7. **DEMAND MANAGEMENT SYSTEM**

Demand Management within the Supply Chain Management (SCM) is an integral part of a series of cross functional activities that contributes to achieving the Strategic and Operational commitments of the Department by understanding and planning what goods, works or services are delivered to the right place, in the right quantity, with the right quality, at the right cost and the right time and from the right source.

Demand Management is the first element of the SCM function and is a cross-functional exercise that brings the Procurement official closer to the User, ensuring that value for money is achieved.

In Demand Management everything starts with the definition of the customer’s service requirements i.e. required reaction time, lead-time reliability, back order and emergency order policies, etc.

Demand management forms an integral part of a series of activities within SCM that will contribute to achieving the measured goals of the Department by ensuring that goods, works or services are delivered as originally envisaged; with a reliable standard of quality and to the satisfaction of end-users.

Demand management ensures that controls exist for management to detect variances early and rectify them in a planned and orderly manner and to foster a culture of compliance, thereby assisting management to achieve its goals.

Managing Planning for results:

(i) When Departments are planning and managing for results it should:

(ii) Have a good understanding of the environment that they operate in;

(iii) Have a clear vision of why they exist, what they need to achieve and how much they are achieving;

(iv) Plan their work whilst keeping in mind a clear set of objectives, activities, outputs, outcomes and measures of success;

(v) Deliver what they have planned – meeting budget, standards of timeliness, quality, accuracy and in a manner consistent with ethical practice;

(vi) Take stock of progress by monitoring, measuring, reviewing and evaluating as they go;

(vii) Learn from success and failure and modify what they do and how they do it.

(viii) Report publicly on results to promote transparency; and

(ix) Seek continuous improvement.

8. **PLANNING AND LINKAGES**

Demand Management includes the following activities:

(a) Understanding future needs;

(b) Identifying critical delivery dates;

(c) Identifying the frequency of need;

(d) Linking the requirement to the budget;

(e) Analysing expenditure based on past spend patterns and future needs;

(f) Determining the specifications;
(g) Conducting a commodity analysis and checking for alternatives at least in case of strategic purchases; and
(h) Conducting an industry analysis in case of strategic purchases.

A typical demand management system will integrate or link the following planning activities:

(a) Strategic planning;
(b) Procurement planning;
(c) Needs analysis; and
(d) Market analysis.

11.1. STRATEGIC PLANNING
The AO must develop and implement a supply chain strategy for his/her SCM Unit which must be reviewed on an annual basis. Such strategy must at least deal with:

(a) SCM vision of the Department;
(b) SCM goals and objectives linked to the Department’s strategic objectives;
(c) Commodity and market analysis in relation to the core functions of the Department;
(d) Identified scarce commodities and procurement options;
(e) strategic partners;
(f) stakeholder involvement in the supply chain cycle;
(g) identified cost drivers;
(h) risk analysis and mitigation measures; and
(i) goods and services to be procured over a five year period.

DRAFTING NOTE:
1. Department to attach or make reference to its annual Procurement Strategy here.
2. The PT has included a template example of a Departmental Procurement strategy which Departments may utilise as a guide in preparing its own Procurement strategy.
3. It must be noted that Departments must adapt and factor in its own bespoke requirement to the strategy on review of its own vision, commodities procured; strategic partners and stakeholders, identified cost drivers, goals and objectives, risk profile and appetite, spend analysis and strategic sourcing requirements.

11.2. OPERATIONAL (PROCUREMENT) PLANNING
The AO must have an annual operational plan, which must be consistent with the SCM Strategy described above, for his/her SCM Unit.

This operational plan (procurement plan) must at least contain the following information:
(a) Goods and services to be procured;
(b) Method of Procurement;
(c) Timelines to execute the procurement action;
(d) Estimated value including all applicable taxes;
(e) Confirmation that funds are available; and
(f) The responsible office or regional office.

**Procurement planning** is one of the important sub-processes within Demand Management but is generally neglected as the responsibility therefore is not attached to a particular unit in Departments.

The development of procurement plans therefore becomes essential to ensure that procurement activities are timely executed and contracts are ideally in place before a new financial year begins. This will ensure that service delivery commences immediately and that there is no lag in expenditure.

Procurement planning must be aligned with the budget cycle and therefore budget holders become key drivers in the development of these plans. Procurement planning in the Province is still at an infant stage but needs to be accelerated as the absence thereof has been attributed for poor service delivery and not meeting Departmental service delivery goals.

The Procurement plan must annually be submitted to the relevant treasuries on a prescribed date and on a quarterly basis reviewed against the budget and the strategic and annual performance plans to ensure its relevance.

**Developing a Procurement Plan**

(a) A Department’s Procurement plan should be developed out of input from the Departmental strategic plan and various planning frameworks that gives effect to the service delivery mandate of the Department. The Procurement plan provides the key link between the Department’s objectives and its detailed operational budgets. To provide this link the procurement plan should reflect the main areas of responsibility or service delivery within the Department’s mandate.

(b) Ideally those responsible to drive procurement in a Department should be involved at an early stage of the budgeting process and should be consulted on the likely cost of given purchases to feed into the budget.
The relationship that procurement officers have with users is important. The users’ prime function is to carry out their normal line function duties but they play a critical role in the demand management process.

When considering demand planning, procurement officers must work with users to encourage them to consider the process as a convenient means of achieving their objectives. The role of users/line functionaries in the demand planning process can be summarised as follows:

(i) Identifying the requirements that they need to procure;
(ii) Providing input to the annual procurement plan;
(iii) Examining options for the goods, services and works required through the procurement process;
(iv) Working with other stakeholders and procurement officers to combine requirements to achieve economies of scale;
(v) Considering packaging options for the requirements with procurement and other stakeholders;
(vi) Developing requirement specifications;
(vii) Considering the analyses within individual procurement plans with procurement officers and other stakeholders; and
(viii) Timing their needs.

Advantages of the procurement planning process

The advantages of the procurement planning process are as follows:

(a) Links are forged between the users/line function, finance section and procurement team from the earliest notion of there being a requirement. Procurement officials are then alerted for any information on the potential requirements.
(b) Economies of scale are gained by uniting the requirements of different areas.
(c) There are no surprises when requirements manifest themselves in later months.
(d) Requirements can be timed to the year-end of economic operators that may be tendering so as to achieve better deals.
(e) Everyone can plan and schedule resources for the coming year more effectively.
(f) Periodic indicative notices can be published on the basis of the procurement plan (these are not obligatory but can help competition by pre-warming economic operators of new opportunities).
Co-operation with other contracting authorities is more fruitful.

