



Western Cape Provincial Government

PREFERENTIAL PROCUREMENT POLICY

for the

PROVINCE OF THE WESTERN CAPE

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On behalf of the Western Cape Provincial Government, the Provincial Tender Board would like to extend a special word of appreciation to the Provincial Minister of Finance and his Department, the Director-General and the Standing Committee on Finance. To the Western Cape Procurement Consortium a special word of gratitude in assisting us with the compilation of this Preferential Procurement Policy. A special applaud to the Steering Committee (Mercia Isaacs, Isac Smith, Cedric Ismay, Helen Venter and Ruby November) who steered this project successfully. Finally the Tender Board would like to thank all the Provincial Departments and all Stakeholders from the business community for their support and contributions.

Foreword

On behalf of the Western Cape Provincial Government the Provincial Tender Board has pleasure in presenting the Provincial Preferential Procurement Policy. The development of this policy marks the consolidation of a number of initiatives of the Provincial Tender Board to reform provincial procurement and to enhance the participation of historically disadvantaged communities/persons in provincial procurement. Accordingly, this document draws from these initiatives along with all the input solicited from a wide spectrum of stakeholders engaged during a thorough consultative process.

Whilst focusing on historically disadvantaged communities/persons, the policy provides a framework for establishing procurement initiatives such as joint-venture partnerships, public-private partnerships and break-out procurement, as well as other innovative ways of procuring goods and services.

To ensure that the preferential policy attains its objectives, the policy document calls for robust performance management, which will create a linkage to objectives and actual delivery.

In conclusion allow me on behalf of the Tender Board to thank the Minister of Finance and his department and all other provincial departments, who will be responsible for the effective implementation of the policy, for their contribution thus far. To all stakeholders, our sincere thanks for your contribution. The challenge that lies before us is to successfully implement this policy for the common good of all the people in the Western Cape Province.

M.M. Isaacs (Mrs)
Chairperson: Western Cape Provincial Tender Board

Executive Summary

This document sets out the Preferential Procurement Policy for the Western Cape Provincial Government. The development of this policy marks the consolidation of a number of initiatives of the National Treasury and the Provincial Tender Board to reform procurement and to address the historical imbalances in economic participation. Accordingly, this document draws from these initiatives, along with all the input solicited from a wide spectrum of stakeholders engaged during a thorough consultative process. The consultation process solicited views from both public and private sector stakeholder groups such as the Provincial Tender Board, the Standing Committee of Finance, Provincial Departments, Western Cape business and industry, support agencies and NGO's.

The policy has been drawn up to give effect to the recent enabling legislation outlined in the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) and its regulations. The policy provides general principles for achieving the following objectives:

- Increase participation of the historically disadvantaged in provincial procurement opportunities;
- Increase participation by small and medium enterprises (SME's);
- Promote local labour;
- Promote joint ventures and partnerships;
- Encourage linkages between small and large enterprises;
- Promote skills transfer and training of the historically disadvantaged;
- Support the creation of employment in the Province;
- Promote a uniform procurement approach in all provincial procurement substructures.

The policy rests upon certain core principles of behaviour as set out in the Constitution and ratified by the Constitutional Certification Judgements. In this context, the policy will be applied in accordance with a system, which is fair, equitable, transparent, competitive and cost-effective.

Policy requirements and directions have also been formed by a socio-economic analysis of the economy and its environment and can be summarised as follows:

The total Western Cape Provincial procurement expenditure of **R2,2 billion** per annum accounts for only 2% of the Western Cape economic output. In this context, preferential procurement would not significantly affect macro-economic shifts in the local economy, specifically with respect to influencing overall growth, investment and employment.

In order to quantify the potential impact of preferential procurement on the Western Cape economy, a number of “what-if-models” were explored. The modelling clearly indicated the marginal macro-economic impact preferential procurement could have. For example, when it was assumed that a 5% shift in procurement towards local (Western Cape) interests could be achieved, the resulting macro-economic impact could be characterised by the following gains:

- Total potential increase in GGP of R38,7 million, reflecting a 0,03% increase in the provincial GGP.
- Total potential increase in investment of R4,3 million, reflecting a contribution of 0,02% of total investment in the Province.
- An increase in employment in the Province of 305 jobs, reflecting an increase in employment of 0,02%

When the socio-economic impact on individual groupings operating in the economy is considered the relative effects become much more significant. For example the participation by groupings such as HDI's and SME's comprise only a component of the provincial economy, arguably below 30% and 40% respectively. Clearly any shifts in procurement towards these individual groupings in the economy would have a much more significant impact.

In conclusion, the socio-economic study highlights the marginal **macro-economic** impact preferential procurement would have on the economy, while confirming the socio-economic benefits that could be achieved. These benefits come principally through the stimulation of the historically disadvantaged and economically marginalised communities' participation in the economy, by providing opportunities, economic entry points and /or role models by means of which economic imbalances could be addressed.

The analysis of provincial expenditure also concluded that the expenditure of the following departments displayed the greatest potential for promoting and supporting SME's and HDI's:

- Health
- Education
- Economic Affairs, Agriculture and Tourism
- Social Services
- Provincial Administration Western Cape

The policies formulated are based on the application of a points allocation principle/approach, allowing for either a maximum of 10 or 20 points out of 100 to be awarded to tenders which comply with the objectives specified in this policy, with the balance of 80 or 90 points being determined by price. Preferential procurement is further enhanced with policies aimed at improved access to information, simplification of documentation, reduced performance guarantee requirements, etc.

In conclusion, to ensure that the preferential procurement policy attains its objectives, the policy document encompasses a robust performance management system to be established. It is envisaged that this performance management system will create a link between the preferential procurement objectives and actual delivery. Accordingly, it encompasses a process involving setting goals in terms of the preferential procurement objectives, establishing relevant performance areas to monitor, and specific indicators to measure and enable continuous performance review.

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CHAPTER 1: INTRODUCTION

1.1 Purpose of this document

1.1.1 This document sets out the preferential procurement policy for the Western Cape Provincial Government. The development of this preferential procurement policy marks the consolidation of a number of Provincial Tender Board initiatives to reform procurement and to address the historical imbalances in economic participation. Accordingly, this document draws from these initiatives and all the input solicited from a wide spectrum of stakeholders engaged during a thorough consultation process. This process solicited views from both public and private sector stakeholder groups such as the Provincial Tender Board, Standing Committee on Finance, provincial departments, Western Cape business and industry, support agencies and NGO's.

