

 <b>RAND WATER</b>	<b>DOCUMENT TYPE</b> <b>Policy</b>	<b>DOC NO: RW SCM 00001 P</b>
<b>TITLE: Supply Chain Management Policy</b>		<b>REV. NO: 09</b>
<b>POLICY OWNER: Group Shared Services</b> <b>Business Unit</b>		<b>EFFECTIVE DATE</b>  01 July 2022
<b>AUTHOR: Supply Chain Management</b>		
<b>(1) PDU Checked</b>  Lulama Swaartbooi <small>Digitally signed by Lulama Swaartbooi Date: 2022.06.23 20:37:07 +02'00'</small>	<b>(2) OWNER</b>  Teboho P. Joala <small>Digitally signed by Teboho P. Joala DN: cn=Teboho P. Joala, o=Rand Water, ou=CSSO (29157), email=tjoala@randwater.co.za, c=ZA Date: 2022.06.23 21:29:53 +02'00'</small>	<b>(3) AUTHORISED BY:</b>  Vusi Kubheka <small>Digitally signed by Vusi Kubheka Date: 2022.06.27 19:59:53 +02'00'</small>
<b>Policy Development Unit Manager</b>	<b>Chief Shared Services Officer</b>	<b>Chief Executive</b>

## TABLE OF CONTENTS

1.	TERMS, DEFINITIONS AND ABBREVIATIONS .....	4
2.	INTRODUCTION.....	12
3.	PURPOSE .....	12
4.	SCOPE AND APPLICATION.....	12
5.	POLICY STATEMENT .....	12
6.	POLICY PRINCIPLES.....	13
7.	RESPONSIBILITY AND AUTHORITY .....	14
8.	POLICY PROVISIONS.....	14
8.1.	CORPORATE ETHICS .....	14
8.2.	BUDGET CONFIRMATION .....	14
8.3.	SUPPLIER MANAGEMENT.....	15
8.3.1.	Supplier Registration.....	15
8.3.2.	Sole Suppliers.....	15
8.3.3.	Supplier Verification .....	15
8.3.4.	Supplier Relations.....	15
8.3.5.	Supplier Blacklisting / Restriction .....	16
8.3.6.	Supplier Endorsements.....	16
8.3.7.	Supplier Panels.....	16
8.3.8.	Consultants.....	16

8.3.9.	Rand Water as a Supplier or Customer.....	16
8.4.	SOURCING STRATEGIES .....	17
8.4.1.	Open Bidding .....	17
8.4.2.	Written Price Quotation.....	17
8.5.	PROCUREMENT BY “OTHER MEANS” .....	18
8.5.1.	Multiple-Sourcing .....	18
8.5.2.	Single Sourcing.....	18
8.5.3.	Sole Sourcing .....	19
8.5.4.	Emergency Situations Procurement.....	19
8.5.5.	Urgent cases.....	19
8.6.	IMPLEMENTATION OF PROCUREMENT BY ‘OTHER MEANS’ .....	20
8.7.	OTHER PROCUREMENT PROCESSES SOURCING STRATEGIES .....	20
8.7.1.	Transversal Term Contracting.....	20
8.7.2.	Unsolicited Bids .....	20
8.8.	SOURCING DOCUMENTS.....	21
8.8.1.	Rand Water utilises the following documents in the sourcing process: .....	21
8.8.2.	Letter of Award .....	21
8.9.	RAND WATER AS AN IMPLEMENTING AGENT .....	21
8.10.	BID COMMITTEES .....	22
8.11.	PRE-BID AWARD CHANGE MANAGEMENT .....	22
8.11.1.	Bids that are still in the market.....	22
8.11.2.	Bid Validity Period .....	23
8.12.	BID EVALUATION.....	23
8.12.1.	Evaluation Criteria .....	23
8.12.1.1.	<i>Rand Water will adopt the following evaluation approach:</i> .....	23
8.12.1.2.	<i>Test for responsiveness / Pre-qualification.</i> .....	23
8.12.1.3.	<i>Functionality criteria.</i> .....	23
8.12.1.4.	<i>Preference Point system of 80/20 or 90/10 will be followed in the evaluation of price and specific goals.</i> .....	23
8.12.2.	Bid Qualifications.....	23

8.12.3. Further Evaluation Provisions .....	24
9. CONTRACT MANAGEMENT .....	24
10. REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION .....	25
11. NON COMPLIANCE TO THE POLICY.....	25
12. REFERENCES .....	25
13. RECORD AND DATA KEEPING .....	25
14. DOCUMENT CHANGE HISTORY.....	26

## 1. TERMS, DEFINITIONS AND ABBREVIATIONS

### I. TERMS

<b>Rand Water</b>	refers	to the Rand Water Group excluding the Medical Aid Fund and Provident Fund
<b>Chief Executive</b>	refers	to the Chief Executive of Rand Water.
<b>Chief Procurement Officer</b>	refers	to the Head of the Supply Chain Management function.
<b>Delegation of Authority and Delegated Authority</b>	refers	to delegation as elected within Rand Water's Delegation of Authority Framework document.

