

The contract management provisions above are applicable only to contracts for the provision of goods and services.

PART B
INFRASTRUCTURE PROCUREMENT
POLICY

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Infrastructure Procurement and Delivery Management Policy

Preamble

This policy is aligned with the provisions of the MFMA Circular 77, Model SCM policy for Infrastructure Procurement and Delivery Management, and is consistent with the provisions of the National Treasury Standard for Infrastructure Procurement and Delivery Management.

Organs of state requiring infrastructure projects need to perform the following basic client functions as necessary:

- initiate and finance projects, approve or change the project brief or requirements and own the business case;
- put in place the delivery team that is required to deliver infrastructure projects;
- pay contracted resources on time;
- provide client leadership and direction to and accept the outputs of the delivery team;
- set the delivery team up for successful delivery and remove obstacles or blockages to progress;
- ensure that adequate maintenance regimes and protocols are put in place to ensure long term sustainability of infrastructure projects;
- ensure compliance with legislative provisions including those relating to health, safety and the environment;
- oversee the management of scope (demand), budgets and cash flows, procurement of implementation resources, payment of contracted persons, accounting for expenditure, compliance with legislation, etc.; and
- lead engagements with internal and external stakeholders and utilities.

The principal role of a client is to ensure that a solution to the business case for a project is achieved. As a client, Sekhukhune District Municipality (SDM) owns the business case of the project and is accountable for project outcomes. Accordingly, SDM as a client needs to provide effective leadership of the project throughout the project life cycle, commencing at a strategic level and ending at the close out of a project after SDM has accepted and commenced operation of the infrastructure project that is delivered. Effective leadership by SDM is achieved through knowledgeable client delivery

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management, effective governance and procurement arrangements, which are underpinned by this infrastructure procurement and delivery management policy.

SDM needs to contract the necessary resources to deliver the required infrastructure projects. The procurement of general goods and services for consumption usually involves the direct acquisition of products and services which are standard, well-defined and readily scoped and specified. The process normally involves the production of a specification which then forms the requisition. An immediate choice can be made in terms of the cost of goods and services satisfying the specified requirements, which can be paid for upon delivery.

There are many more risks to manage in infrastructure procurement than for general goods and services, due to many risks which can manifest during the delivery of the project. In addition, infrastructure requirements are often established from a perspective of desired performance, rather than a well-defined specification. A range of different combinations of goods and services with differing characteristics such as initial cost, reliability, life-cycle costs, and operating costs may satisfy performance requirements. An infrastructure product is also usually delivered and paid for incrementally over a period and is "manufactured" on a site. For these reasons, infrastructure procurement needs to be treated differently to the procurement of general goods and services, and hence a dedicated policy for infrastructure procurement and delivery management is required.

Section 217 of the Constitution requires that the procurement system be fair, equitable, transparent, competitive and cost effective and permits a deviation from these requirements to implement a preferential procurement policy in accordance with the requirements of the Preferential Procurement

Section 195 of the Constitution requires that the public administration must promote the efficient, economic and effective use of resources (value for money). This policy is structured to comply with these constitutional imperatives in the area of infrastructure procurement and delivery management.

The Municipal Finance Management Act (section 115) and the Municipal Supply Chain Management Regulations (regulations 4 and 5) make the Municipal Manager responsible for implementing the supply chain management policy of the municipality and allows the Municipal Manager to subdelegate responsibility for implementing aspects of the policy to other officials in the Municipality.

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1 Purpose

The purpose of this policy is to establish an approved procurement and delivery management system for SDM aligned with the provisions of Section 217 of the Constitution, the Local Government: Municipal Finance Management Act of 2003 and the Preferential Procurement Policy Framework Act of 2000, which promotes the efficient, economic and effective use of resources in the procurement and delivery of infrastructure projects.

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2 Scope

This document establishes the SDM policy for infrastructure procurement and delivery management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity. It excludes:

- a) the storage of goods and equipment following their delivery prior to being issued to contractors or to employees;
- b) the disposal or letting of land;
- c) the conclusion of land availability agreements;
- d) the leasing or rental of moveable assets;
- e) public private partnerships; and
- f) the provisions of municipal services by means of external mechanisms referred to in Chapter 8 of the Municipal Systems Act.

This policy does not include any sub-delegations from the Municipal Manager to other officials in the Municipality, which shall be dealt with separately by the Municipal Manager.

3 Definition of concepts

Infrastructure comprises immovable assets which are acquired, constructed or which result from construction operations and includes moveable assets which cannot function independently from purpose built immovable assets. It includes Information and Communication Technology (ICT) networks and systems that are used to communicate and to create disseminate, store and manage information.

Procurement is the process which creates, manages and fulfils contracts. Procurement commences once a need for goods and services or any combination thereof has been identified and it ends when the goods are received and the services are completed and contracts closed out. There are accordingly three phases to the procurement process associated with infrastructure, namely:

- a planning phase during which decisions are made as to what, where and when goods and services are required, which project delivery route is to be pursued and what is the number, type, nature and timing of the required contracts;
- an acquisition phase during which contracts are entered into following the execution of a selection procedure; and
- a contract management (or contract administration) phase during which compliance with requirements, changes in requirements and risk events which manifest during the execution of contracts are managed.

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Infrastructure delivery management is the critical leadership role played by a knowledgeable client to deliver infrastructure projects efficiently and effectively, resulting in value for money. Infrastructure delivery management includes knowledgeable leadership, consistent governance and systematic administration of infrastructure procurement, contracts and project finances.

Delivery management activities commence with the SDM vision and business objectives, which inform its spatial vision and the continuous assessment of needs for more infrastructure or to modify or to maintain the functionality of existing infrastructure. In the case of new infrastructure or the rehabilitation, refurbishment or alteration of infrastructure, delivery management activities involve planning at a programme and project level and the procurement and management of a network of suppliers, including professional services, contractors and subcontractors to design, detail, deliver, rehabilitate, refurbish or alter infrastructure on a site.

Value for money refers to a project that is well worth the money spent on it. It is the effective, efficient and economic use of resources, or the optimal use of resources, to achieve intended outcomes. Value for money is the attainment of a desirable or satisfactory outcome in relation to a carefully considered budget. In the context of infrastructure projects, final value is benchmarked against the client's value proposition, usually set at the outset of the project and perhaps modified at the start of construction or supply.

4 Principles, procedures and delegations

4.1 Delegations

4.1.1 The Council of SDM 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.

4.1.2 No departure shall be made from the provisions of this policy without the approval of the Municipal Manager of SDM.

4.1.3 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 the policy and the equivalent policy of any municipal entity under the sole or shared control of SDM, to the council of SDM / within 20 days of the end of each financial year,

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- submit a report on the implementation of this policy to the board of directors, who must then submit the report to the Municipal Manager of SDM for submission to the council;
- 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.

4.2 Delivery of infrastructure projects

4.2.1 General

4.2.1.1 The Director: Engineering Services shall for each infrastructure project or group of infrastructure projects, appoint a client delivery manager to perform the roles and functions as described in Annex A.

4.2.1.2 The appointed client delivery manager shall establish a competent client delivery management team and a competent delivery team (see Annex A) to implement the project or group of projects.

4.2.1.3 The project governance arrangements for infrastructure projects shall be as described in Annex B. The senior line manager overseeing infrastructure delivery is the Director: Engineering Services who shall appoint the members of project steering committees which shall meet at least once a quarter.

4.2.1.4 SDM shall directly employ, or work towards the direct employment of a client delivery manager and the staff necessary to effectively function as the client delivery management administrative team as described in Annex A. The client delivery manager and team shall provide knowledgeable leadership and administration and support the governance functions associated with infrastructure procurement and delivery.

4.2.2 Control framework for the planning, design and execution of infrastructure projects

4.2.2.1 The control framework for the planning, design and execution of infrastructure projects shall comprise the stages, gates and key deliverables as set out in Annex E. The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1. The client delivery manager shall ensure that all relevant approvals and acceptances that are obtained are recorded on suitable templates and are retained for record purposes in a secured environment for a period of not less than five years after such acceptance.

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Table 1: End of stage deliverables requiring approval or acceptance by the Municipal Manager or his/her delegate

| Stage | | Person assigned the responsibility for approving or accepting end of stage deliverables |
|-------|--------------------------|--|
| No | Name | |
| 0 | Project initiation | Municipal Manager or his/her delegate approves the initiation of the project |
| 1 | Infrastructure planning | Municipal Manager or his or her delegate approves the infrastructure management plan |
| 2 | Strategic resourcing | Municipal Manager or his or her delegate approves the delivery and / or procurement strategy |
| 3 | Pre-feasibility | Municipal Manager or his/her delegate accepts the pre-feasibility report |
| | Preparation and briefing | Municipal Manager or his/her delegate accepts the strategic brief |
| 4 | Feasibility | Municipal Manager or his/her delegate accepts the feasibility report other than a PPP Municipal Manager or his/her delegate accepts the feasibility report for a PPP |
| | Concept and viability | Municipal Manager or his/her delegate accepts the concept report |
| 5 | Design development | Municipal Manager or his/her delegate or his or her delegate accepts the design development report |
| 6 | Design documentation | 6A Production information Municipal Manager or his/her delegate or his or her delegate 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 (person or entity appointed by ADM to administer the contract) 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 | Municipal Manager or his/her delegate accepts liability for the works |
| 9 | Package completion | The contract manager 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 Municipal Manager or his/her delegate or his or her delegate accepts the close out report |

4.2.2.2 The approval of the infrastructure plan and the securing of the necessary budget shall be obtained prior to advancing to stage 3. Such approval may be for the whole or a part of the SDM's infrastructure budget. All subsequent stages shall only proceed if the necessary budget is in place.

4.2.2.3 Prefeasibility and feasibility reports shall be undertaken, where one or more of the following applies:

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- a) the Director Engineering Services (DES) or his or her delegate instructs that a prefeasibility and feasibility report be undertaken;
 - 1) where the project delivery route (see Annex D) involves a design, build and operate contract;
 - 2) the project comprises infrastructure which requires special design considerations (e.g. new / untried technologies).

4.2.2.4 The DES or his or her delegate shall, prior to acquiring existing infrastructure, approve:

- a) a valuation and due diligence report relating to the purchase of existing infrastructure which demonstrates the value for money proposition of the acquisition; or
- b) a favourable due diligence report which establishes the potential usage and benefits, ownership risks and liabilities, status assessment and financial implications of infrastructure which is to be donated.

4.2.2.5 The DES or his or her delegate may, if deemed necessary, appoint a gateway review team to undertake a gateway review of the stage 4, 5 and 8 deliverables in the control framework for the planning, design and execution of infrastructure projects prior to making a final decision to proceed with a project in accordance with the provisions of Annex E. The DES or his or her delegate shall nevertheless appoint a gateway review team to review:

- a) the end-of stage 4 deliverable on all major capital projects (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) where the estimated cost inclusive of VAT exceeds R 50 million / R 100 million and notify the provincial Treasury three weeks prior to the conducting of the review, together with the names and qualifications of the reviewers and the time frames for the review so that the provincial Treasury can nominate additional persons to serve on the review team; and
- b) any of the end-of -stage deliverable following the receipt of a notification of a required review and the focus of the review from the provincial Treasury.

4.2.2.6 The DES or his or her delegate may appoint a gateway review team to undertake a gateway review of the stage 4 deliverable in the control framework for the planning, design and execution of infrastructure projects prior to making a final decision to proceed with a project in accordance with the provisions of Annex E. 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 (risks that pose a significant risk to the project or package) have been addressed in the stage 4 end-of-stage deliverable.

4.2.3 Oversight requirements

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4.2.3.1 The client delivery manager shall, appropriate to the adopted project delivery route for the delivery of new or altered, refurbished or rehabilitated infrastructure (see Annex D), ensure that there is a level of expertise and resources that are available to ensure that:

- a) contracts which include infrastructure are entered into as an informed client;
- b) due diligence is undertaken at an appropriate level to confirm that the requirements of a contract which includes infrastructure is actually delivered in accordance with the terms of that contract; and
- c) an appropriate level of independent scrutiny is undertaken in relation to all aspects of design and construction or installation that are in effect largely or partly self-certified by those producing them.

4.2.3.2 A contract manager, who may or may not be a member of staff, shall be appointed to administer infrastructure projects on behalf of SDM. Such a person shall act as stated in the contract that is entered into, subject to any constraints that may be imposed by SDM and this policy and:

- a) provide all relevant data associated with the contract which is required for reporting and cashflow purposes;
- b) make an assessment of the amount due in terms of the contract and certify payment; and
- c) revise the forecast of the final total of the prices of the contract whenever a change in the prices occurs in accordance with the provisions of the contract.

4.2.3.3 The contract manager 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 other than ICT, shall be registered in a professional category of registration appropriate to the work being undertaken 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

4.2.3.4 The client delivery manager shall ensure that financial data is gathered to enable a financial report to be generated at regular intervals which:

- a) lists the packages (work which has been grouped together for delivery under a single contract or an order issued in terms of a framework agreement) 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) expenditure committed to date;
 - 3) actual expenditure to date;
 - 4) remaining budget for the year;
 - 5) forecast expenditure for the remainder of the year; and

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- 6) forecast over/under expenditure for the year;
- c) indicates professional fees associated with a project or package; and
- d) enables "actual" versus "committed" and "planned" expenditure to be compared.

4.2.3.5 Payment shall be made by the SDM against the amount certified by the contract manager. Any corrections to a certified amount other than a final amount shall be effected in the subsequent payment certificate.

4.2.4 Implementation plans and control budgets

4.2.4.1 The client delivery manager shall ensure that an implementation plan is produced, for all projects for which he or she is responsible, prior to the start of a financial year which indicates at least the information indicated in Annex F. Such a plan shall be approved by the DES. The client delivery manager shall update the implementation plan at least quarterly and provide the DES with a copy of such a plan.

4.2.4.2 The client delivery manager shall establish an annual control budget for all projects for which he or she is responsible for delivering in a financial year as well as for each individual infrastructure project. Such a budget shall include all costs associated with the delivery of a work package including professional fees and make provision for contingencies and price adjustment for inflation.

4.2.4.3 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.

4.2.5 Risk management

4.2.5.1 Risk registers shall be established and maintained to enable risk mitigation relating to infrastructure procurement and delivery management to be proactively managed at all levels.

4.2.5.2 Risks that have a significant negative impact upon project outcomes shall be escalated through the project governance structure established in 4.3.1.2 in order to mitigate the risk.

4.3 Infrastructure procurement

4.3.1 General

4.3.1.1 Procurement shall be undertaken in accordance with the provisions of Section 217 of the Constitution, the provisions of the Preferential Procurement Policy Framework Act of 2001 and

- a) the relevant requirements of SANS 10845-1, SANS 10845-2, SANS 10845-3 and SANS 10845-4;
- b) the provisions of Annex G; and

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- c) the administrative procedures embedded in the adopted standard forms of contract identified in Annex G.

4.3.1.2 Preferences may only be applied in the procurement process in accordance with the provisions of the Preferential Procurement Policy Framework Act of 2001.

