



KWAZULU-NATAL PROVINCE
AGRICULTURE AND RURAL DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

DARD

PROCUREMENT STRATEGY

FRAMEWORK

2020 - 2023

FINANCIAL YEAR



1. INTRODUCTION

- 1.1. Government spends billions of Rands each year in the provision of goods and services that are needed to deliver public policy and business objectives.
- 1.2. Good public service outcomes depend on good procurement.
- 1.3. Properly planned and effectively executed procurement is essential for all government organisations.
- 1.4. Section 217(1) of the Constitution of the Republic of South Africa, 1996, stipulates that when an organ of the state in the National, Provincial or Local sphere of Government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system that is fair, equitable, transparent, competitive and cost effective.
- 1.5. To this end, National Treasury developed a regulatory framework for Supply Chain Management within the context of the Constitution and subsequent enabling legislation, which framework determines the underlying support structure that sets the parameters for the executing authorities in the interpretation of the legislation and to reform their supply Chain Management functions in a uniform manner to achieve the greater policy objectives as prescribed by National and Provincial legislation.
- 1.6. This Framework is intended to implement the Supply Chain Management practices as envisaged by the Public Finance Management Act, 1999 and the Treasury Regulations, 2005, 2011 and 2017.
- 1.7. It is the objective of this framework to comply with the PFMA, SCM Instruction Notes and all other relevant legislation to establish mechanisms to identify the risks and internal control weaknesses within the Departmental SCM system and also to develop mitigating strategies and controls.

2. BACKGROUND

- 2.1. In June 2013, the Provincial Government signed the **KwaZulu-Natal Social Accord Implementation Framework** with social partners. Regarding the implementation of local procurement accord in the Province, the partners acknowledged that promoting local procurement of goods and services is critical to building the local economy and stimulating production and job creation.
- 2.2. As important as local procurement is for the economy, similarly social partners recognized that local suppliers of goods and services need to be internationally



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competitive.

- 2.3. The manufacturing sector in particular needs to constantly raise level of production and competitiveness in order to ensure that local buyers of their manufactured goods are offering competitive terms.
- 2.4. The social partners committed themselves to the implementation of the set criteria as stated in the National „buy local“ campaign

3. RELEVANT EXTERNAL DEVELOPMENTS

3.1. KZN PROCUREMENT INDABA CONCERN *(held at the Inkosi Albert Luthuli ICC, 13-14 August 2015)*

- 3.1.1. Public procurement has not proportionately benefited African, in particular, amongst the previously disadvantaged group
- 3.1.2. The current public procurement spent does not reflect the demographics in the province.
- 3.1.3. There is a lack of integrated and coherent approach in the implementation of procurement policy to advance radical economic transformation.
- 3.1.4. There is a lack of effective procurement system that links procurement opportunities to beneficiaries.
- 3.1.5. The inability to implement the KwaZulu-Natal Preferential Procurement Resolution 437 of the 13th December 2011.
- 3.1.6. The inability to ring-fence priority sectors to advance radical economic transformation.
- 3.1.7. Lack of requisite skills by the public service to drive radical economic transformation.

3.2. RESOLUTIONS

- 3.2.1. Government, as allowed by section 217 of the Constitution, must urgently adopt Set Aside and Strategic Targets policy wherein, it benefits the historically disadvantaged, and Black in general and Africans in particular, within the ethos of a developmental state, pro-inclusive economic growth and non-racialism.
 - a) Women (30%),
 - b) Youth (35%),
 - c) people with disabilities (5%),
 - d) military veteran (10%);
 - e) across these targets and the sets aside in general, 60% to Africans.



3.3. CABINET LEKGOTLA RESOLUTION

- 3.3.1. To promote the real economic benefit of targeted groups (women, youth, people with disabilities, military veterans, Africans) within the ethos of pro-inclusivity and non-racialism a concerted effort is required to implement the resolutions of the recent Procurement Indaba, including set-asides.
- 3.3.2. In this regard, the Provincial Treasury needs to re-issue a list of set-asides.