1.2 Context

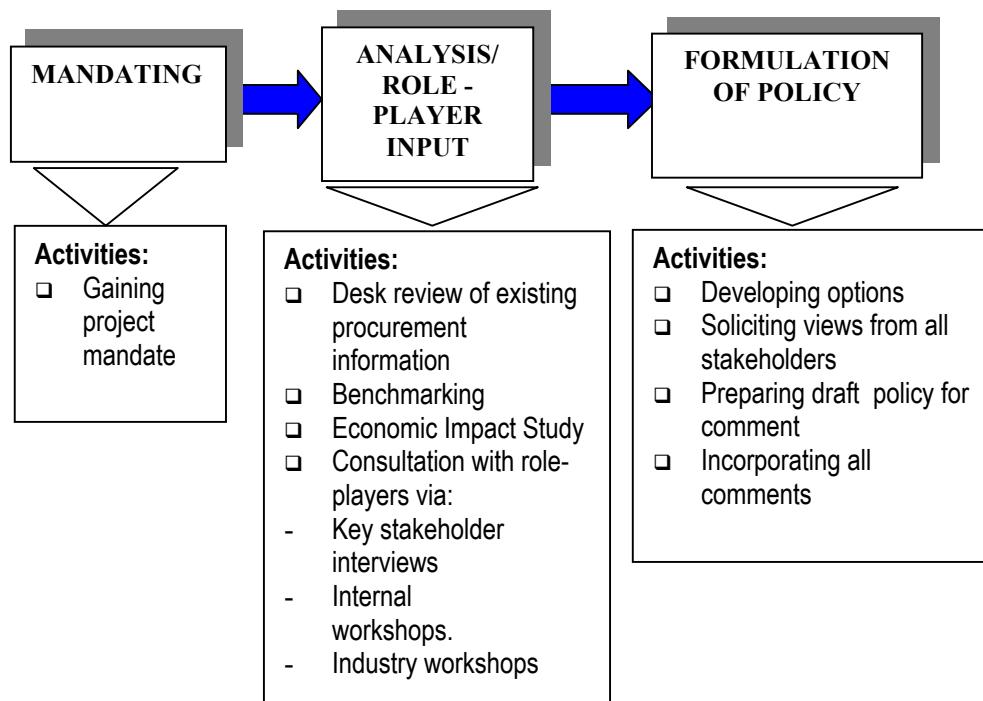
1.2.1 This preferential procurement policy for the Western Cape Provincial Government has been drawn up within the context of the initiatives taken by National Treasury, and subsequently in accordance with the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) and its regulations promulgated on 10 August 2001. This Act was promulgated on 3 February 2000 in terms of Section 217(3) of the Constitution of the RSA to provide for the development of preferential procurement policies by different spheres of government. Section 62 of the Constitution of the Western Cape further places an obligation on the Provincial Government to implement a procurement policy. Accordingly, it provided the enabling legislation and framework for all provinces and other organs of State to develop policies to address their specific requirements. In essence the enabling legislation provides for procurement preferences to be based on a variety of factors, such as race, gender, differently abled, factor-intensity of the industry, training programmes, labour conditions, environmental impact, firm size, location, intra-industry links and economic multiplier effects. In this context it should be noted that this policy needs to conform to all legislation on preferential procurement as promulgated by the National Treasury. In

addition, this policy has been developed within the context of the Western Cape's economic realities, challenges and opportunities. Within this context policy requirements and directions have been formed by a socio-economic analysis of the economy and its environment (refer to Chapter 3). This analysis identified the Province's key economic sectors, inequalities in participation by disadvantaged economic groupings and identified opportunities for reform through preferential procurement opportunities.

1.3 Policy-development process

- 1.3.1 The policy-development process followed is diagrammatically represented below (refer to diagram1). This process was developed in accordance with the project objectives and the terms of reference.

Diagram 1: Policy-development approach



With reference to the diagram above, the key project steps were as follows:

1.3.1.1 Mandating

The policy-development process was initiated by establishing a basic project mandate. Mandating involved the project team gaining a common understanding regarding the project objectives, scope and proposed

approach. In addition, the following orientation and mandating activities were undertaken:

- The project team gained an understanding of the intention of the Act and other relevant legislation.
- The purpose of the preferential procurement policy was confirmed with the Provincial Tender Board.
- Key stakeholder groups and role-players were identified and mechanisms for soliciting participation were developed.

1.3.1.2 Analysis and role-player input:

The key activities undertaken during this phase included:

- A review and analysis of all available documentation and information relating to procurement, including current procurement practices, existing legal frameworks, purchasing profiles and historical perspectives on policy development.
- Benchmarking preferential procurement practices, approaches and developments elsewhere, nationally and internationally.
- Soliciting participation from selected role-players through a series of key stakeholder interviews.
- A series of internal workshops with representatives from departments within the Western Cape Provincial Government.
- A series of five sector workshops based on industry groupings with representatives from the business community and other interested parties. The workshops were aimed at gaining insights into businesses' experience of the current procurement practices in the Province, specifically focusing on identifying problems and opportunities for improvement.
- Developing a profile of the Western Cape Economy and undertaking a broad assessment of the potential socio-economic impacts of preferential procurement.

1.3.1.3 Formulation of the policy:

This phase included the following key components:

- Developing policy options for consideration.
- Soliciting views from all stakeholders.
- Developing a draft policy document for comment.
- Incorporating all comments.

1.4 Scope of the Policy

1.4.1 In accordance with the legal parameters, the scope of the Preferential Procurement Policy is aimed at giving effect to the framework set out by the Preferential Procurement Act and its regulations by providing the general principles for achieving the stated objectives. The policy focuses on fundamental principles and guidelines. The detailed preferential procurement interventions, processes and actions need to take direction from and will be developed within the policy framework and cascaded down throughout the provincial procurement structures.

1.5 Objectives of the Policy

1.5.1 Supplementary to the objectives as defined in the Constitution¹, the Western Cape Provincial Tender Board Law² and the Employment Equity Act,³ the following objectives have been defined to provide an enabling environment for attaining, *inter alia*, the following:

- 1.5.1.1 Increase participation of historically disadvantaged in provincial procurement opportunities;
- 1.5.1.2 Increase participation by small and medium enterprises (SME's);
- 1.5.1.3 Promote local labour;
- 1.5.1.4 Promote joint ventures and partnerships;
- 1.5.1.5 Encourage links between small and large enterprises;
- 1.5.1.6 Promote skills transfer and training of the historically disadvantaged;
- 1.5.1.7 Support the creation of employment in the Province;
- 1.5.1.8 Promote a uniform procurement approach in all provincial procurement substructures.

¹ Refer to the Constitution Section 217

² Refer to of the Western Cape Provincial Tender Board Law Section 3

³ Refer to Employment Equity Act Chapter 1 definition (e)

1.6 Core principles

- 1.6.1 The policy rests upon certain core principles of behaviour as set out in the Constitution and ratified by the Constitutional Certification Judgements. The above objectives should be achieved within the constraints of maintaining the competitiveness of suppliers and adhering to sound and defendable procurement practices in terms of the prevailing statutory frameworks.
- 1.6.2 Section 217(1) of the Constitution of the Republic of South Africa, 1996 states that when an organ of State, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is **fair, equitable, transparent, competitive and cost-effective**.
- 1.6.3 Section 62(2) of the Constitution of the Western Cape stipulates that “subsection (1) does not prevent the Western Cape Government, within a framework of national legislation, from implementing a procurement policy”
The Preferential Procurement Policy was subsequently established within the context of section 217(3) of the Constitution of the RSA and section 62(2) of the Constitution of the Western Cape.

1.7 Legal framework

- 1.7.1 Appropriate measures required for the implementation of this preferential procurement policy should be considered against the background of
- the statutory framework in terms of which procurement policy operated in the Western Cape after 1994;
 - the national legislation enacted in 2000.
- 1.7.2 Policy debates during the development of the Constitution in the early stages of 1990 placed particular emphasis on procurement as a policy measure to achieve reconstruction and development objectives in the South African economy. The importance thereof has been emphasised in a number of government white papers developed and accepted during this

period and after the adoption of the Constitution (e.g. Small Business White Paper).

