, including the following as relevant: • Contract / project no and contract / project description • Purpose of the expression of interest • Media in which advertisement was placed • Advertisement date(s) • Estimated value of contract or orders which are likely to be awarded during the term of the contract, if applicable • Date from which documents were available • Number and title of addenda issued • Closing date • Details of clarification meeting, including date and place, if any • Number of submissions made • Number of responsive submissions received • Recommended outcomes of the process
2	**An overview of the evaluation process**	-	-	Provide an overview of the procurement process, indicating the eligibility criteria that were applied. State points relating to evaluation criteria, prompts for judgement and weightings relating thereto. Reproduce the list of returnable documents. Provide, if applicable, an overview as to how the quality aspects of the submissions were scored. Record that those involved in the evaluation of tenders have no conflicts of interest or have declared any conflict of interest that they may have, and the nature of such conflict.
3	**Evaluation process**	**3.1**	**Submissions received**	List the submissions that were received. Describe any noteworthy events regarding the opening of submissions, e.g. the returning of late submissions.
		3.2	**Completeness of submissions received**	Compare submissions received against the list of returnable documents. State if any submissions were incomplete and outline how clarifications were obtained. Confirm if respondents took into account addenda, if any, in their submission.
		3.3	**Responsiveness of respondents**	Identify which of the submissions received were non-responsive and provide clear reasons for declaring respondents to be nonresponsive.
		3.4	**Evaluation of submissions**	Record the manner in which submissions were evaluated. Record, where relevant, and preferably in a tabular form, the scores for each of the evaluation criteria and the total score (excluding those who failed to score above a threshold, if any).
		3.5	Reasons for disqualification on the grounds of corrupt or fraudulent practice	State reasons if applicable
		3.6	Compliance with legal requirements	Confirm as relevant that respondents are not barred from participation, tax matters are in order, are registered, etc.
4	**Tender recommendation**	-	-	Make a recommendation for the outcome of the process, e.g. admit to a database or prequalify / shortlist respondent to be invited to submit tender offers. Record the names and qualifications of those who performed the evaluation

5	**Confirmation of recommendations**	-	-	Make provision for the confirmation or amendment of the recommended action.

Table 6: Content of an evaluation report relating to the solicitation of tender offers

Section heading		**Subsection heading**		**Guidelines for the preparation of content**
1	**Summary**	**-**	**-**	Provide an overview of the parameters associated with the solicitation of the tender, preferably in tabular form, including the following as relevant: • Contract / Project / Tender number • Contract description • Contract duration • Purpose of tender • Contracting strategy, pricing strategy, form of contract and targeting strategy • Procurement procedure and method of tender evaluation • Tender validity expiry date • Alternative tenders (not permitted or state conditions under which permitted) • Media in which advertisement was placed, if not a nominated or qualified competitive selection procedure or a restricted competitive negotiations procedure • Date of advertisement(s) • Date from which documents were available • Details of clarification meeting, including date and place, if any • Tender closing date • Number and title of addenda issued • Number of tenders received • Number of responsive tenders • Recommended tender(s) • Cost estimate (budget), unless a framework contract • Lowest responsive and realistic tender used for comparative purposes (tender price, specific goals, etc.)
2	**An overview of the tender**	**-**	**-**	Provide an overview of the procurement process,

	evaluation process			indicating the eligibility criteria that were applied and the evaluation criteria. State specific goals and points relating to preferences, as well as any quality evaluation criteria, prompts for judgement and weightings relating thereto. Reproduce the list of returnable documents. Provide an overview as to how the quality aspects of the tender were scored. Record that those involved in the evaluation of tenders have no conflicts of interest or have declared any conflict of interest that they may have, and the nature of such conflict.
3	**Tender evaluation process**	**3.1**	**Tender offers received**	List the tender offers that were received. Describe any noteworthy events regarding the opening of submissions, e.g. the returning of late tenders and the declaring of submissions non-responsive on the grounds that they were not received in the prescribed manner.
		3.2	**Completeness of tenders received**	Compare tender submissions received against list of returnable documents. State if any tender submissions received were incomplete and indicate what was not complete. Indicate what steps were taken to make incomplete tenders complete, only where this does not affect the competitive position of the tenderer in question. List all communications with tenderers. Confirm if tenderers took into account addenda, if any, in their tender submission.
		3.3	**Responsiveness of tenderers**	Identify which of the tenders received were non-responsive and provide clear reasons for declaring such tenders to be nonresponsive.
		3.4	Evaluation of tender offers	Record the manner in which tenderers were reduced to a common basis: Record preferably in a tabular form:

				• the scores for each of the evaluation criteria; • the total score (excluding those who failed to score above a threshold); • the pricing parameters that were tendered to enable compensation events to be evaluated of contractors to be paid in cost reimbursable or target cost contract. Provide reasons for not granting a preference or considering a financial offer to be unrealistically low.
		3.5	Reasons for disqualification on the grounds of corrupt or fraudulent practice	State reasons if applicable.
		3.6	Compliance with legal requirements	Confirm as relevant that tenderers are not barred from participation, tax matters are in order, are registered, etc.
		3.7	Acceptability of preferred tenderer	State any reasons why the tenderer with the highest points should not be considered for the award of the tender, e.g. commercial risk, restrictions, lack of capability and capacity, legal impediments, etc. Also state any arithmetical corrections that have been made.
4	Outcome of the evaluation	-	-	Make a recommendation for the award of the tender and state any qualifications / conditions associated with such an award. Record the names and qualifications of those who performed the evaluation.
5	Confirmation of recommendations	-	-	Make provision for the recommendations for the award of the tender to be confirmed or amended.