4.3.1.3 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.

4.3.1.4 The Municipal Manager may approve a request from another organ of state to make use of a framework contract put in place through this policy.

4.3.2 Control framework

4.3.2.1 The control framework for infrastructure procurement shall be as set out in Annex H. 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. The responsibilities for taking key actions associated with the issuing of orders in terms of a framework agreement are as indicated in Table 3.

Table 2: Procurement activities and gates associated with the formation and conclusion of contracts above the quotation threshold

| Activity | | Principal action (see Table H1 in Annex H) | | Responsible person or body |
|----------|----------------------------------|--|---|---------------------------------------|
| 1* | Establish what is to be procured | 3 PG1 | Decide to proceed / not to proceed with the procurement. | Municipal Manager or his/her delegate |
| 2* | Decide on procurement strategy | 5 PG2 | Confirm procurement strategy so that tender offers can be solicited | Municipal Manager or his/her delegate |
| 3 | Solicit tender offers | 2 PG3 | Grant approval for the issuing of the procurement documents | Procurement documentation committee |
| | | 3 PG4 | Confirm that finance is available for the procurement to take place | Municipal Manager or his/her delegate |
| 4 | Evaluate tender offers | 4.2 PG5 | Ratify recommendations of the evaluation report and authorise progression to the next stage of the tender process | Evaluation committee |
| | | 4.7 PG6 | Make recommendation to award a contract or refer the evaluation report back to the evaluation committee for reconsideration | Tender committee |

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|---|---|----------|---|--|
| 5 | Award contract | 5.3 PG7 | Accept the tender offer in writing | Municipal Manager or his or her delegate |
| | | 5.5 GF1 | Authorise the uploading of financial data on the financial system | Municipal Manager or his/her delegate |
| 6 | Administer contracts and confirm compliance with requirements | 6.4 PG8A | Approve waiver of penalties or low performance damages | Municipal Manager or his/her delegate |
| | | 6.5 PG8B | Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law | Municipal Manager or his/her delegate |
| | | 6.6 PG8C | Approve amount of time and cost overruns up to a threshold | Municipal Manager or his/her delegate |
| | | 6.7 PG8D | Approve amount of time and cost overruns above a threshold | Municipal Manager or his or her delegate |
| | | 6.8 PG8E | Approve cancellation or termination of a contract | Municipal Manager or his or her delegate |
| | | 6.9 PG8F | Approve proposed amendment to contract | Municipal Manager or his or her delegate |

4.3.2.2 The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure or the issuing of orders where the value of the contract is less than the threshold set for the quotation procedure shall be as follows:

- a) the Director Engineering Services 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 Annex H; and
- 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 this policy and finalized by the evaluation committee.

Table 3: Procurement activities and gates associated with the issuing of an order above the quotation threshold in terms of a framework agreement

| Activity | | Responsible person |
|----------|---|--|
| 1 FG1 | Confirm justifiable reasons for selecting a framework contractor where there is more than one framework agreement covering the same scope of work | Director Engineering Services (DES) |
| 3 FG2 | Approve procurement documents | Procurement documentation committee |
| 4 FG3 | Confirm that budgets are in place | Director Engineering Services (DES) |
| 6 FG4 | Authorise the issuing of the order | Municipal Manager or his or her delegate |

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4.3.2.3 Prior approval shall be obtained for the following selection methods from the following;

- a) The Chief Financial Officer shall authorise the use of the negotiated procedure above the thresholds provided in Annex H 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 Annex H and which can be dealt with or the risks relating thereto arrested within 48 hours; and
- b) The Chief Financial Officer shall authorise the use of the confined procedure.

4.3.2.4 The Municipal Manager or his or her delegate shall authorise the award of a contract where the shopping procedure has been applied, provided that such person is satisfied that the procedure has been undertaken in accordance with the provisions of this policy.

4.3.2.5 The tender adjudication 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.

4.3.3 Committee system for procurement

4.3.3.1 A committee system comprising the procurement documentation committee, evaluation committee and tender adjudication committee shall be applied to all selection methods where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements in accordance with Annex H.

4.3.3.2 The procurement documentation committee shall comprise one or more persons. This committee shall be chaired by an employee of SDM appointed by the Municipal Manager. The chairperson shall appoint on a procurement by procurement basis:

- a) other members of the procurement documentation committee which shall, where relevant, include a representative of the end user; and
- b) Persons to review the procurement documents and to develop a procurement documentation review report.

4.3.3.3 The evaluation committee shall comprise at least three persons. This committee shall be chaired by an employee of SDM appointed by the Municipal Manager. The chairperson shall appoint on a procurement by procurement basis:

- a) persons to prepare the evaluation report and, where applicable, the quality evaluations, in accordance with Annex H; and
- b) the members of the evaluation committee, which shall, where relevant, include a representative of the end user.

a) **4.3.3.4** The tender committee shall consist of at least four senior managers of the Municipality appointed by the Municipal Manager, and shall include the Chief Financial Officer, at least one senior supply chain management practitioner and a technical expert

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in the relevant field. The Municipal Manager shall appoint the chairperson of the tender committee.

4.3.4 Disposal committee

4.3.4.1 The Municipal Manager shall appoint on a disposal by disposal basis in writing the chairperson and the members of the disposal committee to decide on how best to undertake disposals in accordance with the provisions of Annex G.

4.3.4.2 The disposal committee shall comprise not less than three people.

4.3.4.3 The disposal committee shall make recommendations to the Municipal Manager or his or her delegate 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.

4.3.5 Unsolicited proposal

4.3.5.1 SDM 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 the SDM;
- 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 the normal tender processes to be sound.

4.3.5.2 The Municipal Manager may only accept an unsolicited offer and enter into a contract after considering the recommendations of the tender committee if:

- a) the offer relates to known requirements that cannot, within reasonable and practical limits, be acquired through a competitive or competitive negotiation procedure as provided for in SANS 10845-1; and
- b) the person who made the offer satisfies all other requirements which are conditional upon the award of a contract.

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4.3.6 Legal review of procurement documents

SDM'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 manger prior to being issued for tender purposes.

4.3.7 Placing of contractors under restrictions

4.3.7.1 SDM shall not enter into a contract with a person who is listed in the National Treasury's Register for Tender Defaulters or the List of Restricted Suppliers.

4.3.7.2 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 SDM; 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 the SDM that the statement was made in good faith or reasonable steps were taken to confirm the correctness of the statements,

The Manager:SCM shall prepare a report on the matter and make a recommendation to Municipal Manager for placing the contractor or any of its principals under restrictions from doing business with SDM.

4.3.7.3 The Municipal Manager or his or her delegate may, as appropriate, upon the receipt of a recommendation made in terms of 4.3.5.1 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 SDM or a period of time.

4.3.7.4 The Manager:SCM shall record the names of those placed under restrictions in an internal register which shall be accessible to employees and agents of SDM who are engaged in procurement processes.

4.3.8 Complaints

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4.3.8.1 All complaints regarding the SDM's infrastructure procurement system shall be addressed to the Senior Manager: Legal Services. Such complaints shall be in writing.

4.3.8.2 The Senior Manager: Legal Services 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.

4.4 Conduct of those engaged in infrastructure procurement and delivery management

4.4.1 SDM employees and agents (any person or organization that is not an employee of ADM that acts on the SDM's behalf) shall:

- a) conduct themselves in accordance with the provisions of Annex I; and
- b) without delay report to the Municipal Manager or his or her delegate 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.

4.4.2 Gifts in kind other than meals and entertainment, promotional material, incidental hospitality and complimentary tickets as described in Annex I which have an intrinsic value not more than R750 shall be declared to manager manger.

4.5 Measures to prevent abuse of the infrastructure delivery system

4.5.1 The Municipal Manager or his or her delegate 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;
- b) report to the South African Police Service any conduct that may constitute a criminal offence;
- c) lodge complaints with 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:
 - 1) 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
 - 2) an employee or other role player committed any corrupt or fraudulent act during the tender process or during the execution of that contract.

4.5.2 SDM employees and agents shall promptly report to the Municipal Manager of his or delegate any alleged improper conduct which they may become aware of, including any alleged fraud or corruption.

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4.6 Written reasons for actions taken

4.6.1 Written reasons for actions taken shall be provided by the Accounting Officer.

4.6.2 The written reasons for actions taken shall be as brief as possible and not divulge information which is not in the public interest or any information which is considered to prejudice the legitimate commercial interests of others or might prejudice fair competition between tenderers. Such reasons, where relevant, shall be framed around the clauses in the:

- a) ISO 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) ISO 10845-4, *Construction procurement - Part 4: Standard conditions for the calling for expressions of interest*, as to why a tenderer was not considered for the award of a contract or not awarded a contract.

4.7 Reporting to the National Treasury

SDM shall report to the National Treasury on procurement and delivery management matters in accordance with the provisions of Annex J.

4.8 Departures from this policy

No departure shall be made from the provisions of this policy without the written approval of the Municipal Manager.

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Annex A: Client functions

A1 Introduction

The principal role players in the delivery of infrastructure are the client delivery management team, the delivery team and stakeholders as indicated in Figure A1. The client delivery management team needs to provide effective leadership and direction to the delivery team and meaningfully engage with internal and external stakeholders. The delivery team needs to deliver the required infrastructure and manage the interfaces between the client delivery management team and stakeholders in doing so. The client delivery management team accordingly performs a “buying function”. The delivery team, on the other hand is responsible for supplying the goods and services which are necessary to delivery infrastructure projects and as such performs a “selling” or “supplying function.” Both of these teams are driven by different objectives in the “buying” and “selling” exchange.

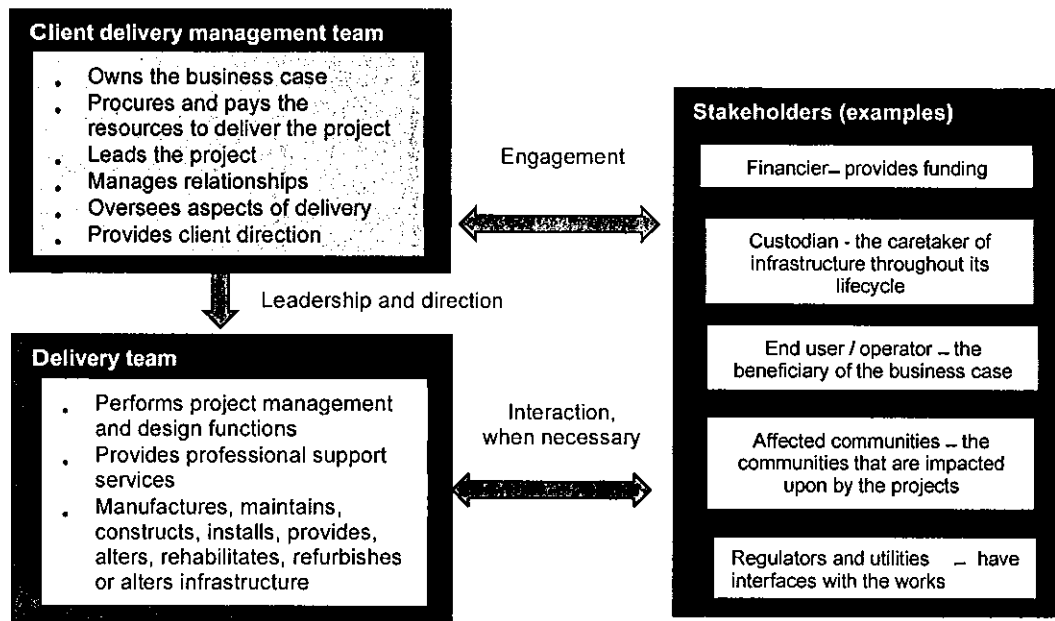


Figure A1: The principal role players in the delivery of infrastructure

A2 The role of the client

Led by a client delivery manager, a client needs to:

- establish a clear business case, which captures intent, at the inception of a project, and constantly revisit the business case to verify its assumptions, objectives and ongoing validity;
- create and communicate a clear vision for the project, which may unfold over time, that enables all participants to understand its purpose;
- decide on the project delivery route that is to be pursued as well as the procurement strategy and tactics associated with each procurement (see Annex D),
- procure on a long term and overall best value basis rather than on short-term capital lowest cost;
- create an enabling environment with a clear structure and responsibilities within which decisions and authorisations can be made to progress projects in an efficient and effective manner;

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- apply effective leadership and governance in the way in which a project is authorised, conducted and overseen in order to create a platform for successful delivery;
- provide strategic thinking, intent and approach in delivering infrastructure projects;
- set the priorities between cost, time, quality and the attainment of secondary or developmental objectives to provide crucial direction to the delivery team when hard choices need to be made to steer a project through the complexities of decision making;
- carefully monitor objectives and remain vigilant for changes throughout the life cycle that can impact on a project and its business case;
- gain insight into and find ways where possible to satisfy the requirements of stakeholders;
- ensure that:
 - the budget contained in the business case is realistic and provides value for money;
 - the schedule is not only realistic but is also likely to be attractive to the market and attract competitive prices; and
 - clear briefs are provided to the delivery team before design commences;
- focus on strategy, the project environment, the context, the business case, high level progress, corrective action, communication, managing internal and external stakeholders and feedback from continuous improvement reviews;
- assess relevant risks and agree the management measures within both client and delivery teams;
- proactively manage risks and changes to what was planned; and
- ensure that projects are commissioned and properly tested prior to completion and handover.

A3 The function and structure of the client delivery management team

A3.1 Client delivery manager

A client delivery manager (named individual) needs to be held accountable for project outcomes. Such a manager also needs to lead the client team with single point accountability and have direct access to the senior client management when decisions regarding a significant departure from the plan or budget need to be taken (see Annex B).

The client delivery manager's primary function is to:

- own the business case for a project on behalf of the client so that there is no ambiguity about who is acting in the client role;
- perform an oversight and governance role, providing effective and strategic leadership, within the client delivery management team which permeates through all levels of the supply chain;
- set the team up for successful delivery and remove obstacles or blockages to progress;
- direct the project in such a manner that the value proposition that is expected at the end of the project is realised as far as is possible;

- intervene when necessary e.g. when relationships begin to break down, stakeholder interference or lack of performance threatens objectives, recurring issues are not being dealt with, unforeseen risks begin to manifest, risk mitigation measures are not yielding the required results, etc.
- take corrective action where necessary to align projects with what was planned or change the plan to reflect the changed circumstances; and
- develop a strategy to approach the market and make decisions as to when the market should be approached for resources.

A3.2 Technical and administrative teams

A client delivery manager needs to be supported by both a technical team and an administrative team. The technical team may be required to:

- provide advice on a range of matters, including compliance with legislative requirements, advice on contractual matters that may arise and the gathering, processing and storage of information that is necessary to manage the delivery of projects;
- manage activities associated with the initiation of projects;
- formulate, shape and document the client's specific architectural, urban planning, engineering, ITC etc. requirements during the initial stages of the project as well as to monitor and evaluate the outputs of the delivery team;
- establish financial and cost controls and reporting systems; and
- procure the resources which are necessary to deliver the project.

