



## Procurement Policy

|                                                             |                                       |
|-------------------------------------------------------------|---------------------------------------|
| <b>POLICY OWNER</b>                                         | <b>Procurement Department Manager</b> |
| <b>POLICY CUSTODIAN</b>                                     | <b>IDC Corporate Secretariat</b>      |
| <b>RESPONSIBLE BUSINESS UNIT FOR<br/>MAINTAINING POLICY</b> | <b>Procurement Department</b>         |

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## **PREAMBLE**

The Constitution of the Republic of South Africa, 1996 states that when an organ of state contracts for goods or services, it must do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

The Constitution also provides that an organ of state may implement a process which gives preference to certain categories of persons or for the advancement of persons or categories of persons disadvantaged by unfair discrimination.

The following principles are therefore the basis of this procurement policy:

|                            |                                                                                                                                                       |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Transparency</b>        | The procurement process shall be open within the confines of the law.                                                                                 |
| <b>Equal treatment</b>     | All bidders and suppliers shall be treated equally throughout the procurement process within the context of this policy.                              |
| <b>Effectiveness</b>       | The IDC shall strive for procurement system effectiveness and shall carry out its procurement processes as cost- effectively as possible.             |
| <b>Efficiency</b>          | The IDC shall strive to standardise and simplify procedures where appropriate to enhance procurement system effectiveness.                            |
| <b>Competitiveness</b>     | The IDC shall satisfy its requirements through competition unless there are justifiable reasons to the contrary.                                      |
| <b>Fairness</b>            | All bidders and contractors shall be dealt with fairly and without unfair discrimination.                                                             |
| <b>Ethics</b>              | All the IDC's employees and suppliers will subscribe to the highest ethical standards. Employees will comply with the IDC's Code of Business Conduct. |
| <b>Equity</b>              | The IDC shall strive to promote BBBEE.                                                                                                                |
| <b>Uniform application</b> | The IDC shall ensure that the application of its procurement policy and process is uniformly applied.                                                 |
| <b>Accountability</b>      | Each practitioner shall be accountable for their decisions and actions relative to their procurement responsibilities.                                |
| <b>Value for money</b>     | The IDC shall achieve value for money through the optimum combination of life cycle cost and quality.                                                 |



**Commitment to safety,  
health and the  
environment**

The IDC is committed to the health and safety of its personnel; suppliers and the public in the application of its procurement process.

This document is the Procurement Policy for the Industrial Development Corporation and it gives effect to the legislation and the overall objectives stated, as it pertains to procurement matters.



## 1. INTRODUCTION

The Industrial Development Corporation (IDC) is a state owned development finance institution established in terms of the IDC Act (Act No 22, 1940 as amended) in order to promote economic growth and commercially sustainable development.

The IDC supports efficient, effective, economic and uniform procurement of goods and services, while adhering to Government policies and all relevant South African legislation.

The function of the Procurement Department is to provide an effective and efficient procurement service to the IDC and its stakeholders through procurement best practices and optimal resource management, in compliance with the IDC policies and relevant regulatory framework.

## 2. TERMS

### 2.1 DEFINITIONS

| TERM                                         | DESCRIPTION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ACCOUNTING AUTHORITY</b>                  | Body or person mentioned in section 49 of the PFMA.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>ASSET</b>                                 | It is movable and immovable resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.                                                                                                                                                                                                                                                                                                                                                                   |
| <b>END-USER</b>                              | The end-user is the person requiring a product/service from the Procurement Department.                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>DELEGATED AUTHORITY</b>                   | The person or committee to whom authority has been delegated in terms of the approved Delegation of Authority.                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>DELEGATION OF AUTHORITY</b>               | The IDC Delegation Matrix as approved by the EXCO Policy Committee and the Board                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>FRUITLESS AND WASTEFUL EXPENDITURE</b>    | Expenditure which was made in vain and would have been avoided had reasonable care been exercised.                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>HIS</b>                                   | Refers to and includes both genders.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>HISTORICALLY DISADVANTAGED INDIVIDUAL</b> | Historically Disadvantaged Individual (HDI) means a South African citizen – who had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 10 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and/or 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. |