3.4. CABINET RESOLUTIONS

- 3.4.1. Public procurement must be placed at the centre stage for radical economic transformation to influence deployment and investment of resources to promote inclusive growth and real integration of historically disadvantaged
- 3.4.2. Small Business Growth Enterprise to undertake the audit of Provincial and municipal public procurement spend
- 3.4.3. Provincial government ensures that all suppliers doing business with the state are representative of the SA demographics, in particular blacks (Africans in particular), youth, people with disability and women
- 3.4.4. Establishment of Centre of Excellence for Procurement
- 3.4.5. The provincial government to ensure that it leverage modern technology to eliminate fraud and corruption in the issuing of tenders
- 3.4.6. The policy must empower the historically disadvantaged - Black in general and Africans in particular, within the ethos of a developmental state, pro-inclusive economic growth and non-racialism. Women (30%), Youth (35%), people with disabilities (5%), military veteran (10%); across these targets and the sets aside in general, 60% to Africans
- 3.4.7. Procurement opportunities be disaggregated by sector, to ensure that we match opportunities with the skills available within the SMME sector, with the view to balance quality of service and quantity of providers that provide the service
- 3.4.8. Utilise KwaZulu-Natal Economic Council, the provincial government should engage the private sector, to ensure that stronger procurement opportunities are identified, and channelled to small black enterprises
- 3.4.9. Provincial government should strive to roll out training on procurement education, by engaging the Centre for Public Service Training and development and other higher education institutions
- 3.4.10. Government should strive to ensure that it builds capacity on market research and in cost account to ensure that products/services procured by government are market



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driven

- 3.4.11. Submission of BBBEE certificates must be made compulsory
- 3.4.12. EDTEA facilitates and leads the process to establish the Technical Committee to develop the Implementation Plan for the Indaba Resolutions
- 3.4.13. Provincial government ensures that it considers abolishing the 90/10 principle, to a 50/50 and 80/20 principle within given thresholds
- 3.4.14. Change procurement reporting to CFO's to the accounting officers, given the strategic nature of the portfolio and its impact on delivery, whilst maintaining close relationship with the finance unit
- 3.4.15. Emulation of the KZN DPW Contractor development programme as a targeted procurement and alternative delivery model by all Provincial Department, entities, and municipalities and develop supplier database for various supplier opportunities
- 3.4.16. A new sub-Committee on Radical Economic Transformation has been established to oversee the implementation of the new public procurement architecture supported by a technical committee, a legal and SCM expert

4. STRATEGIC SOURCING

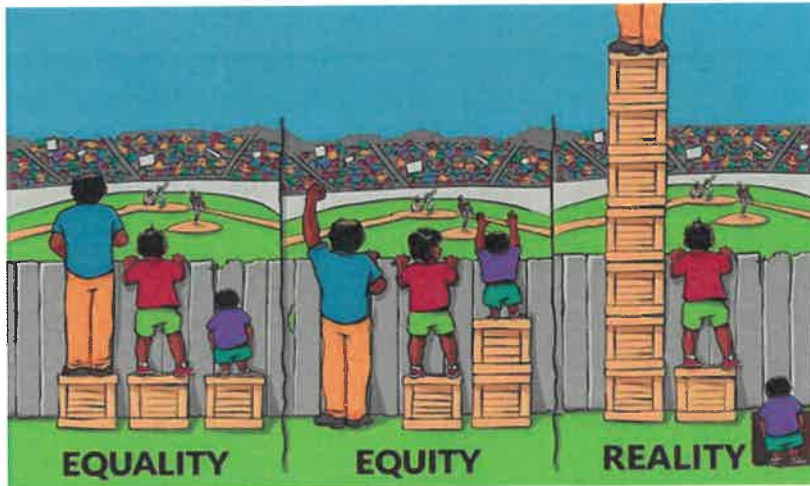
- 4.1. Strategic sourcing initiatives have been around since the mid-nineties, and more recently the public sector has begun implementing similar initiatives. There are some differences between private sector and public sector and one key area is that public sector procurement activities are regulated largely through legislation. In general where regulations apply in the public sector, organisations will have to:
 - 4.1.1. Advertise an intention to procure normally through a competitive bidding process.
 - 4.1.2. Only exclude a tenderer for justified reasons; the evaluation criteria are normally published in the document pack. Give tenderers the reasons why they were not successful in the tender so that they have the option to appeal the decision.
 - 4.1.3. Award the contract based on the results of the evaluation process and the rules set out at the outset.
- 4.2. The successful implementation of strategic sourcing may lead to an improved understanding of government spending patterns that will assist in optimising the budgeting and planning process and enable sourcing practitioners and decision makers to make better informed decisions. Furthermore, deployment of strategic sourcing principles will provide alternative methods to improve services and reduce administrative costs.



