



**GOVERNMENT OF THE REPUBLIC
OF SOUTH AFRICA**

GENERAL PROCUREMENT GUIDELINES

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These Guidelines are issued by the Government not only as a prescription of standards of behaviour, ethics and accountability which it requires of its public service, but also as a statement of the Government's commitment to a procurement system which enables the emergence of sustainable small, medium and micro businesses which will add to the common wealth of our country and the achievement of enhanced economic and social well-being of all South Africans.

Introduction

Proper and successful government procurement rests upon certain core principles of behaviour - the Five Pillars of Procurement. They are best described as pillars because if any one of them is broken the procurement system falls down.

The Five Pillars are:

Value for Money

Open and Effective Competition

Ethics and Fair Dealing

Accountability and Reporting

Equity

These Guidelines address those Five Pillars and prescribe a minimum set of standards that are to be observed. The Guidelines are to be supplemented by individual Accounting Officer's Procurement Procedures issued under the general authority contained in the Public *Finance Management Act, 1999*.

1. Value for Money

This is an essential test against which a department must justify a procurement outcome. Price alone is often not a reliable indicator and departments will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements. Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.

The procurement function itself must also provide value for money and must be carried out in a cost-effective way. Procurement organisations, whether centrally located or devolved to individual departments, should:

- (a) avoid any unnecessary costs and delays for themselves or suppliers;
- (b) monitor the supply arrangements and reconsider them if they cease to provide the expected benefits; and
- (c) ensure continuous improvement in the efficiency of internal processes and systems.

2. Open and Effective Competition

This requires:

- (a) a framework of procurement laws, policies, practices and procedures that is transparent, i.e. they must be readily accessible to all parties;
- (b) openness in the procurement process;
- (c) encouragement of effective competition through procurement methods suited to market circumstances; and
- (d) observance of the provisions of the Preferential Procurement Policy Framework Act.

Departments need to apply effort and research to get the best possible outcome from the market by ensuring that:

- (a) potential suppliers have reasonable access to procurement opportunities and that available opportunities are notified at least in the Government Tender Bulletin;
- (b) where market circumstances limit competition departments recognise that fact and use procurement methods that take account; of it;
- (c) adequate and timely information is provided to suppliers to enable them to bid;
- (d) bias and favouritism are eliminated;
- (e) the costs of bidding for opportunities do not deter competent suppliers; and
- (f) costs incurred in promoting competition are at least commensurate with the benefits received.

3. Ethics and Fair Dealing

In procurement, if all parties comply with ethical standards they can:

- (a) deal with each other on a basis of mutual trust and respect; and
- (b) conduct their business in a fair and reasonable manner and with integrity.

All government staff associated with procurement, particularly those dealing direct with suppliers or potential suppliers, are required:

- (a) to recognise and deal with conflicts of interest or the potential therefor;
- (b) to deal with suppliers even-handedly;
- (c) to ensure they do not compromise the standing of the state through acceptance of gifts or hospitality;
- (d) to be scrupulous in their use of public property; and
- (e) to provide all assistance in the elimination of fraud and corruption.

4. Accountability and Reporting

This involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes.

Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability.

Within the procurement framework:

- (a) heads of departments are accountable to their ministers for the overall management of procurement activities;
- (b) Heads of Procurement and senior procurement directors are accountable to heads of departments for various high-level management and co-ordination activities;
- (c) individual procurement officers are accountable to Heads of Procurement, and to their clients, for the services they provide; and
- (d) all people exercising procurement functions must have regard to these guidelines and are accountable to management.

5. Equity

The word `equity' in the context of these Guidelines means the application and observance of government policies which are designed to advance persons or categories of persons disadvantaged by unfair discrimination.

This fifth pillar is vital to public sector procurement in South Africa. It ensures that government is committed to economic growth by implementing measures to support industry generally, and especially to advance the development of Small, Medium and Micro Enterprises and Historically Disadvantaged Individuals.

In accordance with the Reconstruction and Development Programme, SMMEs and HDIs need to play a bigger role in the economy. Greater participation in the economy and more diversified representation of blacks and gender in ownership is essential.

The government has implemented the Preferential Procurement Policy Framework Act as the foundation on which all procurement activities are to be based. Its aim is to:

- (a) advance the development of SMMEs and HDIs;
- (b) promote women and physically handicapped people;
- (c) create new jobs;
- (d) promote local enterprises in specific provinces, in a particular region, in a specific local authority, or in rural areas; and
- (e) support the local product.

No public procurement system should be operated if it is not founded on this pillar.