### II. DEFINITIONS

<b>Accounting Authority</b>	means	the Board of Rand Water.
<b>Award</b>	means	the allocation of work formalised by a signed Letter of Award and Contract Document by both Rand Water and the successful bidder.
<b>Bid</b>	means	a procurement transaction that is valued above R2 million (inclusive of all taxes).
<b>Bid Addendum</b>	means	a document issued to make amendments to a bid document after it has been published to the market prior to the bid closing date.
<b>Bid Clarification</b>	means	a document issued to provide clarity on an aspect of a bid but not resulting in a bid addendum. A bid clarification is issued prior to the bid closing date.
<b>Bid Qualification</b>	means	the proposal by a bidder to amend or vary the terms and conditions in the bid documents.
<b>Bid Validity</b>	means	the period after the closing date within which the terms and conditions of a bid are in effect and the bid price is fixed.
<b>Business unit</b>	means	all Rand Water departments/ divisions, as well as affiliated centres, units, institutes, clubs and societies whose financial records, by agreement, are maintained within Rand Water's Financial Accounting System.

<b>Capital expenditure</b>	means	expenditure on an asset. For an expense to be classified as capital expenditure it should result in the recognition of an asset. Capital expenditure can be further interpreted as expenditure for property, plant and equipment or intangible assets (as per the corporate Accounting Policy Manual).
<b>Code of Conduct</b>	means	the expected behaviour of individuals in the employment of Rand Water and conducting business on behalf of Rand Water. The conduct must be in line with the applicable Rand Water Policy.
<b>Code of Ethics</b>	means	expected standard of behaviour on how the individual should act, based on moral values and norms. It involves the ability to distinguish between right and wrong and the commitment to do what is right. The behaviour must be in line with the applicable Rand Water Policy.
<b>Categories</b>	means	a classification of procurement transactions in Rand Water which are grouped as follows:  <b>Non-infrastructure:</b> Chemicals, Information Technology, Inventory and Professional Services  <b>Infrastructure:</b> Construction works, installation works, commissioning, and other transactions of a capital expenditure nature.
<b>Competitive Bidding</b>	means	the procurement of goods and services through a system that is fair, equitable, transparent, competitive and cost-effective, in accordance with section 217 of The Constitution of the Republic of South Africa. The Constitution prescribes that all potential suppliers should be afforded the right to compete for public sector business.
<b>Confidential Information</b>	means	information (whether in written, graphic, electronic, stored or oral form) that is sensitive information, the unlawful disclosure of which may be harmful to the security or national interest or Rand Water or Department of Water and Sanitation or could prejudice international relations; commercial information, the disclosure of which may cause financial loss to Rand Water or prejudice its relation with its clients, competitors and suppliers.
<b>Condonation</b>	means	a process whereby the relevant authority acknowledges the irregular expenditure, non-compliances and pardons the incurrance thereof.
<b>Consequence Management</b>	means	the process of investigating non-compliances to determine the cause, corrective action and measure out of consequences

relating to the necessary action that must be taken to hold the responsible person/s accountable.

<b>Construction Works</b>	means	the provision of a combination of goods and services arranged for the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset including building and engineering infrastructure.
<b>Contract duration</b>	means	the length of time it takes to complete the goods/services that were procured through the SCM process.
<b>Contract expiry</b>	means	the end of the period wherein a contract is valid, as a result of the approved contract value being depleted, or the contract validity has lapsed, or the completion of work at any time during the contract validity period, whichever comes first including where any combination or all of the said conditions materialise at the same time.
<b>Contract Management</b>	means	is an end-to-end process to ensure that: Contracts entered into by Rand Water are managed in a manner which minimises business risk and maximises intended benefits; contractual obligations are fulfilled; roles and responsibilities are clearly defined; and social value is realised.
<b>Contract procurement</b>	means	the management of procurement activities undertaken within a contract that are at implementation stage, i.e. call-offs, changes to awarding documents (contract on the system or purchase order) for approved variations and the consolidation of the contracts register.
<b>Contract start date</b>	means	the date in which the contract comes into in full force as per date specified in the applicable terms of the agreement.
<b>Contract validity period</b>	means	the duration at which the contract remains valid and effective, which commences from the Contract Start Date and ends at the 'Contract expiry date' or the extension date (where a contract has been duly extended), or once all contractual obligations have been fulfilled by all parties
<b>Contract value</b>	means	the total amount allowable contractually or in law for which a contract is awarded inclusive but not necessarily limited to of all applicable taxes, escalations, foreign exchanges and contingencies. This is the amount which will be tracked in terms of variations that may be applied.

<b>Delegation Authority</b>	<b>of</b>	means	the assignment of power, authority and responsibility to another to carry out specific activities.
<b>Deviation</b>		means	instances where it is impractical to utilise the competitive bidding process for the procurement of goods and services, in accordance with the applicable legislation.
<b>Emerging Enterprise</b>		means	an enterprise which is owned, managed and controlled by previously disadvantaged persons and which is overcoming business impediments arising from the legacy of apartheid.
<b>End-user</b>		means	is a business unit, within Rand Water, that requires goods or services to be procured by Supply Chain.
<b>Enterprise Development</b>		means	the facilitation of the creation of new enterprises or the development or expansion of existing enterprises, through monetary and non-monetary, recoverable and non-recoverable contributions actually initiated in favour of a beneficiary entity by a measured entity. The specific objective of enterprise development is assisting or accelerating the development, sustainability and ultimate financial independence of the beneficiary. Includes supplier development.
<b>Escalation</b>		means	the varying in price of goods/services as a result of indices and other legislated factors that are gazetted by the South African Government.
<b>Emergency situation</b>		means	a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls for urgent action and there is insufficient time to follow a competitive bidding process.
<b>Established organisation</b>		means	a business that has been around for a number of years and has a significant share of the market. The business would have had a number of projects or jobs either from other institutions or Rand Water itself.
<b>Functionality</b>		means	the evaluation according to predetermined norms, as set out in the bid documents, of a service or categories that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a bidder.
<b>Goods</b>		means	tangible material items where the ownership of such items moves from the Supplier to Rand Water.