- 4.3. Strategic sourcing is a collaborative, structured approach to analysing government's spending; using the information from this analysis to acquire commodities and services effectively; and as a result supporting government's service delivery objectives.
- 4.4. It helps supply chain managers to plan, manage, and develop the supply base in line with these objectives; and creates an understanding of the categories of goods and services in government's spending portfolio, their intended use and the sources of supply. This helps to identify the leverage points, develop appropriate sourcing strategies, reduce costs and increase the benefits and value of the service or commodity to government.
- 4.5. Strategic sourcing involves understanding the impact of purchasing decisions on society and therefore needs an alert and informed group of procurement professionals who can apply this flexible, market-aware methodology.
- 4.6. It is worth mentioning at this stage that Strategic Procurement is NOT the purchase of goods and services on a day-to-day, transactional basis. Instead, Strategic Procurement is the opposite: it is a long term and all-encompassing means of achieving procurement and strategic business goals.
- 4.7. It is, furthermore, a process of understanding categories of goods and services, their intended use and their supply markets based on rigorous analysis, in order to identify the leverage points and to develop the appropriate sourcing strategy which reduces the total cost to government and / or increase the benefits / value of the service / commodity to government.
- 4.8. The form and shape of any procurement strategy adopted by public institutions will vary from organisation to organisation and therefore, it is not possible to be prescriptive. Nevertheless, any strategy which is adopted should reflect the requirements of public procurement and achieve value for money, cost-effectiveness, fairness, transparency and equity. The approach followed by government organisations in procuring goods and services should be linked to the overall strategic objectives of the organisation and into the business planning process.



5. B-BBEE MEASUREMENT



6. B-BBEE ELIGIBILITY

- 6.1. **EME:** R10 million or less using an affidavit or CIPC certificate.
- 6.2. **QSE:** More than R10 million but less than R50 million if a company qualifies as level 1 and 2 use affidavit or CIPC certificate (others- B-BBEE verification certificate).
- 6.3. **Large:** above R50 million.
- 6.4. **Start-up:** measured as an EME (contracts of higher value use QSE or Generic scorecard).
- 6.5. **Joint Ventures:** must be verified.

7. IMPLEMENTATION STRATEGY

- 7.1. The very substantial divide between the current outdated procurement and provisioning practices in government and the new integrated supply chain management function necessitates a phased implementation approach.
- 7.2. To prepare departments for the new concepts, tender boards, in liaison with the relevant treasuries, should begin to significantly delegate their authority to procurement departments so that the latter can begin to build capacity. In this endeavour, accounting officers/authorities should be supported by their relevant treasuries.
- 7.3. Capacity building would include the establishment of supply chain management units in the relevant CFO structures, the establishment of clear 7 lines of authority and accountability and performance criteria for the minimising of risk, quicker and more efficient sourcing and better asset and inventory management.
- 7.4. It is the responsibility of every accounting officer/authority to ensure that their supply chain management personnel are adequately trained.



- 7.5. The policy strategy document and its supporting regulatory frameworks will initially apply to all national and provincial departments, constitutional institutions, public entities as defined in Schedule 3A and 3C of the PFMA, municipalities and municipal entities defined in the MFMA and all school governing bodies.
- 7.6. The policy strategy will be adapted to also include appropriate directives that will be applicable to public entities as defined in schedule 2 of the PFMA, after the amendment of the PPPFA and its associated regulations. The latter Act and its regulations will be aligned with the provisions of the Broad Based Black Economic Empowerment Bill and its supporting Strategy document during 2003, in such a way that preferential procurement targets will be set and incorporated into policy charters that will be issued by the Minister of Trade and Industry. These policy charters and the associated targets will also be applicable to schedule 2 public entities.