The administrative team needs to prepare the necessary documents for payment by the SDM's finance department and be required to develop and maintain and keep up to date the following for project governance purposes:

- a planned procurement and commitment register for each project covering a number of contracts or orders issued in terms of a framework agreement, which contains a record of money allocated to a planned procurement so that at any point in time the total value of work that is committed for a project can be compared with the authorised expenditure;
- a contracts register which contains particulars of all contracts and orders issued in terms of a framework agreement, including information relating to the starting price, details relating to the time for completion and any changes in the time for completion;
- a payment register which records all the payments that have been certified for payment against each contract or order; and
- a purchase order register which links contracts and orders and payments relating thereto to the authorised amounts within the financial management system.

Annex B: Project governance

Project governance provides the framework within which decisions are made in the delivery of infrastructure projects. Such arrangements provide SDM with a structured approach to conduct both its business-as-usual activities and its business change, or project activities. Project governance sits above and outside of the project management domain.

Project governance is all about leadership and provides a way for senior management and key stakeholders to exercise oversight and ensure that strategic outcomes are realised. It is a mechanism for engaging the SDM in a project, for securing buy-in of key players and for driving executive decision making. There can be no effective leadership without governance.

An indicative SDM's governance structure is shown in Figure B.1.

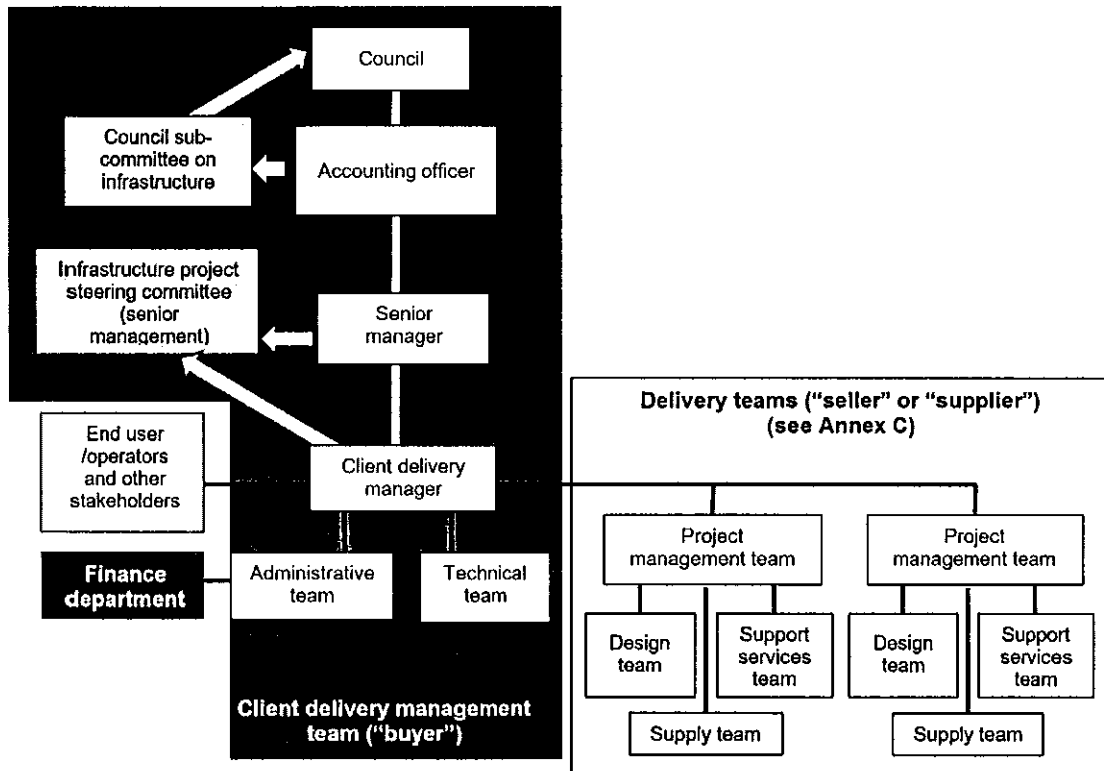


Figure B.1: Line function reporting and governance arrangements

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Annex C: Allocation of responsibilities within the delivery team

The physical delivery of infrastructure necessitates that a delivery team be put in place using the SDM's own resources or contracted resources comprising as necessary:

- a project management team which manages the development and implementation of the project and has overall management of the members of the delivery team;
- a design team which provides as necessary, architectural, landscape architectural and engineering services in integrating the client's requirements into workable solutions;
- a support services team which provides specialist support services in areas such as health and safety, condition assessments, environmental compliance, cost planning and control, geotechnical investigations, traffic studies etc.; and
- a supply team which manufactures, maintains, repairs, constructs, installs, provides, alters, refurbishes or rehabilitates infrastructure or parts thereof.

The functional roles provided by built environment professionals associated with the delivery team may include some or all of the following services:

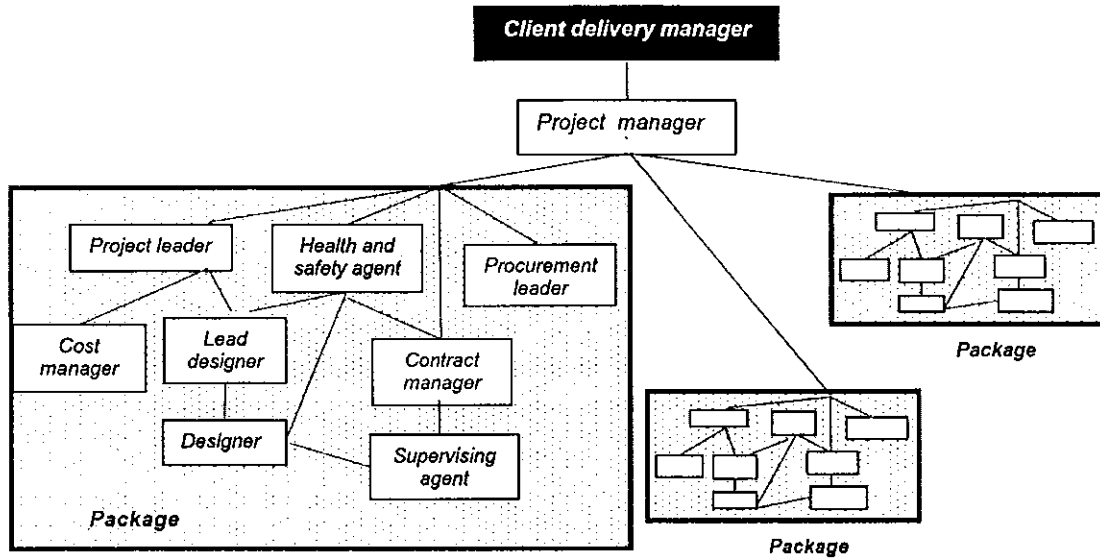
- project manager;
- procurement leader;
- project leader;
- contract manager;
- lead designer;
- designer;
- cost manager;
- supervising agent; and
- health and safety agent

The basic lines of reporting and assigned responsibilities for each of these functional roles for each package associated with an infrastructure project are as indicated in Figure C.1.

There are many options available to a client in assigning functional responsibilities to particular persons (own staff or consultant and within professions which overlap). This ensures flexibility. For example, in some projects different persons will be assigned functional responsibilities for each of the identified roles. In other projects it may be desirable to combine functional roles and responsibilities e.g. the project leader can also be the procurement leader or the same person can be appointed to function as project leader, lead designer, designer and cost manager or the contract manager and supervising agent.

The disciplines and subdisciplines associated with design services relating to buildings is indicated in Table C.1.

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| Designation | Primary actions |
|--------------------------------|--|
| Client delivery manager | Initiates the project, owns the business case and leads the project |
| Project manager | Manages the development and implementation of an infrastructure project and administers professional service contracts on behalf of the client |
| Project leader | Leads and directs the design team in a non-technical role including the monitoring and integration of the activities, development and maintenance of a schedule, monitoring of progress and facilitation of the client acceptance of an end of stage deliverable |
| Lead designer | Establishes and refines the design approach or solution so that it achieves the brief as it is progressively developed and is co-ordinated within the project team |
| Designer | Provides design or conditional assessment services |
| Cost manager | Provides independent and impartial estimation of cost, value management, budget, control and validation of cost of constructing, rehabilitating refurbishing and altering infrastructure |
| Procurement leader | Oversees the development of the procurement documents and manages the procurement process |
| Contract manager | Administers a package on behalf of the client in accordance with the provisions of the contract |
| Supervising agent | Confirms that the works are proceeding in accordance with the provisions of the contract |
| Health and safety agent | Assumes statutory responsibilities imposed by the Construction Regulations and other pieces of health and safety legislation and leads health and safety risk compliance processes |

NOTE: The environmental compliance monitoring agent is excluded from the above. Where such a person is required their primary action is to independently monitor environmental requirements during construction in accordance with legislative requirements and to monitor, review and audit the on-site implementation of a contractor's environmental management plan.

Figure C1: Primary action of common functional roles within the professional team

Table C.1: Design disciplines and subdisciplines associated with the design of a building.

| Service area | Principal activities |
|--------------|---|
| Architecture | Plan, design and review the construction, extension or refurbishment of buildings, spaces, structures and associated site works for the use of people by the creative organization of materials and components with consideration to mass, space, form, volume, texture, structure, light, shadow, materials and the project brief. |

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| | |
|------------------------|--|
| Civil engineering | Plan, design and review the construction of site works comprising a structure such as a road, pipeline or sewerage system or the results of operations such as earthworks or geotechnical processes. |
| Electrical engineering | Plan, design and review the installation of the electrical and electronic systems for and in a building or structure |
| Fire safety | Plan, design and review the fire protection system to protect people and their environments from the destructive effects of fire and smoke. |
| Landscape architecture | Plan, design and review the construction of outdoor and public spaces to achieve environmental, sociobehavioural, or aesthetic outcomes or any combination thereof |
| Mechanical engineering | Plan, design and review the construction, as relevant, of the gas installation, compressed air installations, thermal and environmental control systems, materials handling systems or mechanical equipment for and in a building |
| Structural engineering | Plan, design and review the construction of buildings and structures or any component thereof to ensure structural safety and structural serviceability performance during their working life in the environment in which they are located when subject to their intended use in terms of one or more of the following: i) external and internal environmental agents; ii) maintenance schedule and specified component design life; or iii) changes in form or properties |
| Wet services | Plan, design and review the construction, within buildings or from a point of drainage installations intended for the reception, conveyance, storage or treatment of sewage, water installations which conveys water for the purpose of fire-fighting or consumption and roof drainage arrangements within a building. |

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Annex D: Procurement strategy

D.1 Introduction

Project outcomes in infrastructure projects are sensitive not only to the decisions made during the planning, design and execution of such projects but also to the manner in which resources are structured and procured to deliver infrastructure projects. There are a number of different approaches to procuring goods and services and any combination thereof, each of which can result in different outcomes. Procurement strategy is all about the choices made in determining what is to be delivered through a particular contract, the contracting arrangements, how secondary procurement objectives are to be promoted and which selection method will be employed to solicit tender offers.

Procurement strategy is formulated around procurement objectives which may relate to either the delivery of the product (primary objectives) or what can be promoted through the delivery of the product (secondary objectives) i.e. broader societal objectives. Procurement strategy is also informed by spend, organisational, market and stakeholder analyses.

D.2 Primary and secondary objectives

Procurement objectives are informed by the client's values and value proposition for the project i.e. the promise of measurable benefits resulting from the project. Procurement objectives should not be confused with objectives relating to the conceptualisation, planning, design, construction and maintenance of construction works.

The primary objectives relating to the delivery of goods or services or any combination thereof include:

- tangible objectives including budget (cost of the project), schedule (time for completion), quality, and performance characteristics required from the completed projects and rate of delivery (how quickly portions of the works or a series of projects can be delivered or funds can be expended);
- environmental objectives;
- health and safety objectives; and
- intangible objectives including those relating to:
 - buildability (the ease with which the designed works is constructed),
 - relationships (e.g. long term relationships to be developed over repeat projects, early contractor involvement, integration of design and construction etc),
 - client involvement in the project,
 - end user satisfaction, and
 - maintenance and operational responsibilities.

Secondary objectives commonly relate to the promotion of Broad-Based Black Economic Empowerment in accordance with the provisions of the Broad-Based Black Economic Empowerment Act, and where appropriate, the promotion of work, business and skills opportunities to target groups and national development goals.

Secondary or developmental procurement objectives are additional to those associated with the immediate objective of the procurement itself. Secondary procurement policy objectives influence

procurement strategies both directly and indirectly. Competing primary and secondary priorities need to be balanced. Trade-offs against priorities may be required.

D.3 Project delivery route

A project delivery route (see Figure D.1) needs to be decided upon where projects involve the provision, alteration, refurbishment or rehabilitation of infrastructure. The client need to make decisions which include who funds the acquisition, who owns the infrastructure and which party to the contract assumes responsibility for design and interface management between contracts.

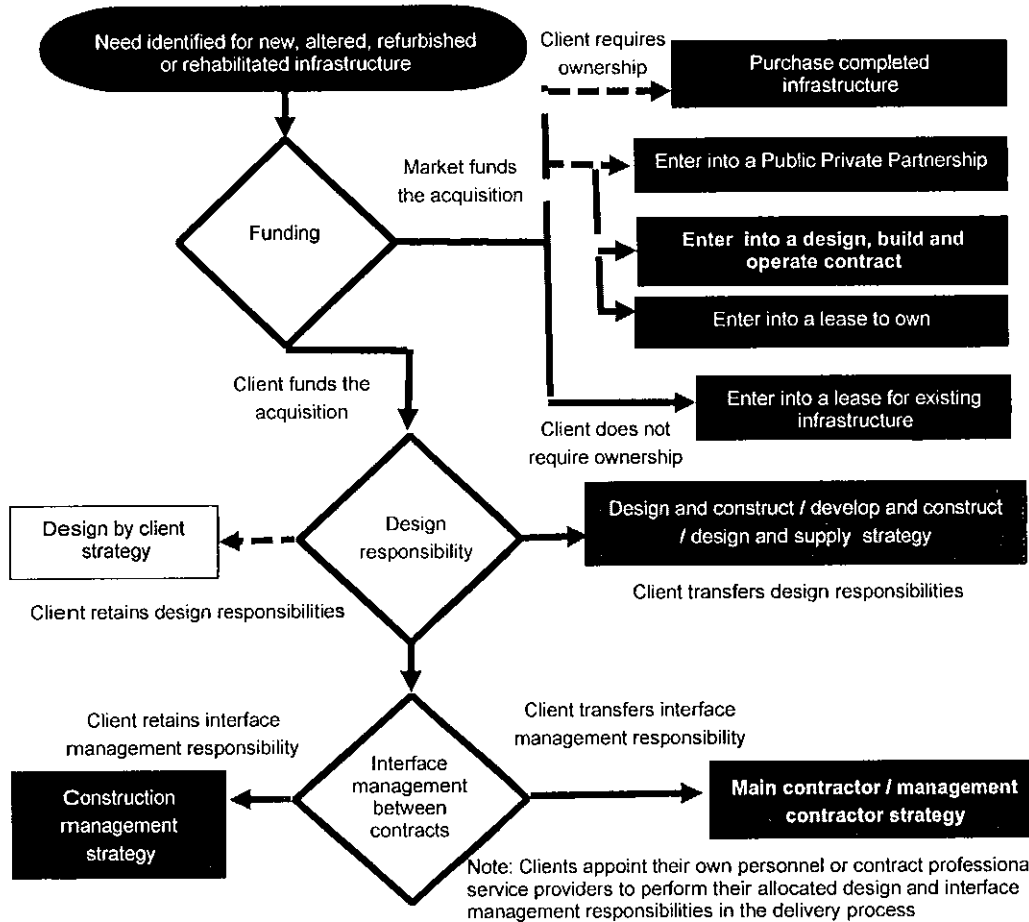


Figure D.1: Common project delivery routes for new, altered, refurbished or rehabilitated infrastructure

D.4 Developing a procurement strategy

D.4.1 General

A spend, organisational, market and stakeholder analysis provides a backdrop against which all decisions are made. Such analysis should be in sufficient detail to enable informed decisions to be made, based on identified strengths and weaknesses and the appetite for transferring or accepting risks. The analysis should furthermore identify what internal skills, capabilities and resources are available or can be committed by the organisation to deliver the project.