<b>Implementing Agent</b>	means	an agent of a client (Government department) who implements or manages a programme or project on their behalf.
<b>Inter-related (in respect of three or more persons)</b>	means	<p>persons who are related to one another in a linked series of relationships, such that two of the persons are <b>related</b> in a manner contemplated below, and one of them is related to the third in any such manner, and so forth in an unbroken series;</p> <p>(a) an individual is “<b>related</b>” to another individual if they –</p> <p style="margin-left: 40px;">(i) are married, or live together in a relationship similar to a marriage; or</p> <p style="margin-left: 40px;">(ii) are separated by no more than two degrees of natural or adopted consanguinity or affinity;</p> <p>(b) an individual is related <u>to a juristic person</u> if the individual directly or indirectly controls the juristic person; and</p> <p>(c) a juristic person is related to another juristic person if-</p> <p style="margin-left: 40px;">(i) either of them directly or indirectly controls the other, or the business of the other;</p> <p style="margin-left: 40px;">(ii) either is a subsidiary of the other; or</p> <p style="margin-left: 40px;">(iii) a person directly or indirectly controls each of them, or the business of each of them.</p>
<b>Limited Bidding</b>	means	means a bidding process reserved for a specific group or category of possible suppliers through procurement by: sole source, single source and multiple source.
<b>Local content stipulated minimum threshold</b>	means	the portion of local production and content as determined by the Department of Trade and Industry.
<b>Multiple Award</b>	means	an award made to more than one supplier for same goods and/or services. Rand Water would have published the bid with the intention to award to more than one supplier.
<b>OEM</b>	means	Original Equipment Manufacturer which is a company that has sole intellectual property rights to equipment that is used by Rand Water. The equipment cannot be sourced from any other supplier/manufacturer other than the OEM. This includes services to repair and/or maintain such equipment where such services are declared by the supplier/manufacturer to be governed by sole intellectual property rights.
<b>Overburdened (in relation to a supplier)</b>	means	the state where a supplier has more work awarded to them (by Rand Water or another entity) than the supplier can demonstrate the ability to handle. This state must be assessed prior to the award of work.



<b>Procurement plan</b>	means	a document that defines the goods and services that Rand Water aims to obtain from suppliers. This document must include goods and services that will be procured through the sourcing strategies that are outlined in this Policy.
<b>Procurement spend</b>	means	all goods and services procured by Rand Water that comprise the cost of sales, operational expenditure and capital expenditure incurred by Rand Water, in accordance with the applicable B-BBEE Codes of Good Practice.
<b>Partnerships</b> (in relation to suppliers)	means	the association of two or more suppliers with the aim of mutually benefitting all parties concerned; either through the establishment of joint ventures or subcontracting arrangements.
<b>Reasonable</b>	means	that a value judgment must be made that is balanced and justifiable, in terms of South African case law.
<b>Responsive Bid / Written Price Quotation</b>	means	a bid / written prices quotation submission that conforms to all terms, conditions, evaluation criteria and specifications of the bid or RFQ documents without material deviation or qualification.
<b>Services</b>	means	anything done or to be done, including the granting, assignment, cession or surrender of any right or the making available of any facility or advantage, but excluding a supply of goods.
<b>Specialist</b>	means	a person fulfilling a role that concentrates primarily on a particular subject or activity. This term can be used interchangeably with “practitioner”. In the context of the bid committees, the specialist and practitioner occupy roles that are non-managerial in nature.
<b>Split award</b>	means	the apportionment of work to more than one supplier based on a risk assessment by Rand Water. The split award may not apply to awards where the nature of the work does not enable the ability to split in terms of the scope of work, bill of quantities, etc.  This award type differs from “multiple award” in that the decision to split the award is made after a risk assessment has been done during the evaluation process.
<b>Supplier</b>	means	an entity or person who provides Rand Water with goods and/or services. The supplier must comply with all the applicable provisions of law including procurement related laws. The term “supplier” is all encompassing and shall be

used in place of “contractor”, “service provider”, “consultant” and “vendor”.

**Supply chain value chain** means the consolidation of procurement planning, procurement of goods and services through compliant sourcing and evaluation strategies, supplier management, contract procurement, economic transformation, and compliance and reporting to the relevant governance structures internally and externally.

**Supply Chain Management Division** means the business unit in Rand Water which oversees the supply of timeous procurement of quality goods and services for sustainability of Rand Water

**Total Cost of Ownership** means the sum of all the costs associated in procuring goods and services. Costs may include the actual price, warranties, maintenance and refurbishment. The aim is to ensure that Rand Water obtains ownership at optimum value.

**Transversal Contract Term** means a centrally facilitated contract arranged by the National Treasury or other government entities for goods or services that are required by one or more than one institution, in line with the delegation of authority.

**Urgent case** means cases where early delivery is critical and the invitation of competitive bids is either impossible or impractical, not due to improper planning.

**Unsolicited Bid** means any proposal received by Rand Water outside its normal Supply Chain Management process that is not a solicited bid but is deemed to be innovative and unique.

