



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PFMA SCM INSTRUCTION NO. 02 OF 2021/22
PUBLIC FINANCE MANAGEMENT ACT
(ACT 1 OF 1999)

THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

TO ALL:

ACCOUNTING OFFICERS OF DEPARTMENTS
ACCOUNTING OFFICERS OF CONSTITUTIONAL INSTITUTIONS
ACCOUNTING AUTHORITIES OF SCHEDULE 3A AND 3C PUBLIC ENTITIES
HEAD OFFICIALS OF PROVINCIAL TREASURIES

1. PURPOSE

This instruction is issued to amend the procurement threshold values within which accounting officers / authorities may procure goods and services by means of petty cash, written price quotations or competitive bids.

2. INTRODUCTION

- 2.1. Treasury Regulation 16A6.1 makes provision for the procurement of goods and services by way of price quotations or through a bidding process within the threshold values as determined by the National Treasury. National Treasury last reviewed and prescribed procurement threshold values in November 2007.
- 2.2. Significant time has elapsed since this last review and there has been a steady erosion to the value of money.
- 2.3. The threshold values for the procurement of goods and services have thus been revised and from the effective date indicated in this instruction, accounting officers and accounting authorities must procure within the thresholds and procurement processes prescribed below.

3. PROCUREMENT THRESHOLDS AND PROCESSES

3.1. PETTY CASH UP TO A TRANSACTION VALUE OF R 2 000 (INCLUSIVE OF ALL APPLICABLE TAXES)

- 3.1.1. Accounting officers / authorities may procure goods and services by means of petty cash up to the value of R2000 (inclusive of all applicable taxes) without inviting price quotations or following a bidding process.

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3.1.2. Accounting officers / authorities must determine and prescribe their own internal procedures to ensure sound financial management of funds when goods and / or services are procured by means of petty cash.

3.1.3. Accounting Officers may for security and any other reasons decide not to utilise petty cash for the procurement of goods and services. Where this decision is taken, the accounting officer / authority must then procure goods and services that would have otherwise been procured by means of petty cash through price quotations in compliance with the conditions prescribed for price quotations.

3.2. WRITTEN PRICE QUOTATIONS ABOVE THE TRANSACTION VALUE OF R2000 BUT NOT EXCEEDING R1 000 000 (INCLUSIVE OF ALL APPLICABLE TAXES)

3.2.1. Accounting officers / authorities must invite written price quotations for requirements up to an estimated value of R1 000 000 (inclusive of all applicable taxes) from prospective suppliers who are registered on the Central Supplier Database subject to 3.2.3 below.

3.2.2. Institutions must prescribe in their SCM policies the minimum number of days for the invitation of price quotations, ensuring that prospective suppliers are afforded enough time to submit their quotations and balancing with the need for the organ of state to deliver services.

3.2.3. Institutions must prescribe in their SCM policies the minimum number of suppliers from whom quotations will be invited and must take into consideration the requirements of paragraph 3.2.5 when determining said number.

3.2.4. At least three (3) written price quotations must be obtained from three (3) different suppliers registered on the CSD.

a) If it is not possible to obtain at least three (3) written price quotations from three (3) different suppliers registered on the CSD, except where suppliers are exempted from registration on the CSD, the reasons should be recorded and approved by the accounting officer / authority or his / her delegate/ committee before the order is issued and maintained for audit purposes.

b) Accounting officers / authorities must ensure that the prices received are market related and where they are not, negotiations have been entered into in line with the Preferential Procurement Regulations, 2017 (PPR 2017).

3.2.5. Accounting officers / authorities must in their SCM policies prescribe the processes to be followed for the invitation of price quotations including but not limited to the following:

a) Persons or committee responsible for drafting the specifications;

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- b) methodology for the selection of suppliers from the Central Suppliers Database (CSD) for invitation to quote;
- c) the period (days) for which price quotations will be invited for (closing date);
- d) the validity period of price quotations after the closing date,
- e) the method of inviting and receiving price quotations including documentation;
- f) process to be followed when inviting price quotations from foreign suppliers;
- g) persons or committee responsible for the evaluation of price quotations;
- h) persons or committee responsible for the adjudication of price quotations;
- i) Proper record keeping for audit and record purposes; and
- j) provisions of the Preferential Procurement Regulations 2017.