D.2

The components of a procurement strategy for a particular procurement where the client funds the acquisition includes the development of:

- a packaging strategy which focuses on the organisation of work into contracts or orders issued in terms of a framework agreement;
- a contracting strategy which focuses on the selection of a suitable form of contract including the basis for remunerating contractors, which, if relevant, is informed by decisions made when determining the project delivery route;
- a targeting strategy which identifies the procedures for promoting secondary procurement objectives; and
- a selection method which identifies the methodology by which tenderers will be solicited from the market.

The framework for the development of a procurement strategy is indicated in Figure D.2.

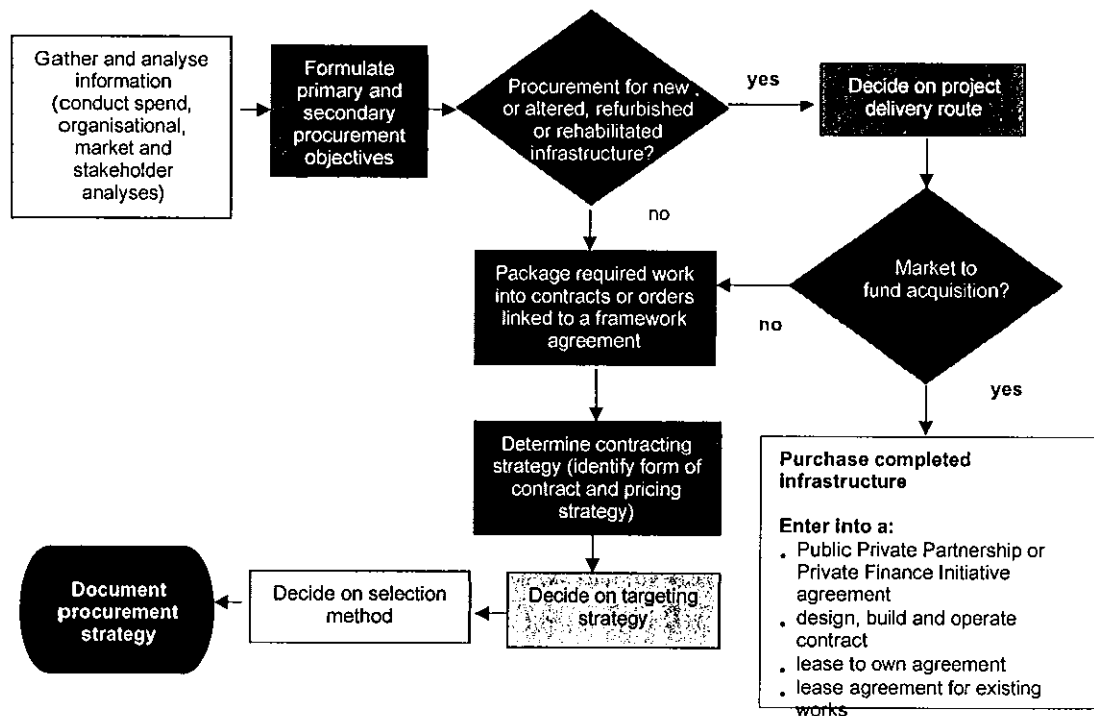


Figure D2: Framework for the development of a procurement strategy

The procurement strategy that is decided upon for a particular procurement or category of procurement needs to be documented in such a manner that the logic behind the choices that are made at each step can be communicated to and reviewed by others. It should also summarise the decisions made in respect of the component strategies in respect of each contract or group of contracts as indicated in Table D1.

D.4.2 Packaging strategy

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Projects needs to be broken down into one or more work packages i.e. a deliverable or project work component or a group of tasks within a work breakdown structure. The work packages can then be programmed, resourced and managed, and where necessary procured. Accordingly, a packaging strategy is the organisation of work packages into contracts or orders issued in terms of a framework agreement over the term of such an agreement

D.4.3 Contracting strategy

The fundamental exchange between a client and a contractor is the delivery of work in accordance with stated requirements for a price. A contracting strategy is the strategy that governs the nature of the relationship which the client wishes to foster with the contractor, which in turn determines the risks and responsibilities between the parties to the contract and the methodology by which the contractor is to be paid.

Table D1: Headings and illustrative content of a documented strategy for a particular contract

| Aspect of strategy | Comments |
|-------------------------|--|
| Project delivery route* | design strategy: design by client / develop and construct / design and construct / design and supply+ interface management strategy: construction management / management contractor / general contractor+ |
| Packaging strategy | framework / non-framework+ |
| Contracting strategy | contract type: construction / design, build and operate / professional service/ service / supply+ standard form of contract: bespoke / [name form of contract e.g.NEC3 Professional Service Contract]+ |
| | pricing strategy: price-based (activity schedule / bill of quantities / lump sum /percentage of cost of construction / price list / price schedule) / cost-based (cost plus / target cost / time based)/ performance-based+ |
| Targeting strategy | goal associated with strategy: (describe) targeting strategy: granting of tender evaluation points / accelerated rotations / evaluation points in expressions of interest / financial incentives / creation of contractual obligations+# |
| Selection method | negotiation / competitive selection (nomintaed / open / qualified / quotation / proposal using a two envelope system / proposal using a two stage system / confined market procedure) / competitive negotiations (restricted / open) + |

* delete row if the project delivery route has no impact on the documented procurement strategy +

delete options which do not apply

describe so that readers understand the essence of the strategy and the KPI that is promoted

Standard forms of contract provide fixed terms and conditions which are deemed to be agreed and are not normally subject to further negotiation or amendment following the receipt of tenders. Such forms of contract usually include the method of payment and allocate risks to the parties and how the contractor is compensated for risks for which he is not at risk should they materialise. The scope and nature of the project affects the selection of the type of contract.

The project delivery route that is selected informs the allocation of responsibilities and associated risks in construction contracts. In complex construction contracts there might be several subcontracts some of which should be selected by the client's team in order to harness the design skills of specialist trade contractors.

A pricing strategy is the strategy which is adopted to secure financial offers and to remunerate contractors in terms of the contract. The pricing strategy determines who takes the risk for the differences between the actual prices paid in terms of the contract and those estimated when the total

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of the prices for the works are agreed and how changes to the scope of work are assessed and paid for.

D.4.4 Targeting strategy

A targeting strategy is a strategy used to promote secondary procurement objectives. A targeted procurement procedure is the process used to create a demand for the services or goods of, or to secure the participation of, targeted enterprises and targeted labour in contracts in response to the objectives of a secondary procurement policy. There are a number of targeted procurement procedures which can be used to promote secondary procurement objectives as indicated in D.2.

Key performance indicators (KPIs) in the form of quantitative or qualitative measures of impacts or changes that may be beneficial which relate directly to secondary procurement objectives (desired results) need to be formulated. Such indicators need to be formulated in such a manner that they are contractually enforceable. They need as such to be described in qualitative terms and to be linked to measurable and quantifiable targets and be provided with a means of verifying and auditing claims regarding performance in relation to the target.

Table D2: Targeted procurement procedure options

| Targeted procurement procedure | Outline of procedure |
|---|--|
| Granting of tender evaluation points | Tender-evaluation points for contract-specific goals are granted to tenderers who undertake to achieve a specified KPI in the performance of the contract |
| Accelerated rotations on electronic databases | Target groups are identified and accelerated at a faster rate than non-target groups on electronic data bases linked to the nominated procurement procedure |
| Granting of a percentage of the total number of evaluation points used to short-list tenderers following a call for expressions of interest | A point scoring system is used to shortlist respondents following a call for expressions of interest in the qualified procedure, a percentage of the total points on offer are linked to the attainment of KPIs. |
| Financial incentives for the attainment of key performance indicators in the performance of the contract | An incentive payment is linked to the improvement upon or attainment of a KPI in the execution of a contract |
| 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 ISO 10845. | Contractors can be required, as a contractual obligation, to subcontract a percentage of the work to targeted enterprises or contract goods or services from targeted enterprises. They may also be required to enter into joint ventures with targeted enterprises or engage targeted labour in the performance of a contract. This can most readily be achieved by requiring contractors to archive a minimum contract-participation goal in accordance with the requirements of SANS 10845-5:2011, SANS 10845-6:2011, SANS 10845-7:2011 or SANS 10845-8:2011 Alternatively, contractors may be required to subcontract specific portions of a contract to targeted enterprises |

D.4.5 Selection method

A selection method is the procedure used to solicit tender offer with a view to entering into a contract for goods or services or any combination thereof with the successful tenderer (see SANS 10845-1).

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Annex E: Control framework for infrastructure delivery management

E1 Controlling work flows

Workflow may be regarded as the sequence of activities with explicit start and end points to describe a task. An activity as a series of operations (sequential, parallel, mixed) is punctuated by decisions as illustrated in Figure E1.

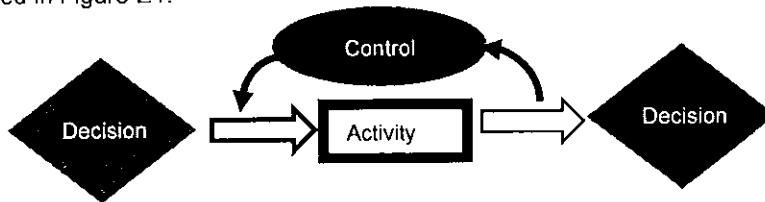


Figure E1: The context of project activity

In order for an infrastructure project to progress meaningfully, its objectives and their achievement need to be closely allied to the decision structure. Decisions give purpose to activity. A project begins and ends with decision points.

Decision points (controls or decision gates) form the major boundaries to activities. Decision gates provide an opportunity to:

- authorise the proceeding with an activity within a process, or the commencing of the next process;
- confirm conformity with requirements before completing processes; or
- provide information which creates an opportunity for corrective action to be taken.

Control systems are necessary to regulate work in relation to its context which may from time to time change in order to match performance against objectives. Such systems are also the mechanism that deals with the boundary between project context and project activity as indicated in Figure E2.

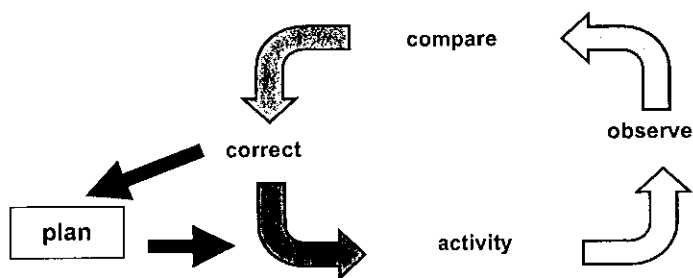


Figure E2: Control system

Control systems accordingly involve the comparing of progress against requirements, objectives or targets and where necessary taking some corrective action such as:

- taking steps to change the performance of the activity to bring it closer to what was planned; or
- changing the plan so that it more closely reflects the changed situation brought about by the departure from the plan.

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E2 Controlling workflows in infrastructure projects

A stage is a collection of logically related activities in the delivery cycle of infrastructure projects that culminates in the completion of a major deliverable. The workflow for the delivery of infrastructure projects comprises the applicable stages indicated in Figure E3. Each of these stages are linked to tasks mapped out in the supply chain indicated in Figure E3. The key deliverables associated with each task informs the decisions which are made at each decision gate are described in Table E1.

The control framework shown in Figure E3 deals with the generic work flow associated with the planning, design and execution of infrastructure projects i.e. the project life cycle for the delivery of infrastructure projects. It is structured in such a manner that the viability of a project may be tested and monitored and controlled by the client delivery management team as it progresses. It generates information which informs decisions at particular points in the process. The framework is independent of the procurement strategy that is pursued to appoint infrastructure contractors.

E3 Outline of stages

Stage 0 admits projects into the pipeline of projects so that they can be further prepared prior to a decision being taken to implement them. The infrastructure management plan (stage 1) is not a static document as project parameters relating to cost and schedule of a pipeline of projects need to be adjusted as projects unfold and to meet changing business needs. New initiation reports are accepted at stage 0 to the pipeline of projects on an ongoing basis. Such a plan needs to be reviewed and updated regularly, at least once a year to reflect revised information, emerging business needs and changing priorities. This also necessitates revisions to deliverables associated with stage 2 (strategic resourcing).

Stage 4 is the stage where a decision is taken on whether or not the project is likely to yield the desired outcome. The decision taken at the end of stage 4 may authorise implementation, defer implementation or terminate the project (see Figure E3).

Stages 3 (preparation and briefing) and 4 (concept and viability) need to be repeated for each package if the acceptance at stage 4 (feasibility) is for the acceptance of a project comprising a number of packages which are to be delivered over time or there is insufficient information to proceed to stage 5. It is necessary, particularly with projects spanning a number of years, to revalidate the parameters which informed decisions to proceed to implementation in a feasibility report so that visible and conscious decisions can be made should adjustments be necessary to reflect changes in the project environment in different packages. Stage 4 (concept and viability) results in a solution for an infrastructure project. The design or solution is accordingly "frozen" at the end of stage 4.

Detailed design during stage 5 includes the selection of materials and components. At this stage there will often be an iterative process of proposing a component, checking its predicted performance against the brief, and amending selections if required. The design development report translates the concept report into a document which paints a picture of what is to be delivered. The report needs to describe how structures, services or buildings and related site works, systems, subsystems, assemblies and components are to function, how they are to be safely constructed or installed, how they are to be maintained and, if relevant, how they are to be commissioned.