- 1.7.3 The Green Paper on Public Sector Procurement Reform in South Africa is notably one of the more important documents and spells out the role of procurement in achieving reform objectives. It recognises that public-sector procurement can be used as a tool by government to achieve economic ideals, including certain socio-economic objectives. This view forms the foundation of the procurement reform process and the development of policies and procedures. At the same time, the Green Paper recognises that an effective and efficient procurement system will permit organs of state to deliver the quality and quantity of services demanded by its new constituency in accordance with its policies, which are articulated in the Reconstruction and Development Programme and the Growth, Employment and Redistribution Strategy.
- 1.7.4 It should be noted that in the Western Cape Province, the Western Cape Provincial Tender Board Law, No. 8 of 1994, was an important precursor to the Preferential Procurement Policy Framework Act, No. 5 of 2000, enacted by the national government.
- 1.7.5 Of particular relevance with regard to preferential procurement is the section of the Western Cape Provincial Tender Board Law dealing with the objectives of the Western Cape Provincial Tender Board, the salient aspects of this section specifying that the Tender Board shall be responsible for -
 - "3(b) establishing policies, procedures and practices to ensure procurement of supplies and services of the requisite quality, within the time available and at the lowest possible cost, having regard to the promotion of small and medium-sized enterprises and employment generation;
 - 3(f) promoting efficiency and effectiveness in the procurement of supplies and services while having regard to the aims and objectives of the Reconstruction and Development Programme and, if necessary, setting specific objectives;

- 3(g) ensuring the establishment of an advisory function to promote accessibility [sic] to the knowledge of the process of procurement;
 - 3(h) encouraging the widest range of participants by ensuring equal opportunities to [sic] everyone.”
- 1.7.6 The Western Cape Provincial Tender Board Law also provides for the promulgation of Regulations, and in respect of preferential procurement specifically, regarding
- “10(1)(b) the manner in which and the conditions subject to which preferences may be granted.”
- 1.7.7 The above provincial legislation has been complemented/superseded by the Preferential Procurement Policy Framework Act and its regulations, which provide more detail in respect of the factors requiring consideration in determining preferential procurement policy (e.g. the preference points system).

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CHAPTER 2: DEFINITIONS and INTERPRETATIONS

Definitions of words used in this document reflect the meanings as defined in the Public Finance Management Act, the Western Cape Tender Board Law and KST 36. Some of these definitions are quoted for ease of reference.

- 2.1 **Tender Board** means the Western Cape Provincial Tender Board and when acting within their delegated powers, also the Provincial departments and respective departmental tender committees; **Provincial Tender Board** shall have a corresponding meaning;
- 2.2 **Contract** means the agreement in writing between the parties, which results from the acceptance of a tender and in which is incorporated:
 - the tender invitation;
 - the tender specifications;
 - the tender;
 - any conditions stipulated by the Tender Board upon the acceptance of the tender;
 - the KST 36; and
 - any formal contract negotiated and concluded pursuant to the acceptance of the tender, where applicable;
- 2.3 **Contractor** means any natural or legal person whose tender has been accepted by the Province;
- 2.4 **Department** means the Provincial Administration Western Cape as listed in Schedule 1 of the Public Service Act, 1994; or a Department within the Western Cape Provincial Government as listed in Schedule 2 of the Public Service Act, 1994; and
- 2.5 **Provincial department** shall have a corresponding meaning;
- 2.6 **Electronic Procurement System** means a mechanism whereby the Tender Board procures supplies using an electronic medium;

- 2.7 **Employer** means the person or body entering into contract with the Contractor for the supply of goods and services.
- 2.8 **GGP** (Gross Geographic Product) means the rand value of goods and services produced in a geographic area (Western Cape Province in this document) within a specific time period, usually in one year .
- 2.9 **Historically Disadvantaged Individual (HDI)⁴** means a South African citizen-
- who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act no. 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act no. 200 of 1993) ("the Interim Constitution");
 - who is a female; and/or
 - who has a disability.
- Provided that a person who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.
- 2.10 **Legal person** includes, but is not limited to, private and public companies, close corporations, trusts and bodies corporate.
- 2.11 **Owned** means having all the customary incidents attaching to ownership, including the right of disposition, and sharing all the risks and profits commensurate with the degree of ownership interests as demonstrated by an examination of the substance, rather than the form of ownership arrangements;
- 2.12 **Period contract** means a contract entered into for the supply of goods, the rendering of services or the disposal of movable Provincial property during a specified period of time;

⁴ Subsection 1 of the definition of a HDI is worded to the effect that a person who did not have franchise in national elections either prior to 1983 or prior to 1993 would meet the requirements in the subsection. All present South African citizens of colour (who did not obtain citizenship on or after the 1993 Constitution) would therefor be included in the definition of a HDI.

- 2.13 **Preference** means those preferences provided for in the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) and the regulations thereto;
- 2.14 **Province** means the Province of the Western Cape and includes the Provincial Departments and other bodies or organs of state listed in the tender documents as participating bodies;
- 2.15 **Rand value** means the total estimated value of a contract in rand denomination which is calculated at the time of tender invitations and includes all applicable taxes and excise duties;
- 2.16 **Tender** means a written offer on the tender documents prescribed by the Tender Board in response to an invitation to tender, which tender invitation has been dealt with in accordance with the requirements of the general conditions and procedures contained in this document;
- 2.17 **Tenderer** means any natural or legal person submitting a tender or a price quotation;
- 2.18 **Women Equity Ownership (WEO)** means the collective ownership percentage of full-time executive directors within an enterprise who are women.
- 2.19 **Joint Venture(s)/Consortia** means an association of natural or legal persons formed to carry out a single business enterprise for profit and for which purpose they combine their expertise, property, capital, efforts, skill and knowledge in order to execute a contract.
- 2.20 **SME** is different to the definition SMME as defined in the National Small Business Act (102 of 1996) only in as far as this policy does not provide for micro-enterprises in the informal sector, but will apply as such to the formal sector.

CHAPTER 3: SOCIO- ECONOMIC IMPACT STUDY

3.1 Purpose

- 3.1.1 This chapter provides a synopsis of the socio-economic impact study undertaken as part of the process towards developing a preferential procurement policy for the Western Cape Provincial Government.
- 3.1.2 The purpose of the socio-economic impact study was to analyse the expenditure patterns of the Western Cape Provincial Government in order to establish which areas offered opportunities for directing expenditure towards attaining the stated socio-economic objectives. In this context, this analysis provides a basis for preferential procurement policies aimed at redressing existing disparities, without altering the composition of government expenditure. The analysis provides insights into the overall impact that could be achieved through preferential procurement and suggests which areas of expenditure hold the most potential in this regard.

3.2 Context

- 3.2.1 State expenditure is widely recognised as an instrument of government policy to achieve economic, socio-economic and development objectives. In this context procurement is commonly applied as an instrument of secondary redistribution to alter primary income distribution and as a means to address historical imbalances. Preferential procurement policies have been effective in achieving significant outcomes, from promoting and/or protecting local industry to promoting social policy goals, such as equal opportunity. Accordingly, preferential procurement mechanisms are still widely applied around the world, commonly to achieve the following objectives:
- Stimulate economic activity (growth)
 - Protect local industry against competition
 - Improve competitiveness of industry sectors
 - Promote economic sectors, including SME's
 - Remedy regional disparities

- Promote equity or address social disparities, such as:
 - Imbalances in labour markets (employment promotion)
 - Discrimination against minorities
 - Improvement of the environment
 - Encouraging equal opportunity (often gender equality)
 - Increased utilisation of the disabled

3.2.2 The historic inequalities prevalent amongst South Africans and the reinforcing nature of major disparities in the distribution of income and wealth calls for the adoption of policies specifically targeting economic inequality. The economic disparities split along racial and gender lines add another political dimension to inequality and form the basis of the South African government's efforts to address these disparities with specific policies aimed at creating more opportunities for historically disadvantaged persons. Government expenditure has long been recognised as an instrument of secondary redistribution, such as social spending on health care, education and welfare. However, it can also be used to alter primary income disparities by means of creating employment and business opportunities for historically disadvantaged groups in South African society.

