

# **NATIONAL COUNCIL OF PROVINCES**

## **QUESTION FOR ORAL REPLY**

### **QUESTION NUMBER 71**

**14 NOVEMBER 2006**

#### **MR E SOGONI TO ASK THE MINISTER OF FINANCE**

- (1) Whether, with reference to the Municipal Finance Management Act, Act 56 of 2003, that provides that councillors should not participate in the adjudication of tenders, any assessment of this reform has been made; if not, why not, if so, what are the relevant details;
- (2) Whether procurement policies, especially at local government level, favour former disadvantaged communities as intended; if not, what is (a) the position regarding the challenges in this regard and (b) being done to address the challenges; if so, what are the relevant details?

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#### **REPLY**

- (1) The National Treasury, in conjunction with the relevant provincial treasuries, continues to monitor and assess implementation of the supply chain management framework as outlined in the Municipal Finance Management Act, Act 56 of 2003, and its supporting regulations. To this end, regular supply chain management forums are held with the various municipalities.

The provision that councillors should not be permitted to participate in the adjudication of tenders, is based on one of the fundamental principles of sound financial management that underpins the financial management reforms in the different spheres of government that had been implemented over the past number of years. A clear distinction is made between the administrative responsibilities of managers in the public sector – where managers are held accountable for their actions – and the oversight role of the legislatures in the various spheres of government, which is necessary to ensure that public sector managers are held accountable for their actions.

- (2) The contracting for goods and services by national and provincial departments, schedule 3A and 3C public entities and municipalities and municipal entities, is subject to the prescripts of the 90/10 (for

contracts in excess of a value of R 500 000) and the 80/20 (for contracts up to a value of R 500 000) preference point systems as contemplated in the Preferential Procurement Policy Framework Act, Act No. 5 of 2000, and its associated Regulations. The adjudication of a tender in terms of these systems provides respectively for a maximum of 90 and 80 points for price and a maximum of 10 and 20 points for participation by black owned enterprises and the promotion of the goals of the Reconstruction and Development Programme (RDP). The points scored out of 90 or 80 for price are added to the points scored out of 20 or 10 by black owned enterprises and the promotion of the goals of the RDP in order to calculate a final score out of 100. The tender is then awarded to the tenderer scoring the highest points. This policy is intended to favour the participation of historically disadvantaged individuals / communities throughout the public sector procurement system.