The procurement plan is linked to the strategic plan of the contracting authority.

By not instituting procurement planning Departments will likely experience the following consequences:

(a) Stakeholders, the finance Department and the procurement Department would work in isolation, unaware of each other’s needs.

(b) Requirements would be received by the procurement unit, for which no pre-planning would have been possible.

(c) Procurement officers would miss information on the potential requirements because they would not know they existed.

(d) Economies of scale would be lost because the requirements of different areas would be processed separately.

(e) Requirements would not be timed to the year-end of potential economic operators and so better deals could not be achieved.

(f) Resource scheduling would be difficult.

(g) Periodic indicative notices would not be published as easily.

(h) Co-operation with other contracting authorities would be more difficult as visibility of future needs would be limited.

(i) There would be no procurement plan linked to the Departmental strategic plan.

The primary concept of procurement is that advanced planning; scheduling and joint project approach will result in cost savings, more efficient and effective processes, and therefore increased value-for-money. Procurement planning also links the strategy of the Department to procurement activity and individual purchases.

Role of users/line function during the planning stage

(a) The role of users in the procurement process covers the annual planning exercise and the completion of the specific procurement plan.

(b) The users’ prime function is to carry its line function duties. Its involvement in demand planning process is for them a means to an end. Procurement officers must treat users as customers/clients, albeit internal.

(c) When considering demand planning, procurement officers must work with users to encourage them to consider the process as a convenient means of achieving their objectives. The role of users/line functionary in the demand planning process can be summarised as:

(i) Identifying the requirements they need to procure;

(ii) Providing input to the annual procurement plan;

(iii) Examining options for the goods, services and works required with procurement;
(iv) Working with other stakeholders and procurement officers to combine requirements to achieve economies of scale;
(v) Considering packaging options for the requirements with procurement and other stakeholders;
(vi) Developing requirement specifications;
(vii) Considering the analyses within individual procurement plans with procurement officers and other stakeholders; and
(viii) Timing their needs.

1.3. NEEDS ANALYSIS

To inform the Departmental Procurement Plan, a needs analysis must be performed to identify the goods and services required to achieve the outcomes envisaged in the Department’s Strategic Plan. This is an exercise to be performed by the end user (programme manager/responsibility manager) in conjunction with the supply chain practitioner with the assistance of a technical strategic sourcing specialist / analyst as required by the Department. Its aim is to ensure that value for money is achieved. Both current and future needs should be determined based on the strategic plan of the Department.

These needs should be documented in the form of a business case and must contain the following:

(a) High level statement of needs;
(b) Links between the needs and the programme’s strategic outcomes;
(c) Comprehensive understanding of the market and operating environment;
(d) Indication of whole-of-life costs;
(e) Costs / benefits / risks analysis.

The following approach should be followed to developed the business case which should be per commodity (group of related items) and not per individual item.

Table 10: Needs analysis methodology:

<table>
<thead>
<tr>
<th>STEP</th>
<th>ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify the needs</td>
<td>(i) Consult with relevant stakeholders: perspectives, needs, wants, concerns, challenges, opportunities and risks.</td>
</tr>
<tr>
<td></td>
<td>(ii) Identify and prioritise the needs.</td>
</tr>
<tr>
<td></td>
<td>(iii) Develop a high level comprehensive statement of needs.</td>
</tr>
<tr>
<td>Review previous procurements</td>
<td>Review previous/current contract (if any) including:</td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>(i)</td>
<td>quality of delivery - on time, on budget, to specification;</td>
</tr>
<tr>
<td>(ii)</td>
<td>calculate the whole-of-life cost;</td>
</tr>
<tr>
<td>(iii)</td>
<td>supplier’s performance;</td>
</tr>
<tr>
<td>(iv)</td>
<td>performance in managing the contract and relationships with the supplier and stakeholders;</td>
</tr>
<tr>
<td>(v)</td>
<td>benefits, assumptions, intended &amp; unintended consequences;</td>
</tr>
<tr>
<td>(vi)</td>
<td>opportunities for cost/efficiency benefits/gains.</td>
</tr>
</tbody>
</table>

| Supply positioning          | (i) Scan operating environment, including current and future policy considerations; |
|                            | (ii) Identify strategic outcomes and specific business objectives that are to be addressed by the procurement; |
|                            | (iii) Identify sustainability opportunities/issues. |

**History of delivery**

A review of previous procurement, from the identification of needs through supplier selection, performance and results, will greatly inform how to proceed with the project. Actively seeking feedback from all stakeholders involved in the previous procurement is important to identify lessons learned. This means all stakeholders involved from the programme manager, sub-programme manager, contract manager, end-users or recipients of services as well as the supplier. Consider how these lessons can inform and add value to your procurement going forward. It may also be helpful to investigate the outcome of other Department’s procurements for similar goods/services. Consider the problems Departments have encountered and successes they have achieved.

**Spend analysis**

A spend analysis involves identifying all expenditure (contract charges and other costs to the Department) related to the delivery of the goods/services over a period of time (an example would be the annual costs over a contract term of three years). The purpose is to quantify the whole-of-life costs and spend and cost trends. Compare this figure with your estimated budget. If the figures do not match, reconsider the level of budget the Department may require. If the budget is fixed the Department may need to reconsider what level of needs can be met.

**Historic Spend**

Analysing the historic spend, aims to achieve the following:

(a) Look at previous purchases, volumes, economic cost drivers, users, etc.
(b) Price changes by economic operator over time, patterns of change, by niche
(c) Patterns of technology introduction
(d) Changes in market

1.4. **MARKET ANALYSIS**

The need to research the supply market and the contribution of supply market research:
(a) It is essential that procurement officials do proper market research. The Internet makes research a much easier option than it was previously. Supply market research involves understanding the full range of current and potential economic operators, current and potential products and services, and the nature and dynamics of the local and global markets involved, (i.e. cost drivers, name brands, alternatives, where is the market located, etc.).

(b) Procurement officers must not be limited to local country markets; they must extend their research so as to obtain regional and global views, bearing in mind that this also has cost involved as it relates to transport. This research complements current knowledge and experience held by the contracting Department which may be incomplete, fragmented or out-of-date. It aims to build a systematic, in-depth and comprehensive view of the whole market for the requirement in question.