4.2.4 Authorisation to proceed with the next phase of the procurement process

The person authorized to enable a procurement process to progress to the next phase of the process shall review the evaluation report and either refer the report back

to those responsible for such a report or authorize the procurement process to proceed to the next phase after:

a) confirming that the report is complete and addresses all considerations necessary to make a decision;

b) confirming the validity and reasonableness of reasons provided for the elimination of tenderers or respondents; and

c) considering commercial risks and identifying any risks that have been overlooked which warrant investigation prior to taking a final decision.

4.2.5 Authorisation for issuing of an order

The person responsible for authorizing an order shall, prior to authorizing the issuing of an order:

a) confirm that the required goods or services, or any combination thereof, are within the scope of work associated with the relevant framework contract; and

b) consider the recommendations of the evaluation report where competition amongst framework contracts takes place (see 14.3.6) or a significant proportion of the total of the prices is negotiated, based on the financial parameter contained in the framework contract, and either confirm the reasonableness of such recommendations and sign the acceptance of the order, or refer the evaluation report and recommendation back to those who prepared it.

5 INSTITUTIONAL ARRANGEMENTS

5.1 Organs of state who are responsible for infrastructure delivery shall establish a suitable infrastructure procurement and delivery supply chain management policy to implement this standard. Such a policy shall as a minimum:

- assign responsibilities for approving or accepting deliverables associated with a gate in the control framework or authorizing a procurement process or procedure;

- establish committees which are required by law, or equivalent quality management and governance arrangements;
- establish delegations for the awarding of a contract or the issuing of an order; and
- establish ethical standards for those involved in the procurement and delivery of infrastructure.

5.2 An agency agreement shall be entered into between organs of state where responsibilities for implementation are delegated or assigned, or with a school governing body, established in terms of section 16 of the South African Schools

Act, that makes a substantial financial contribution to a project. Such an agreement shall:

a) establish principles and requirements relating to the recovery of cost associated with the rendering of the service, claims for payments made on an agency basis including the release of retention sums, the settling of claims for payment and the documentation required to accompany such claims; and

b) include a service delivery agreement which as relevant sets out at least the following:

1) overall aims, objectives and priorities;

2) governance structures;

3) reporting requirements;

4) the scope of the services to be performed by the implementer during each financial year;

5) the projects and packages which are included in the infrastructure plan and which are to be delivered, and the timeframes for doing so;

6) the roles and responsibilities of the parties to the agreement, including requirements for the engagement and management of stakeholders;

7) delegations to the implementer to accept end-of-stage deliverables on an agency basis;

8) contributing resources, including human resources; and

9) dispute resolution procedures.

5.3 The agency agreement shall be reviewed annually and amended or revised as necessary.

5.4 The implementer's supply chain management system shall be used to procure goods or services, or any combination thereof, for infrastructure covered by the agency agreement referred to in 5.2.

6 DEMAND MANAGEMENT

6.1 The demand management system shall be aimed at ensuring that goods and services, and any combination thereof required to support strategic and operational commitments, are delivered at the right price, time and place, and that the quality and quantity of such goods or services satisfy needs.

6.2 The demand for infrastructure delivery shall be managed through:

a) the service life plans which;

1) are based on:

- an assessment of current performance against desired levels of service or functionality; and
- a needs analysis informed by factors such as policies, norms and standards, condition assessments, functional performance, demographic trends, current and forecasted levels of optimisation; and

2) reflect a cost estimate for the life cycle activities comprising acquisition, operations, maintenance, refurbishment, rehabilitation or alteration as relevant, over a minimum period of five years; and

a) infrastructure plans which, as a minimum, summarise the service life plans and provide a credible forecast of current and net demand for services or requirements for functionality over a period of not less than ten years.

6.3 Consideration shall, where appropriate, be given to:

a) alternative service delivery methods or means of satisfying needs which do not require infrastructure to implement or reduce the demand for infrastructure; and

b) the disposal of infrastructure that is surplus to requirements.

6.4 Projects shall, wherever possible, be delivered in accordance with established norms and standards which are designed to yield value for money.

6.5 Identified projects shall be prioritised and budgeted for in an infrastructure plan (see 4.1.2.2).

6.6 Costs shall be proactively managed through the setting and proactive monitoring of control budgets for projects through the project planning, detailed design and site processes indicated in Figure 1.

7 ACQUISITION MANAGEMENT

7.1 Procurement of new infrastructure and the rehabilitation, refurbishment or alteration of existing infrastructure

7.1.1 Budgets submission for budget approval to advance a project or package relating to the delivery or planned maintenance of infrastructure in a financial year shall be broken down into the stages (see Figure 1) which have been completed.

7.1.2 Implementation plans relating to new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure which are aligned with the accepted delivery and procurement strategy, shall be developed for each project or package which is to be delivered in a financial year. Such a plan shall as necessary:

a) identify the objectives of each project or programme of projects;

b) identify the scope, budget and schedule for each project or package;

c) outline the procurement strategy in respect of each project or package;

d) provide a time management plan for each project, i.e. the baseline against which progress towards the attainment of milestone (key deliverables) target dates can be measured;

e) provide the projected budget and cash flows which will enable planned and actual expenditure to be compared and revisions to the budget to be approved, and multiple project budgets to be managed;

f) document the key success factors and the key performance indicators which need to be measured, monitored and evaluated;

g) contain a procurement plan which indicates the timeline for advertising and closing of tenders, and the obtaining of gate approvals leading up to the award of the contract or the issuing of an order;

h) identify the major risks and how such risks are to be mitigated or managed;

i) indicate how quality requirements and expectations are to be met and managed;

j) outline the controls and measures which will address health, safety, socio-economic or environmental risks;

k) provide a communication plan which determines the lines of communication and the key activities associated therewith; and

l) indicate the assigned internal and external resources with implementation responsibilities.