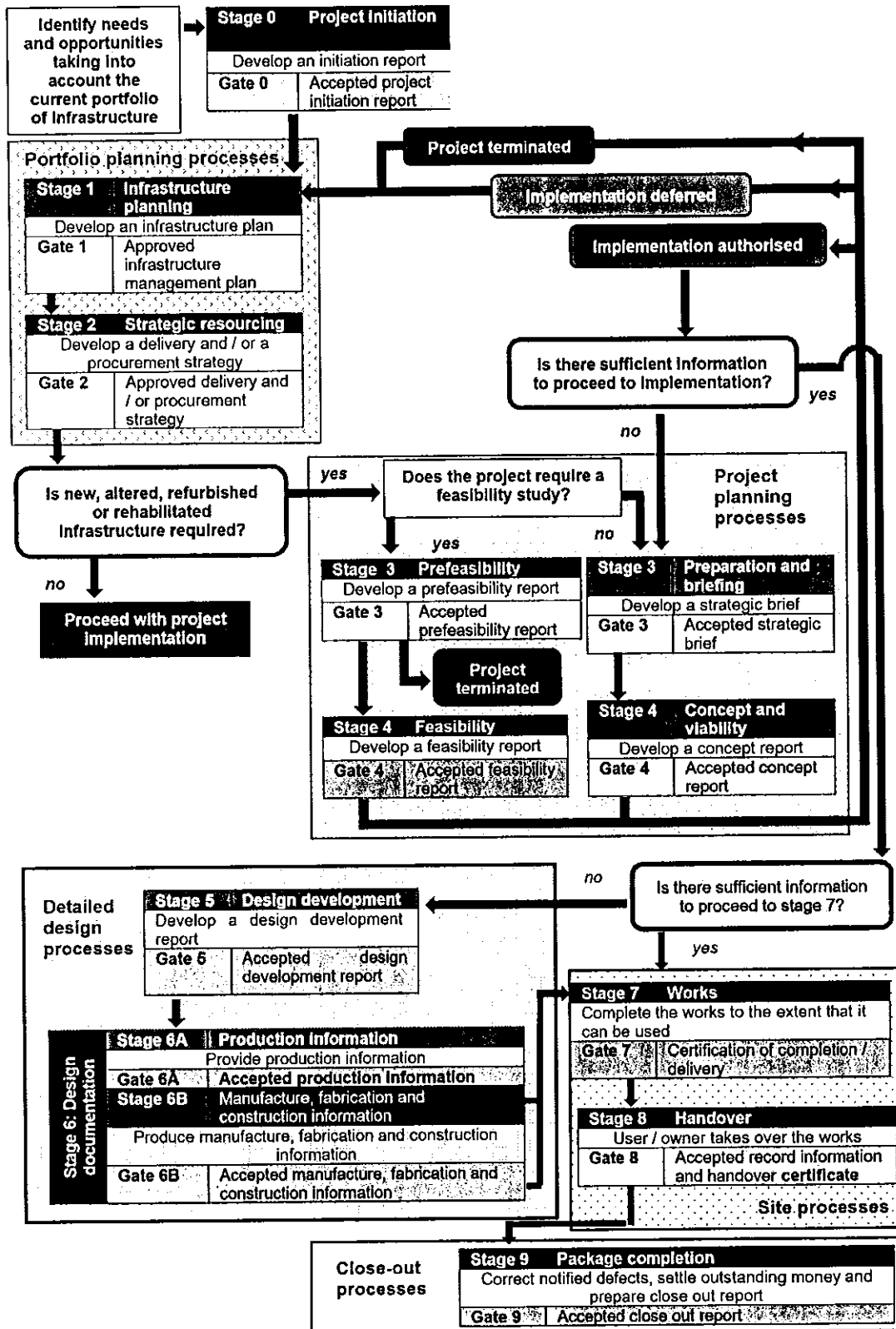
The outline specifications developed during stage 5 needs to be in sufficient detail to enable a view to be taken on the operation and maintenance implications of the design and the compatibility with existing plant and equipment.

The design development report relates to what is to be delivered. Record information relates to what has been delivered. Accordingly, the record information is an updated version of the design development report.

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Production information is developed during stage 6A of the design documentation stage. This information enables manufacture, fabrication and construction information to be produced during stage 6B by or on behalf of the contractor, in response to the production information that is provided.

Stage 7 can also include the design, supply and installation of plant which is incorporated into the works.



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Figure E3: The control framework for the planning, design and execution of infrastructure projects

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Table E1: End-of-stage deliverables

| Stage | | End-of-stage deliverable | |
|-------|-------------------------|--|---|
| No | Name | Description | Considerations |
| 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 | <p>The initiation report for a project should as a minimum:</p> <ul style="list-style-type: none"> • provide a project description and high-level scope of work; • outline key issues and solution options that were interrogated and the options that were evaluated; • indicate the high-level business case; and • provide the estimated project cost and indicative high-level time schedule <p>The decision-making criteria, findings, assumptions and recommendations should be documented</p> |
| 1 | Infrastructure planning | An infrastructure management plan which identifies and prioritises projects and packages against a forecasted budget over a period of not less than 5 years | <p>The infrastructure management plan, which should be 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, should:</p> <ul style="list-style-type: none"> • identify the infrastructure requirements to meet the ADM's strategic objectives and operational commitments within available resources; • cover the ADM's whole infrastructure portfolio for all types of infrastructure, including new infrastructure, as well as plans for maintenance, refurbishment and rehabilitation of existing infrastructure; and disposal of infrastructure which is no longer required to meet the ADM's objectives; • include short and medium-term plans as well as longer-term plans where required for alignment to the ADM's long-term strategic objectives and for life-cycle asset management considerations; and • be informed by life-cycle infrastructure asset management planning <p>This medium-term infrastructure management plan should be aligned to the ADM's long-term and five-year strategic plans and, if relevant, annual performance plan and the ADM's infrastructure management policy</p> |
| 2 | Strategic resourcing | Procurement strategy for each project and package in at least the first year of the infrastructure management plan together with the structure and composition of the client delivery management team to oversee the implementation of such strategy | <p>The procurement strategy (see Annex D) should describe the primary and secondary procurement objectives, outline the outcomes of any spend, market, organisational and stakeholder analysis, identify the project delivery route, as necessary and indicate the packaging, contracting and targeting strategy and selection method for a procurement</p> <p>The manner in which the client delivery management team fulfils the necessary client functions should be described as well as how resources which are required are to be sourced i.e. through a public private partnership, another organ of state's procurement system on an agency basis, another organ of state's framework agreement, own resources or own procurement system</p> |
| 3 | Prefeasibility | A prefeasibility report which determines whether or not it is worthwhile to proceed to the feasibility stage | <p>The following activities, as necessary, should be undertaken, if a feasibility report is required or warranted:</p> <ul style="list-style-type: none"> • document the owner or user requirements specification; • shortlist the options that were considered; • provide a preliminary design for study options, provide preliminary capital estimates and the proposed schedule; and • present the study outcomes |

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| 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 | <p>The following activities, as necessary, should be undertaken:</p> <ul style="list-style-type: none"> confirm the scope of the package and identify any constraints; 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 as well as the control budget and schedule for the package or series of packages; and identify statutory permissions, utility approvals, applicable policies and strategies to take the package forward, risks that need to be mitigated as well as interfaces between packages |
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| End-of-stage deliverable | | |
|--------------------------|--|---|
| Stage | Description | Considerations |
| 4 | A feasibility report which presents sufficient information to determine whether the project should be implemented | <p>The feasibility report should, as necessary and if a feasibility report is required or warranted, include:</p> <ul style="list-style-type: none"> details regarding the preparatory work covering a needs and demand analysis with output specifications and an options analysis; a viability evaluation covering a financial analysis and an economic analysis; a risk assessment and sensitivity analysis; a professional analysis covering a technology options assessment, an environmental impact assessment and regulatory due diligence; and implementation readiness assessment covering institutional capacity and a procurement plan |
| 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 | <p>The following activities, as necessary, should be undertaken:</p> <ul style="list-style-type: none"> document the initial design criteria and design options or the methods and procedures required to maintain the condition of infrastructure; establish the detailed brief, scope, scale, form and cost plan; develop an indicative schedule for documentation and required services; develop a site development plan or other suitable schematic layouts of the works; identify the statutory permissions, funding approvals or utility approvals required to proceed with the works; develop a baseline risk assessment and a health and safety plan required in terms of legislative requirements; develop a risk report linked to the need for further surveys, tests, other investigations and consents and approvals, if any, during subsequent stages and indicates how identified health, safety and environmental risk are to be mitigated; develop an operations and maintenance support plan; confirm the financial sustainability of the project; and establish the feasibility of satisfying the strategic brief within the control budget established during stage 3 and, if not, motivate a revised control budget |
| 5 | 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 | <p>The following activities, as necessary, should be undertaken:</p> <ul style="list-style-type: none"> develop in detail the accepted concept to finalise the design and definition criteria; establish the detailed form, character, function and costings; define all components in terms of overall size, typical detail, performance and outline specification; 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 confirm that the works can be completed within the control budget or propose a revision to the control budget |

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| 6 | Design documentation | Production information and manufacture, fabrication and construction information | <p>6A Production information Provide 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 further information for construction</p> <p>6B Manufacture, fabrication and construction information Provide 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</p> |
| End-of-stage deliverable | | | |
| Stage | | | |
| No | Name | Description | Considerations |
| 7 | Works | Completed works which are capable of being occupied or used | Undertake, as necessary, activities in relation to the works such as the provision of temporary and permanent works, manage risks associated with health, safety and the environment on the site, confirm that design intent is met and correct notified defects which prevented the client or end user from using the works and others from doing their work Certify completion of the works or that the goods and associated services as delivered are in accordance with the provisions of the contract |
| 8 | Handover | Works which have been taken over by the user or owner complete with record information | Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained and hand over the works and record information to the user or owner and, if necessary, train end user's or owner's staff in the operation of the works Issue the handover certificate Note: The record information should, as relevant: <ul style="list-style-type: none"> accurately document the condition of the completed works or the works as constructed or completed; contain information on the care and servicing requirements for the works or a portion thereof or instructions on the use of plant and equipment; confirm the performance requirements of the design development report and production information; contain certificates confirming compliance with legislation, statutory permissions and the like; and contain guarantees that extend beyond the defects liability period provided for in the package Arrangements should be put in place to secure and safeguard the works from the time that the contractor's liabilities for damage to the construction works end until such time that the works are handed over to the end user or owner who accept such liabilities |
| 9 | Package completion | Works with notified defects corrected, final account settled and the close out report issued | <p>The following activities, as necessary, should be undertaken:</p> <ul style="list-style-type: none"> correct all defects that are detected during the defects liability period; complete the contract by finalising all outstanding contractual obligations, including the finalisation and payment of amounts due after the expiry of the defects correction period, and the issuing of certificates required in terms of the contract; evaluate package outcomes; and compile a completion report for the package making suggestions for improvements and outlining what was achieved in at least the following: <ul style="list-style-type: none"> the performance parameters specified by the ADM or success factors outlined in the strategic brief; unit costs of completed work or major components thereof; and the value of key performance indicators relating to the objectives of a secondary procurement policy that were achieved |

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There is a difference between achieving completion of the works in accordance with the provisions of the contract (stage 7) and the handing over of the works to the owner, end user or those responsible for the operation and maintenance of the works (stage 8). Upon completion or soon thereafter, risks associated with loss, of or wear or damage to the works are no longer borne by the contractor. Arrangements may need to be put in place to safeguard the works from the time that the contractor's liabilities cease until the time that the works are handed over.

Record information which is produced during stage 8 needs, as relevant, to 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.

Stage 9 (close out) closes out not only the contract or order issued in terms of a framework contract but also the project. Such a report needs to outline what was achieved and make suggestions for improvements on work of a similar nature. It also needs to comment on the performance of the contractor.

E4 Applying the control framework

Stages 5 and 6 may be omitted if sufficient information to proceed to stage 7 is contained in the stage 4 deliverable.

Stage 3 (preparation and briefing) and 4 (concept and viability) may have to be undertaken following the acceptance of a feasibility report where there is insufficient information to proceed to implementation or such acceptance is for a project comprising a number of packages which are to be delivered over time.

Decisions to proceed to the next stage at each gate are based on the acceptability or approval of the end-of-stage deliverable as indicated in Figure E3. A stage is only complete when the deliverable at the end of a task is approved or accepted. Activities associated with stages 5 to 9 may be undertaken in parallel or in series, provided that each stage is completed in sequence.

The level of detail contained in a deliverable associated with the end of each stage should 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 should, 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.

E5 Gateway reviews

Gateway reviews at the end of stage 4 provide an effective means for moderating the projected project outcomes and identifying gaps and shortcomings in the information upon which a decision is made to proceed to implementation. Gateway reviews deliver a team review in which independent practitioners, from outside of the project, examine the likelihood of the successful delivery and the soundness of a

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project, through a series of interviews and documentation reviews. Review teams can also provide valuable additional perspectives on issues facing the project team and are able to challenge the robustness or validity of the end of stage deliverable. The gateway review process provides clients with

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the confidence that an appropriate level of discipline is being applied in the delivery process and the best options to meet needs are being selected. Alternatively, they can be used to review the quality of the end of stage deliverables that were developed.

A gateway review of the end-of-stage 4 deliverable, prior to the acceptance of such deliverable needs to focus in the first instance 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 SDM's overall financial position, both singly and in the light of its other current and projected commitments); and
- c) value for money.

A gateway review team needs to 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 needs to be led by a person who has at least six years post-graduate 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 need, as relevant, to have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects.

The gateway review team needs to 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.

The gateway review team needs to 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.

Aspects in the report needs to be flagged as being:

- a) code red: team considers the aspect to pose a significant risk to the project or 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.

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Annex F: Implementation plans

Implementation plans for infrastructure projects need as necessary to address the contents indicated in Table F1.

Table F1: Content of implementation plan

| Suggested heading | | Content |
|-------------------|---|---|
| No | Title | |
| 1 | Programme / project objectives | An overview of the programme / project and identified objectives |
| 2 | Scope, budget and schedule | In respect of each project or package for the financial year under consideration: <ul style="list-style-type: none"> • outline of the scope, • the control budget for each project, broken down into financial years • the overarching control budget for each financial year • proposed / actual start and end date for the project |
| 3 | Key success factors and Key Performance Indicators | Key success factors and the key performance indicators which need to be measured, monitored and evaluated |
| 4 | Outline of procurement strategy | Procurement strategy in summary form for each project or order issued in terms of a framework contract i.e. <ul style="list-style-type: none"> • Project delivery route (if applicable) - design strategy and interface management strategy • Packaging strategy - framework / non-framework • Contracting strategy – contract type, standard form of contract and pricing strategy • Targeting strategy • Selection method |
| 5 | Time management plan | A time management plan for each project in the form of a Gantt Chart for the financial year under consideration, i.e. the baseline against which progress towards the attainment of milestone (key deliverables) target dates can be measured. |
| 6 | Projected budget and cash flow | The projected budget and cash flows for the financial year under consideration and subsequent financial years, 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 |
| 7 | Procurement plan | The timeline for the financial year under consideration for advertising and closing of tenders and the obtaining of gate approvals leading up to (Annex E) <ul style="list-style-type: none"> • the award of the contract including information such as: - Tender number, title, broad scope of work <ul style="list-style-type: none"> - Estimated total of the prices for the contract / order - Proposed dates for <ul style="list-style-type: none"> o Approval of procurement documents (PG3) o Advertising of tender or submissions o Closing of tenders or submissions o Confirmation of the budget (PG4) o Authorisation to proceed to the next phase (if applicable) (PG5) o Initiation of next phase (if applicable) o Tender evaluation completed o Approval of tender recommendations (PG6) o Acceptance of the offer (PG7) • the issuing of an order in terms of a framework agreement including information such as: <ul style="list-style-type: none"> - Confirming justifiable reasons for selecting a particular framework contractor (FG1) - Obtaining approval for procurement documents (FG2) - Confirmation of the budget (FG3) - Authorising of the issuing of an order (FG4) |
| 8 | Major risks | The identification of major risks and how such risks are to be mitigated or managed |
| 9 | Health, safety and environmental and socio-economic risks | An outline of the controls and measures which will address health, safety, socio-economic or environmental risks |
| 10 | Quality plan | An indication as to how quality requirements and expectations are to be met and managed |
| 11 | Communication plan | A communication plan which determines the lines of communication and the key activities associated therewith |

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| 12 | Allocation of resources | An indication of the assigned internal and external resources with implementation responsibilities |
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Annex G: Infrastructure procurement

G1 Usage of standard procedures

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 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 SDM in accordance with unique requirements;
- b) there is justification for standardising goods or making use of manufacturer-accredited contractors;
- 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.