**Work** means the goods or services to be provided by the successful bidder.

**Written Price Quotation** means a procurement transaction that is valued up to R2 million (inclusive of all taxes).

**III. ABBREVIATIONS**

<b>BAC</b>	means	Bid Adjudication Committee
<b>BEC</b>	means	Bid Evaluation Committee
<b>B-BBEE</b>	means	Broad Based Black Economic Empowerment Broad Based Black Economic Empowerment as defined in Section 1 of the Broad Based Black Economic Empowerment Act 53 of 2003 as amended.
<b>BSC</b>	means	Bid Specification Committee
<b>CIDB</b>	means	Construction Industry Development Board
<b>CE</b>	means	Chief Executive
<b>DWS</b>	means	Department of Water and Sanitation
<b>ED</b>	means	Enterprise Development
<b>EME</b>	means	Exempted Micro Enterprises
<b>EPC</b>	means	Engineering, Procurement and Construction
<b>EXCO</b>	means	Executive Committee
<b>MCCS</b>	means	Management Change Control Structure
<b>OEM</b>	means	Original Equipment Manufacturer
<b>PFMA</b>	means	Public Finance Management Act
<b>PPFA</b>	means	<i>Preferential Procurement Policy Framework Act</i>
<b>QBS</b>	means	Quality-Based Selection
<b>QSE</b>	means	Qualifying Small Enterprise
<b>RFB</b>	means	Request for Bid document
<b>RFP</b>	means	Request for Proposal document
<b>RFQ</b>	means	Request for Quotation document
<b>RFI</b>	means	Request for Information
<b>SCM</b>	means	Supply Chain Management
<b>SCMD</b>	means	Supply Chain Management Division
<b>the dtic</b>	means	Department of Trade Industry and Competition
<b>VAT</b>	means	Value Added Tax
<b>DOA</b>	means	Delegation of Authority
<b>SED</b>	means	Socio-Economic Development

## 2. INTRODUCTION

Rand Water acknowledges that it will have to procure goods and services within the legislative frameworks of government and in line with Rand Water's Code of Ethics Policy and Related Guidelines and as guided by the PFMA, PPPFA, B-BBEE Act, Competition Act and all applicable legislation including National Treasury instruction notes as communicated from time to time.

Rand Water will seek to utilise the supply chain value chain for the purpose of implementing economic transformation in redressing the economic imbalances of the past by deliberately opening opportunities for enterprises.

In implementing this Policy, Rand Water will strive to comply with all the elements of B-BBEE Codes of Good Practice, namely:

- Ownership
- Management Control
- Skills Development
- Enterprise and Supplier Development
- Socio-Economic Development

## 3. PURPOSE

The purpose of this document is to set forth the SCM policy provisions of Rand Water with respect to overseeing the SCM value chain.

## 4. SCOPE AND APPLICATION

This Policy applies to Rand Water and governs the SCM activities across all categories of procurement This Policy will be applied in conjunction with the procedures outlined in the Record and Data Keeping section.

## 5. POLICY STATEMENT

- 5.1.** Rand Water aligns itself with the principles of Section 217 of the Constitution of the Republic of South Africa to implement a procurement system that is fair, equitable, transparent, competitive, and cost-effective.
- 5.2.** *Rand Water Aligns to the provisions of the PPPFA of 2000.*
- 5.3.** Rand Water shall take all reasonable precautions that seek to detect and prevent anti-competitive conduct throughout the supply chain value chain.

- 5.4. Rand Water reserves that right not to award work to Suppliers that are suspected of being engaged in anti-competitive behaviour that is prohibited in terms of the Competition Act.
- 5.5. The sourcing of goods and services is governed by the following procurement thresholds:
  - 5.5.1. Up to R2,000 (inclusive of all taxes) must be processed through the petty cash process administered by Finance.
  - 5.5.2. From R2,000 up to R2 million (inclusive of all taxes) will follow the written price quotations sourcing strategy.
  - 5.5.3. All sourcing above R2 million (inclusive of all taxes) will follow the open bidding sourcing strategy.
- 5.6. Contract terminations and amendments will be executed in line with the Rand Water DoA.
- 5.7. Any procurement not undertaken on a competitive bidding process constitutes a deviation.
- 5.8. Deviations are two-fold namely, those that require the Chief Executive's prior approval and those that require National Treasury's prior approval, in accordance with the applicable legislative prescripts.
- 5.9. This Policy sets the framework for the supply chain value chain in Rand Water and will be reviewed periodically (as and when the need arises), as approved by Rand Water delegated authorities. The changes may be necessitated by among other things; changes in the business strategic direction and emphasis, and/or by changes in legislation.
- 5.10. Where there is a contradiction in the provisions of this Policy and its accompanying procedures, this Policy shall take precedence.
- 5.11. All procurement activities shall be conducted in accordance with this Policy and the applicable legislative prescripts. Rand Water does not promote any procurement conduct that is intended to circumvent the applicable prescripts.
- 5.12. Procurement of goods and services should not be deliberately split into parts or items of a lesser transaction value in order to circumvent the procurement process.

## 6. POLICY PRINCIPLES

The key principles governing the SCM Policy are outlined as follows:

- 6.1. All procurement purchases shall be authorised and executed as per the Delegation of Authority Framework as amended from time to time;

- 6.2. Awarding business on the basis of merit, criteria and conditions set forth in this Policy;
- 6.3. Sourcing and procuring quality goods and services at the optimal Total Cost of Ownership;
- 6.4. Economic transformation through the implementation of enterprise development by encouraging partnerships of emerging suppliers, driving objective criteria that target activities to promote local industry.
- 6.5. Rand Water is committed to both the principle and the practical implementation of B-BBEE in the SCM Policy
- 6.6. Rand Water shall implement ED and SED in accordance with the corporate ED and SED Strategies.

