



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**TO: ACCOUNTING OFFICERS OF ALL DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS**

**ACCOUNTING AUTHORITIES OF ALL SCHEDULE 2 AND 3 PUBLIC ENTITIES**

**NATIONAL TREASURY CIRCULAR NO 3 OF 2016**

**UTILIZATION OF TRANSVERSAL TERM CONTRACTS**

**1. PURPOSE**

1.1 The purpose of this circular is to provide information and clarification to departments, constitutional institutions and public entities listed in Schedule 2 and 3 to the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) regarding the utilization of centrally negotiated contracts that have been designated as transversal in nature by the National Treasury and Provincial Treasuries.

1.2 This circular is also aimed at informing accounting officers and accounting authorities of the transitional arrangements after the promulgation of the revised Treasury Regulations.

**2. BACKGROUND**

2.1 In terms of section 38 (1) (a) (iii) and 51 (1) (iii) of the PFMA, the accounting officer of a department or constitutional institution and the accounting authority of a public entity listed in Schedule 2 and 3 to the PFMA must ensure that their respective institution has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

2.2 The problems experienced with the current decentralised and fragmented procurement system are, among others, as follows:

- Not realising the benefits from leveraging on economies of scale;
- Duplication of effort in the procurement of common goods and services;
- Inconsistency in prices and lack of standardisation of common goods;
- Strategic sourcing methodologies and principles not applied in procuring common goods and services;

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- Inconsistency in policy application;
  - Inadequate contract management;
  - Poor service delivery.
  - Poor inventory management; and
  - Increased levels of corruption and abuse
- 2.3 The existing supply chain management framework provides for the relevant treasuries to facilitate transversal term contracts. These are cross-cutting contracts applicable to more than one government institution and spheres of government.
- 2.4 Centrally arranged contracts enable government to among others leverage its bulk purchasing power and achieve savings through economies of scale, eliminate duplication, reduce administrative costs, improve consistency in policy application, improve contract management and better service delivery.

### 3. PARTICIPATION IN TRANSVERSAL TERM CONTRACTS

- 3.1 As from the date of the promulgation of the revised Treasury Regulations contracts that have been designated as transversal in nature will be facilitated centrally by the relevant treasuries.
- 3.2 Once a contract has been designated as transversal in nature, government institutions will be obliged to participate in such transversal contracts.
- 3.3 The National Treasury will facilitate the arrangement of all transversal term contracts for goods and services that have been designated by the National Treasury as being transversal in nature.
- 3.4 Provincial Treasuries may, after consultation with the National Treasury, facilitate transversal term contracts for goods and services for their provincial institutions other than for goods and services for which a transversal term contract has been concluded in terms of paragraph 3.3.
- 3.5 Institutions will not be permitted to facilitate transversal term contracts otherwise than in accordance with paragraph 3.3 and 3.4 above.
- 3.6 All accounting officers and accounting authorities of all departments, constitutional institutions and 3A and 3C public entities will be required to participate in transversal term contracts, unless the relevant treasury has exempted the institutions from such participation.

#### **4. TRANSITIONAL ARRANGEMENTS**

- 4.1 The National Treasury and Provincial Treasuries will publish on their respective websites a list of all contracts that have been designated as transversal contracts.
- 4.2 Where institutions have existing contracts for goods and/or services that have been identified and designated by the relevant treasuries as transversal in nature as per paragraph 4.1 above, such contracts must be honoured and allowed to run its full tenure.
- 4.3 Upon expiry of the individual contracts referred to in paragraph 4.2 above, the institutions will be required to participate in the relevant transversal contract.
- 4.4 If practical, the National Treasury and Provincial Treasuries will allow institutions to extend individual contracts to be aligned with new transversal contracts under arrangement.
- 4.5 Institutions will be required to provide the relevant treasuries with detailed information of their requirements for the transversal contract to enable the treasury to comply with administrative requirements, and to negotiate better prices with suppliers due to increased volume.

#### **5. GUIDELINE FOR PROCUREMENT OF COMMON GOODS AND SERVICES THROUGH TRANSVERSAL CONTRACTING**

##### **5.1 OBJECTIVE**

- 5.1.1 The objective of this guideline is to provide an overview of the procurement processes followed by the National Treasury in putting together a contract for common goods and services and to outline the roles and responsibilities of the different stakeholders.
- 5.1.2 The procedures followed by the different provincial treasuries, may, however differ slightly.