The standard selection methods identified in Table G1 are implemented under the stated conditions in accordance with the provisions of SANS 10845-1. Projects may not be subdivided to reduce the estimated tender value to fall within a threshold applicable to a specific selection method.

Table G1: Conditions under which procedures provided for in SANS 10845-1 may be utilised

| Selection method | Conditions which need to be satisfied in order to utilise the procedure |
|------------------|--|
| Negotiated | |
| | <p>Any procurement where:</p> <ol style="list-style-type: none"> 1) a rapid response is required due to the presence of, or the imminent risk of, an extreme or emergency situation arising from: <ol style="list-style-type: none"> 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, other than professional services, do not exceed R 75 000 including VAT; 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 R 200 000 and 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. |

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Table G1 (continued)

| Selection method | Conditions which need to be satisfied in order to utilise the procedure | |
|--|---|--|
| Competitive selection | | |
| Nominated | Any procurement, the estimated value of which does not exceed R 1 500 000 including VAT. | |
| Open | 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 | Any procurement where: <ol style="list-style-type: none"> 1) a contract requires for its execution a high degree of specialised 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 | Any procurement where the estimated value does not exceed R 200 000 including VAT. | |
| Proposal using the two-envelope system | Services where tenderers are required to develop and price proposals to satisfy a broad scope of work. | |
| Proposal 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 R 10 000 including VAT. | |
| Competitive negotiations | | |
| Restricted competitive negotiations | As for open competitive negotiations, but where: <ol style="list-style-type: none"> 1) a contract requires for its execution a high degree of specialised 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 finalised prior to the award of the contract. | |

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| Open competitive negotiations | <p>Any procurement where:</p> <ol style="list-style-type: none"> 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. |
|-------------------------------|--|

Prior approval needs to be obtained to make use of the negotiated or confined selection method, unless such a procedure is already provided for in the approved procurement strategy at Gate 2 (see Annex E) except where:

- a) the negotiated procedure above the thresholds identified in Tables E1; and
- b) 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 G1 and which can be dealt with, or the risks relating thereto arrested, within 48 hours.

Approval for the use of a confined market is valid for a period not exceeding 18 months.

G2 Framework agreements

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 (usually not more than 3 but certainly not more than 5), based on the projected demand and geographic location for such goods, services or works.

The term of a framework agreement is not to exceed three years, unless otherwise approved.

Framework agreements that are entered into may not commit the SDM to any quantum of work beyond the first order or bind the SDM to make use of such agreements to meet its needs. The SDM 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 may be obtained.

Orders:

- a) may only cover 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.

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 needs to be conducted in a non-discriminatory manner such that competition is not distorted.

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Competition amongst framework contractors for orders takes 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.

An organ of state may request in writing to make use of a framework agreement put in place in terms of this policy. Such a request, signed by the accounting officer or accounting authority of that organ of state, needs to:

- 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.

Approval of a request to make use of the framework agreement put in place in accordance with the provisions of this policy be granted, conditionally or unconditionally, if:

- a) the framework agreement was put in place following a competitive tender process and there are demonstratable benefits for doing so;
- 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.

Use may be made of another organ of state's framework agreement provided that such an agreement was put in place following a competitive tender process.

G3 Design competitions

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 need to 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.

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A design competition is 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 are admitted to the competition as participants.

A jury who is independent of participants in the competition needs to be appointed to collectively decide on the outcome of the competition. Such a jury needs to be autonomous in its decisions or opinions and endeavour to 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 needs to have relevant professional qualifications in the subject matter of the competition.

The design competition needs to 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.

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 are invited to submit tender offers. Tender offers should 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.

G4 Procurement documentation

G4.1 General

Procurement documents are developed in accordance with the provisions of SANS 10845-1 and SANS 10845-2.

The Form of Offer and Acceptance contained in Annex B of SANS 10845-2 is used, with minimal contract-specific amendments, to form the basis of agreement arising from the solicitation of tender offers.

The formation of a contract (see SANS 10845-2) occurs once:

- a) each and every amendment to the tender documents made in terms of addenda issued prior to the close of tenders and permitted in terms of the conditions of tender, and agreed to in the process of offer and acceptance has either:
 - 1) been reflected in schedule of deviations; or
 - 2) been incorporated into the final contract and 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
- b) the acceptance portion of the Form of Offer and Acceptance has been signed by the person authorised to do so.

A tenderer's covering letter may not be included in the final contract document or referenced in the schedule of deviations. The agreed provisions of such a letter is stated in the schedule of deviations.

G4.2 Tender, submission and auction data

The tender data references the Standard Conditions of Tender contained in SANS 10845-3.

The tender offer validity period provided for in the tender data is not in general to exceed eight weeks, and in exceptional circumstances 12 weeks.

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The submission data references the Standard Conditions for the Calling for Expressions of Interest contained in SANS 10845-4.

Auction data is based on the auction data contained in SANS 10845-1.

G4.3 Standard forms of contract

The standard forms of contract are selected from and need to be suitable for use under the conditions described in Table G2.

The standard forms of contract are used with minimal contract amendments which do not change their intended usage and may only be amended when absolutely necessary to accommodate special needs.

Adjudication is used to resolve disputes arising during the performance of a contract prior to proceeding to either arbitration or litigation.

G4.4 Tender assessment schedules

Tender assessment schedules are used to take account of all tendered financial parameters that have an impact upon the final value of the contract.

Table G2: Approved forms of contract related to the delivery and maintenance of infrastructure¹

| Form of contract | Intended usage |
|---|---|
| Construction Industry Development Board (CIDB) | |
| CIDB Standard Professional Service Contract | 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. |
| Institution of Civil Engineers (ICE) | |
| NEC Engineering and Construction Contract | Engineering and construction including any level of design responsibility. |
| NEC Engineering and Construction Short Contract | Engineering and construction which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the employer and contractor. |
| NEC Professional Services Contract | Professional services, such as engineering, design or consultancy advice. |
| NEC Professional Services Short Contract | Professional services which do not require sophisticated management techniques, comprise straightforward work and impose only low risks on both the client and consultant. |
| NEC Term Service Contract | Manage and provide a service over a period of time. |
| NEC Term Service Short Contract | 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. |

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| NEC Supply Contract | Local and international procurement of high-value goods and related services, including design. |
| NEC Supply Short Contract | 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. |
| NEC Design build and operate | Design, construct or modify and operate assets necessary to meet the client's operational requirements |
| South African Institution of Civil Engineering (SAICE) | |
| SAICE General Conditions of Contract for Construction Works | Engineering and construction, including any level of design responsibility. |
| Joint Building Contracts Committee (JBCC) | |
| JBCC Principal Building Agreement | Buildings and related site works designed by the employer. |
| JBCC Minor Works Agreement | Buildings and related site works of simple content designed by the employer. |

G4.5 Guarantees

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) are between 5% and 12,5% of the contract or package order value, excluding VAT, and may be either a fixed or variable guarantee.

Advance payment, where required in construction and supply contracts and approved by the SDM's chief financial officer, may only be made to contractors against the lodging of a suitable advance payment bond.

G4.6 Retention monies

Retention monies that are held do not exceed 10% of any amount due to a contractor. The total amount of retention monies held are not to exceed 5% of the contract or package order price.

G4.7 Communications

All procurement documents and communications are to be in English.

G4.8 Intellectual property rights

The ADM as a general rule owns the rights over the materials specifically prepared by a contractor in relation to a contract.

G4.9 Budgetary items

Provision for budgetary items in procurement documents are 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

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may be included in the contract to cover identified work or services to be performed by a subcontractor appointed in terms of the contract.

No provision for contingencies or price adjustment for inflation are to 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.

G4.10 Insurances

Contractors are required to take out all insurances required in terms of the contract.¹

The insurance cover in 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 is general not less than R 20 million, unless otherwise directed by the client delivery manager.

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 construction contracts. Lateral earth support insurance in addition to such insurance shall be take out on a case by case basis.

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 R 10 million for any one event unless otherwise directed by the client delivery manager.

Professional service appointments are as a general rule subject to proof of current professional indemnity insurance being submitted an amount not less than R 3,0 million, except in the case of architectural, structural engineering and geotechnical engineering where the amount is not less than R 5,0 million, without limit to the number of claims, unless otherwise directed by the client delivery manager.

G.4.11 Payment in multiple currencies

Where payment is to be made in multiple currencies, either the contractor or the ADM should 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.

G4.12 Potential conflicts of interest in preparing procurement documents

Agents (person or organization that is not an employee of the SDM that acts on behalf of the SDM) who prepare a part of a procurement document may in exceptional circumstances, where it is in the SDM's interest to do so, submit a tender for work associated with such documents provided that:

- a) the SDM 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 procurement documentation committee is satisfied that the procurement document is objective and unbiased having regard to the role and recommendations of that agent.

G4.13 Non-disclosure agreements

¹ Alternatively state that the insurances shall be principal or employer controlled.

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Confidentiality agreements in the form of non-disclosure agreements may, where appropriate, be included in contracts with agents and potential contractors to protect the SDM's confidential information and interests.

G5 Secondary procurement policy

G5.1 General

The SDM shall promote

- a) Broad-Based Black Economic Empowerment in accordance with the provisions of the BroadBased Black Economic Empowerment Act in all its procurement; and
- b) where appropriate, promote work, business, skills opportunities to target groups and national development goals.

G5.2 Permitted targeted procurement procedures

The targeted procurement procedures that may be used to promote social and economic objectives 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.

G6 Disposal management

A disposal committee decides on 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.

Disposals are 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 an organ of state or a charitable organisation 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 authorised dump site, burning or demolition.

The reasons for adopting a disposal strategy is recorded prior to proceeding with such disposal.

G7 Long lead items

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.

G8 Free issue of materials, equipment and plant

Materials, equipment and plant may be procured and issued free of charge to a contractor for incorporation into the works. Care needs to 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.

G9 Receipt and safeguarding of submissions

A dedicated and clearly marked tender box is made available to receive all submissions made.

The tender box is fitted with two locks and the keys kept separately by two people. Such personnel are present when the box is opened on the stipulated closing date for submissions.

G10 Opening of submissions

Submissions are opened by an opening panel comprising two people who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

The opening panel opens the tender box at the stipulated closing time and:

- a) sorts 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) returns submissions unopened and suitably annotated where:
 - 1) submissions are received late, unless otherwise permitted in terms of the submission data;
 - 2) submissions were submitted by a method other than the stated method,
 - 3) submissions were withdrawn in accordance with the procedures contained in SANS 10845-3; and
 - 4) 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;

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- g) sign the entries into the register; and
- h) stamp each returnable document in each tender submission.

Each member of the opening panel initial the front cover of the submission and all pages that are stamped.

Respondents and tenderers whose submissions are to be returned are afforded the opportunity to collect their submissions.

Submissions are safeguarded from the time of receipt until the conclusion of the procurement process.

G11 Tax compliance and Central Supplier Database (CSD) registration

No contract may be awarded or order issued unless a tenderer or contractor is:

- a) registered on the Central Supplier Database (CSD) for the South African government (see <https://secure.csd.gov.za/>) unless a foreign entity with no local registered entity; and
- b) provides written proof from SARS that the tenderer either has no tax obligations or has made arrangements to meet outstanding tax obligations, unless the entity is not domiciled in the Republic of South Africa and SARS has confirmed that such a tenderer is not required to prove their tax compliance status.

No contract may be awarded to a tenderer who, or 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.

In the case of a partnership or joint venture, each partner needs to be tax compliant.

G12 Collusive tendering

Any submissions made by a respondent or tenderer who fails to declare in a 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 is rejected.

G13 Invitations to submit expressions of interest or tender offers

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 need to be advertised on the SDM's website, and or on the National Treasury E-Tender Publication Portal and,

where such advertisements relate to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000, on the CIDB website.

Where deemed appropriate by the client delivery manager an invitation to tender and a call for an expression of interest shall be advertised in suitable local and national newspapers as directed by such person.

Advertisements to submit tenders 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.

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.

Procurement documents shall be made available not less than 7 days before the closing time for submissions.

G14 Publication of submissions received and the award of contracts

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, 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, are published on the SDM's website. Such information should remain on the website for at least 30 days.

The following needs to be published on the SDM's website within 7 working days of the award of a contract:

- a) the contract number and title;
- b) brief description of the goods, services or works;
- c) 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.

Within 7 working days of the award of a contract the information required by National Treasury on the National Treasury eTender Publication Portal regarding the successful and unsuccessful tenders. Submissions needs to be uploaded. 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 also need to be notified on the CIDB website.

G15 Request for access to information

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 SDM's Information Manual which establishes the

procedures to be followed and the criteria that have to be met for the "requester" to request access to records in the possession or under the control of the SDM.

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.

Annex H: Managing procurement activities

H1 Procurement activities and controls

There are typically six principal activities associated with a generic procurement process:

- a) the establishment of what is to be procured;
- b) a decision on procurement strategies;
- c) the solicitation of tender offers;
- d) the evaluation of tender offers;
- e) the award of the contract; and
- f) the administration of the contract and confirmation of compliance with the requirements.

The establishment of what is to be procured (task 1) initiates the procurement process. Procurement strategy (task 2) is all about the choices made in determining which of the required goods and services or combinations thereof are to be delivered through a particular contract, the contracting arrangements, how procurement is to be used to promote secondary procurement objectives, if any, and the selection methods used to solicit tender offers. Conditions for the calling for expressions of interest to prequalify respondents to participate in a specific contract, project or programme and conditions of tender govern tasks 3 to 5. Conditions of contract (i.e. terms that collectively describe the rights and obligations of contracting parties and the agreed procedures for the administration of their contract) govern task 6.