## 7. RESPONSIBILITY AND AUTHORITY

- 7.1. The Chief Executive is the custodian of this Policy, procedures and all subsequent revisions and/or amendments.
- 7.2. The SCMD is the authorised interface with suppliers of goods and services during the procuring stage and is also accountable for handling and addressing supplier queries relating to procurement and Rand Water's supply chain value chain.
- 7.3. End Users may only engage suppliers after the conclusion of the procurement process and award process.

## 8. POLICY PROVISIONS

### 8.1. CORPORATE ETHICS

- 8.1.1. All procurement activities must be in accordance with Rand Water's Code of Ethics Policy and related guidelines as amended from time to time.

### 8.2. BUDGET CONFIRMATION

- 8.2.1. All procurement activities are to have an approved budget, unless in emergency cases.
- 8.2.2. All procurement and capital expenditure may not exceed allocated budget or authorized vote without prior approval as per the DOA.

## 8.3. SUPPLIER MANAGEMENT

### 8.3.1. Supplier Registration

All suppliers that are awarded work in Rand Water must be registered in Rand Water's Supplier Master Database, and the National Treasury Central Supplier Database.

### 8.3.2. Sole Suppliers

- 8.3.2.1. A sole supplier is the only provider of goods or services that are required by Rand Water, for example OEMs, sole distributors, Sole Authorised Resellers and patent holders.
- 8.3.2.2. The authentication of the sole status of such suppliers must be conducted prior to the award of work.
- 8.3.2.3. The applicable sourcing strategy for sole suppliers is Sole Sourcing.

### 8.3.3. Supplier Verification

- 8.3.3.1. The SCMD shall ensure supplier verification is conducted as per Supplier Management Procedure.
- 8.3.3.2. Various checks, including supplier vetting by Integrity and Probity Assurance Division, are to be conducted on all new suppliers in terms of the Fraud Prevention Policy before such suppliers are placed on Rand Water's database.

### 8.3.4. Supplier Relations

- 8.3.4.1. It is Rand Water policy to conduct business in a manner that encourages good supplier relations within an environment that promotes competition and is in compliance with all legal and regulatory provisions. All forms of anti-competitive behaviour shall be discouraged using various provisions in law and within this policy.
- 8.3.4.2. The evaluation of supplier performance is critical in the determination of future allocation of work; and in identifying and addressing instances of non-conformances which may require a response from Rand Water. The process of the evaluation of supplier performance is outlined in the corporate Supplier Performance Evaluation Procedure.

### 8.3.5. **Supplier Blacklisting / Restriction**

8.3.5.1. In the event where suppliers conduct themselves in an unethical or in a manner not acceptable to Rand Water or any other organ of state based on corporate ethical conduct or performance on work awarded to them, Rand Water may consider blacklisting the suppliers in accordance with the corporate Blacklisting Procedure.

### 8.3.6. **Supplier Endorsements**

8.3.6.1. Rand Water, as a matter of policy, does not actively endorse suppliers, their goods or services.

### 8.3.7. **Supplier Panels**

8.3.7.1. Rand Water may appoint supplier panels only for consultancy services in accordance with the applicable legislative prescripts and the Rand Water DoA.

8.3.7.2. The open bidding process shall be followed in the sourcing of supplier panels.

8.3.7.3. Rotation principle will be applied for the suppliers appointed under panels.

### 8.3.8. **Consultants**

8.3.8.1. The need for Consultants will be approved in line with the Rand Water DoA

8.3.8.2. The appointment and management of consultants shall be conducted in accordance with the applicable legislation.

### 8.3.9. **Rand Water as a Supplier or Customer**

The registration of Rand Water as a supplier or customer in other entities' supplier databases shall be administered by the SCMD.



## 8.4. SOURCING STRATEGIES

Rand Water shall employ the following sourcing strategies in the sourcing of goods and/or services. The procedures to be followed for each sourcing strategy are documented in the corporate Sourcing Procedure and the associated processes.

### 8.4.1. Open Bidding

- 8.4.1.1. Open bidding refers to a process where all that are capable and able to respond to Rand Water's bids are offered an opportunity to respond.
- 8.4.1.2. The bids of all who expressed interest will be evaluated in accordance with the Rand Water evaluation approach.
- 8.4.1.3. Non CIDB bids will be advertised for a minimum of twenty-one (21) calendar days on Rand Water's website and in accordance with the applicable National Treasury prescripts. Rand Water may opt to utilise advertising through print media as approved by the delegated authority.
- 8.4.1.4. CIDB related bids will be advertised in accordance with the applicable CIDB prescripts. CIDB related bids will be advertised for a minimum of thirty (30) calendar days.
- 8.4.1.5. Rand Water may award work to multiple suppliers in a procurement transaction. The request to the market must be advertised with a clear intent to award to multiple suppliers.
- 8.4.1.6. Open bidding is the main strategy of sourcing for all procurement above R2 million (inclusive of all taxes).

### 8.4.2. Written Price Quotation

- 8.4.2.1. A minimum of three written quotation responses must be obtained from invited suppliers for purchases that above R2,000 up to R2 million (inclusive of all taxes). If it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved in line with the DoA.
- 8.4.2.2. CIDB related quotations will be advertised in accordance with the applicable CIDB prescripts.
- 8.4.2.3. Rand Water may award work to multiple suppliers in a procurement transaction. The request to the market must be advertised with a clear intent to award to multiple suppliers.