3.3 The Western Cape Economy

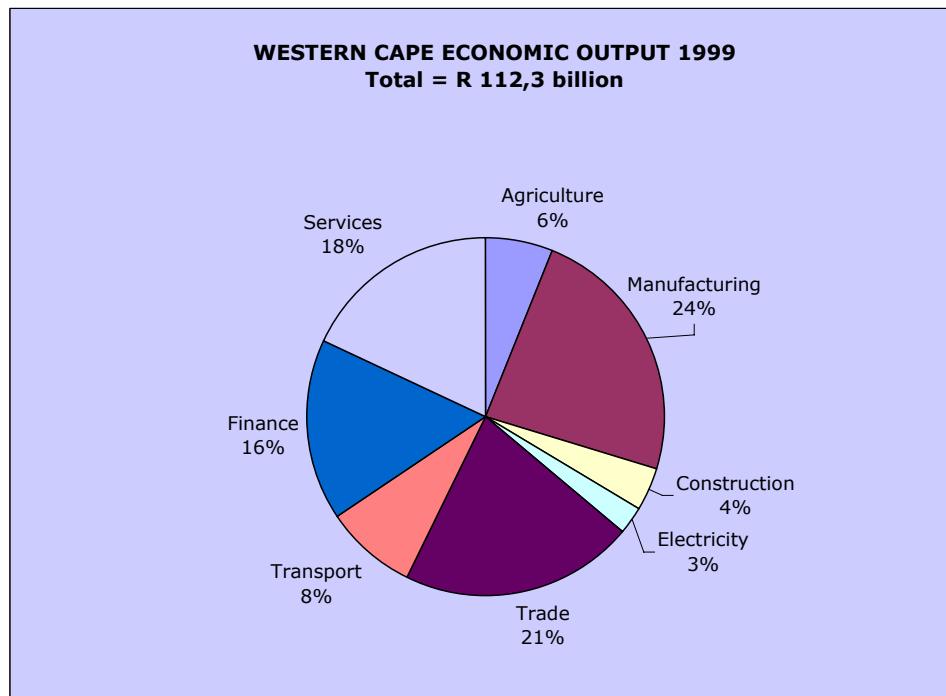
3.3.1 In 1998 it was estimated⁵ that, of the 4,3 million people of the Western Cape, a majority of approximately 3,3 million people (76% of the population) belonged to historically disadvantaged individuals/communities (HDIs). The economy is characterised by disparities in income distribution, with for example the average income per person of whites being 2,2 times that of coloured people and 3,5 times that of Africans⁶. Low-income employment and unemployment further prolong and intensify these inequalities. Despite relatively high growth rates in the Western Cape, job creation has not been able to absorb new entrants into the labour market, resulting in significant increases in the number of unemployed or "survival self-employed". The Western Cape has a high rate of urbanisation, 89% (compared to 54% nationally), with 20% (compared to 30% nationally) of the potential labour

⁵ Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000

⁶ Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000

force unemployed or in the informal sector⁷. In addition, it is estimated that approximately 40 000 migrants move to the Cape Metropolitan Area annually – 35 000 coming from areas outside the Western Cape (mostly the Eastern Cape)⁸

Graph 1: Contribution of economic sectors to the Western Cape economy



Sources: Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000

- 3.3.2 The total economic output of the Western Cape is about R112 billion per annum, with formal employment accounting for over 1,37 million jobs⁹. As can be deduced from graph 1 above, manufacturing and trade are the largest sectors of the economy, with agriculture being the dominant primary sector.

⁷ Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000

⁸ Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000

⁹ Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000

3.3.3 Table 1 below provides a more detailed breakdown of the contribution to the Western Cape economy per sector, specifically highlighting the relative contributions in terms of both GGP and employment.

Table 1: Output and employment contribution in the Western Cape, 1999

Sector	GGP (nominal)		Employment*	
	R billions	%	'000	%
Agriculture & mining	7,0	6,2	135	9,2
Manufacturing	26,5	23,6	250	18,3
Construction & repairs	4,1	3,7	70	5,9
Electricity & water	3,1	2,8	5	0,4
Trade, catering and accommodation	23,7	21,0	230	24,2
Transport & communication	9,3	8,3	70	5,1
Finance & business services	18,4	16,4	190	13,9
Social & personal services	4,5	4,0	70	5,1
Govt. & community services	15,7	14,0	245	18,0
Total	112,3	100	1 365	100

Sources: Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000

3.3.4 Some of the key/primary economic sectors in the Western Cape are briefly outlined below¹⁰.

3.3.4.1 Manufacturing

Mainly due to its large relatively urban base, the manufacturing sector is the single largest contributor to output and employment in the Province, namely 24% and 18% respectively. The dominant sub-sectors in the manufacturing sector are the textiles and clothing, paper and printing industries, and the metal and steel sectors, with textiles and clothing being the major contributor to employment. In recent years the electronics industry experienced exceptionally high growth rates and is becoming a more important sub-sector of the manufacturing industry.

3.3.4.2 Trade and tourism

The trade and accommodation sector is the third largest in the Western Cape and partially indicates the large role of the tourism industry. Wholesale and retail trade contributed an estimated 14% to output and catering and

accommodation contributed approximately 10%¹¹. Tourism is not only restricted to the trade sector but cuts across the traditional SIC (Standard Industrial Classification) sectors (transport, trade, construction etc). Almost 60% of tourism enterprises could be regarded as SMEs (small and medium enterprises employing fewer than 50 persons), with an increasing number of HDIs becoming directly involved in the tourism industry, particularly in the transport, trade and catering services.

3.3.4.3 Agriculture

The agricultural sector dominates the primary sector by far. The mining sector only contributed 0,2% towards the total GGP and the agricultural sector the remaining 6%. Up-stream industries linked to the agricultural sector are identified as important growth sectors in the Western Cape, i.e. the high value added agro-processing and niche quality food products, including beverages, wine, preserved food, fruit, vegetables, meat (ostrich), herbs, teas, etc. The agricultural sector is associated with terms such as high added value and labour intensity, and the sector is also characterised by low labour productivity and associated low average wages – although they are an important source of income for low-skilled labourers.

3.3.4.4 Construction

Although the construction industry is small compared with other sectors in the Western Cape, its relative size compares favourably with construction industries in other provinces. Growth in the business as well as in residential sectors was stimulated by tourism activities, housing needs and some RDP projects. The industry is characterised by average wages and labour intensity and could potentially develop to the advantage of SME's and HDI's. The Western Cape Provincial Government also plays a major role in this industry through its involvement in engineering construction works, most notably through the provisioning of water sanitation, housing and roads.

¹⁰ Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000

¹¹ City of Cape Town. *Background Report: Cape Town Economic Trends and Analysis: 1980 -2000*:Cape Town: City of Cape Town, Economic Development and Tourism, 2001

3.3.4.5 Growth industries

Key growth areas in the Western Cape include¹²:

- Agro-processing
- Metal processing.
- Quality clothing furniture manufacturing
- Printing and publishing
- IT Software and services
- Health- and medical-related services and equipment

