Department of Energy

DoE Supply Chain Management Processes

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Presentation overview

• Legislation and prescripts governing SCM in the Public Sector
• Supplier database registration procedure
• Procurement process for goods and services
• Mandatory forms required when procuring goods and services
• Bid process (including the evaluation of bids)
• Challenges faced by emerging service providers
Constitutional Context


“(1) When an organ of state in the national, provincial or local sphere of government, or any 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.**”
Regulatory Environment for Public Sector Procurement

- Public Finance Management Act (PFMA) no.1 of 1999
- Treasury Regulations, Chapter 16A
- Broad Based Economic Empowerment Act (BBBEE) Act No. 53 of 2003
- Preferential Procurement Policy Framework Act (PPPFA) Act No. 5 of 2000
- Supply Chain Management Guideline for Accounting Officers and Authorities – issued by National Treasury in Feb 2004
- Instruction notes, circulars and guidelines issued by National Treasury
- DOE Supply Chain Management Policy
Procedure to Register on the DOE Database

• The Department invites service providers to register on the supplier database by placing an advert in the Government Bulletin, newspapers (i.e. Sowetan, Sunday Times, City Press), notices in all regional offices and the DOE website.

• The advert is published annually in September and closes in October.

• Regular updates are done as and when the department receives the forms from prospective service providers that are interested in conducting business with the Department.

• The database is applicable for procurement of goods and services below R 500 000 (including VAT).

• Forms are also made available at respective regional offices.
Procedure to Register on the DoE Database

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• Service providers are captured on the DOE supplier database according to commodities/services listed on the application form.

• Each service provider is limited to 5 commodities.

• Service providers cannot be disqualified for incomplete information submitted at the closure of the database.

• The Department will contact the service providers for outstanding documents and they are given a time period to comply, failure to do so will result in the company remaining inactive.

• Registering on the database does not guarantee that the Department will do business with registered service provider/s.

• Business transactions can only be guaranteed when there is a need for a commodity provided the recommended service provider complies in all aspects.
Process for Procurement of Goods and Services below R 500 000.00 (including VAT)

- The end-user (internal client) identifies the need and drafts the Specifications or Terms of Reference.

- The procurement must be linked to the budget allocation.

- SCM facilitates the procurement process by obtaining quotations (as per the specifications or Terms of Reference) from service providers registered on the database per commodity identified. A minimum of 3 service providers are approached.

- The supplier database system is designed to rotate service providers.

- On the closing date specified, the quotes are evaluated and mandatory documents are also checked to ensure compliance.

- Approval is obtained by the relevant authority according to financial delegations prior to engaging the service provider.
Mandatory documents to be submitted by service providers

- Standard Bidding Document
  - SBD 1: Invitation to bid
  - SBD 2: Tax Clearance Certificate for procurement above R 30 000 (including VAT)
  - SBD 3: Pricing Schedule
  - SBD 4: Declaration of Interest
  - SBD 6.1: Claim form for preference points on BBBEE status (to be accompanied by the BBBEE certificate)
  - SBD 8: Declaration to combat the abuse of SCM systems
  - SBD 9: Declaration directors to combat bid-rigging

- Company registration number: Unique number for each company registered by CIPC

- Finally, SCM performs checks on the tender defaulters database maintained by National Treasury
Tendering/ Bid Process

- Competitive bid process is applicable to procurement of goods and services above R 500 000 (including VAT).

- Bids are advertised for 21 days, less than 21 days approval can only be granted by the Accounting Officer with justifiable reasons.

- For procurement below R1m, the 80/20 principle is applicable - as stipulated in the Preferential Procurement Framework Act.

- For procurement above R1m, the 90/10 principle is applicable - as stipulated in the Preferential Procurement Framework Act.

- 80 or 90 represent the price (the formula is used to determine points), and 20 or 10 represent the BEE points.

- Service providers can be invited to a briefing session (however this is not compulsory).
Tendering/ Bid Process

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• Closing time for bids is 11h00 sharp as determined by National Treasury. Late bids are not accepted.

• There can be a public opening of bids upon request by service providers, i.e. announcing the names of competitors and price.

• Bid Information (bidders names and price) is published on the DOE website.
Considerations when evaluating bids

- The threshold qualifying points (i.e. service provider to obtain the minimum score determined in the Terms of Reference for Stage 1: Functionality. (e.g. 80 out of 100 points)

- Number of years of experience. i.e. The company, team leader, team members, etc.

- Qualifications of members, Approach and methodology

- Understanding of the project, project plan and key deliverables

- Contingency plan (if applicable to the project)

- In case of a product, consideration is given to warranty, SABS approved products, local content, durability, samples, etc.

- Stage 2 Evaluation = points for price and BEE (80/20 for procurement below R1m, and 90/10 for procurement above R1m)
Bid Evaluation Process

• The Bid Evaluation Panel (BEC) panel is approved by the Accounting Officer or his/her delegated official.

• Bids are evaluated by at least 4 or more officials with different but appropriate expertise, knowledge and experience.

• Confidentiality and declaration forms are signed by appointed (BEC) members.

• The BEC evaluates the bid and submits a report to the Bid Adjudication Committee for adjudication, if the bid is fully compliant, the committee will recommend the bid to the Accounting Officer for approval.

• The evaluation is based on the criteria as stipulated in the approved Terms of Reference.

• No changes can be made to the criteria during the bid evaluation process
Bid Communication

• Results of the winning bidder is placed on the DoE website, and in the newspapers (where applicable) and is also published in the Government Bulletin.

• Unsuccessful service providers are also informed accordingly.
Contract Management

• Once approval has been granted by the Accounting Officer, the Service Level Agreement and other applicable documents are signed by both parties.

• The official order is issued by SCM to the service provider for project execution.

• The project manager monitors the project for the duration of the contract.

• Payment is only effected within 30 days upon receipt of invoice and upon satisfactory service delivery signed off by the project manager.
## Commodities required by the Department

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<tr>
<th>Commodity</th>
<th>Procurement Method</th>
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<tbody>
<tr>
<td>Supply and installation of Non Grid Home Systems</td>
<td>Competitive Bid Process</td>
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<tr>
<td>Solar Water Heaters</td>
<td>Competitive Bid Process</td>
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<tr>
<td>Independent Power Producers</td>
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<tr>
<td>Cleaning, Security, Consultancy Services, etc</td>
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<tr>
<td>Solar Jars</td>
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<tr>
<td>Solar Lamps</td>
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<tr>
<td>Energy Saving Globes</td>
<td>3 Quotations</td>
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<tr>
<td>Marketing Consumables</td>
<td>3 Quotations</td>
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</tbody>
</table>
Challenges with emerging service providers

- Lack of experience and understanding on how to respond to bids.
- Non completion of mandatory documents.
- Submitting expired tax certificate (leads to disqualification).
- No market research or feasibility study conducted to understand the product and competitors.
- Proposals submitted often not relevant to the requirements.
- Irrelevant experience, qualification and lack of supporting documents requested by the Department (e.g. CV’s, certified copies of certificates if required).
- Fronting and bid rigging
THANK YOU...

Q & A