A typical market analysis contains the following:

Table 11: Typical market analysis methodology:

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Market Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market profile</td>
<td>(i) Market size, quantities, local, regional or international nature</td>
</tr>
<tr>
<td></td>
<td>(ii) Commodity make-up</td>
</tr>
<tr>
<td></td>
<td>(iii) Number of economic operators</td>
</tr>
<tr>
<td></td>
<td>(iv) Niches and specialist areas</td>
</tr>
<tr>
<td>Market dynamics</td>
<td>(i) Market cycles, natural and induced</td>
</tr>
<tr>
<td></td>
<td>(ii) Life cycles and how they are changing</td>
</tr>
<tr>
<td></td>
<td>(iii) New segments being created or old ones dying</td>
</tr>
<tr>
<td></td>
<td>(iv) Impact of current and future technology</td>
</tr>
<tr>
<td></td>
<td>(v) Growth or decline, segment differences</td>
</tr>
<tr>
<td></td>
<td>(vi) Profitability changes, where possible and relevant</td>
</tr>
<tr>
<td>Market diversity</td>
<td>(i) Fundamentals of supply and demand in the market</td>
</tr>
<tr>
<td></td>
<td>(ii) Changes in capacity – past, present</td>
</tr>
<tr>
<td></td>
<td>(iii) Changes in demand – past, present</td>
</tr>
<tr>
<td></td>
<td>(iv) Impact of transportation, energy, raw material cost shocks, labour costs, etc.</td>
</tr>
<tr>
<td></td>
<td>(v) Possible technology changes and cost implications</td>
</tr>
<tr>
<td></td>
<td>(vi) Substitutes and allied products available</td>
</tr>
<tr>
<td></td>
<td>(vii) Other products available that are not currently used</td>
</tr>
<tr>
<td></td>
<td>(viii) Value-added – what is available?</td>
</tr>
<tr>
<td></td>
<td>(ix) New/better options/uses being created by innovation and technology</td>
</tr>
<tr>
<td></td>
<td>(x) Location of key global geographic centres and currency and duty impacts</td>
</tr>
<tr>
<td></td>
<td>(xi) Geopolitical impacts, historical and future</td>
</tr>
<tr>
<td></td>
<td>(xii) Barriers to entry</td>
</tr>
</tbody>
</table>
1.5. ROLES AND RESPONSIBILITIES AND PORTFOLIO OF EVIDENCE

Graphically the roles and responsibilities as well as the portfolio of evidence of an effective demand management system can be reflected as follows:

*Figure 12: Demand Management System*

<table>
<thead>
<tr>
<th>ROAD MAP TO DEMAND MANAGEMENT</th>
<th>STEP 1</th>
<th>STEP 2</th>
<th>STEP 3</th>
<th>STEP 4</th>
<th>STEP 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDENTIFY NEED</td>
<td>PLAN FOR NEED</td>
<td>PREPARE DOCS</td>
<td>BID SPEC COMM</td>
<td>APPROACH MARKET</td>
<td></td>
</tr>
<tr>
<td>WHO</td>
<td>WHO</td>
<td>WHO</td>
<td>WHO</td>
<td>WHO</td>
<td></td>
</tr>
<tr>
<td>Budget Holder</td>
<td>Line Function (Lead)</td>
<td>SCM (Lead)</td>
<td>SCM (Facilitate)</td>
<td>SCM (Lead)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SCM (Support)</td>
<td>Line Function (Support)</td>
<td>Line Function (Lead)</td>
<td>Line Function (Support)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LED</td>
<td></td>
<td>Technical, Finance &amp; Legal (Support)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WHEN</td>
<td>WHEN</td>
<td>WHEN</td>
<td>WHEN</td>
<td>WHEN</td>
<td></td>
</tr>
<tr>
<td>During Budget Process</td>
<td>Date as per PP, except Emergency &amp; Ad-Hoc</td>
<td>Date as per PP</td>
<td>Approval date of RFT</td>
<td>Date as per BSC Minutes</td>
<td></td>
</tr>
</tbody>
</table>

PORTFOLIO OF EVIDENCE

1. **Annual Performance Plan (APP)**
2. **Budget Implementation Plan (BIP)**
3. **Procurement Plan (PP)**
4. **Tender Strategy**
5. **Specifications/TOR**
6. **Risk Considerations**
7. **Contract Considerations**
8. **Special Conditions/Min Specs**
9. **Functionality adjudication criteria and weights**
10. **Request for Tender (RFT)**
11. **Cover page**
12. **Index**
13. **Tender documentation (from 2)**
14. **BD’s/GCC/CIDB/TCC/BBEEE**
15. **Form of offer**
16. **Explanation of Procurement process (evaluation mechanism)**
17. **Enquiries**
18. **List of returnable documents**
19. **Draft advertisement**
20. **Appointment letters of BSC**
21. **Declarations of interest**
22. **Agenda**
23. **Minutes**
24. **Tender documentation pack**
25. **Signature of award structure**
26. **Advertisement** (Website/CIDB/Notice Boards/Newspapers/CSD/Gov Gazette)
27. **Bid Register**
28. **PAIA Register**
29. **Bid file**

2. STANDARD BIDDING DOCUMENTS

In order to give effect to the requirements of National Treasury Regulation 16A8 and 16A9 and the spirit and import of National Treasury’s Standard Bidding Documents (SBD) 4, 8 and 9.

The SBD 4, 8 & 9 bidding document therefore captures the following essential requirements:

- Declaration of past performance in relation to contracts;
- Declaration pertaining to bid rigging and collusive practices; and
- Conflict of interest.

Suppliers are required to annually complete the SBD 4 bid document which must be housed on the central supplier database. The onus is on suppliers to update their profile should any information on the bid document
change. Any suppliers detected who submitted false information on the SBD4 bid documents in any respect will be suspended from the database.

Institutions are not required to request completion of the SBD 4 for every tender process, but must use the supplier database information for this purpose. The relevant SBD 4 bid document must be downloaded from the supplier database and kept in the bid file for reference, but only for the successful bidder.

In order to give effect to the requirements of the Preferential Procurement Regulations, 2011, the Provincial Treasury has issued the new SBD 6.1(a) and SBD 6.1(b) bidding documents thereby replacing the current preference claim form utilised in the province.

The SBD 6.1(a) and SBD 6.1(b) bidding documents therefore capture the following essential requirements: BBBEE status in terms of the 80/20 and 90/10 preference points respectively.

Suppliers are required to annually complete the SBD 6.1 bid document which must be housed on the central supplier database. The onus is on suppliers to update their profile should any information on the bid document change. Any suppliers detected who submitted false information on the SBD 6.1 bid document in any respect will be suspended from the database and such supplier must be dealt with in terms of Regulation 13 of the Preferential Procurement Regulations, 2011 and any fronting must be dealt with in terms of the National Department of Trade and Industry prescripts on fronting.