##### **5.2 ROLE OF INSTITUTIONS**

- 5.2.1 For purposes of a transversal term contract, accounting officers/ authorities will be responsible for the following:
- Needs identification and committing expenditure through demand and procurement planning over the medium term,
  - Submission of accurate procurement plans,
  - Determination and designing of technical specifications and estimated quantities,
  - Where necessary determination of special conditions of contract,
  - Other relevant requirements for the compilation of bidding documentation,
  - Appointment of departmental representatives to various bid committees,

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- Where applicable, managing service level agreements
- Managing the contract post-award and inventory management,
- Managing supplier relationships, monitoring supplier performance and report any non-compliance to the National Treasury for corrective action, and
- Order placement, goods or service receipt and on-time supplier payment

5.2.2 The role and responsibility of the National Treasury will be to facilitate the processes of putting together a transversal contract as summarized below:

- Setting the policy, norms and standards for facilitation of transversal contracts,
- Coordination of the establishment/constitution of bidding committees, their conduct, their powers and functions, meeting procedures, tenure and delegations,
- Regulating the entire public procurement system to ensure uniformity in policy application,
- Coordinate the composition of cross-functional teams for transversal contracts
- Facilitates the acquisition and bidding processes through invitation and receiving of bids at closing dates and time and ensuring that due process is observed,
- Coordinate and provide secretariat service to the bidding committees during specification, evaluation and adjudication meetings,
- Award contracts and publish results on the website,
- Administer transversal contracts post award by managing contract amendments and attending to complaints,
- Supplier development and monitoring supplier performance in conjunction with accounting officers/ authorities,
- Facilitate the processing of cases of non-compliance and corrective action, and
- Coordinates and takes lead in litigation processes.

5.2.3 National Treasury will coordinate the composition of cross-functional teams for transversal contracts. The cross-functional team will be responsible for the following:

- Drafting of term and conditions,
- Industry and end user analysis through strategic sourcing, and
- Compilation of the bid documentation

### 5.3 DEMAND AND PROCUREMENT PLANNING

- 5.3.1 Institutions will be required to undertake a thorough analysis of their requirements for goods and services over the medium term in line with their strategic objectives. Goods to be procured through transversal contracts will be required to be identified.
- 5.3.2 Once the requirements for goods and services have been established it will be necessary to secure the required funds in terms of the budget process.
- 5.3.3 In order to ensure that specifications for transversal contracts are generic and unbiased, central specification meetings, which shall be attended by a cross-functional team, will be arranged before the drafting of bid documents. The cross-functional team may, at its discretion, decide to obtain expert technical advice from relevant stakeholders and industry should a need to do so arise.
- 5.3.4 It will be necessary for technical specifications to promote the broadest possible competition, while assuring that critical elements of performance or other requirements for the goods or services being procured are achieved.

### 5.4 CROSS-FUNCTIONAL TEAMS AND BID COMMITTEES

- 5.4.1 The bidding process will be managed through cross functional teams and bid committees that will be responsible for the development and compilation of specifications, and the evaluation and adjudication of bids.
- 5.4.2 The **cross-functional team** will be constituted with officials from the various participating government institutions and will be responsible for among others, the drafting of the terms and conditions of contracts, industry and end user analyses through strategic sourcing and the compilation of bid documentation.
- 5.4.3 A **Bid Specification Committee (BSC)** will be constituted with officials from the various participating government institutions. The accounting officer may appoint officials with the necessary technical expertise and external advisors to serve on the BSC. The role of this committee will be to compile bid specifications.
- 5.4.4 The **Bid Evaluation Committee (BEC)** will be constituted with officials from the various participating government institutions, duly appointed by their respective accounting officers/authorities. External advisors may be appointed to offer expert advice but are prohibited from participating in the final decision making. This committee will be responsible for the evaluation of all bids received.

4.5 The Bid Adjudication Committee (BAC) will be constituted with officials from the various participating government institutions, duly appointed by their respective accounting officers/authorities. It will have a status of a standing committee with appointed members serving as permanent members. The BAC will be responsible to adjudicate bids.

**i. STATUS OF THIS CIRCULAR**

This circular is issued to provide PFMA compliant institutions with information related to transversal term contracts and does not form part of the financial management regulatory framework, as referred to in Chapter 2 of the revised Treasury Regulations.

**ii. INFORMATION**

Enquiries related to this Circular may be directed to:

Kenneth Pillay

Chief Director: Transversal Contracting

Phone: (012) 315-5986

Email: [kenneth.pillay@treasury.gov.za](mailto:kenneth.pillay@treasury.gov.za)



**KENNETH BROWN**  
**CHIEF PROCUREMENT OFFICER**

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