8. OVERVIEW OF THE DEPARTMENT WITH REGARDS TO SOURCING

- 8.1. The Department is currently in its infancy regarding strategic sourcing.
- 8.2. Goods and services are procured using conventional procurement methods without a detailed fact finding analysis on the best methods to be utilised to ensure optimal results.
- 8.3. The Department does compile annual Procurement Plans that are monitored on a monthly basis and develops a Demand Management Plan for procurements less than R500,000 (Incl Vat). These two documents would form the basis of the sourcing strategy, but is currently not integrated into one document and are two stand-alone documents, being monitored separately.
- 8.4. Combining the two documents would improve efficiency within the Supply Chain Management Unit and would improve decision making with regards to the best approach to adopt for the procurement of same items within a category. This could lead to bulk purchases which would decrease costs and result in cost saving for the Department.
- 8.5. The Department has, however, embarked on an exercise of analyzing and identifying the targeted spend area, identified the sourcing team, has gathered market information and is developing a team strategy.
- 8.6. This is done in order to achieve the set steps in achieving an effective sourcing strategy as follows:



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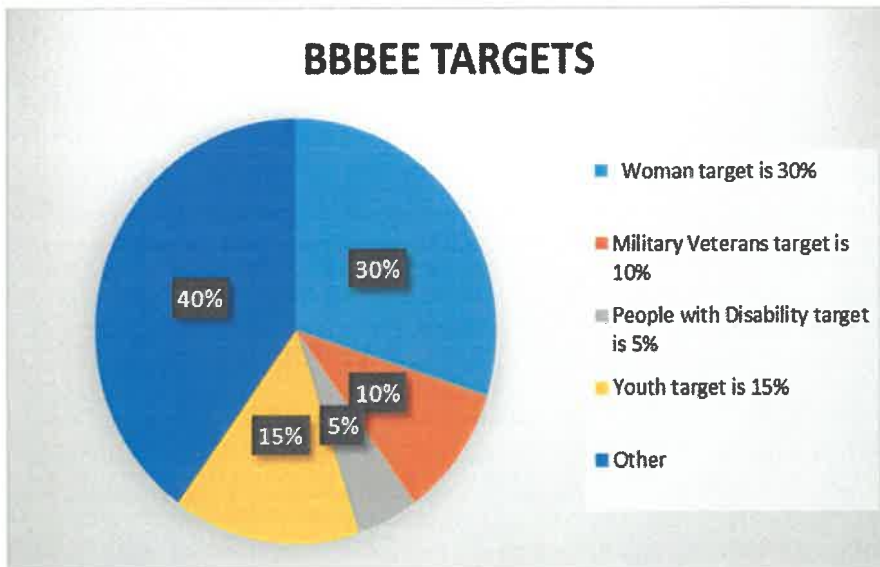
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1. Data collection and spend analysis
2. Market Research
3. Sourcing strategy and supplier identification
4. Negotiations
5. Contracting
6. Implementation and continuous improvement

9. DARD RET PROCUREMENT OBJECTIVES

9.1.1.A holistic and focused strategy to promote Black Economic Empowerment by ensuring that a total of 60% of all bids are awarded to Africans, sub-divided into–

- (a) 30% to Women;
- (b) 10% to Military Veterans;
- (c) 5% to people with Disabilities; and
- (d) 15% to the Youth



9.1.2. for amounts of R 2,000.00 (VAT inclusive) and below, petty cash may be utilised, alternatively a single quotation may be obtained;

9.1.3. for amounts between R 2,001.00 and R10 000.00 At least one (1) written quotations must be obtained. Placing of a purchase order must be based on the written quotation received Invitation, acceptance and award of at least three (3) verbal (telephonic) or written quotations. Placing of a purchase order must be based on the written quotation received.

9.1.4. for amounts between R10 000.00 to R500 000.00 (VAT inclusive), at least three written quotations must be obtained; and



9.1.5. for any amounts of R500 000.00 (VAT inclusive) and above, formal bids must be advertised.

9.2. The following sourcing strategies may be used:

9.2.1. The Department utilises a competitive bidding process to procure, which comprises of the following stages:

- a) compilation of specification or Terms of Reference;
- b) compiling bid documents;
- c) advertisement of bid at least 21 days before closing date;
- d) site briefings, where necessary;
- e) receiving bids;
- f) evaluating bids;
- g) adjudication of bids;
- h) notifying bidders;
- i) appeal's period;
- j) awarding bids; and
- k) contract administration.