Table H1 establishes a set of principal actions within the six principle tasks i.e. it incorporates actions leading to procedural milestones (control points) (see Figure H1).

Table H1 — Procurement tasks and associated actions

| Description | Principal action |
|--|---|
| Procurement activity 1: Establish what is to be procured (if not specifically identified in stage 1 of Table E1 of Annex E) | |
| 1. Prepare broad scope of work for procurement | Develop a title for the procurement for the purpose of project identification and a broad scope of work. |
| 2. Estimate financial value of proposed procurement | Estimate the financial value of the proposed contract for budgetary purposes, based on the broad scope of work. |
| 3. PG 1 Obtain permission to start with the procurement process* | Decide to proceed/not to proceed with the procurement based on the broad scope of work and the financial estimates. |
| Procurement activity 2: Decide on procurement strategies (if not included in stage 2 of Annex E) | |

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| 1. Establish opportunities for promoting secondary procurement policies, if any | Identify the specific goals which are to be pursued, if any, and establish quantitative targets and implementation procedures which are consistent with the employer's objectives. |
| 2. Establish contracting strategy | Decide on an appropriate form of contract and the methodology by which contractors are to be paid. |
| 3. Establish targeting strategy | Decide on the methodology that is to be used to implement secondary procurement policy. |
| 4. Establish selection method | Identify the process that will be followed to solicit tender offers and to conclude a contract. |
| 5. PG 2 Obtain approval for procurement strategies that are to be adopted * | Confirm the procurement strategy so that tender offers can be solicited including specific approvals to approach a confined market or the use of the negotiation procedure |

Table H.1 (continued)

| Description | | Principal action |
|--|---|---|
| Procurement activity 3: Solicit tender offers | | |
| 1. Prepare procurement documents | | Prepare expressions of interest or tender documents (or both), as appropriate, that are compatible with the approved procurement strategies. |
| 2. PG 3 Obtain approval for procurement documents * | | Reviews the procurement document, identifies sections, if any, which require amendments or improvements, and grant the necessary approval. |
| 3. PG 4 Confirm that budgets are in place * | | Confirm that finance / the necessary budget is available for the procurement to take place. |
| 4. Invite tender offers or expressions of interest | | Advertise tenders/identify contractor(s) that are to be invited to submit tender offers in accordance with the approved selection method, issue procurement documents, respond to requests for clarification, conduct clarification/site meetings, issue attendees with minutes of such meetings, and issue addenda, as relevant. |
| 5. Receive submissions | | Ensure that arrangements are in place to receive tender offers/expressions of interest and return unopened those that are received late, are not delivered in accordance with instructions given to respondents/tenderers or where only one tender is received and it is decided to call for fresh tenders. |
| 6. Open and record submissions received | | Open submissions and record data relating to the submission |
| Procurement activity 4: Evaluate tender offers | | |
| Qualified, proposal or competitive negotiations selection methods only | 1. Evaluate and prepare evaluation report on submissions received | Evaluate in accordance with the provisions of the procurement document that was issued and prepare an evaluation report (see ISO 10845-3 and ISO 10845-4) |
| | 2. PG 5 Obtain authorisation to proceed with next phase of the procurement process * | Review evaluation report and ratify recommendations so that the next phase of the procurement process can commence or refer the report back to those who performed the evaluation for re-evaluation |
| | 3. Invite tender offers from qualified respondents or selected tenderers | Issue next phase procurement documents |

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| 4. Open and record submissions received and if necessary repeat 1 to 4 above | Open submissions, record data relating to the submission and evaluate in accordance with the provisions of procurement documents |
| 5. Evaluate tender offers and prepare a tender evaluation report | Evaluate in accordance with the provisions of the procurement document that was issued and prepare an evaluation report |
| 6. PG 6 Confirm recommendations contained in tender evaluation report | Review evaluation report and authorise or refer back to those who performed the evaluation for re-evaluation |
| Procurement activity 5: Award contract | |
| 1. Notify unsuccessful tenderers of the outcome | Notify the unsuccessful tenderers of the outcome and respond to any correspondence raised in this regard |
| 2. Compile contract document | Assemble contract document from the relevant tender returnables and issue draft contract to tenderer, capturing all the changes that were agreed to between the offer and acceptance. |
| 3. PG 7 Award contract | Accept the tender offer in writing and issue the contractor with a signed copy of the contract. |
| 4. Capture contract award data | Capture, into a database, essential contract data for record purposes. |
| 5 GF1 Upload data in financial management and payment systems | Authorise the uploading of financial data on the financial system |

Table H.1 (continued)

| Description | Principal action |
|---|--|
| Procurement activity 6: Administer contracts and confirm compliance with requirements | |
| 1. Administer contract in accordance with the terms and provisions of the contract | Administer the contract in accordance with its terms and conditions and pay contractors within the time periods provided for in the contract |
| 2. Confirm compliance with requirements | Monitor contractor's performance for compliance with the requirements of the contract |
| 3. Capture contract completion/ termination data | Record, in a database, key performance indicators relating to time, cost and the attainment of specific goals associated with a secondary procurement policy, or if the contract is terminated or cancelled, the reasons for this. |
| 4. PG8A Obtain approval to waive penalties or low performance damages | Approve waiver of penalties or low performance damages |
| 5. PG8B Obtain approval to notify and refer a dispute to an adjudicator, or for final settlement to an arbitrator or court of law | Grant permission for the referral of a dispute to an adjudicator or for final settlement to an arbitrator or court of law |
| 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 | Approve amount of time and cost overruns up to a specified threshold |

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| 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 | Approve amount of time and cost overruns above a specified threshold |
| 8. PG8E Obtain approval to cancel or terminate a contract | Approve cancellation of termination of a contract |
| 9. PG8F Obtain approval to amend a contract | Approve proposed amendment to contract |
| 10 Close out the contract | Close out contract and finalise amount due |

*shaded cells indicate the presence of a procurement gate (control point)

Control gates provide an opportunity to:

- authorise the proceeding with an activity within a process, or the commencing of the next process;
- confirm conformity with requirements before completing processes; or
- provide information which creates an opportunity for corrective action to be taken.

Table H2 establishes a set of principal actions associated with the issuing of orders in terms of a framework contract. Table H2 incorporates actions leading to procedural milestones (control points) (see Figure H1).

The level of detail contained in the documentation upon which a decision is made at a gate needs to be sufficient to enable informed decisions to be made to proceed to the next activity or to undertake a particular procedure.

The authorisation to proceed with the next phase (Procurement Gate 5), the approval of tender evaluation recommendations (Procurement Gate 6) and the authorisation for the issuing of an order (Framework Agreement Gate 4) needs to be based on the contents of an evaluation report.

The approvals or acceptances at each gate need to be recorded on suitable templates and 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.

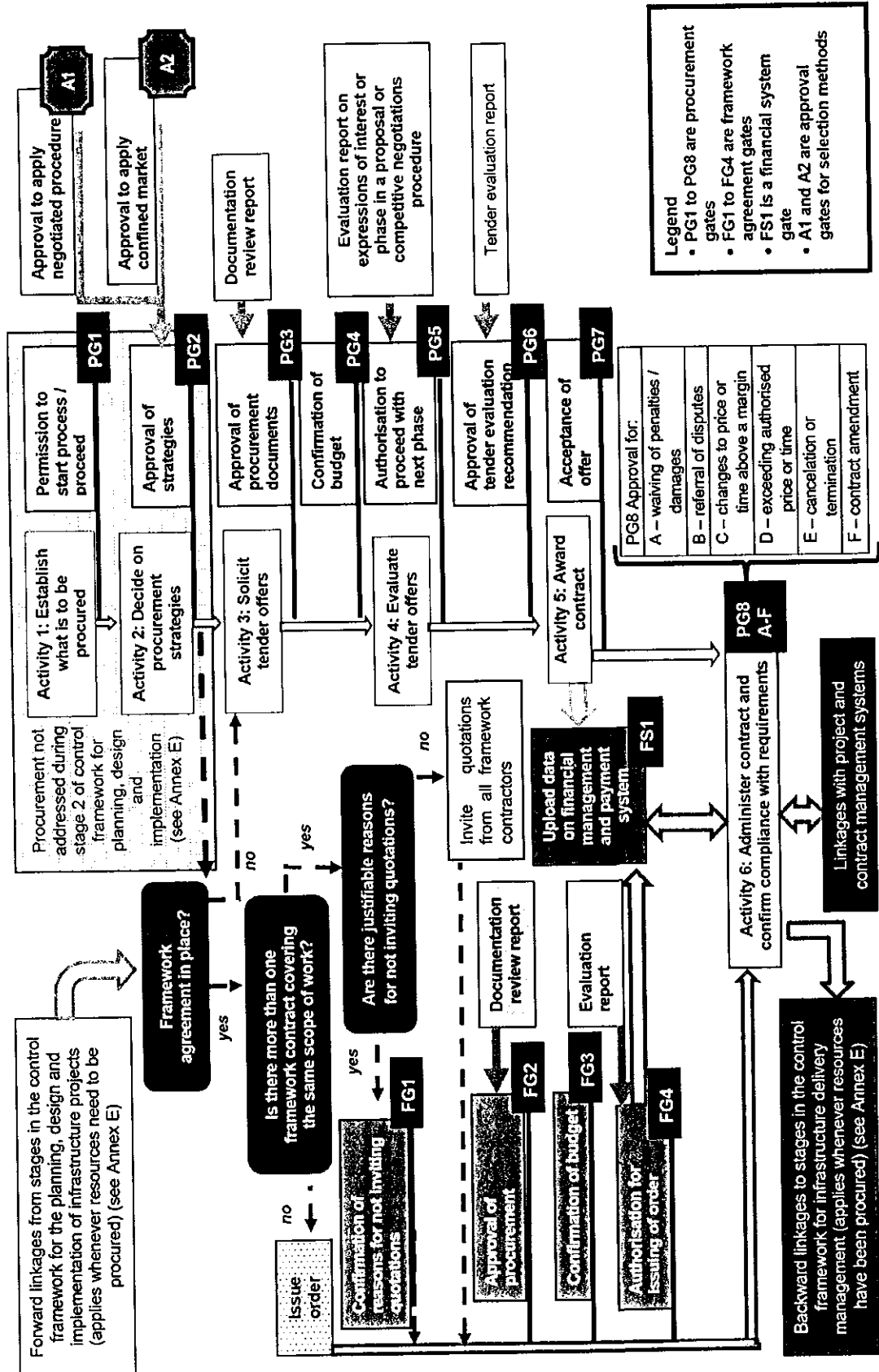


Figure H1: Control framework for infrastructure procurement

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Table H2: 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 | Approve 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 | Authorise 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 gate (control point)

Approvals for the reasons for pursuing a particular selection method are required where the confined procedure or negotiated procedure are applied to solicit tender offers (see approval Gates A1 and A2). Such approval confirms that the use of such procedures is in line with the provisions of the documented procurement system.

H2 Amount due in terms of the contract, budget amount and purchase order value

Risk (the effect of uncertainty on objectives) can influence the delivery of a project with respect to time, cost and quality, and in extreme cases, the completion of the contract. The generic sources of risk on infrastructure projects include commercial and legal relationships, economic circumstances, human behaviour, natural events, weather, inherent site conditions, political circumstances, community unrest, technology and technical issues, management activities and controls and individual activity. Risks can also manifest in the failure to make decisions or provide information timeously, to pay promptly or provide timeous access to a site. Accordingly, risk taking is necessary in infrastructure projects.

A central issue that needs to be dealt with is the financial liability relating to the uncertainty of future events, who takes the risk for the difference between the actual prices paid in terms of the contract and those estimated at the time of tender and how changes to requirements to enhance quality, performance in use or the usefulness of outputs or to address shortcomings are assessed and paid for.

Standard forms of contract contain the terms that collectively describe the rights of the contracting parties and the agreed procedures for the administration of the contract. They enable risks to be allocated between the parties to the contract. They also make provision for standard adjustments to the total of the prices and the time for completion. Such adjustments, depending upon the nature of the contract and the contracting strategy that is adopted, can include provisions such as:

- price adjustment for inflation;
- the assessment of the impact on the prices of changes in legislation, foreign currency fluctuations, changes in and the remeasurement of quantities stated in the contract, errors and omissions in bills of quantities and the application of risk sharing mechanisms in target contracts;

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- the cost and time implications of risk events that materialise in the contract for which the contractor is not at risk including changes in the specific requirements of contract to enhance quality, performance or to address shortcomings which can impair performance or the usefulness of outputs; and
- correction of assumptions made regarding items which were identified but could not be fully priced at the time of tender e.g. specialist subcontracts.

Accordingly, the application of the aforementioned terms and conditions of a contract, although changing the total of the prices and the time for completion at the start of a contract, does not constitute an amendment to the contract and as such require approval at Procurement Gate PG8F. Amounts due in terms of the contract, nevertheless need to be funded, and the consequences of late delivery need to be accommodated. Accordingly, the project control budget needs to include an estimate for price adjustment for inflation, if applicable, as well as some provision for contingencies (budget covering work or price increases that can be required but cannot be foreseen or predicted with certainty) in order to fund what is due in terms of the contract (see Table H3). At the same time, a mechanism needs to be put in place to enable the contingency amounts to be accessed within the financial system. This requires a capability within the financial system to pay the amount due in terms of the contract in excess of the purchase order value.

Table H3: Amount due in terms of the contract, budget amount and purchase order value

| Component of cost | Amount due in terms of the contract at close out | Budget amount | Purchase order value |
|---|---|---|--------------------------------|
| Base price at time of award | Price at the time of award of the contract, excluding contingencies, based on: <ul style="list-style-type: none"> • work that is priced; and • estimates of costs to cover identified work or services to be performed which cannot be accurately priced e.g. specialist subcontracts | | |
| Price adjustment for inflation | Actual value based on published indices | Estimated value based on forecasted indices | |
| Changes to requirements | Cost of effecting changes assessed in terms of the provisions of the contract | Contingency provided within the control budget for the project (which can if necessary be topped up from contingencies spread across multiple projects) | Allowance for some contingency |
| Correction of assumptions | | | |
| Risk events manifesting for which the contractor is not at risk | | | |

A stepwise approach to accessing of contingencies is provided in the control framework as indicated in Figure H2. The price at the time that the contract is awarded or an order is issued needs to be without provision for contingencies or allowances for price adjustment for inflation. Contingencies need to be managed above the contract level. This stepwise approach to accessing contingencies encourages the client delivery management team and the delivery team to seek alternative ways to deal with issues which lead to increases in the total of the prices for a contract or an order.

Accordingly, no provision for contingencies or price adjustment for inflation may be included in the contract price at the time that the contract is awarded or an order is issued. Such a price needs to be the net contract price i.e. the value of the contract, based on the scope of work (document that specifies and describes the goods, services, or works which are to be provided, and any other requirements and constraints relating to the manner in which the contract work is to be performed) at the start of the contract or order. Budgetary items should be discouraged. Estimates of likely costs to cover identified work or services to be performed by a subcontractor appointed in terms of the contract and assumed costs, based on a set of assumptions for known work, may be made. These amounts can be included

in the contract price and adjusted in terms of the contract when the actual costs are known or when such assumptions are found to be incorrect.