7.1.3 Financial data shall be gathered to enable a financial report to be generated at regular intervals which:

a) lists the packages which have completed stage 7 (works) together with actual expenditure;

b) indicates the following for packages which have advanced beyond stage 4 (concept and viability or feasibility) but have not yet completed stage 7 (works):

1) budget for the financial year;

2) actual expenditure to date;

3) remaining budget for the year;

4) forecast expenditure for the remainder of the year; and

5) forecast over/under expenditure for the year;

c) indicates professional fees associated with a project or package; and

d) enables “actual” versus “planned” expenditure to be compared.

7.2 Procurement other than new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure

7.2.1 Annual procurement plans shall be prepared to cover the procurement of goods or services, or any combination other than that relating to new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure which exceed the threshold for quotations.

7.2.2 Annual procurement plans required in accordance with 7.2.1 shall contain the following information for all proposed tenders for a financial year where the proposed procurement is estimated to equal or exceed the threshold for quotations.

a) a description of the goods, services or works;

b) the estimated value of such goods, services or works, including all applicable taxes;

c) the envisaged date of advertisement;

d) the envisaged closing date for tenders; and

e) the envisaged date of award.

7.3 Use of an organ of state's framework agreement by another organ of state

7.3.1 An organ of state may request in writing to make use of one or more framework contracts entered into by another organ of state. Such a request, signed by the accounting officer or accounting authority of that organ of state, shall:

a) outline the scope and anticipated quantum of work associated with the work that is required;

b) provide a motivation for the use of the framework agreement; and

c) detail the benefit for the state to be derived from making use of the framework agreement.

7.3.2 The accounting officer or accounting authority may approve a request made in terms of 7.3.1 to make use of the organ of state's framework contract, conditionally or unconditionally, if:

a) the framework agreement was put in place following a competitive tender process;

b) confirmation is obtained that the framework contract is suitable for the intended use, and the required goods, services and works fall within the scope of such contract;

c) the framework contractor agrees in writing to accept an order from that organ of state;

d) the organ of state undertakes to pay the contractor in accordance with the terms and conditions of the agreement; and

e) the term of the framework agreement does not expire before the issuing of the required orders.

8 CONTRACT MANAGEMENT

8.1 The person responsible for the administration of the contract or an order on behalf of the employer shall:

a) act as stated in the contract that is entered into, subject to any constraints that may be imposed by the employer or the employer's supply chain management policy for infrastructure procurement and delivery management, using any standard templates that are provided for communications required in terms of the contract;

b) provide at least the following data within two weeks of the award of a contract or an order for capture on a contract management system:

1) name and contract particulars;

2) the programme or project number, as relevant;

3) the contractual dates associated with the contract or order;

4) except in the case of very low value goods or services contracts, a cash flow forecast;

5) the agreed total of prices or forecasted total of prices; and

6) where applicable, whether or not provision is made for price adjustment for inflation, delay damages, performance bond and retention, and if so, what the quantum or estimated quantum of such provisions is;

c) retain on a contract file, copies of certificates of insurances, bonds and the like;

d) make an assessment of the amount due to the contractor where required in terms of the contract, or review the contractor's assessment of the amount due and timeously certify payment;

e) revise the estimates for price adjustment for inflation where provided for, prepare an updated cash flow for the remainder of the contract based on the contractor's schedule, and capture these amounts together with the amounts due to the contractor and the retention amounts, if relevant, on a monthly basis;

f) provide the revised total of the prices or completion date or delivery date for the contract, or an order, within one week of a contractor revising a forecast of the total of prices, or an event being implemented, which in terms of the contract increases the total of prices or delays delivery or completion, for capture on a contract management system;

g) manage, if relevant, the interface between the contractor and those responsible for providing client inputs where a management, design and construct or develop and construct contracting strategy is utilized;

h) develop and maintain a contract risk register;

i) provide a monthly report on events which, in terms of the contract, cause the total of prices to increase or the contract completion date to be changed;

j) report all insurance claims made within one week of the claim being lodged; and

k) make inputs, if applicable, to the close out report in stage 9, including those relating to cost norms, contractor performance and the attainment, or not, of projective objectives.

8.2 The person responsible for administering the contract shall as necessary report on a monthly basis on the following:

a) the attainment of key performance indicators, if any, provided for in the contract or required by the sponsor of the project or in terms of legislation;

b) the number of improvement, contravention and prohibition notices issued by the health and safety agent; and

c) incidents reportable in terms of the Construction Regulations issued in terms of the Occupational Health and Safety Act, briefly indicating the nature of the incident.

8.3 The person responsible for the administration of a contract or order relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, shall be registered in a professional category of registration in terms of the Architectural Profession Act, the Engineering Profession Act, Landscape Architectural Profession Act, the Project and Construction Management Professions Act or Quantity Surveying Profession Act.

9 LOGISTICS MANAGEMENT

9.1 Materials, equipment and plant may be procured and issued free of charge to a contractor for incorporation into the works. Care shall be taken to ensure that suitable arrangements or measures are in place to minimise:

a) loss or damage to such items until the contractor has received and accepted them; and

b) delays in supply which can result in increases in the contractor's prices for providing the works.

9.2 Procurement processes associated with long lead items of plant, equipment and materials may be initiated before the conclusion of stage 4 (concept and viability

or feasibility). No contract may be entered into following such processes until stage 4 has been concluded and the budgets are in place to proceed.

10 DISPOSAL MANAGEMENT

10.1 A disposal committee shall decide how best to undertake disposals relating to the demolition or dismantling of infrastructure or parts thereof, and the disposal of unwanted, redundant or surplus materials, plant and equipment.

