

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1475 [NW1785E]
DATE OF PUBLICATION: 25 OCTOBER 2024

1475. Ms O M C Maotwe (EFF) to ask the Minister of Finance:

- (1) What has he found to have been the effectiveness of transversal contracts;
- (2) whether any allegations of corruption and extortion against departmental officials responsible for transversal contracts have been brought to his attention; if not, why not; if so, what steps has he taken in this regard?
NW1785E

REPLY

- 1) Transversal-term contracts are established in terms of Treasury Regulations 16A6.5, which states, *“The accounting officer or accounting authority may opt to participate in transversal term contracts facilitated by the relevant treasury. Should the accounting officer or accounting authority opt to participate in a transversal contract facilitated by the relevant treasury, the accounting officer or accounting authority may not solicit bids for the same or similar product or service during the tenure of the transversal term contract”*

It must be pointed out that the current legislative provisions do not make participation in transversal contracts compulsory but the decision of the accounting officer or accounting authority to participate should the accounting officer or accounting deem it beneficial.

The purpose of establishing transversal contracts (central contracts) is to leverage the concept of economies of scale. Economies of scale in procurement provide that the state (in this case) has a potential and higher chance of benefiting (i.e. cost, status of a strategic buyer or customer and process) from bulk buying. The state can influence and compel industries to treat it as a strategic partner and be able to foster a good relationship between the state and the industries that are involved. The biggest factor in this is cost benefits, where the state (collectively) buys goods and/or services at a much cheaper price as compared to organs of the state approaching the market individually.

Other benefits include standardising and consolidating requirements on goods and services from the state. This ensures that participating organs of the state derive benefits from markets to be treated as strategic buyers and prioritised during market constraints.

The practice of arranging transversal term contracts also assists with the reduction of many procurement efforts on the same goods and services that cut

across government or reduce procurement activities on similar or same goods and services.

These benefits can be demonstrated on multiple contracts that the Transversal Contracting Unit within the National Treasury has facilitated. Transversal contracts such as RT57 that provide for the outright purchase of vehicles are a classic example of leveraging on the concept of economies of scale (bulk buying) where pricing is much cheaper as compared to dealer pricing.

- 2)** There are no allegations of corruption and/or extortion that have been brought to the attention of the Minister of Finance.