## 8.5. PROCUREMENT BY “OTHER MEANS”

If in a specific case it is impractical to invite competitive bids, the procurement of goods and services by other means will be in line with Rand Water DOA. The reasons for deviating from inviting competitive bids must be recorded and approved by in line with Rand Water DOA.

Procurement by other means includes Limited bidding, *Written price quotations not within the RFQ threshold* and Emergency situations and urgent cases.

### 8.5.1. Multiple-Sourcing

- 8.5.1.1. Multiple Sourcing refers to a process where only few prospective are sourced based on thorough analysis of the market indicates there is limited competition.
- 8.5.1.2. This sourcing strategy is classified as a deviation and will be conducted in line with the applicable National Treasury prescripts.
- 8.5.1.3. Multiple Sourcing is applicable to procurement transactions that are above R2 million (inclusive of all taxes).

### 8.5.2. Single Sourcing

- 8.5.2.1. Single sourcing applies to the procurement of goods and services in which a thorough analysis of the market and pre-selection process is used to select one supplier among few prospective bids.
- 8.5.2.2. Single sourcing should be used only in exceptional cases. under the following circumstances:
  - a) for tasks that represent a natural continuation of previous work carried out by the supplier;
  - b) Where a rapid selection is essential with justifiable reasons for appointing one supplier;
  - c) When only one supplier is qualified or has experience of exceptional worth for the assignment;
  - d) Where in a continuing project, appointing a different supplier may interrupt existing insurances or warranties e.g. professional liability; or
  - e) For transactions that require diagnostics and repairs to existing equipment.
- 8.5.2.3. When continuity for downstream work is essential, the initial RFQ, RFP or RFB should outline this prospect and if practical, the factors used for the selection of the supplier should take the likelihood of continuation into account.

8.5.2.4. The single sourcing strategy constitutes a deviation and must be conducted in accordance with the applicable National Treasury prescripts, for bids. The single source deviation for quotations shall be approved in line with the Rand Water DoA.

### 8.5.3. Sole Sourcing

8.5.3.1. Sole sourcing applies to the procurement of goods and services for which there is only one supplier and there is no competition in the market.

8.5.3.2. Sole sourcing may be considered under the following circumstances:

- a) For sourcing of goods or services that are intellectual property protected, e.g. software licencing, maintenance of certain equipment where only the OEM owns the designs, and
- b) Where there is only one licenced supplier of the particular goods or services in the country.

8.5.3.3. The sole sourcing strategy constitutes a deviation which must be conducted in accordance with the applicable National Treasury prescripts and in line with the Rand Water DoA.

### 8.5.4. Emergency Situations Procurement

8.5.4.1. Emergency procurement applies where serious and unexpected incidents that pose immediate risk to health, life, property or the environment which calls for Rand Water to apply immediate corrective action as there would be insufficient time to implement competitive bidding.

8.5.4.2. Emergency situations constitutes a deviation which must be handled in accordance with the applicable National Treasury prescripts and the Rand Water DoA.

### 8.5.5. Urgent cases

8.5.5.1. Urgent cases where early delivery is critical and the invitation of competitive bids is either impossible or impractical, not due to improper planning.

8.5.5.2. Urgent cases constitute a deviation which must be handled in accordance with the applicable National Treasury prescripts and the Rand Water DoA.

## 8.6. IMPLEMENTATION OF PROCUREMENT BY 'OTHER MEANS'

- 8.6.1.1. A plan to curtail reliance on procurement by 'other means' will be stipulated in the Sourcing procedure.
- 8.6.1.2. A process to identify prospective suppliers is stipulated in the Procurement by 'other means' verification procedure.
- 8.6.1.3. An assessment of all instances that gave rise to procurement by 'other means' is stipulated in the sourcing procedure.

## 8.7. OTHER PROCUREMENT PROCESSES SOURCING STRATEGIES

### 8.7.1. Transversal Term Contracting

- 8.7.1.1. Unless exempted or approved, Rand Water may not use Transversal Term Contracts.
- 8.7.1.2. Transversal Contracts are used for the purposes of acquiring common goods and services, procure goods and services through National Treasury / *other public entities* transversal term contracts to promote uniformity in supply chain management practices.
- 8.7.1.3. The decision to participate in transversal term contracting must be approved in line with the Rand Water DoA.
- 8.7.1.4. Expansion and variation of Transversal contract will be approved by the National Treasury.

### 8.7.2. Unsolicited Bids

- 8.7.2.1. Rand Water recognises that unsolicited bids may be received from the market, especially for the purposes of innovation. Such unsolicited bids will be handled in accordance with the applicable legislation.
- 8.7.2.2. Where unsolicited proposal agreements are concluded in line with the legislative prescripts, the bidding process which includes the preparation and issuing of bid documents must be conducted through the supply chain value process.

## 8.8. SOURCING DOCUMENTS

### 8.8.1. Rand Water utilises the following documents in the sourcing process:

- 8.8.1.1. **RFQ:** for procurement transactions that are valued up to R2 million (inclusive of all taxes) and covers all categories.
- 8.8.1.2. **RFP:** for procurement transactions that are valued above R2 million (inclusive of all taxes) which may be used for services.
- 8.8.1.3. **RFB:** for procurement transactions that are valued above R2 million (inclusive of all taxes) which may be used for goods and professional services.
- 8.8.1.4. **RFI:** for the purposes of requesting of information from suppliers; not for selection or an award.