In the event that the SBD 6.1 bid document is not yet available on the supplier database, the institution must obtain a fully completed SBD 6.1 from the recommended bidder before the conclusion of the procurement process.

The other SBD forms issued by the National Treasury include the following:

- SBD 1: Invitation to Bid;
- SBD 2: Tax Clearance Certificate Requirements;
- SBD 3.1: Pricing Schedule – Firm Prices (Purchases)
- SBD 3.2: Pricing Schedule – Non-firm Prices (Purchases);
- SBD 3.3: Pricing Schedule (Professional Services);
- SBD 5: National Industrial Participation Programme; and

The Provincial Treasury may revise the prescribed bidding documents from time to time and issue new requirements when necessary.

3. DEVELOPMENT OF PRODUCT SPECIFICATIONS/TERMS OF REFERENCE
The quality of research and analysis both on the business needs and market informs the development of specification of requirements detailing the nature and scope of the goods/services that will be required to satisfy the needs.
Drafting the Specification

(a) In drafting the specification the following must be considered:

(i) Why are we doing this?
(ii) What results do we need to achieve?
(iii) How will the goods/services be delivered?
(iv) How well – what quality and standards apply?
(v) How much – what quantity or volume is required?
(vi) Where will the goods/services be delivered?
(vii) When will the goods/services be delivered – term of contract?
(viii) Who will be involved in the delivery: supplier / contract manager etc.?

(b) Specifications may be written in various formats. Often the nature of the format will depend upon the type of procurement. Some popular formats include:

(i) Terms of reference
(ii) Description of services
(iii) Scope of work
(iv) Service specification
(v) Specification of goods
(vi) Statement of work
(vii) Scope of requirements

(c) Specifications may be very detailed identifying exactly how a product is used and which features are most and least important. The following questions should be asked when developing specifications for products and services:

(i) What specifications are available on different products in the market?
(ii) Are specifications for these products too high or too low?
(iii) Are we buying features we do not need?
(iv) What do end-users value: durability etc.?
(v) Costs and benefits associated with features / services.
(vi) What if certain features / services were removed (price saving)?
(vii) Should specifications be drafted strictly or in a way that it relaxes the requirement to meet the specification (i.e. depends on the nature of the good or service needed. If goods or service has to strictly match the specification, then specifications are to be drafted as such)
(viii) Conduct specification meeting before drafting bid documents
Are the specifications unambiguous? (I.e. should not be ambiguous).

Specifications must be written broadly enough to encourage competition. The specification must not be so narrow that only a specific product can comply, nor may it be drafted around a specific brand. If, as an exception, a specific brand or trade mark is used in the specification, it must be accompanied by the words “or similar” or “or equivalent” after the brand name or trademark, unless reasons for not doing so are provided.

It is accepted that subjective factors play a role in cases of certain supplies and services such as the aesthetic acceptability of, and personal taste in furniture, specific proven expertise, compatibility or creative thinking connected with certain services and compatibility of sophisticated electronic equipment. However, the Department’s position is that any associated problems can be dealt with through specification clauses and conditions of bidding. In these cases the following broad guidelines apply:

Table 13: Specification guideline

<table>
<thead>
<tr>
<th>SCENARIO</th>
<th>GUIDELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where visible or tangible factors are present, such as the colour or the style of furniture</td>
<td>Being visible or tangible they can be specified and there is usually no reason why experts such as the SABS/SANS should not be approached in good time to draft proper specifications on the grounds of which sound evaluations and recommendations can be made on an organised basis and responsible decisions taken.</td>
</tr>
<tr>
<td>Where compatibility with existing equipment is required</td>
<td>Cases where the required item has to function together with existing equipment, such as office automation equipment: All requirements can be specified, one of which will be that the equipment must integrate with the existing equipment, which must also be specified. Naturally, this specific requirement in the specification will then be a primary criterion when adjudicating offers.</td>
</tr>
<tr>
<td></td>
<td>Cases where the item is required as a direct component of existing equipment: The item is regarded as a proprietary spare part and is therefore so specified, with suitable motivation for the restriction of bids to one or more suppliers.</td>
</tr>
<tr>
<td>Where the knowledge and/or skills of individuals or companies are required in respect of services, such as marketing services, facilitating services, etc.</td>
<td>Although the field of creative thinking is involved here, the output which is desired can be specified and, for purposes of selecting a contractor, certain evaluation criteria can be specified together with weights (point values) attached to each criterion. Evaluation of offers in such cases is carried out by panel of knowledgeable people. Each panel member individually evaluates and allocates points in respect of each criterion and the collective results of allocated points are accepted for final award. The individual allocations must form part of the permanent record of the bid.</td>
</tr>
</tbody>
</table>
(f) In respect of technical equipment, apparatus, machinery and fragile goods, the following must be clearly specified so that they may be priced separately for evaluation purposes:

(i) Whether installation/erection is required;
(ii) Whether servicing/maintenance is required; and
(iii) The guarantee that is required.

Special condition as part of specifications
(a) Special conditions of tender/bid’ are the requirements or rules that the Department sets out in the bid document regarding the procedure for lodging an offer. They are scored as ‘pass/fail’ or ‘yes/no’. Each offer must conform to these conditions to be eligible for further evaluation. An offer that fails to meet these conditions may be rejected as it is deemed to be non-responsive.

(b) It is important to highlight such conditions and provide clear guidance in specifications for suppliers on what they must do to meet them. Sometimes these conditions are referred to as pre-qualifying criteria, special conditions should be used sparingly and only for critical requirements that are essential to the deliverables. Note that there must be a causal link between the conditions and the legally permissible purpose for which it is used, in other words it must have a direct bearing to the goods or services required.

Evaluation criteria as part of specifications
(a) Evaluation criteria as part of specification also require that an evaluation methodology need to be decided upon. When specifications are compiled the manner in how offers will be evaluated must be considered. In this case the following procedure must be followed:

**Table 14: Decision on evaluation criteria guideline**

<table>
<thead>
<tr>
<th>AREA</th>
<th>PROCEDURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation criteria</td>
<td>Establish evaluation criteria</td>
</tr>
<tr>
<td></td>
<td>(a) Prioritise and weight the evaluation criteria.</td>
</tr>
<tr>
<td></td>
<td>(b) Identify what due diligence checks are appropriate</td>
</tr>
<tr>
<td></td>
<td>(c) Identify when each due diligence check will occur</td>
</tr>
<tr>
<td>Decide evaluation methodology</td>
<td>Decide on evaluation model: i.e. lowest price/weighted average etc.</td>
</tr>
<tr>
<td></td>
<td>(a) Is a two envelope system required;</td>
</tr>
<tr>
<td></td>
<td>(b) Develop Rating Scale to guide evaluation panel scoring;</td>
</tr>
<tr>
<td></td>
<td>(c) Determine panel decision making process: mathematical average/panel moderation;</td>
</tr>
<tr>
<td></td>
<td>(d) Identify the information required from suppliers: supplier details/response to requirements/pricing/format etc.</td>
</tr>
<tr>
<td></td>
<td>(e) Identify any required additional steps: interview/presentation/site visit etc.</td>
</tr>
<tr>
<td></td>
<td>(f) Identify any optional additional steps: reserve the right to interview/presentation/site visit etc.</td>
</tr>
</tbody>
</table>
Below is a checklist for the minimum specifications which must be considered for inclusion, where applicable:

**Table 15: Minimum Specification checklist:**

<table>
<thead>
<tr>
<th>SPECIFICATION CHECKLIST</th>
<th>RELEVANT(Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of the requirement</td>
<td></td>
</tr>
<tr>
<td>Background.</td>
<td></td>
</tr>
<tr>
<td>Objective of the project, where applicable.</td>
<td></td>
</tr>
<tr>
<td>Quantity/volume applicable.</td>
<td></td>
</tr>
<tr>
<td>Plans and drawings that reflect the text of the specification. <em>(Please note, that the order of precedence between the drawings and the specifications should be specified.)</em></td>
<td></td>
</tr>
<tr>
<td>Minimum performance requirements.</td>
<td></td>
</tr>
<tr>
<td>Expected outcomes/deliverables.</td>
<td></td>
</tr>
<tr>
<td>Evaluation criteria including the ratio of points as applicable and the quantification thereof.</td>
<td></td>
</tr>
<tr>
<td>The particulars pertaining to the goal to be met, where applicable.</td>
<td></td>
</tr>
<tr>
<td>The delivery date(s), place(s) of delivery and/or the contract period applicable. In the case of period contracts a period of time for completion of the contract must always be prescribed in the relevant bid documents. This period of time must also be precisely stated, e.g. “contract period: 24 months”. Statements such as “within x months” or “before x months” must not be used.</td>
<td></td>
</tr>
<tr>
<td>Schedule for service delivery or completion date.</td>
<td></td>
</tr>
<tr>
<td>Shelf life, where applicable.</td>
<td></td>
</tr>
<tr>
<td>Packaging, where applicable.</td>
<td></td>
</tr>
<tr>
<td>Whether installation/erection is required and if affirmative, an indication of the place/address where the installation/erection is to take place.</td>
<td></td>
</tr>
<tr>
<td>Whether demonstration/training is required and if affirmative, an indication of the place/address where the demonstration/training is to take place.</td>
<td></td>
</tr>
<tr>
<td>Whether a performance guarantee is required. Full particulars, amount and reasons must be given. Performance guarantees should be commensurate with the degree of contractual risk to which the Department is exposed and are normally applicable to large and complex contracts. Performance guarantees should spread the cost of the risk of failure between the contracting parties and should be set at such a level that all municipal costs relating to such failure are likely to be recovered.</td>
<td></td>
</tr>
<tr>
<td>The warrantee requirement and period applicable (time period, parts and labour, onsite service and repair, extended warranty)</td>
<td></td>
</tr>
<tr>
<td>Whether samples must be submitted and whether the samples must be tested before the award of the contract. Reasons for testing should be given.</td>
<td></td>
</tr>
<tr>
<td>Where samples are to be submitted, the special conditions should state that samples must be submitted not later than the closing time or the date and time specified in the bidding documents.</td>
<td></td>
</tr>
<tr>
<td>Indicate inspection, testing, analysis, standards or method requirements, where applicable. Where tests, inspections and analyses are a bid condition, the bid documents should specify that the premises of the bidder should be open at all reasonable hours for inspection by a representative of the Department acting on</td>
<td></td>
</tr>
<tr>
<td>SPECIFICATION CHECKLIST</td>
<td>RELEVANT(Y/N)</td>
</tr>
<tr>
<td>-------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>behalf of the Department.</td>
<td>Y</td>
</tr>
<tr>
<td>Price particulars applicable.</td>
<td>Y</td>
</tr>
<tr>
<td>The most common types of contracts provide for payments on the basis of lump sum prices, unit prices, reimbursable cost plus fees, or combinations thereof.</td>
<td>Y</td>
</tr>
<tr>
<td>Reimbursable cost contracts should be acceptable only in exceptional circumstances, such as conditions of high risk or where costs cannot be determined in advance with sufficient accuracy. Such contracts should include appropriate incentives to limit costs and may only be concluded subject to the approval of the Accounting Officer. It is advisable that the reasons and formal approval for following the reimbursable route are recorded for auditing purposes.</td>
<td>Y</td>
</tr>
<tr>
<td>Indicate in the case of capital goods, whether foreign export credit facilities should be utilized.</td>
<td>Y</td>
</tr>
<tr>
<td>Competency and expertise requirements.</td>
<td>Y</td>
</tr>
<tr>
<td>Reporting requirements, where applicable.</td>
<td>Y</td>
</tr>
<tr>
<td>Available documentation pertaining to the specific project, where applicable.</td>
<td>Y</td>
</tr>
<tr>
<td>Detailed product requirements (materials used, colour, horsepower, minimum and maximum parameters).</td>
<td>Y</td>
</tr>
<tr>
<td>Detailed service requirements (what must be provided, what service performed).</td>
<td>Y</td>
</tr>
<tr>
<td>Performance requirements (what must it do, how is the work performed).</td>
<td>Y</td>
</tr>
<tr>
<td>Product certifications, professional licenses or required training.</td>
<td>Y</td>
</tr>
<tr>
<td>‘Build inspection’ at manufacture’s facility during production.</td>
<td>Y</td>
</tr>
<tr>
<td>Any space or weight restrictions.</td>
<td>Y</td>
</tr>
<tr>
<td>Who handles the installation?</td>
<td>Y</td>
</tr>
<tr>
<td>What utilities are available?</td>
<td>Y</td>
</tr>
<tr>
<td>Training requirements, instructional and maintenance materials such as manuals or DVD’s.</td>
<td>Y</td>
</tr>
<tr>
<td>Delivery instructions.</td>
<td>Y</td>
</tr>
<tr>
<td>When and where is it needed?</td>
<td>Y</td>
</tr>
<tr>
<td>Responsibilities (who hooks up the utilities, removes debris, disposes of the old equipment).</td>
<td>Y</td>
</tr>
</tbody>
</table>

Specifications should be based on relevant characteristics and/or performance requirements. References to brand names, catalogue numbers, or similar classifications should be avoided. If it is necessary to quote a brand name the words “or equivalent” should be added after the reference.