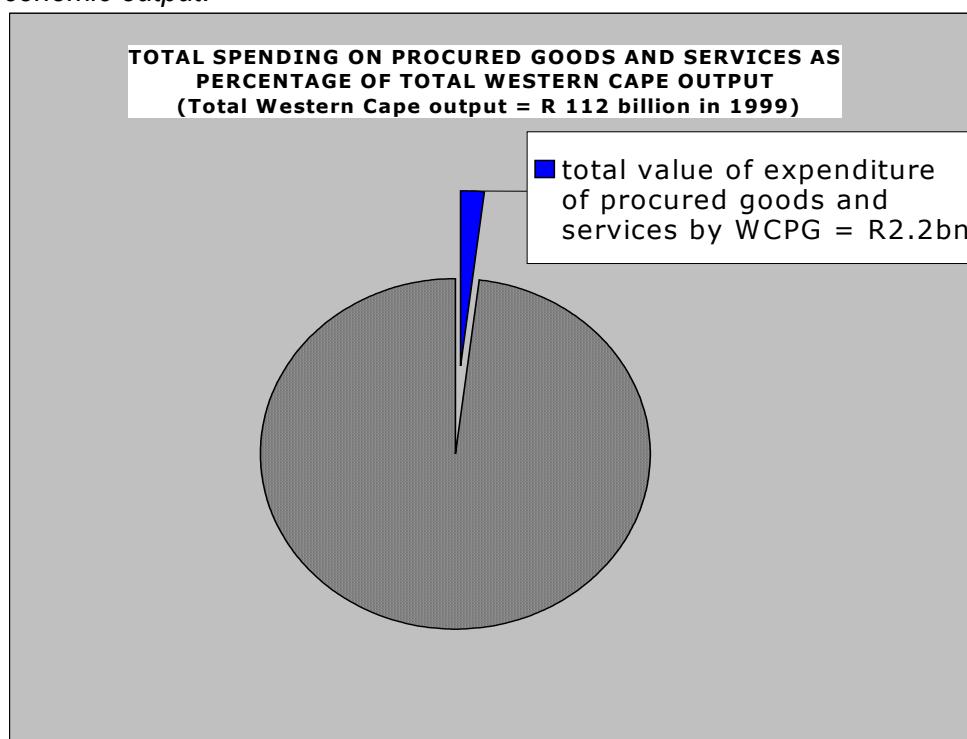
¹² Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000; City of Cape Town. *Background Report: Cape Town Economic Trends and Analysis: 1980 -2000*:Cape Town: City of Cape Town, Economic Development and Tourism, 2001

3.4 Potential socio-economic impacts

3.4.1 Macro-economic analysis

With reference to graph 2 below, the total expenditure by the Western Cape Provincial Government of R2.2 billion on procurement in the 1999/2000 financial year accounts for only 2% of the Western Cape economic output. Obviously, in this context preferential procurement would not have any significant effect on influencing macro-economic shifts in the local economy, specifically with respect to influencing overall growth, investment and employment.

Graph 2: *Provincial procurement as a percentage of total Western Cape economic output.*



Sources: Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000; Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000

3.4.1.2 Table 2 below provides a profile of the expenditure of the Province in terms of the overall "vote" allocations. The first column (expenditure) provides the actual expenditure per vote, while the second column provides an indication of expenditure on goods and services procured. The end column provides procurement of goods and services as a percentage of total expenditure.

Table 2: Actual expenditure per vote for the financial year ending March 2000

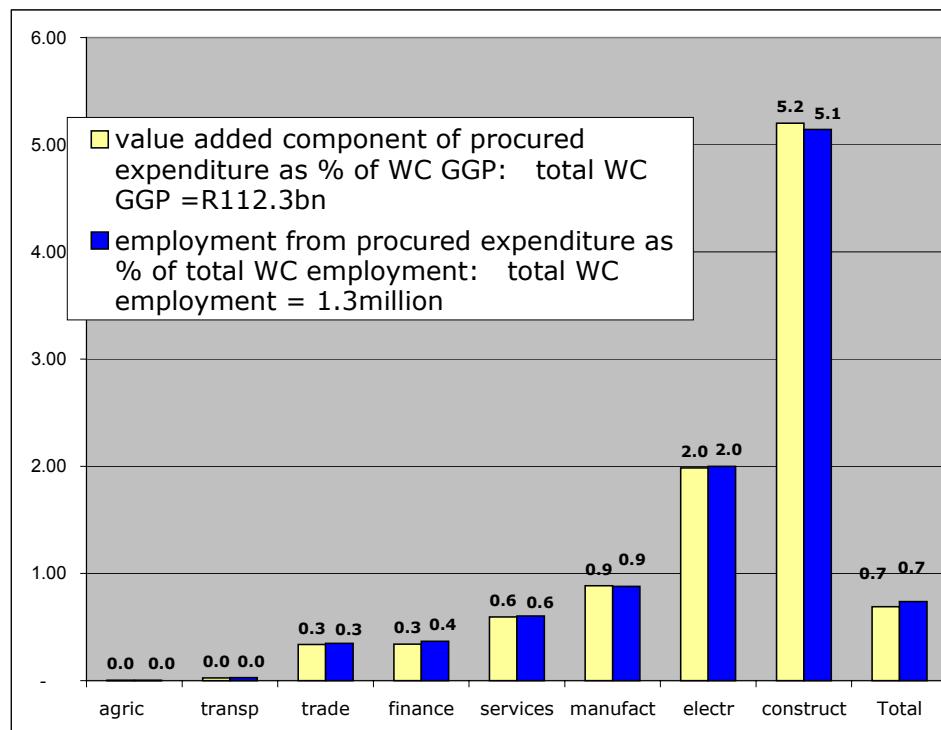
Vote	Expenditure (R'000)	Services & goods procured (R'000)	Procured as % of expenditure
Provincial Administration Western Cape	167 419	87 529	52
Provincial Parliament	28 543	2 406	8
Economic Affairs, Agriculture and Tourism	729 893	501 080	69
Planning, Local Government & Housing	86 657	11 714	14
Finance	36 859	5 397	15
Community Safety	38 787	1 096	3
Health	3 125 498	674 354	22
Social Services	2 208 156	72 053	3
Environment, Culture & Sport	134 316	30 562	23
Education	3 840 453	210 945	5.5
<i>Improvement of conditions of service</i>	214 915	N/A	N/A

Source: Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000:

3.4.1.3 With reference to table 2 above, the Health, Economic Affairs, Agriculture and Tourism and Education departments are the most significant procurers of goods and services.

3.4.1.4 The provincial expenditure on goods and services was categorised according to the source of procurement in terms of the Western Cape economic sectors and analysed to ascertain the relative role of procurement within the local economy. The graph below provides a summary of the sector profile, depicting both the value-added components of the Western Cape Provincial expenditure and employment as a % of the provincial GGP equivalent.

Graph 3: Provincial procurement represented as a percentage of GGP and employment equivalent in terms of the Western Cape economy



Sources: Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000; Wesgro "Facts About The Western Cape Economy" – May 2000; Wesgro "Job Creation Dilemma" – May 2000; City of Cape Town. *Background Report: Cape Town Economic Trends and Analysis: 1980 -2000*:Cape Town: City of Cape Town, Economic Development and Tourism, 2001

- 3.4.1.5 As can be noted from graph 3, almost all the sector contributions of provincial expenditure on goods and services and related employment are 2% or below, with only the contributions to construction amounting to 5,2 and 5,1% respectively.
- 3.4.1.6 In order to quantify the potential impact of preferential procurement on the Western Cape economy, a number of "what-if-models" were explored. The modelling clearly indicated the marginal macro-economic impact preferential procurement could have. For example when it was assumed that a 5% shift in procurement towards local (Western Cape) interests could be achieved, the resulting macro-economic impact would be characterised by the following gains:
- Total potential increase in GGP of R38,7 million, reflecting a 0,03% increase in the provincial GGP.
 - Total potential increase in investment of R4,3 million, reflecting a contribution of 0,02% of total investment in the Province.

- An increase in employment in the Province of 305 jobs, reflecting an increase of 0,02% in employment.
- 3.4.1.7 When the socio-economic impact on individual groupings operating in the economy is considered the relative effects become much more significant. For example the participation by groupings such as HDIs and SMEs comprise only a component of the provincial economy, arguably below 30% and 40% respectively¹³. Clearly any shifts in procurement towards these individual groupings in the economy would have a much more significant impact.

