



**NATIONAL TREASURY
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TO ALL
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CHIEF EXECUTIVE OFFICERS / CHIEF FINANCIAL OFFICERS: CONSTITUTIONAL
INSTITUTIONS / PUBLIC ENTITIES

Supply Chain Management Office
Practice Note Number SCM 2 of 2005

**SUPPLY CHAIN MANAGEMENT : THRESHOLD VALUES FOR THE PROCUREMENT OF
GOODS AND SERVICES BY MEANS OF PETTY CASH, VERBAL / WRITTEN PRICE
QUOTATIONS AND COMPETITIVE BIDS**

This practice note 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 practice note to all chief financial officers of departments and public entities that fall under their jurisdiction.

Treasury Regulation 16A6.1 of the PFMA that was promulgated in Government Gazette Number 27388 on 15 March 2005 prescribes that the National Treasury must determine threshold values for the procurement of goods and services by way of price quotations or through a competitive bidding process.

Accounting officers/authorities should apply the following threshold values when procuring goods or services, hiring or letting anything, acquiring or granting any right or disposing of movable state property:

- 1. Up to a value of R 2 000 (VAT included)**
 - 1.1 Accounting officers / authorities may procure requirements without inviting competitive bids or price quotations by means of petty cash. Accounting officers / authorities must establish their own internal procedures to ensure sound financial management of funds when goods and / or services are obtained by means of petty cash.

2. Above the value of R 2 000 but not exceeding R 10 000 (VAT included)

- 1.2 Accounting officers / authorities may procure requirements by obtaining at least three (3) verbal or written quotations from, where applicable, a list of prospective suppliers. The order should, however, be placed against written confirmation from the selected supplier if the quotation was submitted verbally.

3. Above the value of R10 000 but not exceeding R 200 000 (VAT included)

- 3.1 Accounting officers / authorities should invite and accept written price quotations for requirements up to an estimated value of R200 000 from as many suppliers as possible, that are registered on the list of prospective suppliers.
- 3.2 Where no suitable suppliers are available from the list of prospective suppliers, quotations may be obtained from other possible suppliers.
- 3.3 If it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer / authority or his / her delegate.
- 3.4. Accounting officers / authorities should apply the prescripts of the Preferential Procurement Policy Framework Act, Act 5 of 2000 and its associated Regulations for all procurement equal to or above R 30 000 (VAT included). However, these prescripts may be applied for procurement with a value of less than R 30 000, if and when appropriate.

4 Above the value of R 200 000 (VAT included)

- 4.1 Accounting officers / authorities should invite competitive bids for all procurement above R 200 000.
- 4.2 Goods, works or services may not deliberately be split into parts or items of lesser value merely to avoid complying with the requirements of the prescribed thresholds. When determining transaction values, a requirement for goods, works or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.
- 4.3 Competitive bids should be advertised in at least the Government Tender Bulletin and in other appropriate media should an accounting officer / authority deem it necessary to ensure greater exposure to potential bidders. The responsibility for advertisement costs will be that of the relevant accounting officer / authority.
- 4.4 Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer / authority may procure the required goods or services, in accordance with Treasury Regulation 16A6.4 by other means, such as price quotations or negotiations. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer / authority or his / her delegate.
- 4.5 The prescripts of the Preferential Procurement Policy Framework Act, Act 5 of 2000 and its associated Regulations must be adhered to.

5 Compilation of the list of prospective suppliers per commodity

- 5.1 Accounting officers / authorities should compile a list of prospective suppliers to be used to procure requirements in terms of paragraphs 1 to 3 above. This list should also be used effectively to promote Black Economic Empowerment through the participation of black owned enterprises, black empowered enterprises, black women-owned enterprises (as defined in the Strategy for Broad-Based Black Economic Empowerment issued by the Department of Trade and Industry) as well as the promotion of businesses owned by other Historically Disadvantaged Individuals (HDIs).
- 5.2 Accounting officers / authorities should, through local representative newspapers or by any other means, invite prospective suppliers to apply for evaluation and listing as prospective suppliers. The list should be updated at least quarterly in order to accommodate especially newly established black empowered businesses and other newly established HDI suppliers.
- 5.3 Once the list has been compiled per commodity, price quotations should be invited there from. The invitation of price quotations from the compiled list of prospective suppliers per commodity should be done on a rotation basis in such a manner that ongoing competition amongst suppliers is promoted. Prospective suppliers must be allowed to submit applications for listing at any time.

6. Amendment of the thresholds

- 6.1 Accounting officers / authorities may lower, but not increase, the different threshold values specified in this practice note.

7. Tax clearance certificates


- 7.1 The Accounting officer / authority must be in possession of a valid tax clearance certificate for all price quotations/competitive bids over R15 000 (VAT included).

7. Reporting on Supply Chain Management Information

- 7.1 Accounting officers / authorities must continue to report on their progress in the implementation of Supply Chain Management and on a monthly basis on the award of all bids above the value of R 100 000 (VAT included), as prescribed in Practice Note Number SCM 3 of 2004, issued on 23 August 2004.

8. Repeal of Practice Note Number SCM 2 of 2003

- 8.1 Practice Note Number SCM 2 of 2003 is hereby repealed.


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