The specification should permit the acceptance of offers for goods which have similar characteristics and which provide performance at least equivalent to those specified. The quality required should not be over specified to the extent that it will be impossible for others to offer such a product.

In the case of period contracts, all specifications, drawings etc. must be numbered. When specifications are amended, the number must be amended also to indicate the year of the amendment. Thus contract ABC/2004 will be amended to ABC/2005 indicating the year of the amendment.
To simplify the evaluation process especially in terms of goods, a space should be left on the right hand side of each page, in which the bidder will indicate whether the offer complies with the specification or not. Particulars of the offer, such as any deviations will also be indicated in this space.

- **Contradictory stipulations**: Care must be taken to guard against obscurities and contradictions in specifications/TOR.

- **Private sector involvement**: It is a sound principle, however not compulsory, that suppliers/service providers of repute should, whenever required, be involved in the drafting of specifications. Therefore, the relevant industrial sector's representative body should, where possible, be involved in the decision of who to invite to attend specification compilation meetings.

- **Statutory requirements**: Care should be taken to ensure that specifications, where applicable, give effect to the requirements set by other control bodies and that they are not in conflict with legal or statutory requirements that have been stipulated.

- **Conditions in specifications**: Bidding and contract conditions must not be included in specifications, but in the rest of the full bid document.

- **Tolerances**: As a rule products cannot be manufactured precisely to dimension. Therefore, a specification of precise dimensions without tolerances will generally not be permitted. The necessary tolerances, which will take one of the following three forms must be set:
  - A minimum dimension.
  - A maximum dimension.
  - A median dimension with a tolerance to either side.

**Other factors**:

Any subjective factors playing a role in the determination of the specification/TOR can be dealt with through specification clauses and specific conditions.

Visible or tangible factors, such as colour or style of furniture can be specified.

Where compatibility with existing equipment is required, three broad groupings are identified:

- Cases where the required item has to function with existing equipment, such as office automation equipment. All requirements can be specified, one of which will be that the equipment must integrate with the existing equipment, which must also be specified. Naturally this will then be a primary criterion when evaluating offers.

- Cases where the item is required as a direct component of existing equipment. The item is regarded as a proprietary spare part and is so specified, with suitable motivation for restricted bidding if required.

- Cases where the required item must be the same as the existing items. It may be necessary, because of the large investment in the existing equipment in terms of capital, inventories and skills, to obtain the relevant
approval beforehand for specifying the particular product by submitting motivation and the proposed procedure to be followed to the relevant delegated authority.

Where the knowledge and/or skills of individuals or companies are required in respect of services, such as advertising services, facilitating services, etc. Although creative thinking is involved here, the output, which is desired, can be specified and for purposes of selecting a contractor certain evaluation criteria can be specified together with points attached to each criterion.

It must be ensured that the SABS is approached in good time for the drafting of proper specifications. Where subjectivity plays a role in a specification, evaluation criteria must form part of the specification. Only then can sound evaluations and recommendations be made on a properly regulated basis and responsible decisions taken in respect of commodities and services.

Where items are required which cannot be specified at all, e.g. the purchase of works of art, the SCMU must be approached beforehand with a motivated application, which includes suggestions regarding the selection procedure, and if necessary, deviation from prescribed procedures.

**Technical equipment:**

In respect of technical equipment, apparatus, machinery and fragile goods, the following must be clearly specified so that they may be priced separately for evaluation purposes:

- Whether installation/erection is required.
- Whether servicing/maintenance is required.
- Whether demonstration/training is required.
- The warranty, which is required.
- Whether licenses are required and its related fees.

**Servicing and maintenance can be divided into the following categories namely:**

- Computer Hardware
- Normal maintenance

This would entail a contract for the repair of any broken components of the installed equipment. This might either be during or after the warranty period and should be indicated in the specification if required.

Maintenance costs are to be specified in terms of hourly tariffs for labour and the actual cost of materials. Therefore, a list of the materials is to be included in the bidding documents.

- **Preventative maintenance:** Preventative maintenance entails a service that is supplied to Municipality to keep the equipment in running order. The details will not be specified in the bidding documents. However,
where it is known beforehand that certain parts will have to be replaced on a regular basis, these details (how, when, where and on what equipment) must be specified in the bidding documents. Any repairs done should be covered in the normal maintenance contract.

- **Support/standby services:** If the municipality does not wish to enter into maintenance and/or a preventive maintenance contract, a contract for the services of a skilled consultant/individual to rectify faults on equipment may be entered into on an as-and-when required basis.

- **Computer Software:** The municipality purchases the right to install a certain software product. After the initial license purchase with a number of concurrent users, the following fees are payable:
  - Entering into an optional maintenance agreement - this would ensure that all version changes, new releases etc. are supplied at the nominal monthly/annual cost as determined in the contract.
  - License fees - normally the software houses require that the Department pay renewal/license fees for the continual use of the product. This amount should normally be paid annually in advance.

In both cases the contract period must be determined and specified as open-ended contracts are not allowed.

**User specifications versus technical specifications:**
A technical specification determines mainly observable characteristics, such as the dimensions of the product and the material of which the product is to be manufactured. A user specification on the other hand describes mainly the result, which is to be achieved and how compliance is to be tested. The onus then rests on the supplier to offer a suitable product. Where appropriate, a special condition must prescribe that the bidder must substantiate its offer by means of a suitable certificate.

It is desirable, wherever possible in practice, to make use of user specifications. These are usually easier to draw up and they stimulate technological development and competition.

**Specific brands or trademarks only:**
If in exceptional cases a specific brand name or trademark is used in the specification the words “or equivalent” must be inserted after the brand name or trademark, unless reasons for doing so are provided and approved accordingly.

Specifying a brand name is acceptable where existing equipment is involved and the item comprises a component thereof, which must be of the same brand.

Fully motivated requests for the invitation of bids from multiple/single/sole source providers for a specific brand name or trade mark only must be submitted to the relevant award structure for approval prior to the invitation of the bid.
4. PROVINCIAL PREFERENTIAL PROCUREMENT POLICY

The Constitution of the Republic of South Africa, 1996 in section 217 requires an organ of state to contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive and cost effective and to implement a Preferential Procurement Policy to grant preferences within a framework prescribed by National Legislation.

A National Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)-[PPPFA] was promulgated in response to the Constitutional provision and allow for an organ of state to develop a preferential procurement policy and to implement such policy within the PPPFA and the frameworks augmented by the PPPFA Regulations in 2011.