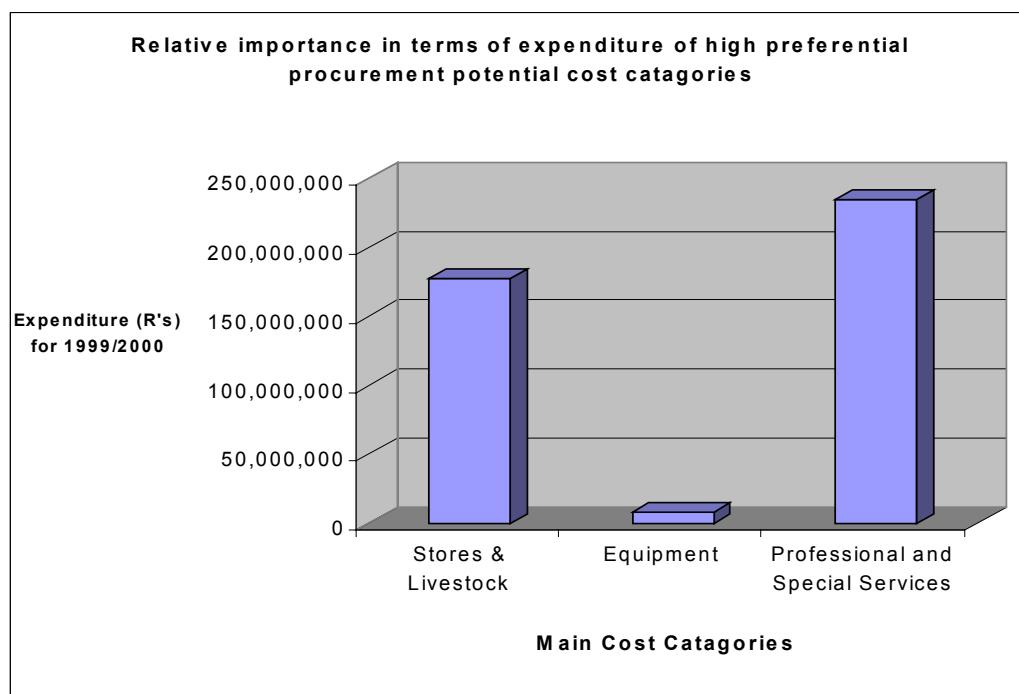
3.4.2 SME and HDI analysis

- 3.4.2.1 The macro-economic analysis indicated that the benefits of preferential procurement are principally vested in providing opportunities for small and medium sized enterprises and/or businesses from historically disadvantaged economic communities. The key benefits emanating from the opportunity are to gain a foothold in the economy and the resulting multiplier effects, rather than the potential to influence overall growth, investment and employment. In this context a reallocation of expenditure to HDI's and SME's could have a significant impact on stimulating these disadvantaged sectors through:
- Enabling emerging businesses to gain a foothold in the economy; and
 - The establishment of successful role models for others to emulate.
- 3.4.2.2 A detailed analysis of the goods and services purchased per department in terms of potential to derive socio-economic benefits, through stimulating SME's and HDI's, indicated significant opportunities. For the analysis, provincial expenditure on a departmental basis was grouped into descriptive cost categories, namely "Stores & livestock", "Equipment" and "Professional services". Each category was then classified according to SME and HDI procurement potential on the basis of general economic factors.

¹³ City of Cape Town. *Background Report: Cape Town Economic Trends and Analysis: 1980 -2000*:Cape Town: City of Cape Town, Economic Development and Tourism, 2001

3.4.2.3 Graph 4 indicates the spread of high-potential procurement opportunity per cost category. As can be deduced from the graph, the analysis indicated that “professional services (including special services)” and “stores and livestock” represented the areas of greatest opportunity.

Graph 4: High-potential procurement opportunity per cost category



Source: Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000;

3.4.2.4 “Stores and livestock” category

R177million, representing 27% of the “stores and livestock” expenditure¹⁴ category, was regarded as having a high SME and HDI potential for involvement. The areas of greatest opportunity were found to be in the medical/surgical requisition domain, where quality standards are historically a barrier to entry. To cease this opportunity a special focus would be required on overcoming the challenges, probably partly attainable through partnership and joint venture arrangements. Other significant opportunities for SME and HDI procurement in this category included:

- Department of Health R50,7million¹⁵
- Department of Economic Affairs, Agriculture and Tourism R8million¹⁶

¹⁴ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

¹⁵ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

¹⁶ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

3.4.2.5 “Equipment” category

The opportunities for SME and HDI involvement in equipment procurement were generally found to be limited, due to technical and capital barriers to entry. Some limited but specific areas of potential were identified in the Department of Health and Department of Agriculture expenditure profiles.

3.4.2.6 “Professional and special services” category

R234million, representing 32,8% of the “professional services” category¹⁷, was regarded as having high SME and HDI potential. The Branches of Transport and Works are representing the main areas of opportunity. The key opportunities for preferential procurement in this category lie with the R108 million of goods and services procured from contractors of which the main components are as follows¹⁸:

- Branches of Transport and Works, expenditure on contractors - R91 million
- Department of Social Services – R 4,5million
- Department of Provincial Administration Western Cape – R 6,3million predominantly pertaining to contractors

Consultancy services of R36,8million, comprising inter alia the following, also offer substantial opportunities¹⁹:

- Department of Economic Affairs, Agriculture and Tourism – R23,2million
- Department of Health – R5,3million
- Department of Finance – R2,5m

Computer services expenditure of R20,4 million, comprising R19 million on services and R9,3 million on “time”²⁰, also offer significant opportunities.

Security services (R18,2million), catering (R9,5million), laundry (R8,6million) and cleaning (R5,8 million)²¹ are cost centres that hold significant potential

¹⁷ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

¹⁸ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

¹⁹ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

²⁰ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

²¹ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

for SME's and HDI's, with the Department of Health being the largest procurer of these services, spending R14,8 million on security, R8,5million on laundry, R6million on catering and R4,9million on cleaning services²².

3.5 Policy implications

- 3.5.1 In formulating preferential procurement policy, careful consideration should be given to the actual expenditure and suitability of focus areas identified, as this would ultimately determine the impact of policy measures and their success in terms of policy objectives. It is evident from the analysis undertaken that policy makers should focus their efforts primarily on the budgets of the Department of Economic Affairs, Agriculture and Tourism, Health, Social Services and the Provincial Administration of the Western Cape, as they offer the greatest opportunities for the implementation of successful policy measures.
- 3.5.2 Expenditure on consultants and contractors by the Branches of Transport & Works totals R112 million²³ and this highlights a focus area for preferential procurement. The highly specialised nature of some *consultancy* services might limit the effectiveness of preferential procurement if suitable expertise is not forthcoming. The implementation of *selection criteria* for consultancy services based on preferential procurement guidelines could be a useful point of departure for policy makers.
- 3.5.3 The capital-intensive nature of some of the projects undertaken by the branches of Transport and of Works may limit the potential for preferential procurement. The preferential procurement policy should be focused on labour intensive contracts with a lower capital requirement, to maximise the potential multiplier effects. The procurement of items to the value of R8,0million for the consumable stores by the Branches of Transport & Works is also a suitable focus area for preferential procurement policy.
- 3.5.4 A significant proportion of goods and services procured by the Provincial Department of Health could provide effective focus areas for preferential

²² Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

²³ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

procurement policies. The relatively low barriers to entry in the security, laundry, cleaning and catering services sectors make them appropriate focus areas for the advancement of emerging SME's and HDI's. The value of these services procured by the Provincial Department of Health was R34,2 million²⁴ – this could be a sizeable preferential procurement opportunity.

- 3.5.5 It is evident too that SME's and HDI's supplying medical/surgical requisites and other consumable items to the Department of Health could also benefit greatly from preferential procurement. Expenditure on these items totals a substantial R148 million²⁵, but opportunities may be constrained with respect to medical/surgical supplies, where stringent quality requirements apply. In terms of policy, the challenge will be to ensure that procurement practices achieve the appropriate balance between necessary quality standards and the facilitation of access for SME's and HDI's.