### 8.8.2. Letter of Award

- 8.8.2.1. A formal letter shall be issued to the successful supplier after the evaluation and adjudication process has been concluded for bids.

## 8.9. RAND WATER AS AN IMPLEMENTING AGENT

- 8.9.1.1. Where such appointment requires Rand Water to procure goods and/or services, Rand Water's SCM processes must be followed.
- 8.9.1.2. Where such appointment involves the transfer of existing contracts, such transfer shall be undertaken in line with relevant legal prescripts and internal policy provision. The vetting process in this regard will be conducted by the Rand Water Internal Legal business unit.
- 8.9.1.3. Rand Water as the implementing agent will endeavour to realise government's objectives in particular the principle of empowering the local communities where the project is executed.
- 8.9.1.4. No bids and quotations can be advertised unless there is an approved annual budget, and no bids are to be awarded unless an authorised vote provision with available funds has been made and approved for capital expenditure projects; and budget has been made and approved by the funder where Rand Water is appointed as an implementing agent.

## 8.10. BID COMMITTEES

8.10.1. Rand Water has the following bid committees:

- 8.10.1.1. Bid Specification Committee (BSC): the composition shall comprise of multi-functional specialists/practitioners and management.
- 8.10.1.2. Bid Evaluation Committee (BEC): the composition shall comprise of multi-functional specialists/practitioners and management.
- 8.10.1.3. Bid Adjudication Committee (BAC): the composition shall comprise of senior management.

Bid Committees Terms of Reference will define Roles and Responsibilities of each committee.

## 8.11. PRE-BID AWARD CHANGE MANAGEMENT

### 8.11.1. Bids that are still in the market

- 8.11.1.1. As it may be necessary from time to time to make amendments for bids that are still in the market, certain controls need to be in place in order to ensure compliance at all times.
- 8.11.1.2. The amendments must be published on the same platforms where the bid was advertised.
- 8.11.1.3. Rand Water reserves the right to cancel the bids in the market under the following circumstances:
  - a. should the effected changes result in a change in the CIDB grading;
  - b. due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
  - c. should the affected change result in the change to the contracting strategy;
  - d. funds are no longer available to cover the total envisaged expenditure;
  - e. no responsive bids were received;
  - f. there is a material irregularity in the bid process;
  - g. the decision to cancel a bid invitation in must be published in the same manner in which the original bid invitation was advertised;
  - h. should the effected changes result in changes to evaluation criteria, the bid must be cancelled.
- 8.11.1.4. Rand Water may only with the prior approval of the National Treasury cancel a tender invitation for the second time.
- 8.11.1.5. Bid addenda, bid clarifications and extension of closing date must be issued by no later than 10 calendar days before the closing date. The delegated authority approve deviation from the 10 calendar days before closing date.

## 8.11.2. Bid Validity Period

- 8.11.2.1. Rand Water's validity period for all bids, except emergency procurement, is 180 calendar days from the closing date.
- 8.11.2.2. Rand Water reserves the right to extend the validity period for a period reasonable for business requirements. Where a further extension of bid validity is required, the evaluation will be conducted on the original submissions from the market, however the price to be awarded will consider the inclusion of the applicable escalations affecting the bid.
- 8.11.2.3. Communication regarding the extension of bid validity must be published before the validity period expiry date. Failure to adhere to these policy provisions shall result in bid cancellation.

## 8.12. BID EVALUATION

### 8.12.1. Evaluation Criteria

- 8.12.1.1. *Rand Water will adopt the following evaluation approach:*
- 8.12.1.2. *Test for responsiveness / Pre-qualification.*
- 8.12.1.3. *Functionality criteria.*
- 8.12.1.4. *Preference Point system of 80/20 or 90/10 will be followed in the evaluation of price and specific goals.*
- 8.12.1.5. *Financial tolerance threshold will only be applicable on Infrastructure related categories.*

### 8.12.2. Bid Qualifications

- 8.12.2.1. Bid qualifications will be considered by the BEC who will determine the acceptability of the bid.
  - i. Minor qualifications will be addressed with the bidder for these to be retracted.
  - ii. Major qualifications that pose significant deviations may result in the bid being disqualified.

### 8.12.3. Further Evaluation Provisions

#### 8.12.3.1. Due Diligence

8.12.3.1.1. Rand Water, through the BEC (or delegated authority), conducts compulsory due diligence at the premises of suppliers with whom Rand Water intends to contract, to ensure that:

8.12.3.1.1.1. The prospective supplier has the capacity to perform,

8.12.3.1.1.2. Rand Water conducts business with suppliers that are financially sound and can provide sustainable supply of goods and services, and

8.12.3.1.1.3. All queries that surfaced during the evaluation stage are addressed.

8.12.3.1.1.4. To ensure that any misrepresentation as contained in bid is identified for completeness of evaluation.

8.12.3.1.2. Due diligence will be conducted as and when required.

8.12.3.1.3. Due diligence shall be conducted in accordance with the corporate Due Diligence Procedure.

8.12.3.1.4. The outcome of the due diligence process must form part of the BEC report to enable the BEC to make an informed decision on the BEC's recommendation for award.

#### 8.12.3.2. Risk Management

Bid Committees must ensure that Rand Water is not exposed to risk that may be as a result of suppliers being overburdened such that they are not able to implement current projects.