10.2 Disposals shall be proceeded with only after the feasibility and desirability of using one or more of the following alternative disposal strategies have been considered:

a) transfer to another organ of state, business unit or a charitable organization at market-related value or free of charge;

b) recycling or re-use of component materials; or

c) disposal by means of dumping at an authorized dump site, burning or demolition.

10.3 The reasons for adopting a disposal strategy shall be recorded prior to proceeding with such disposal.

11 REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION

11.1 The implementer shall report to the relevant treasury within one month of the award of a contract or the issuing of an order, all engineering and construction, supply, service and professional service contracts that are awarded, or orders that are issued, should the total of prices, including VAT, exceed the thresholds contained in Table 7. Such a report shall indicate the following:

a) the title and number of the contract or order;

b) a brief outline of the scope;

c) the total of the prices at the time that a contract is concluded or an order issued;

d) the time for completion or delivery; and

e) the procurement procedure that was used to put the contract in place, or in the case of a framework agreement, whether or not competition amongst framework contractors was reopened.

Table7: Thresholds, including VAT, for reporting the award of a contract or an order to the relevant treasury

Organ of state	Value of contract or order including VAT			
	Services contract	**Professional services**	**Supply**	**Engineering and construction works**
National department	R75 million	R75 million	R100 million	R100 million
Provincial department or metropolitan municipality	R50 million	R50 million	R100 million	R100 million
Municipality other than a metropolitan municipality	R25 million	R25 million	R50 million	R50 million
Major public entity	R250 million	R250 million	R500 million	R500 million
National government business enterprise Provincial government business enterprise	R125 million	R125 million	R250 million	R250 million
Other	R50 million	R50 million	R100 million	R100 million

11.2 Organs of state other than major public entities, national government business enterprises and provincial business enterprises shall report to the relevant treasury where a contract was awarded to a tenderer other than the tenderer recommended by a committee, giving reasons for such award.

11.3 The implementer shall prepare an annual report which contains the following in respect of a financial year and submit such report to the relevant treasury within two months after the financial year end:

a) the information contained in the performance report prepared in accordance with section 12 of this standard;

b) a brief progress report which reflects progress in terms of time and cost in relation to the time for completion or delivery and the total of prices at the award of the contract or the issuing of an order, and, if relevant, stages completed, on all contracts and orders above the threshold stated in Table 7;

c) an outline of the scope, value and duration of all contracts which were awarded as a result of unsolicited proposals, together with a brief motivation for such award;

d) particulars relating to:

1) the cancellation or termination of contracts, together with the reasons therefore;

2) the use of a negotiated or confined market procurement procedure to enter into a supply, services, professional services or engineering and construction contract in excess of R10,0 million, including VAT, together with a brief motivation for doing so;

3) the evoking of the emergency procurement procedures where the value of the ensuing transaction exceeded R10,0 million, including VAT, together with a brief overview of the emergency and the outcomes of the procurement;

4) disputes arising from contracts which have been referred to arbitration or a court of law for settlement; and

5) contracts where the approval has been granted to increase the total of the prices or the time for completion at Procurement Gate 8D (see Figure 2 and Table 3).

12 ASSESSMENT OF SUPPLY CHAIN MANAGEMENT PERFORMANCE

An annual performance report shall be prepared for each portfolio of projects involving infrastructure delivery within two months of the financial year end which reflects performance in relation to at least the following:

a) expenditure incurred in infrastructure delivery for the financial year, against the budget made available to cover such expenditure at the start of the year;

b) the average variance between planned and achieved completion of stages of all packages and projects;

c) an overview of all packages where stage 7 was completed within the financial year and the total of the prices and the time for completion at the start of the contract or when the order was issued exceed20%, together with a brief explanation as to why such increases occurred;

d) the average time taken to award a contract, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure to a decision being taken to award the contract;

e) the average time taken, in respect of all packages covered in the report, to complete stage 8 measured from the time that stage 7 is completed;

f) the average difference between the total of the prices in the payment certificate that was issued following the completion of stage 7, and the total of the prices at the end of stage 9;

g) the average time taken to award a contract above the threshold for quotations, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure, to the acceptance of the tender evaluation report; and

h) the average number of days that payment is later than that required under the terms of a contract.

13 RISK MANAGEMENT AND INTERNAL CONTROL

13.1 Risk management

13.1.1 Risk registers shall be established and maintained to enable risk mitigation relating to infrastructure procurement and delivery management to be proactively managed at a portfolio, programme, project and contract level. Such registers shall as a minimum contain:

a) The entry date of the risk;

b) A description of the risk, i.e. risk event, cause and possible outcome;

c) The measures and action to mitigate risk, i.e. a description of the action, responsibility for action and timetable for implementation;

d) Action status, i.e. actioned, take no action, monitor and review or to be actioned.

13.1.2 Those responsible for establishing and maintaining risk registers shall issue risk reports when called upon to do so.

13.2 Internal control measures

13.2.1 The gates in the control frameworks provided in section 4 shall be used, as appropriate, to:

a) authorise the proceeding with an activity within a process, or commencing with the next process;

b) confirm conformity with requirements; or

c) provide information which creates an opportunity for corrective action to be taken.

13.2.2 Suitable templates shall be used to record the approval or acceptance of documents at the gates provided in the control framework established in section 4.

14 INFRASTRUCTURE PROCUREMENT REQUIREMENTS

14.1 General

14.1.1 Procurement shall be undertaken in accordance with all applicable legislation and;

a) the relevant requirements of SANS 10845-1, SANS 10845-2, SANS 10845-3 and SANS 108454;

b) the administrative procedures embedded in the approved standard forms of contract identified in this standard; and

c) the provisions of this standard.