| TERM                                            | DESCRIPTION                                                                                                                                                                                                                                                               |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>LIFECYCLE COSTING</b>                        | Lifecycle costing is a technique developed to identify and quantify all costs, initial and ongoing, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle. |
| <b>PFMA</b>                                     | The Public Finance Management Act, 1999 (Act No 1 of 1999) as amended, as well as the National Treasury Regulations.                                                                                                                                                      |
| <b>PROCUREMENT</b>                              | Procurement is the process of acquiring goods, works and services.                                                                                                                                                                                                        |
| <b>PUBLIC PRIVATE PARTNERSHIP</b>               | A Public Private Partnership (PPP) means a commercial transaction between an institution (public entity) and a private party as defined in Treasury Regulation 16.                                                                                                        |
| <b>RESPONSIBILITY</b>                           | The obligation imposed on an individual to properly exercise the authority vested in him/her.                                                                                                                                                                             |
| <b>REVERSE AUCTION</b>                          | A disposal management process which is followed to compete bid prices in order to dispose of a redundant or obsolete asset at the highest bid price                                                                                                                       |
| <b>RISK MANAGEMENT</b>                          | Risk management may be defined as the identification, measurement and control of risks that threaten the assets and earnings of a business or enterprise.                                                                                                                 |
| <b>SMALL MEDIUM AND MICRO ENTERPRISE (SMME)</b> | SMME is as defined in the National Small Enterprise Act, 102 of 1996, as amended.                                                                                                                                                                                         |
| <b>SUPPLIER</b>                                 | A supplier is the juristic person or legal entity that provides goods, services or works to the IDC.                                                                                                                                                                      |
| <b>SUPPLY CHAIN MANAGEMENT</b>                  | The function that collaborates or integrates :<br>Demand management.<br>Acquisition management<br>Logistics management.<br>Disposal management.<br>Procurement risk management.<br>Procurement performance management.                                                    |
| <b>PROCUREMENT PRACTITIONER</b>                 | A person who practises procurement as a profession or any other official practising or involved with supply chain management.                                                                                                                                             |
| <b>VALUE FOR MONEY</b>                          | Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.                                                                                                                                     |

## 2.2 ACRONYMS

|              |                                                               |
|--------------|---------------------------------------------------------------|
| <b>AA</b>    | Accounting Authority                                          |
| <b>BAC</b>   | Bid Adjudication Committee                                    |
| <b>BBBEE</b> | Broad-Based Black Economic Empowerment                        |
| <b>BEE</b>   | Black Economic Empowerment                                    |
| <b>CEO</b>   | Chief Executive Officer                                       |
| <b>DOA</b>   | Delegation of Authority                                       |
| <b>DTI</b>   | Department of Trade and Industry                              |
| <b>EXCO</b>  | Executive Committee                                           |
| <b>FICA</b>  | Financial Intelligence Centre Act                             |
| <b>HDI</b>   | Historically Disadvantaged Individual                         |
| <b>IDC</b>   | Industrial Development Corporation                            |
| <b>LCC</b>   | Life Cycle Costing                                            |
| <b>NIPP</b>  | National Industrial Participation Programme                   |
| <b>OEM</b>   | Original Equipment Manufacturer                               |
| <b>PC</b>    | Procurement Committee                                         |
| <b>PFMA</b>  | Public Finance Management Act (Act 1 of 1999, as amended)     |
| <b>PPPFA</b> | Preferential Procurement Policy Framework Act (Act 5 of 2000) |
| <b>RFB</b>   | Request for bid                                               |
| <b>RFI</b>   | Request for information                                       |
| <b>RFP</b>   | Request for proposal                                          |
| <b>RFQ</b>   | Request for quotation                                         |
| <b>SARS</b>  | South African Revenue Services                                |
| <b>SBEC</b>  | Specification and Bid Evaluation Committee                    |
| <b>SBU</b>   | Strategic Business Units                                      |
| <b>SCM</b>   | Supply Chain Management                                       |
| <b>SLA</b>   | Service Level Agreement                                       |
| <b>SITA</b>  | State Information Technology Agency (Pty) Ltd                 |
| <b>SMME</b>  | Small, Medium and Micro Enterprise                            |
| <b>TCO</b>   | Total Cost of Ownership                                       |
| <b>TOR</b>   | Terms of Reference                                            |

|     |                 |
|-----|-----------------|
| VAT | Value Added Tax |
|-----|-----------------|