Procurement gates PG8C and PG8D enable time and cost overruns to be managed and as such provide stepped access to contingencies. The principle associated with the stepped thresholds provided for at gates 8C and 8D (see Table H1) is that approval to exceed authorised cumulative amounts in excess of these percentages needs to be granted at a more senior level with each quantum increase. The onus is on the contract manager to obtain timeous approval so that the works are not disrupted. The control budgets for projects need to be rolled up into a control budget for a financial year. Such budgets should be periodically adjusted to reflect changing circumstances. PG4 and FG3 gates provide an opportunity to confirm that budget is available to continue with or to delay a particular contract or order.

Data pertaining to contracts needs to be uploaded in the Financial Management System at gate FS1. There are often increases in the total of the prices in infrastructure projects as risks materialise, changes are implemented to enhance the quality or performance of the works or to address shortcomings and the prices are adjusted for the effects of inflation. Accordingly, a value which equates to the total of prices at award excluding contingencies, plus an estimate for increases in the total of the prices associated with price adjustment for inflation, if provided for, and a reasonable percentage for contingencies needs to be uploaded at Gate FS1.

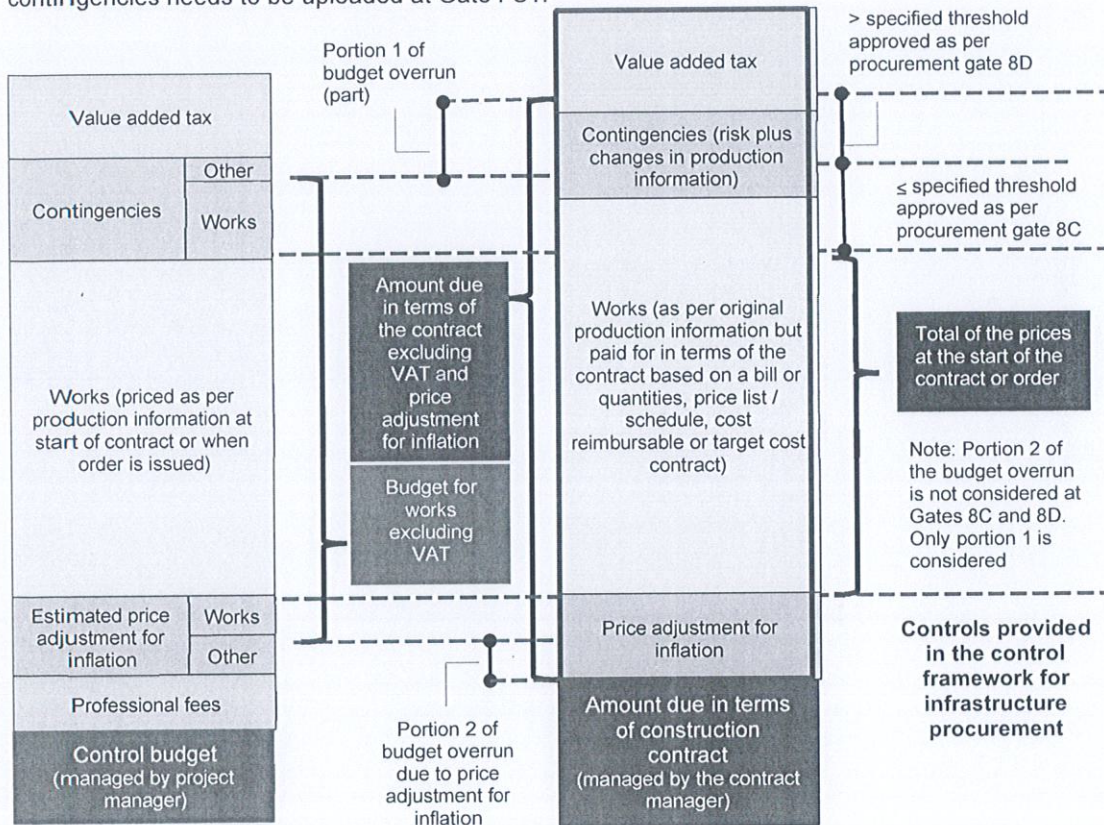


Figure H2: Provisions in the control framework for controlling costs

PG8C and PG8D approvals provide the necessary authorisation for the financial system to permit the payment of amounts due in terms of the contract which exceed the purchase order value.

H3 Committee system

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H3.1 General principles

The approval of procurement documents, the validation of tender evaluation reports and the recommendations on the award of contracts to an authorised person for all procurement transactions above the quotation threshold takes place within a committee system comprising three committees.

Persons appointed as technical advisors and subject matter experts may attend any committee meeting. Such advisers and experts may not participate in the decision-making proceedings of such meetings.

No person who is a political officer bearer, a public office bearer including any councilor 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 may be appointed to a procurement documentation, evaluation or tender committee.

Committee decisions need to be as far as possible based on the consensus principle i.e. the general agreement characterised by the lack of sustained opposition to substantial issues. Committees need to record their decisions in writing. Such decisions need to be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract.

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 may elect a chairperson from one of them to preside at the meeting.

No member of, technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a 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) or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

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.

The notes to the annual financial statements of the SDM 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.

H3.2 Approval of procurement documents H3.2.1 Procurement documentation committee

A procurement documentation committee needs to approve procurement documents before they are issued to the market in terms of a competitive or competitive negotiation selection method, are finalised in the negotiated selection method or issued to framework contractors. Such approval takes place following the review of the procurement documents by a documentation review team.

The procurement documentation committee needs to take into account the contents of the documentation review report and confirm that the procurement documents are fair, transparent and equitable and are likely to result in a cost-effective procurement outcome. The procurement documentation committee needs in particular to confirm the following as relevant when approving a procurement document:

- c) the proposed eligibility criteria do not unfairly eliminate tenderers from consideration;
- d) compulsory clarification meetings are justifiable in the context of the procurement;
- e) the weightings between price adjusted for a preference and quality are reasonable;
- f) the quality criteria and any weightings between sub-criteria which are to be scored in the evaluation of tenders are fair and reasonable and are justifiable in terms of procurement outcomes; and
- g) the provisions for applying of the Preferential Procurement Regulations are not promoting captive markets and are likely to result in the tendering of market related prices.

H3.2.2 Documentation review requirements

The review of procurement documents associated with the negotiation, competitive selection or competitive negotiation procedure needs to confirm that:

- a) the procurement documents have been formatted and compiled in accordance with the requirements of SANS 10845-2 and this policy 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 this policy and any standard SDM templates 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;

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- 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 108451;
- g) the submission of 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.

The review of procurement documentation associated with the issuing of an order needs to confirm that:

- a) any standard SDM templates 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.

The documentation review report needs to:

- a) list the names and qualifications of the team members;
 - b) confirm that the documents are in accordance with the requirements of this policy;
 - c) identify sections, if any, which require amendments or improvements;
 - d) capture any comments or opinions which the team may wish to express; and
 - e) recommend that the procurement documents be accepted with or without modifications.
- Where the procurement relates to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, the documentation review report needs to 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.

H3.3 Evaluation of tenders and submissions

H3.3.1 Evaluation committee

An evaluation committee needs to:

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- a) finalise evaluation reports prepared in accordance with H2.3.2 and address any areas in the report should a report be referred back to the committee by the tender committee;
- b) authorise admission to an electronic data base and the proceeding with the next phase of a procurement process in the qualified and two-stage competitive and the restricted and open competitive negotiation selection methods following the:
 - 1) confirmation that the report is complete and addresses all considerations necessary to make a decision;
 - 2) confirmation of the validity and reasonableness of reasons provided for the elimination of tenderers or respondents; and
 - 3) the identification and consideration any risks that have been overlooked which warrant investigation prior to taking a final decision.

H3.3.2 Preparation of evaluation reports

The evaluation report needs to 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.

Submissions need to 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 are professionally registered and satisfy the aforementioned evaluation criteria, are required to undertake such an evaluation.

Quality need to be scored in terms of the prompts for judgement, with fixed scores assigned to each prompt, either individually and averaged or collectively, as appropriate. Those involved in the evaluation of submissions need to 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 need to be placed on file as an audit trail and may form the basis of any debriefing that takes place.

Evaluation reports are prepared in accordance with the content headings and relevant guidelines contained in Tables H4 and H5, with modifications as necessary where a two-envelope, two-stage process or competitive negotiation selection method is followed.

Table H4: Content of an evaluation report relating to an expression of interest

| Section heading | | Subsection heading | | Guidelines for the preparation of content |
|------------------------|---------------------------------------|---------------------------|---|--|
| 1 | Summary | - | - | <p>Provide an overview of the parameters associated with the expression of interest, preferably in tabular form, including the following as relevant:</p> <ul style="list-style-type: none"> • 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 | - | - | <p>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.</p> <p>Provide, if applicable, an overview as to how the quality aspects of the submissions were scored.</p> <p>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.</p> |
| 3 | Evaluation process | 3.1 | Submissions received | <p>List the submissions that were received.</p> <p>Describe any noteworthy events regarding the opening of submissions, e.g. the returning of late submissions.</p> |
| | | 3.2 | Completeness of submissions received | <p>Compare submissions received against the list of returnable documents. State if any submissions were incomplete and outline how clarifications were obtained.</p> <p>Confirm if respondents took into account addenda, if any, in their submission.</p> |
| | | 3.3 | Responsiveness of respondents | <p>Identify which of the submissions received were nonresponsive and provide clear reasons for declaring respondents to be non-responsive.</p> |
| | | 3.4 | Evaluation of submissions | <p>Record the manner in which submissions were evaluated.</p> <p>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).</p> |
| Section heading | | Subsection heading | | Guidelines for the preparation of content |
| | | 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 H5: 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: <ul style="list-style-type: none"> Contract / Project / Tender number Contract description Contract duration Purpose of tender Contracting strategy, pricing strategy, form of contract and targeting strategy Selection method 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 evaluation process | - | - | Provide an overview of the procurement 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. |

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| | 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 non-responsive. |

Table H5 (concluded)

| Section heading | Subsection heading | | Guidelines for the preparation of content |
|---|--------------------|---|---|
| 3 Tender evaluation process (continued) | 3.4 | Evaluation of tender offers | Record the manner in which tenderers were reduced to a common basis: Record preferably in a tabular form: <ul style="list-style-type: none"> 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. |

Evaluation reports need to 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 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.

An evaluation report which recommends the award of a contract includes 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.

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An evaluation report covering the application of the negotiated procedure for the award of a contract or the issuing of an order, needs to 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 need to be certified as being fair and reasonable by a professional quantity surveyor registered in terms of the Quantity Surveying Profession Act or a professional engineer registered in terms of the Engineering Profession Act.

All communications with respondents and tenderers during the procurement process to obtain information and clarifications is made in writing through the employer's agent named in the submission or tender data. Records of all communications in this regard need to be retained for auditing purposes.

H3.4 Recommendation for the award of a contract

The tender committee needs to:

- 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 policy;
 - 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 risks indicated in the report 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.

The tender committee needs to 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.

The tender committee needs to consider the merits of an unsolicited offer and make a recommendation regarding the acceptability of such a proposal.

The tender committee may not make a recommendation for an award of a contract if the recommended tenderer 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.

The tender 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 SDM's delivery management system or has committed fraud, corruption or any other improper conduct in relation to such system.

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No member of the evaluation committee may serve on the tender committee. A member of an evaluation committee may, however, participate in the deliberations of a tender committee as a technical advisor or a subject matter expert.

H4 Actions of an authorised person

H4.1 Award of a contract

The authorised person shall, if the value of the contract inclusive of VAT, is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation threshold, the recommendation of the evaluation report 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.

H4.2 Issuing of an order

The authorised person needs, if the value of an order issued in terms of a framework contract inclusive of VAT, is within his or her delegation either:

- a) decide not to proceed or to start afresh with the process; or
- b) authorise the issuing of an order after:
 - 1) confirming that the required goods or services, or any combination thereof, are within the scope of work associated with the relevant framework contract; and
 - 2) considering the recommendations of the evaluation report where competition amongst framework contracts takes place 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.

H5 Payment of contractors

All accounts need to be settled in accordance within 30 days of invoice or statement as provided for in the contract.

Annex I: Conduct of those engaged in infrastructure delivery

11 General requirements

SDM employees and agents of the SDM (any person or organization that is not an employee of the SDM that acts on the SDM's behalf) 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.

All personnel and agents engaged in the SDM '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 the SDM 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.

An employee or agent may not amend or tamper with any submission, tender or contract in any manner whatsoever.

12 Conflicts of interest

The employees and agents of the SDM who are connected in any way to the SDM's infrastructure procurement and delivery management activities, shall:

- a) disclose in writing to the employee of the SDM 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 SDM proprietary information.

The employees and agents of the SDM 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.

13 Evaluation of submissions received from respondents and tenderers

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 favor or disfavor 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 the SDM.

SDM employees and 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

14 Gratifications, hospitality and gifts

SDM employees and agents 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.

SDM employees and agents as well as their family members (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) or 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;

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- 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.

SDM employees and agents 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.

SDM employees and agents 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 not more than R750 unless they have declared them.

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.

Annex J: Supply chain management reporting

J1 Reporting of award of a contract above a threshold

The client delivery manager shall report to the National Treasury through the office of the chief financial officer within one month of the award of a contract or the issuing of an order, all 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 J1. 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.

Table J1: Thresholds, including VAT, for reporting the award of a contract or an order to the National Treasury

| Value of contract or order including VAT | | | |
|--|-----------------------|--------------|---------------------------|
| Services contract | Professional services | Supply | Construction works |
| R50 million | R50 million | R100 million | R100 million ³ |
| R25 million | R25 million | R50 million | R50 million ⁴ |

J2 Reporting on an award to a tenderer other than the one recommend by the tender committee

The chief financial officer needs to report to the national treasury any contract that is awarded to a tenderer other than the tenderer recommended by the tender committee, giving reasons for such award.

J3 Annual report

The client delivery manager shall prepare an annual report through the office of the chief financial officer which contains the following in respect of a financial year and submit such report to the national treasury within two months after the financial year end:

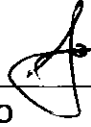
- a) the performance report which reflects performance in relation to at least the following:
 - 1) expenditure incurred in infrastructure delivery for the financial year, against the budget made available to cover such expenditure at the start of the year;
 - 2) the average variance between planned and achieved completion of stages of all packages and projects;
 - 3) an overview of all packages where stage 7 was completed within the financial year and approval at PG8D was obtained to increase the total of the prices or the time for completion, together with a brief explanation as to why such increases occurred;

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- 4) 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;
 - 5) 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 at Procurement Gate 7;
 - 6) 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;
 - 7) 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 at Procurement Gate 6; and
 - 8) the average number of days that payment is later than that required under the terms of a contract;
- 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 J1;
- 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.

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CHAIPERSON OF THE COUNCIL
FOR AND ON BEHALF OF THE MUNICIPALITY

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