14.1.2 All contracts that are entered into with contractors following a procurement process shall be in writing.

14.1.3 Quality may be evaluated in tender submissions as other objective criteria as provided for in the Preferential Procurement Policy Framework Act in accordance with the provisions of SANS 10845-1.

14.1.4 The preference points system contained in the Preferential Procurement Policy Framework Act shall not be applied to disposals. An assumption shall be made in the case of tenders for framework agreements that the 90:10 preference points system applies.

14.1.5 All awards above the quotation threshold in competitive selection and competitive negotiation procurement processes shall be published at least on:

a) the organ of state's or relevant treasury's website; or

b) if required in terms of the Construction Industry Development Board Act, on the Construction Industry Development Board's website.

14.1.6 The publication of the award of a contract shall contain at least the following information:

a) contract numbers and title;

b) a brief description of goods, services or works; and

c) the names of successful tenderers and their specific goals according to PPR 2022, and where practical, the total of the prices at award, the duration of the contract and the tender points scored during the tender evaluation process.

14.2 Usage of standard procedures

14.2.1 Goods or services or a combination thereof should generally be procured from the open market. Tenders may, however, be solicited from a confined market where:

a) it is established with reasonable certainty that:

1) only a sole contractor is able to provide the goods or services or any combination thereof;

2) only a very limited number of contractors are able to provide goods, services or works which are not freely available in the market, or which are provided solely for the organ of state in accordance with unique requirements;

b) there is justification for standardizing goods or making use of manufacturer-accredited service provi.ders;

c) a change in product or manufacturer requires modifications to related equipment and fixtures, e.g. a replacement pump requires costly changes to mountings, pipework or electrical connections or the replacement of circuit breakers requires costly changes to mounting frames, face panels, bus bars, wiring and the like; or

d) a replacement model requires the holding of additional spares or maintenance personnel.

14.2.2 The standard procurement procedures identified in Table 8 shall be implemented under the stated conditions in accordance with the provisions of SANS 10845-1. Projects shall not be subdivided to reduce the estimated tender value to fall within a threshold applicable to a specific procurement procedure.

Table 8: Conditions under which procedures provided for in SANS 10845-1 may be utilized

Procedure	Conditions which need to be satisfied in order to utilise the procedure	
Competitive selection procedure		
Nominated procedure	Any procurement, the estimated value of which does not exceed a threshold stated in Table 9.	
Open procedure	Any procurement, except where the cost of advertising or the evaluation of a large number of tender submissions is disproportionate to the value of the work.	
Qualified procedure	Any procurement where: 1) a contract requires for its execution a high degree of specialized input, or requires skills and expertise that are not readily available; 2) a contract requires for its execution exceptional management skills or quality; 3) a tender submission requires significant tenderer inputs in order to respond appropriately to requirements so that a financial offer may be determined; 4) it is desirable, in a large programme or project, to link packages of work to tenderers who have the appropriate capacity and capability to compete against one another; 5) the time and cost required to examine and evaluate a large number of tender offers would be disproportionate to the procurement; 6) for practical reasons, it is necessary to limit the number of tender submissions that are received; or 7) the goods or services are not freely available in the market, or are manufactured solely for the organ of state in accordance with that organ of state's own specifications.	
Quotation procedure	Any procurement where the estimated value does not exceed a threshold stated in Table 9.	
Proposal procedure using the two envelope system	Services where tenderers are required to develop and price proposals to satisfy a broad scope of work.	
Proposal procedure using the two-stage system	Option 1	Any procurement in which tenderers are required to submit technical proposals and, if required, cost parameters around which a contract may be negotiated.
	Option 2	Any procurement in which tenderers are invited to submit technical proposals in the first stage and to submit tender offers based on procurement documents issued during the second stage.
Shopping procedure	Procurement which involves readily available goods and does not exceed the threshold value stated in Table 9.	
Restricted competitive negotiations	As for open competitive negotiations, but where: 1) a contract requires for its execution a high degree of specialized input, or requires skills and expertise that are not readily available; 2) a contract requires for its execution exceptional management skills or quality; 3) a tender submission requires significant tenderer inputs in order to respond appropriately to requirements so that a financial offer may be determined; 4) the time and cost required to examine and evaluate a large number of tender offers would be disproportionate to the procurement; 5) for practical reasons, it is necessary to limit the number of tender submissions that are received; or 6) a target price is tendered and finalized prior to the award of the contract.	

Procedure	Conditions which need to be satisfied in order to utilize procedure
Open competitive negotiations	Any procurement where:

	1) it is not feasible to formulate detailed specifications for the work or to identify the characteristics of goods or works to obtain the most satisfactory solution to procurement needs; 2) there are various possible means of satisfying procurement needs; 3) the technical character of the goods or works, or the nature of the services, warrants the use of competitive negotiations to realise the most satisfactory solution to procurement needs; 4) the purpose of the contract is research, experimentation, study or development; or 5) all the tenders received in a competitive selection procedure are non-responsive and the calling for fresh tenders is likely to result in a similar outcome.
Negotiated procedure	Any procurement where: 1) a rapid response is required due to the presence of, or the imminent risk of, an extreme or emergency situation arising from: a) human injury or death; b) human suffering or deprivation of human rights; c) serious damage to property or financial loss; d) livestock or animal injury, suffering or death; e) serious environmental damage or degradation; or f) interruption of essential services; 2) the required goods, services or works cannot technically or economically be separated from another contract previously performed by a specific contractor; 3) only one contractor has been identified as possessing the necessary experience and qualifications or product to deliver value for money in relation to a particular need; 4) the services, goods or works do not exceed a threshold value stated in Table 9; 5) the service or works being procured are largely identical to work previously executed by that contractor and it is not in the interest of the public or the organ of state to solicit other tender offers; 6) a professional service contract does not exceed a threshold value stated in Table 9 and but can be based on time and proven cost; 7) the nature of the works, goods or services, or the risks attached thereto, do not permit prior overall pricing; or 8) only one responsive tender is received.