Till date the Provincial Government applied the 80/20 and 90/10 preference framework prescribed by the PPPFA Regulations, but has not yet adopted its own Preferential Procurement Policy.

A Provincial Preferential Procurement Policy will allow the Province to mandate targeting procurement the North West Provincial Government to:

- Continue to redress the skewed employment and ownership patterns in the greater North West Provincial Government area.
- Achieve the above by providing procurement and employment opportunities to SMME’s, entrepreneurs, co-ops and VTSD’s.
- Enable socio-economic transformation objectives to be linked to fair, transparent, equitable, competitive and cost effective procurement practices that will encourage the entry of emerging business into the North West Provincial Government Area procurement, transformation and empowerment within nascent businesses, and the use as an instrument of Local Economic Development (LED) and redistribution or as directed by the Executive support of the VTSD’s.
- Establish a society based on democratic values, social justice and fundamental human rights.
- Lay the foundations for a democratic and open society in which government is based on the will of the people and every citizen is equally protected by law.
- Improve the quality of life of all citizens and free the potential of each person.
- Build a united, non-racist, non-sexist, democratic and prosperous North West Provincial Government.

Considering the mandates provided this Policy will for the 2016/17 financial year strive to achieve the following targets:

<table>
<thead>
<tr>
<th>POLICY OBJECTIVE</th>
<th>TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Redressing skewed business ownership patterns along gender and racial lines

- The market-share of black businesses to be at least 60% and women businesses 20% of all Provincial procurement.

Improve market share of small business

- The market-share of SMME’s to be at least 30% of all Provincial procurement.

Improve the local economic market (VTSD’s)

- The market-share of local businesses (VTSD’s) to be at least 70% of all Provincial procurement.
- At least 35% of procurement must be from business that formed co-operatives, consortiums or joint ventures with VTSD’s

Employment of semi- & unskilled workers

- At least 70% of construction and related sector wage and allowance costs must represent local labour in relation to unskilled and semi-skilled opportunities.

Empowerment of registered indigents

- At least 25% of unskilled work must be targeted towards registered indigents

Ensure equitable work distribution in North West Provincial Government

- Develop a rotation mechanism to employ Provincial local businesses registered on the Supplier Database for viable projects.

In executing the identified targets, Departments as part of their Demand Management System will have to determine the Tender Strategy per tender/bid and include identified targets as special conditions.

The following policy statements will guide the Tender Strategies:

**Application**

- This Policy will apply to all active industry sectors, Provincial Departments and Public Entities in the North West Provincial Government.
- This Policy must be read with the North West Provincial Government’s SCM System.
- Construction tenders will also have to adhere to the requirements of the CIDBA.
- In determining the tender strategy the Bid Specification Committee needs to consider which portions of this Policy will apply to which portions of a tender, geographical area, timeframes and deliverables.

**Uniformity and simplification**

- Tender documents will be rationalised and simplified.
➢ Tender documents will include all certificates, declarations and preference requirements.
➢ Where possible standardised contract templates will form part of tender documents.
➢ Contracts will include payment cycles linked to delivery and performance reporting cycles.

Database
➢ A supplier database will be maintained, being the Intendo SCM System and [ISS] and/or National Treasury Centralised Supplier Database [CSD].
➢ The supplier’s database will be updated on an annual basis.
➢ In determining the tender strategy the Bid Specification Committee needs to consider whether a pre-approved database or roster system will ensure more equitable work distribution and how such mechanism will apply per tender.

Unbundling
➢ Procurement for goods and services must, where practical, be unbundled without incurring undue negative impacts on the quality, time and cost parameters of such goods and services.
➢ The following unbundling strategies could be pursued, if stated as such in the conditions of tender:
   • Obligating large contractors to engage small businesses in the performance of their contracts.
   • Requiring joint venture/consortium/co-op formation between large businesses and small businesses.
   • Requiring the formation of co-operatives.
   • Providing third-party management support to enterprises which are not capable of operating as prime contractors.
   • Rotation mechanisms.
   • Nominated Sub-Contracting or specific sub-contracting arrangements.
➢ Unbundling strategies can be afforded to the full spectrum of businesses, from those operating as labor only contractors to those operating as prime contractors.
➢ Unbundling strategies do not include the breaking down of projects into smaller portions to remain below certain threshold values or creating additional contracts.

Payment cycles
➢ The payment of invoices is dependent on timely invoicing, approval of invoices and on the payment administration. Responsible officials must process approved invoices within 30 days of receiving a valid invoice, unless otherwise provided for in the contract.
- Reasons for not approving an invoice must be communicated to the tenderer prior to the lapsing of the said 30 days.
- Officials must endeavor to, where feasible, process invoices of VTSD’s and SMME’s within 15 days in order to promote their cash flow position.
- Depending on the commodity and the procurement process adopted, deposits, establishment fees, upfront payments, front-loaded payments, etc. may be allowed if provided for in the tender specifications and contract provisions. Appropriate control mechanisms and guarantees must support such payments.

**Performance guarantees**

- The following level of sureties or guarantees will be introduced as a minimum, based on the risk exposure and type of contract, where relevant:

<table>
<thead>
<tr>
<th>TYPE</th>
<th>DEFINITION</th>
<th>LEVEL OF SURETY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>Onerous requirements</td>
<td>6% for R 3m to R 5 m contract value</td>
</tr>
<tr>
<td></td>
<td>High contract value</td>
<td>10% above R 5m contract value</td>
</tr>
<tr>
<td></td>
<td>Large scale development</td>
<td></td>
</tr>
<tr>
<td>Minor</td>
<td>Risks are judged to be acceptable</td>
<td>3% for between R1,5m to</td>
</tr>
<tr>
<td></td>
<td>Low value</td>
<td>R 3m contract value</td>
</tr>
<tr>
<td></td>
<td>Straight-forward work</td>
<td></td>
</tr>
<tr>
<td>Micro</td>
<td>Risks are judged to be limited or non-existent</td>
<td>0% for R 1,5 m contract value</td>
</tr>
<tr>
<td></td>
<td>Low value</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Limited document flow</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Short term project</td>
<td></td>
</tr>
</tbody>
</table>

**Declarations**

- The stipulations of the PPPFA, PFMA and SCM Regulations will apply.
- In the case of joint ventures or consortiums, it is accepted that in some instances those entities will not be legally established at the time of tender evaluation. In these instances, an agreement of intent as well as separate BBB-EE certificates issued per institution will suffice. Preference scoring however will only be allocated as per PPPFA Regulations 11(6) & (7).
- Bidders may at any time be requested by North West Provincial Government to substantiate preference claims.