## 9. CONTRACT MANAGEMENT

9.1.1.1. Contract management will be conducted in line with the applicable contract change procedure. Any changes made to an existing contract after it has been awarded will constitute a variation to such contract and will be dealt with in line with the contract change management procedure, applicable legislative requirements and the Rand Water applicable DOA.

9.1.1.2. No contracts variations or expansions will be applicable on the contracts that have already expired.



## 10. REPORTING OF SUPPLY CHAIN MANAGEMENT INFORMATION

10.1.1.1. The SCMD is required from time to time to report to Rand Water's governance structures and Government on procurement related matters.

## 11. NON COMPLIANCE TO THE POLICY

11.1.1.1. The SCM Policy is regarded as a Strategic Policy as per the Rand Water DoA. Deviations from the SCM Policy constitutes noncompliance that may result in Irregular Expenditure.

11.1.1.2. Deviations from Strategic Policies are to be approved by the Board in line with the Rand Water DoA.

## 12. REFERENCES

This SCM Policy is founded upon Rand Water specific applicable legislation, regulations and standards.

## 13. RECORD AND DATA KEEPING

Records that will be generated through the implementation of the SCM process are informed by the following SCM documents and any other SCM procedures that will be approved post the approval of this Policy:

Record Document	Document Number	Location	Retention Period
1. Enterprise Development Strategy	RW SCM 00001 Str	SCMD	Whilst current
2. Supplier Management Procedure	RW SCM 00100 Pr	SCMD	Whilst current
3. Blacklisting Procedure	RW SCM 00110 Pr	SCMD	Whilst current
4. Demand Management Procedure	RW SCM 00120 Pr	SCMD	Whilst current
5. Sourcing Procedure	RW SCM 00130 Pr	SCMD	Whilst current
6. ED Implementation Procedure	RW SCM 00140 Pr	SCMD	Whilst current
7. Contract Change Management Procedure	RW SCM 00150 Pr	SCMD	Whilst current
8. Due Diligence Procedure	RW SCM 00160 Pr	SCMD	Whilst current

Record Document	Document Number	Location	Retention Period
9. Supplier Performance Evaluation Procedure	RW SCM 00170 Pr	SCMD	Whilst current
10. Reporting of Supply Chain Management Information	RW SCM 00180 Pr	SCMD	Whilst current
11. Procurement by 'other means' verification procedure.	RW SCM 00190 Pr	SCMD	Whilst current

#### 14. DOCUMENT CHANGE HISTORY

This policy shall be reviewed as and when the need arises.

Date	Previous Revision Number	New Revision Number	Description of Change
01 July 2008	-	01	New policy
September 2010	01	02	To incorporate evaluation criteria and guidelines
January 2012	02	03	Annual review – Change in evaluation criteria as per NT
July 2013	03	04	Annual review and amendments: <ul style="list-style-type: none"> <li>Targeted suppliers;</li> <li>Use of consultants</li> </ul>
13 February 2015	04	05	Annual review and incorporate amendments from: <ul style="list-style-type: none"> <li>National Treasury instructions;</li> <li>and new B-BBEE codes;</li> <li>Clauses on extension of validity period; and</li> <li>Processing of Personal Information according to POPI act</li> </ul>
20 May 2017	05	06	<ul style="list-style-type: none"> <li>SCM Policy has been re-structured to ensure that the topics are relevantly grouped with similar topics.</li> <li>Policy is aligned to the amended legislative frameworks.</li> <li>Standardisation of terminology has been effected including new definitions.</li> <li>Changes are in italics.</li> </ul>
18 October 2019	06	07	<ul style="list-style-type: none"> <li>The SCM Policy applies to Rand Water excluding Medical Aid Fund and Provident Fund.</li> <li>New definitions have been added</li> <li>Revision have been made to procurement thresholds</li> <li>Removal of intra-policy referencing to reduce or prevent referencing errors</li> </ul>

Date	Previous Revision Number	New Revision Number	Description of Change
			<ul style="list-style-type: none"> <li>• Reference to specific legislation has been changed to “in accordance with the applicable legislation”</li> <li>• Consideration has been made of matters raised in external audit findings</li> <li>• Removal of referencing specific contract suite, i.e. FIDIC</li> </ul>
21 April 2022	07	08	<ul style="list-style-type: none"> <li>• Addition of new definitions and augmentation of existing definitions</li> <li>• Removal of Letter of Award in Quotations Sourcing</li> <li>• Addition of provision for extending or deviating from the stipulated calendar days</li> <li>• Addition of Procurement by ‘other means”</li> <li>• Addition Rand Water as an implementing agent</li> <li>• Addition of contract management stages</li> <li>• Removed references tabled</li> <li>• New evaluation approach / criteria</li> <li>• Removal of reference made to Preferential Procurement Policy Framework Act and 2017 Regulations</li> <li>• Inclusion of statement to curb splitting of orders practice</li> <li>• Inclusion of consequence on noncompliance statement</li> </ul>
<i>To be based on the approval date</i>	08	09	<ul style="list-style-type: none"> <li>• <i>Addition of PPPFA</i></li> <li>• <i>Removal of 4.13 RW adopts the following evaluation approach</i></li> <li>• <i>Addition of Written price quotations not within the RFQ threshold</i></li> <li>• <i>Transversal contracts to include public entities</i></li> <li>• <i>Removal of old evaluation criteria and included evaluation that aligns to PPPFA 2000</i></li> </ul>