



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

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TO ALL
ACCOUNTING OFFICERS: NATIONAL DEPARTMENTS
HEADS: PROVINCIAL TREASURIES
CHIEF FINANCIAL OFFICERS: PROVINCIAL DEPARTMENTS
CHIEF EXECUTIVE OFFICERS / CHIEF FINANCIAL OFFICERS:
CONSTITUTIONAL INSTITUTIONS / PUBLIC ENTITIES

Supply Chain Management Office

SUPPLY CHAIN MANAGEMENT

This circular is applicable to all national and provincial departments, constitutional institutions and public entities as defined in schedule 3A and 3C of the Public Finance Management Act (PFMA). All accounting officers of national departments and heads of provincial treasuries are required to disseminate the contents of this circular to all chief financial officers of departments and public entities that fall under their jurisdiction.

1. Evaluation of bids

National Treasury received several complaints regarding incorrect evaluation of bids.

The Preferential Procurement Policy Framework Act, No. 5 of 2000, prescribes that the lowest acceptable bid must receive 80 or 90 points for price. A bid is regarded as acceptable if:

- (a) It complies in all respects with the specification and conditions of the bid;
- (b) the bidder completed and signed all the prescribed bid forms to enable the principal to evaluate the submitted bid;
- (c) the bidder submitted the required original tax clearance certificate and other clearance / registration forms as prescribed by various acts and / or in the bid documentation; and
- (d) the bidder has the necessary capacity and ability to execute the contract.

Bids may only be evaluated in accordance with the evaluation criteria stipulated in the bid documentation. When any bid is passed over or regarded as non-responsive, the reasons for passing over such bid must be defensible in any court of law. Examples in this regard may include negative banking reports, non-submission of tax clearance certificates, not having the necessary capacity and/or capability, being listed on the Register for Tender Defaulters, etc. Deviation by more than a predetermined percentage from the cost estimate of the project / commodity cannot be regarded as a justifiable reason for the rejection of a bid and has, therefore, not been approved as an evaluation norm by the National Treasury.

2. Calculation of points

The price submitted by the lowest acceptable bidder must be used in the formula as the basis (P_{min}) when calculating the points for price. The Preferential Procurement Regulations, 2001, provides for the calculation of points for price and functionality when functionality is regarded as an important evaluation criterion. In such case the bidder who scored the highest points for price and functionality, must score 80 or 90 points, while other bidders should score lower points out of 80 or 90 on a pro-rata basis. Preference points for HDI involvement may not be included as part of functionality, but should be provided for separately as part of the 10 or 20 points allocated for specific goals.

Should, during any stage of the evaluation and / or adjudication process, it becomes evident that the bidder who scored the highest number of points is an unacceptable or non-responsive bidder and this bidder also scored the highest points for price, the points scored by each bidder must be recalculated using the new lowest acceptable bidder's price as the basis (P_{min}) for calculation purposes. Accounting officers/authorities are not allowed to award the bid to the bidder next-in-line as this may lead to an incorrect award of the bid. Recalculation of the points may result in a different bidder, other than the one who was next-in-line, scoring the highest number of points.

3. Timely payment of accounts

It is deemed necessary to reiterate the timely payment of accounts for goods, works and / or services delivered or partially delivered. The General Conditions of Contract prescribes that accounts must be paid within thirty (30) days after delivery of goods and / or services. Concerns were raised that institutions are not fulfilling their obligations in this regard. Non-payment within the prescribed contractual time limit may be regarded as breach of contract. Accounting officers / authorities are, therefore, urged to have the necessary measures in place to ensure that accounts are paid within the contractual time limit.


JAN BREYTENBACH

CHIEF DIRECTOR: NORMS AND STANDARDS

DATE: 2005/05/10