**Skills transfer**

- Skills transfer is promoted and the North West Provincial Government will endeavor to support VTSD’s, SMME’s and B-BBEE enterprises skills transfer through:
  - Proper contract management.
  - Provision of adequate information of why tenders were not successful.
- Develop and provide compulsory training sessions for small suppliers as part of the Provincial Supplier Management programme.
- Promoting access to uniform and standardized bid documents with proper instructions for completion.
- Promoting the YES [Youth Entrepreneurship Programme].

CSI – Corporate Social Investment

- Corporate social investment (CSI) is defined as contributions (either monetary, employee time and/or resources) which bring benefits over and above those directly associated with the relevant business core business activities.
- Depending on the principles of fairness and cost-effectiveness, the relevant commodity required and the profile of the supply industry, the Province may require that specific CSI contributions are made in line with targets identified in Part 7 below.
- It is specifically recorded that NO CSI contributions in monetary terms will be requested.

Agriculture produce

- With the adoption of the AgriBEE Sector Codes in 2012, larger enterprises, as per Code 5.5, are encouraged to procure agricultural produce in line with an organ of state’s Preferential Procurement Policy.
- Section 10 of the BBBEE Act, 2003 [as amended] also prescribes that an organ of state must apply the Code when developing and implementing its preferential procurement policy.
- Departments must therefore ensure that when agricultural products or produce are procured, the service providers must procure such products or produce from the VTSD’s in line with the targets determined in paragraph 3.5 above.

A Guideline Questionnaire has been designed to assist Departments with determining appropriate tender/bid strategies that makes financial and business sense and is considerate of the supply industry, specific commodities and past trends, which is obtainable from the PT: PCPO.

PROCUREMENT PROCESS AND CONDITIONS

The SCM System of each Department will guide the relevant SCM activities required.

Once adopted by Council, the PPPFA Policy together with the guideline questionnaire will be issued to departments and public entities as a Provincial Treasury Instruction in terms of section 18 of the PFMA.

Bid Specification Committee members will determine preferential procurement targets during the development of the tender documents for tenders in excess of R 500 000.

For quotations below R 500 000, quotations will first be obtained from VTSD’s and if not possible, with
appropriate approval from a delegated authority, solicited from Provincial suppliers and thereafter from suppliers in the country.

To ensure continuous improvement of the aforesaid targets the Quotation Mechanisms or Bid Specification Committees, whichever relevant, for all tenders and bids, must develop a Tender Strategy per tender/bid. A toolkit must form part of the Bid Committee SOP to guide the development of a Tender Strategy.

The most recent judgement that dealt with how organs of state should prepare tender documents and evaluate and adjudicate bid proposals was the *Rainbow Civils CC v Minister of Transport and Public Works, Western Cape 2013 ZAWCHC 3 (6 February 2013)*, which process will also apply in the implementation of the this Policy:

### STEP 1

**Minimum content in the preparation of tender/ bid documentation**

<table>
<thead>
<tr>
<th>Conditions and special conditions of tender (inclusive of tender strategies, social and economic development conditions - not local content as defined in the PPPFA Regulations of 2011, but social and economic development as defined in organ of state's PPPFA Policy [Constitution, section 152(c) and PPPFA section 2(1)]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative and legal requirements</td>
</tr>
<tr>
<td>Minimum specifications</td>
</tr>
<tr>
<td>Functionality requirements, weights, scores and threshold</td>
</tr>
<tr>
<td>Pricing requirements</td>
</tr>
<tr>
<td>Preference requirements</td>
</tr>
<tr>
<td>Evaluation mechanism to be applied</td>
</tr>
</tbody>
</table>

### STEP 2

**Evaluation process following a phased approach**

<table>
<thead>
<tr>
<th>Phase A</th>
<th>Acceptable tender as per PPPFA section 1 - Compliance with conditions and special conditions, legislative and legal requirements and minimum specifications.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If responsive move to</td>
<td></td>
</tr>
<tr>
<td>Phase B</td>
<td>Functionality scoring – must meet threshold requirements as per PPPFA Regulations 4</td>
</tr>
<tr>
<td>If responsive, move to</td>
<td></td>
</tr>
<tr>
<td>Phase C</td>
<td>Price and Preference scoring, as per PPPFA Regulations 5 or 6</td>
</tr>
<tr>
<td>Once scored and listed in order of points, move to</td>
<td></td>
</tr>
<tr>
<td>Phase D</td>
<td>Phase D – Consideration of additional objective criteria as per PPPFA section 2(1)(f)</td>
</tr>
</tbody>
</table>
5. STRATEGIC SOURCING

The sourcing strategy shall determine where the goods and services can be obtained and through which selection mechanism.

The sourcing strategy shall address value for money principles.

All possible methods of obtaining the requirements should be investigated, such as:

a. Obtaining the goods and/or services by means of a transversal term contract;
b. Could other institutions satisfy the requirements at a better price;
c. Are the requirements available on the list of redundant/obsolete material/goods from other institutions.

The optimum sourcing strategy and technique should be used, taking due cognizance of the nature of the commodity or service required, the conditions of delivery, among others, just-in-time-delivery, the prospective suppliers and the goals to be promoted as contemplated in the PPPFA.

Sourcing strategies might include:

a. Utilising transversal term contracts;
b. Local versus international sourcing;
c. Utilising a paper-based bidding system, which may include obtaining quotations, inviting competitive bids, pre-qualification of bidders and two-stage bidding;
d. Utilising E-procurement; and
e. Negotiations.

HOW TO PERFORM STRATEGIC SOURCING

Determine the lifecycle cost of each commodity. Lifecycle cost is a tool for applying the total cost of ownership (TCO) principle. Lifecycle costing includes costs associated from the commencement of the budgeting process until the requirement is disposed of.

Determine the total cost of ownership for each commodity. Total cost of ownership (TCO) is widely used for decisions on ownership of assets. It is based on the fact that all costs applicable to ownership should be included in any analysis where decisions should be made on the options of owning a capability or the contracting for the supply or the service.

Setting benchmarks for complying with targets.

Commence with the identification of contract conditions.
A sourcing strategy provides an indication of where the required goods and/or services may be procured, in the best interest of the municipality.

Requirements are not necessarily satisfied from outside sources only. All possible sources of supply are to be investigated.

The most appropriate method of satisfying the requirement is to be established. In this regard, the range of processes as defined in the subsequent sections, are to be considered.

One aspect is for instance to investigate the possibility of placing single orders with staggered deliveries in order to meet requirements as they arise, or utilizing the just in time (JIT) principle