14.2.3 Prior approval shall be obtained for the following procurement procedures, unless such a procedure is already provided for in the approved procurement strategy:

a) the negotiated procedure above the thresholds identified in Tables 8 and 9; and

b) the approaching of a confined market, except where a rapid response is required in the presence of, or the imminent risk of, an extreme or emergency situation arising from the conditions set out in Table 8, and which can be dealt with, or the risks relating thereto arrested, within 48 hours.

14.2.4 Only a person authorized in terms of a policy developed in accordance with the provisions of section 5 may pursue a negotiated procedure in an emergency without the prior approval permitted in terms of 14.2.3.

14.2.5 Approval for the use of a confined market shall only be valid for a period not exceeding 18 months.

Table 9: Procurement thresholds

Procedure (see Table8 and SANS 10845-1)	**Conditions which need to be satisfied in order to utilize the procedure**	**Threshold (Rand including VAT)**		
		Schedule 2 public enterprise	**Department or a schedule 3 public enterprise**	**Municipality or a municipal entity**
Negotiated	The services, goods or works have a value not exceeding a threshold	R125 000	R75 000	R75 000
	A professional service contract has a value not exceeding a threshold	R500 000	R350 000	R200 000
Nominated procedure	Any procurement not exceeding a threshold	R2 500 000	R1 500 000	R1 500 000
Quotation procedure	Any procurement where the estimated value does not exceed a threshold	R2 000 000	R1 000 000	R200 000
Shopping procedure	Supplies contract which involves readily available goods not exceeding a threshold	R50 000	R50 000	R10 000

14.3 Framework agreements

14.3.1 Framework agreements may be entered into with contractors by:

a) inviting tender offers to enter into a suitable contract for the required work, using stringent eligibility and evaluation criteria to ensure that contracts are entered into with only those contractors who have the capability and capacity to provide the required goods, services or works; and

b) entering into a limited number of contracts based on the projected demand and geographic location for such goods, services or works.

14.3.2 The term of a framework agreement shall not exceed:

a) three years in the case of all organs of state other than a major public entity, a national government business enterprise or a provincial government business enterprise; or

b) four years in the case of a major public entity, a national government business enterprise or provincial government business enterprise.

14.3.3 Framework agreements that are entered into shall not commit an organ of state to any quantum of work beyond the first order, or bind the employer to make use of such agreements to meet its needs.

The employer may approach the market for goods or services, or a combination thereof, whenever it considers that better value in terms of time, cost and the quality which may be obtained.

14.3.4 Orders:

a) shall cover only goods or services, or any combination thereof, falling within the scope of work associated with the agreement which may not be amended for the duration of the contract;

b) may not be issued after the expiry of the term of the framework agreement; and

c) may be completed even if the completion of the order is after the expiry of the term.

14.3.5 The issuing of orders with a number of framework contractors covering the same scope of work may be made with and without requiring competition amongst framework contractors. Where competition is required amongst framework contractors, it shall be conducted in a non-discriminatory manner such that competition is not distorted.

14.3.6 Competition amongst framework contractors for orders shall take place where:

a) there is no justifiable reason for issuing an order to a particular framework contractor, such as:

1) the framework contractor provided the most economical transaction when the financial parameters included in the contract are applied, and has the capacity to deliver;

2) the required goods, services or works cannot technically or economically be separated from another contract or order previously performed by a specific contractor;

3) the service or works being instructed are largely identical to work previously executed by that contractor;

4) the value of the order is less than the threshold for the quotation procedure;

5) the schedule for delivery necessitates that each of the framework contractors be issued with orders on a continuous basis; or

6) capacity to execute the order;

b) the terms in the framework agreement are insufficiently precise or complete to cover the particular requirement, e.g. delivery time scales or time estimates to complete the order (productivity); or

c) a better quality of service can be obtained through a competitive process.

14.4 Design competitions

14.4.1 A single- or two-stage design competition may be used as a means to identify one or more suitable contractors to provide design services. The conditions for a design competition shall clearly state the purpose of the competition and the intentions of the promoter, the nature of the problem that is to be solved and all the practical requirements to be met by the competitors.

14.4.2 A design competition shall be initiated following a call for an expression of interest. All respondents who satisfy the admission requirements for a design competition and complete an application form shall be admitted to the competition as participants.

14.4.3 A jury who is independent of participants in the competition shall be appointed to collectively decide on the outcome of the competition. Such a jury shall be autonomous in its decisions or opinions and endeavour, adopt decisions on each individual submission by consensus and record its decisions in writing. Not less than 50% of the members serving on the jury shall have relevant professional qualifications in the subject matter of the competition.

14.4.4 The design competition shall be conducted in such a manner that the identity of any particular participant during the process is not known to the jury until after competition winners are announced. The awarding of prizes and honoraria may be linked to such competitions.

14.4.5 A contract may be negotiated with the winner of the design competition. Where more than one contract is awarded to participants in a design competition, all competitors in the final stage of the competition shall be invited to submit tender offers. Tender offers shall be evaluated in terms of method 4 of SANS 10845-3, with the score for quality being based solely on the ranking of the competition jury.