3.6 Conclusion

- 3.6.1 In conclusion, the socio-economic study highlights the marginal macro-economic impact that preferential procurement could have on the economy, while confirming the socio-economic benefits that could be achieved. These benefits arise principally through the stimulation of the historically disadvantaged and economically marginalised communities' participation in the economy, by providing opportunities, economic entry points and/or role models on the basis of which the economic imbalances could be addressed.
- 3.6.2 Given the concentration of expertise and access to resources in the economy, rapid expansion of both HDI and SME involvement in the economy could be enhanced though encouraging and/or facilitating the establishment of joint ventures and partnerships on a sound business basis and ensuring effective transfer of skills.

²⁴ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000
²⁵ Western Cape Provincial Government, Financial Management Systems Report for the Financial Year ending March 2000

3.6.3 The analysis of provincial expenditure concluded that the budgets of the following departments/branches displayed the greatest potential for promoting and supporting SME's and HDI's:

- Health
- Education
- Economic Affairs Agriculture and Tourism
- Social Services
- Provincial Administration Western Cape

3.6.4 Ultimately, preferential procurement could go some way to providing a springboard to encourage redistribution and reducing economic concentration, which in turn would foster competition and promote effective and appropriate resource allocation. To ensure the objectives of preferential procurement are achieved, effective systems must be introduced to enable the recording, tracking and monitoring of goods and services procured.

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CHAPTER 4: POLICY STATEMENTS

4.1 Application

4.1.1 This policy will apply to all sectors of industry.

4.2 Access to information, support and communications

4.2.1 All tender invitations should be advertised at least in the Government Tender Bulletin.

4.2.2 All tender invitations should be published on the internet.

4.2.3 Unsuccessful tenderers will be informed of the reasons for their not being successful, if so requested in writing. In order to minimise the administrative burden, a checklist will be developed for this purpose.

4.2.4 A public awareness campaign should be developed to inform the potential supplier base of sources of information.

4.2.5 Any potential supplier will be entitled to receive information regarding the following:

- Financial support
- Training
- Assistance with tendering process
- Tendering process
- Preferential procurement
- Tender documentation

4.2.6 The above-mentioned information should also be available on the internet.

4.2.7 Enquiries from the public will be dealt with in the appropriate manner and in accordance with service delivery principles as specified in the Batho Pele White Paper.

4.3 Uniformity and simplification

4.3.1 Documents will be rationalised and simplified as far as possible.

- 4.3.2 Tender documents will include a description of all preferential procurement requirements e.g. HDI requirements, basis for adjudication, etc.
- 4.3.3 Where relevant, contracts will include a delivery schedule. This is normally negotiated prior to contract finalisation.
- 4.3.4 Contract documents will include a payment schedule which, where relevant, will be linked to the delivery schedule.

4.4 Database of suppliers

- 4.4.1 A database will be established of supplier companies in the various sectors. The database will accommodate the profile of suppliers such as name, shareholding, profile, etc
- 4.4.2 The data will be updated from the companies who submit tenders and from suppliers registered for procurement on the electronic purchasing system.
- 4.4.3 All suppliers and potential suppliers who want to qualify for the benefits derived from this policy will have to register on this database.

4.5 Policy objectives and breakout procurement (unbundling)

- 4.5.1 The objectives of the policy are set out in paragraph 1.5 and amplified by regulation 17(3) to the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000).
- 4.5.2 In addition to these goals and objectives the procurement of goods and services for any project or other requirement of the Provincial Government should, where practicable, be unbundled without incurring undue negative impacts on the quality, time and cost parameters of such goods and services
- 4.5.3 The following unbundling strategies could be pursued:

- 4.5.3.1 Obligating large contractors to engage small businesses in the performance of their contracts.
 - 4.5.3.2 Requiring joint venture formation between large businesses and small businesses (joint ventures).
 - 4.5.3.3 Providing third-party management support to enterprises which are not capable of operating as prime contractors (development contracts).
- 4.5.4 The unbundling strategies afford the full spectrum of businesses, from those operating as labour-only contractors to those operating as prime contractors, opportunities of participation.

4.6 Preferences and Targeting

- 4.6.1 The stipulations as set out in the Preferential Procurement Regulations, 2000 will apply. (refer appendix A)
- 4.6.2 The Board shall, in terms of the powers entrusted to them, issue directives/procedures and practices in terms of this policy in due course.
- 4.6.3 The application of preferences will not be applicable to the sale and letting/hiring of immovable assets.

4.7 Payment cycles

- 4.7.1 The payment cycle is dependent on the timeous invoicing, approval of invoices and on the payment administration. Responsible procurement officers should process approved invoices within 30 days of receiving the invoice unless otherwise provided for in the contract. (Refer National Treasury Regulations 8.2.3)
- 4.7.2 If there is reason for an invoice not being approved, the supplier will be notified in writing.

4.8 Performance guarantees

4.8.1 The following levels of sureties or guarantees will be introduced as a minimum, based on the risk exposure and type of contracts, where relevant:

Type	Definition	Level of surety
Major	<ul style="list-style-type: none">• onerous requirements;• high contract value;• necessary resources required are prohibitive;• large-scale developments	<ul style="list-style-type: none">• 6 to 10% for R3 million to R5 million (to be fixed in accordance with risk)• 10% above R5 million
Minor	<ul style="list-style-type: none">• risks are judged to be small;• low value (usually less than R1 million but not more than R3 million);• works are of a straight-forward nature with variation; or small-scale additions and alterations	<ul style="list-style-type: none">• 0% for R100 000 to R500 000• 2,5% for R500 000 to R1 million• 5% for R1 million to R3 million
Micro	<ul style="list-style-type: none">• estimated contract value < R100 000;• generally no risk;• little or no formal documentation;• usually maintenance-type work; or contract period normally less than 3 months	<ul style="list-style-type: none">• 0% below R100 000

4.8.2 On request, the Tender Board may consider additional surety levels.

4.9 Measuring success of this policy

4.9.1 This policy will be monitored in terms of the Tender Board Law in order to report to the Provincial Legislature as determined by sections 11 and 12 of the Law as well as section 55(1)(d) of the Public Finance Management Act, 1999 (PFMA). The Tender Board will periodically request reports from departments to measure the efficiency and effectiveness of the implementation of the policy.

4.9.2 The Tender Board may at its own discretion appoint an independent third party to audit the credentials of participating companies/ tenderers and to measure the achievement of specific objectives for a contract

4.10 Penalties

4.10.1 Penalties in terms of this Policy will be applied as determined in the Preferential Procurement Regulations, 2000.

4.11 Risk

4.11.1 A risk assessment mechanism and criteria will be developed. This will be used in the adjudication process to assess risks associated with a particular contract. The management of these risks will be the responsibility of the accounting officer.

4.12 Declarations

4.12.1 The stipulations as set out in the Preferential Procurement Regulations, 2000 will apply.

4.12.2 In addition to paragraph 4.14.1 the following will also apply:

4.12.2.1 In the case of joint ventures, only legally established entities shall enjoy the preference system.

4.12.2.2 The responsibilities and liabilities of all parties in a joint venture shall be clearly defined.

4.12.2.3 Tender documents will make provision for a preference certificate and a declaration statement in order to obtain details in a prescribed format for adjudication.

4.12.2.4 Failure on the part of the tenderer to fill in and /or to sign the declaration will be construed to mean that preference points are not claimed.