9.2.2. Requests for Proposals must be obtained where selection is based both on the quality of a proposal and on the cost of the service through competition among bidders, and must specify what the Department requires and establish evaluation criteria for assessing proposals;

9.2.3. Requests for Information may be utilised in large and complex projects, works of a special nature, or where it may be undesirable or impractical to prepare complete technical specifications, where after amended bid documents for proposals are then requested;

9.2.4. Multiple-Source or closed bidding must be utilised where there is limited competition, and limited prospective bidders are invited to make a proposal, provided that–

9.2.5. this must be based on a thorough analysis of the market with the assistance of Demand Management; and

9.2.6. the rights of other possible suppliers may not be infringed; and

9.2.7. A single-source supplier may be appointed–

9.2.8. When the other purchasing procedures are impractical or otherwise inappropriate, in which event a comparison of prices with goods or services of like



complexity or similar production costs may be used as a substitute for competitive procurement processes, and this method is recommended under the following circumstances:

- 9.2.9. The appointment of unique professional services, where individual expertise is required;
- 9.2.10. Requirements in excess of the initial quantities ordered for the same need, identified through a further need which may arise through unforeseen circumstances, urgency and where the adherence to normal procedures may either prove to be expensive or hinder progress of a project and the invitation of competitive quotes will not be advantageous;

9.3. Where the Accounting Officer has authorised procurement of goods and services—

- 9.3.1. **Sole source** where there is no competition in the market and only supplier who is able to provide the goods or services
- 9.3.2. **Single source** where a thorough analysis of the market and the transparent and equitable pre-selection process is used to decide on one supplier among the few prospective bidders to make a proposal,
- 9.3.3. **Multiple source** where a thorough analysis of the market indicates that there is limited competition and only a few prospective bidders are requested to make a proposal
- 9.3.4. From a supplier who manufactures or renders the relevant goods or services due to the unique nature of the requirements;
- 9.3.5. That are supplied by an Original Equipment Manufacturer or a licensed agent of such manufacturer who is already in the Department's value chain. The authorised agents must produce a letter from the Original Equipment Manufacturer before an award may be made to ensure compatibility, continuity and alignment; or
- 9.3.6. From a supplier who has sole distribution rights or where warranty limitations are applicable.
- 9.3.7. The Department is not obliged to consider an unsolicited proposal but may consider such a proposal if it meets the following requirements:
- 9.3.8. A comprehensive and relevant project feasibility study has established a clear business case; and
- 9.3.9. The product or service involves an innovative design; or
- 9.3.10. The product or service involves an innovative approach to project development and management; or
- 9.3.11. The product or service presents a new and cost-effective method of service delivery.



- 9.3.12. If the unsolicited proposal agreement is concluded, the Department must prepare and issue bid documents, to test the market for the existence of other private entities capable of providing the product or service and adhere to Treasury Instruction Note 11 of 2008/2009 on Unsolicited Proposals.
- 9.3.13. The objectives of contract management are to–
- 9.3.14. Enable the Department to prevent irregular expenditure through early detection of contracts that are about to expire, thereby eliminating extensions;
- 9.3.15. Ensure value for money and continuous improvement through monitoring of supplier performance; and
- 9.3.16. Provide clear and complete records for audit purposes.
- 9.3.17. Department will make use of Transversal Term contract in line with Treasury Regulation 16A 6.5
- 9.3.18. In the absence of a valid contract for Procurement of Maintenance and Repair of plant, machinery and equipment the department will invite quotations
- 9.3.19. All procurement must be in line with SCM Instruction 02 of 2016/17.

9.4. PROCUREMENT IN CASES OF NATIONAL /PROVINCIAL DISASTER/EMERGENCY

9.4.1 When the National/Provincial Government has declared the disaster, the Accounting Officer authorises the procurement of goods, services or works as per the procurement strategies defined in 9.3 of this document, the turnaround time for procurement is therefore reduced to accommodate the required timelines in the acquisition of the goods, services or works required.

10. EFFECTIVE DATE

10.1. This Policy comes into effect on date of signature hereof by the Accounting Officer or otherwise instructed by National Treasury.

MRS APN MADLALA
CHIEF FINANCIAL OFFICER

30/03/2020

DATE

Mr S.D SIBANDE
ACCOUNTING OFFICER

01/04/2020

DATE