14.5 Procurement documentation

14.5.1 General

14.5.1.1 Procurement documents shall be developed in accordance with the provisions of SANS 10845-1 and SANS 10845-2 and, where aspects of the national register of contractors or register of projects established in terms of the Construction Industry Development Board Act are implemented through procurement documents, the CIDB Standard for Uniformity in Construction Procurement.

14.5.1.2 The Form of Offer and Acceptance contained in Annex B of SANS 10845-2 shall be used, with minimal contract-specific amendments, to form the basis of agreement arising from the solicitation of tender offers.

14.5.1.3 The formation of a contract in the single volume approach (see SANS 10845-2) shall occur once:

a) the schedule of deviations has been completed to reflect each and every amendment to the tender documents:

1) made in terms of addenda issued prior to the close of tenders; and

2) permitted in terms of the conditions of tender, and agreed to in the process of offer and acceptance; and

b) the acceptance portion of the Form of Offer and Acceptance has been signed by the person authorized to do so.

14.5.1.4 The formation of the contract in the three-volume approach (see SANS 10845-2) shall take place after:

a) each and every amendment to the tender documents made in terms of addenda issued prior to the close of tenders, and those permitted in terms of the conditions of tender and agreed to in the process of offer and acceptance have been incorporated into the final contract;

b) a brief summary of the changes made in the final contract document is included in the schedule of deviations so as to allow the reader to understand the nature and extent of the changes; and

c) the acceptance portion of the Form of Offer and Acceptance has been signed by the person authorized to do so.

14.5.1.5 A tenderer's covering letter shall not be included in the final contract document or referenced in the schedule of deviations. The agreed provisions of such a letter shall be stated in the schedule of deviations.

14.5.1.6 Standard returnable documents for infrastructure procurement contained in annexures A to E shall, where appropriate, form part of the Returnable Documents in procurement documents.

14.5.1.7 Standard documentation issued by a relevant treasury for non-infrastructure procurement shall not be included in infrastructure procurement documents unless they are found to be compatible, and not in conflict with the provisions of a procurement document which complies with the provisions of this standard.

14.5.2 Tender, submission and auction data

14.5.2.1 The tender data shall reference the Standard Conditions of Tender contained in SANS 10845-3.

14.5.2.2 The tender offer validity period provided for in the tender data shall generally not exceed eight weeks, and in exceptional circumstances shall not exceed 12 weeks.

14.5.2.3 The tender data associated with Method 3 (financial offer and preference) shall be as follows:

5.11.4	The procedure for the evaluation of responsive tenders is Method 3. The financial offer will be scored using the following formula: A = (1 - (P - Pm)) ---------- Pm The value of W1 is: 1) 90 where the financial value, inclusive of VAT, of all responsive tenders received has a value in excess of R1 000 000; or 2) 80 where the financial value, inclusive of VAT, of one or more responsive tender offers has a value that equals or is less than R1 000 000. Up to 100 minus W1 tender evaluation points will be awarded to tenderers who complete the preferencing schedule and who are found to be eligible for the preference claimed.

14.5.2.4 The tender data associated with Method 4 (financial offer, quality and preferences) shall be as follows:

5.11.5	The procedure for the evaluation of responsive tenders is Method 4. The total number of tender evaluation points (TEV) shall be determined in accordance with the following formula: TEV = f1 (NFO + NP) + f2NQ where f1 and f2are fractions, f1 equals 1 minus f2 and f2 equals ……. NFO is the number of tender evaluation points awarded for the financial offer made in accordance with 5.11.7 where the score for financial offer is calculated using the following formula A = (1 - (P - Pm)) ---------- Pm and W1 equals: 1) 90 where the financial value, inclusive of VAT, of all responsive tenders received has a value in excess of R1 000 000; or 2) 80 where the financial value,inclusive of VAT, of one or more responsive tender offers have a value that equals or is less than R1 000 000. NP is the number of tender evaluation points awarded for preferences claimed in accordance with the Preferencing Schedule. NQ is the number of tender evaluation points awarded for quality offered in accordance with 5.11.9 where W2 = 100. Up to 100 minus W1 tender evaluation points will be awarded to tenderers who complete the preferencing schedule and who are found to be eligible for the preference claimed.

14.5.2.5 The submission data shall reference the Standard Conditions for the Calling for Expressions of Interest contained in SANS 10845-4.

14.5.2.6 Auction data shall be based on the auction data contained in SANS 10845-1.

14.5.3 Standard forms of contract

14.5.3.1 The standard forms of contract shall be selected from, and be suitable for use under the conditions described in Table 10.

14.5.3.2 The standard forms of contract shall be used with minimal contract amendments which do not change their intended usage and shall only be amended when absolutely necessary to accommodate special needs.

14.5.3.3 Adjudication shall be used to resolve disputes arising during the performance of a contract prior to proceeding to either arbitration or litigation.

Table10: Approved forms of contract related to the delivery and maintenance of infrastructure

Form of contract	Code	Intended usage
Construction Industry Development Board (CIDB)		
CIDB Standard Professional Service Contract	SPSC	Professional services
CIDB General Conditions of Purchase	-	An order form type of contract for low-value goods without any incidental work or services on or before a specified date being required
CIDB Contract for the Supply and Delivery of Goods	-	Simple, regional purchase of readily available materials or commodities which require almost no management of the buying and delivery process, minimal testing, installation and commissioning on delivery.
CIDB General Conditions of Service	-	An order form type of contract where low-value services on or before a specified date are required.
International Federation of Consulting Engineers (FIDIC)		
FIDIC Short Form of Contract	Green Book	Building or engineering works of relatively small capital value, or for relatively simple or repetitive work, or for work of short duration. Use for design by employer- or contractor-designed works.
FIDIC Conditions of Contract for Construction for Building and Engineering Works designed by the Employer	Red Book	Building or engineering works designed by the employer. (The works may include some elements of contractor-designed works.)