4.12.2.5 For any tender or purchase if the requirement should arise, either before a tender is adjudicated or at any time subsequently, the tenderer may be asked to substantiate any claim with regard to the preference in any manner required.

4.13 Skills transfer

4.13.1 Skills transfer shall be encouraged. A skills transfer assessment mechanism and report format will be established for HDI's and SME's going into a joint venture with an established business. The attainment of these goals should form part of the contract and will be linked to the delivery and payment schedule.

4.14 Enactment and review

4.14.1 The application of this policy will focus on the procurement of all goods, services, industries and areas where the greatest benefit can be achieved. Specific initiatives will be initiated for implementation of this policy.

4.14.2 This preferential procurement policy will be applicable to all departments of the Western Cape Provincial Government and must be executed by all officials to whom procurement authority has been delegated.

4.14.3 This policy will be implemented by the Tender Board in accordance with the powers provided for by the Western Cape Provincial Tender Board Law.

4.14.4 This policy will be reviewed on a continuous basis to ensure that it stays relevant to the achievement of the objectives.

CHAPTER 5: PERFORMANCE MANAGEMENT

5.1 Introduction

- 5.1.1 To ensure that the preferential policy attains its objectives, a robust performance management system must be established. This performance management system needs to create a link between the preferential procurement objectives and actual delivery. Accordingly, it encompasses a process involving setting goals in terms of the preferential procurement objectives, establishing relevant key performance areas (KPA's) to monitor and specific key performance indicators (KPI's) to measure and to enable continuous performance review.
- 5.1.2 For effective performance management in the provincial procurement environment, it is appropriate to initiate the performance management process, through participation by key procurement personnel in both the Tender Board Secretariat and Department structures, to:
- Ensure a common support and understanding of the preferential procurement objectives; and
 - Solicit adequate buying in on the process.
- 5.1.3 Accordingly, it is critical to initiate the performance management process by establishing common goals for the Tender Board, Departments, procurement managers and their subordinates. Each procurement centre/entity within the Province would need to define their own areas of responsibility (KPA's) in terms of the overall preferential procurement objectives and then clearly define these in terms of measurable expected results/targets (KPI's). These KPI's are then to be applied by the relevant procurement practitioners (managers and subordinates) in planning their work and monitoring process. To solicit buying in it is important that individuals are involved in the setting of objectives and performance measures and targets relevant to their procurement responsibilities. In addition, it is critical that managers at every level should participate in setting objectives for higher levels than their own to enable them to have a

better understanding of the broader preferential procurement objectives and how their specific objectives relate to the overall picture.

5.2 Performance management process

The overall performance management process proposed is based on the commonly accepted principles of management by objectives (MBO). The key steps in the performance management process are outlined below:

5.2.1 Gaining a common commitment

At every level (from the Tender Board to the departmental procurement practitioners), commitment to the preferential procurement objectives and the performance management process are necessary for the programme to be successful.

5.2.2 Top-level goal setting/ratification

The procurement policy provides the overall objectives at the top level, as developed through consultation with key stakeholders. These objectives need to be affirmed in the context of individual procurement environments. Departmental goals need to be defined by top management in terms of key performance areas and be stated in specifically measurable terms – KPI's.

5.2.3 Individual goals

Each individual (manager and/or subordinate) needs to have clearly defined work responsibilities and objectives in terms of preferential procurement. These objectives and goals for each individual need to be set in consultation between that individual and supervisor, through developing realistic KPA's and KPI's.

5.2.4 Participation

Obviously, in a public sector environment and with due consideration for different views pertaining to the fundamental principles encapsulated in preferential procurement, subordinate participation in setting goals could be problematic. Accordingly, the character of the strictly hierarchical management structure may draw the process towards subordinates' participation being limited to being present when management lays down objectives. This approach should be discouraged with every effort made to achieve greater mutual participation of managers and subordinates in the setting of goals – the greater the participation the more likely the goals will be achieved.

5.2.5 Monitoring performance

Performance against objectives needs to be monitored on a continual basis. As such, the KPI's need to be consistently monitored for each KPA. Clearly this will require appropriate monitoring and tracking capabilities to be introduced into the procurement systems.

5.2.6 Review of performance

At all levels in the procurement structures progress must be reviewed periodically against objectives. This periodic review needs to take place from the lowest levels between managers and individuals, through Department Procurement Committees to the Tender Board. The frequency and content of these reviews are dependent on the nature of the responsibilities.

5.2.7 Feedback on performance

It is critical that there be feedback on performance to all stakeholders groups, including:

- The general public

- Special interest groups, such as the Tender Advice Centres (TAC's) and business interest groupings
- Suppliers of goods and services (suppliers and prospective suppliers)
- Employees within the procurement structures and the Provincial Administration Western Cape in general

In addition, due to the political dimensions of preferential procurement it would also be appropriate to include the relevant provincial and national government structures.

5.3 Performance areas and indicators

- 5.3.1 In accordance with the overall performance management process noted in the section above, performance areas and indicators must be developed for each objective and/or target group such as an industry or economic sector. The detailed performance areas and indicators need to be developed and defined in consultation with the relevant practitioners and in accordance with specific industry or economic sector requirements. Indicative KPA's and KPI's are set out in appendix B.
- 5.3.2 As soon as formal implementation of the Preference Policy System has been satisfactorily established, departments will be assisted in more formally developed KPA's and KPI's as referred to in sections 5.1 and 5.2.

5.4 Recording and Monitoring

- 5.4.1 In order to provide reliable information on which to base performance management (at all levels within the provincial procurement dispensation), information needs to be captured and retained in an accurate and accessible manner and in an appropriate form. This information then needs to be readily accessible to provide timely, accurate and relevant management information on the key performance indicators for the different levels within the procurement processes.
- 5.4.2 In considering the basic information requirements for monitoring and reporting at departments, the following basic information (as a point of

departure) would on a quarterly basis be required. This basic information ideally would need to be captured in an integrated procurement information management system in an accessible form, enabling continuous updating and multiple cross-referencing capabilities: The formats will be provided by the Provincial Treasury in due course.

- Nature of the contract classified within designated economic and sector categories
- Value of contract
- Type of contract
- Duration of contract
- Highest bidder value
- Lowest bidder value
- Number of bidders
- Number of bidders qualifying for points according to this policy
- Name and contact details of each bidder
- Profile of each bidder in terms of:
 - Company form
 - Location
 - Annual turnover
 - HDI status (ownership, management and employment)
 - SME status
 - Employment
- Bidder status in terms of qualifying for preference points status
- Motivation for appointing successful bidder
- Commencement date of the contract
- Duration of the contract
- Progress of contract against plan
- Summary of skills transfer achieved

5.4.3 A formal framework for reporting and monitoring will be developed and communicated to departments.

5.4.4 In conclusion, procurement database and information systems would need to be introduced to enable effective monitoring, tracking and reporting to take place. Without an appropriate database and information system able to

monitor and track procurement, it will not be possible to measure actual performance. Clearly, if performance cannot be measured against key performance areas it is improbable that any real progress will be achieved in attaining the set preferential procurement objectives.

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CHAPTER 6: BIBLIOGRAPHY AND REFERENCES

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- 6.4 The Constitution of the Western Cape, 1997
- 6.5 Employment Equity Act (Act 55 of 1998)
- 6.6 Green Paper on Public Sector Procurement Reform in South Africa
- 6.7 National Small Business Act (Act 102 of 1996)
- 6.8 The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
- 6.9 Preferential Procurement Regulations, 2000
- 6.10 Promotion of Access to Information Act, 2000 (Act 2 of 2000)
- 6.11 The Public Finance Management Act, 1999 (Act 1 of 1999)
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- 6.16 Western Cape Provincial Tender Board Law, 1994 (Law 8 of 1994)