3.3. ABOVE THE TRANSACTION VALUE OF R1 000 000 (INCLUSIVE OF ALL APPLICABLE TAXES)

- 3.3.1. Accounting officers / authorities must invite open competitive bids for all procurement above R 1 000 000 (inclusive of all applicable taxes).
- 3.3.2. Competitive bids must be advertised in at least the Government Tender Bulletin and the eTender Publication Portal. Accounting officer / authorities may also advertise competitive bids on their institutions website and in any 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.
- 3.3.3. Accounting officers / authorities must publish the awards of bids in the Government Tender Bulletin and eTender Publication Portal. Accounting officers / authorities may also publish awards of bids in any other other media the bid was advertised in.
- 3.3.4. Accounting officers/ authorities must report, within ten (10) working days of approval of the award of the contract, to the relevant treasury and the Auditor-General all cases where goods and services above the transaction value of R1 000 000 (inclusive of all applicable taxes) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the competitive bidding process.

4. GENERAL PROVISIONS

- 4.1 Procurement of goods and services may not be deliberately split into parts or items of a lesser transaction value in order to circumvent the prescribed procurement process. When determining transaction values, where required goods and services consist of different parts or items, said parts or items must as far as possible be treated as a single transaction for the purposes of determining which procurement process to follow.

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- 4.2 Accounting officers / authorities must apply the prescripts of the Preferential Procurement Policy Framework Act, Act 5 of 2000 (PPPFA) and its associated Regulations in line with the conditions stipulated therein:
- 4.2.1 the accounting officer / authority may prescribe in the SCM policy of the institution that the preference point system be applied for procurement with a value of less than R 30 000, if and when determined appropriate by the accounting officer or accounting authority; and
- 4.2.2 the accounting officer / authority must maintain a record of the analysis which informed the determination of which provisions of the Preferential Procurement Regulations to apply.
- 4.3 Accounting officers / authorities may in their SCM policies:
- 4.3.1 lower, but not increase, the different threshold values specified in paragraphs 3.1 to 3.3; and
- 4.3.2 direct that a competitive bidding process be followed for any procurement below R1 000 000 either on a case by case basis or for a category of goods and services.

5. APPLICABILITY

This instruction applies to all departments, constitutional institutions and public entities listed in Schedule 3A and 3C of the Public Finance Management Act.

6. EFFECTIVE DATE

This Instruction takes effect from 01 July 2021 and does not apply retrospectively. Procurement processes that have commenced prior to the coming into effect of this instruction must be concluded on the basis of the prescript that was applicable when they were invited or advertised.

7. REPEAL OF NATIONAL TREASURY PRACTICE NOTE NO 8 OF 2007/2008

This instruction repeals National Treasury Practice Note No 8 of 2007/2008 issued on 29 November 2007.

8. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

- 8.1 Accounting officers of national departments and constitutional institutions must bring the contents of this Treasury Instruction to the attention of:
- 8.1.1 Chief financial officers, heads of supply chain management and supply chain management officials of their respective institutions; and
- 8.1.2 All accounting authorities of public entities reporting to the executive authority of their respective departments

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8.2 Heads Officials of Provincial Treasuries are requested to bring the contents of this Treasury Instruction to the attention of accounting officers of their provincial departments and accounting authorities of the provincial public entities with the request that the information contained herein be disseminated to all chief financial officers, heads of supply chain management and supply chain management officials of their respective institutions.

9. AUTHORITY FOR THIS INSTRUCTION

This instruction is issued in terms of section 76(4)(c) of the Public Finance Management Act.

10. CONTACT INFORMATION

Enquiries pertaining to the content of this instruction may be directed to:

Email: OCPO.SCMPolicy@treasury.gov.za



MS ESTELLE SETAN
ACTING CHIEF PROCUREMENT OFFICER
DATE: 8 June 2021

Cc: Auditor-General South Africa