FIDIC Conditions of Contract for plant and design-build for electrical and mechanical plant, and for building and engineering works, designed by the contractor	Yellow Book	The provision of electrical or mechanical plant and the design and construction of building or engineering works
FIDIC Conditions of Contract for EPC Turnkey Projects	Silver Book	The provision on a design and construct (turnkey) basis of a process or power plant, of a factory or similar facility, or an infrastructure project or other type of development.
FIDIC Conditions of Contract for Design, Build and Operate Projects	Gold Book	"Green field" building or engineering works which are delivered in terms of a traditional design, build and operate sequence with a 20-year operation period. (The contractor has no responsibility for the financing of the project/package or its ultimate commercial success.)
South African Institution of Civil Engineering (SAICE)		
SAICE General Conditions of Contract for Construction Works	GCC	Engineering and construction, including any level of design responsibility
Joint Building Contracts Committee (JBCC)		
JBCC Principal Building Agreement	PBA	Buildings and related site works designed by the employer
JBCC Minor Works Agreement	MWA	Buildings and related site works of simple content designed by the employer.
Institution of Civil Engineers (ICE)		
NEC3 Engineering and Construction Contract	ECC	Engineering and construction including any level of design responsibility

Table 10 (concluded)

NEC3 Engineering and Construction Short Contract	ECSC	Engineering and construction which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the employer and contractor.
NEC3 Professional Services Contract	PSC	Professional services, such as engineering, design or consultancy advice
NEC3 Professional Services Short Contract	PSCC	Professional services which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the client and consultant.
NEC3 Term Service Contract	TSC	Manage and provide a service over a period of time.
NEC3 Term Service Short Contract	TSSC	Manage and provide a service over a period of time, or provide a service which does not require

		sophisticated management techniques, comprises straightforward work and imposes only low risks on both the employer and contractor.
NEC3 Supply Contract	SC	Local and international procurement of high-value goods and related services, including design.
NEC3 Supply Short Contract	SSC	Local and international procurement of goods under a single order or on a batch order basis and is suitable for use with contracts which do not require sophisticated management techniques, and impose only low risks on both the purchaser and the supplier.

14.5.4 Tender assessment schedules

Tender assessment schedules shall be used to take account of all tendered financial parameters that have an impact upon the final value of the contract.

14.5.5 Guarantees

14.5.5.1 Bonds which guarantee performance with a stated financial benefit in the event of non-performance:

a) Should as a general rule not be required in service, professional service and supply contracts; and

b) Shall be between 5% and 12,5% of the contract or package order value, excluding VAT, and may be either a fixed or variable guarantee.

14.5.5.2 Advance payment, where required in engineering and construction and supply contracts and approved by the organ of state's chief financial officer, may only be made to contractors against the lodging of a suitable advance payment bond.

14.5.6 Retention monies

Retention monies that are held shall not exceed 10% of any amount due to a contractor. The total amount of retention monies held shall not exceed 5% of the contractor package order price.

14.5.7 Communications

All procurement documents and communications shall be in English.

14.5.8 Intellectual property rights

Organs of state shall as a general rule own the rights over the materials specifically prepared by a contractor in relation to a contract.

14.5.9 Budgetary items

14.5.9.1 Provision for budgetary items in procurement documents shall as far as possible be avoided. Assumptions should rather be stated in the pricing data so that they can be priced and adjusted in terms of the contract, should these assumptions be incorrect. Where unavoidable, estimates of the likely costs may be included in the contract to cover identified work or services to be performed by a subcontractor appointed in terms of the contract.

14.5.9.2 No provision for contingencies or price adjustment for inflation shall be made in the pricing data or included in the contract price at the time that the contract is awarded or an order is issued.

14.5.10 Professional indemnity insurance

Professional service appointments shall as a general rule be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount of not less than R3 million in respect of each claim, without limit to the number of claims.

14.6 Developmental procurement policy

14.6.1 General

14.6.1.1 Organs of state shall utilize procurement to promote Broad-Based Black Economic Empowerment in accordance with the provisions of the Broad-Based Black Economic Empowerment Act and, where appropriate, to promote:

a) Work opportunities for target groups; and
b) National development goals, such as those identified by the Presidential Infrastructure Coordinating Commission.

14.6.1.2 Not less than 50% of the points allocated to preference in a points scoring system in the evaluation of tenders shall be allocated to Broad-Based Black Economic Empowerment goals.

14.6.1.3 Minimum local content shall be included in contracts in accordance with the Preferential Procurement Regulations issued in terms of the Preferential Procurement Policy Framework Act. Requirements shall be evaluated in tenders through declarations made by tenderers and shall be included in the scope of work associated with the contract.

14.6.2 Permitted targeted procurement procedures

The targeted procurement procedures that may be used to promote social and economic objectives shall include one or more of the following:

a) The granting of preferences;

b) Accelerated rotations on electronic databases, where appropriate;

c) The granting of up to 10% of the total number of evaluation points used to short-list tenderers following a call for expressions of interest;

d) Financial incentives for the attainment of key performance indicators in the performance of the contract; and

e) The creation of contractual obligations to engage target groups in the performance of the contract by establishing requirements for the tendering of subcontracts in terms of a specified procedure, or establishing obligations to attain contract participation goals in accordance with the relevant provisions of SANS 10845.

f) The municipality shall make use of the list of accredited prospective providers on Central Supplier Database residing within the municipality's area of jurisdiction for procurement up to the transaction value of R200 000. This will not apply in instances whereby the service or goods required are not available within the municipality's area of jurisdiction.