### **3 LEGISLATIVE/ REGULATORY ENVIRONMENT**

#### **3.1 GENERAL**

3.1.1 The IDC is committed to applying relevant legislative and regulatory requirements as they pertain to Procurement and Supply Chain Management. The Procurement policy will be applied within the ambit of the legislation listed below.

#### **3.2 THE CONSTITUTION**

3.2.1 The IDC shall apply section 217 of the Constitution of the Republic of South Africa, (Act No 108 of 1996, as amended) by contracting for goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost- effective. The IDC shall also implement a preferential procurement system.

#### **3.3 THE PUBLIC FINANCE MANAGEMENT ACT (PFMA)**

3.3.1 The IDC shall apply the Public Finance Management Act, Act 1 of 1999 as amended by Act 29 of 1999 as it pertains to SCM, as applicable to a Schedule 2 Public Entity.

#### **3.4 THE INDUSTRIAL DEVELOPMENT CORPORATION ACT**

3.4.1 The IDC is a registered development public finance institution established in terms of the Industrial Development Corporation Act (Act No 22, 1940 as amended (the "IDC Act") and related regulations as amended.

#### **3.5 TREASURY REGULATIONS ISSUED IN TERMS OF THE PFMA**

3.5.1 The IDC shall apply the Treasury Regulations to the extent required by a public entity listed in Schedule 2 of the PFMA.

3.5.2 In terms of Chapter 16A of the Treasury Regulations pertaining to SCM, only the principles contained therein will be applied to Schedule 2 listed entities and not the letter of the regulations.

#### **3.6 THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT (PPPFA) AND ITS REGULATIONS**

3.6.1 The IDC shall apply the Preferential Procurement Policy Framework Act, (Act No 5 of 2000) and the Preferential Procurement Regulations as amended.

#### **3.7 BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT**

3.7.1 The IDC will adhere to the directives contained in the BBBEE Act, Act No 53 of 2003, and its Codes of Good Practice as it pertains to the procurement process.

#### **3.8 THE NATIONAL SMALL ENTERPRISE ACT**

3.8.1 The IDC shall use the guidelines in The National Small Enterprise Act, Act No 102 of 1996, as amended, in promoting small enterprises in the Republic.

### **3.9 STATE INFORMATION TECHNOLOGY AGENCY (SITA) ACT**

3.9.1 The State Information Technology Agency (SITA) Act, Act No 88 of 1998, as amended, requires that SITA may act as the procurement agency for public entities' information technology requirements should the public entity so wish. The IDC shall not be obliged to utilise this service but may do so when deemed necessary.

### **3.10 THE PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT**

3.10.1 The IDC shall adhere to the prescripts in the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004 as it affects the supply chain process.

### **3.11 OTHER RELEVANT PIECES OF LEGISLATION**

3.11.1 Cognisance shall be taken of the following pieces of legislation that will have an impact on the supply chain environment:

3.11.2 Promotion of Access to Information Act (PAIA), Act 2 of 2000.

3.11.3 Promotion of Administrative Justice Act (PAJA), Act No 3 of 2000.

3.11.4 The Competition Act, Act No 89 of 1998.

3.11.5 The Protected Disclosures Act, Act No 26 of 2000.

3.11.6 All other common law provisions relating to procurement.

### **3.12 OTHER GOVERNANCE GUIDELINES**

All procurement activities will be performed in such a manner that the recommended practices of the King Report on Corporate Governance will be applied or explained where applicable in the procurement environment.

## **4 PURPOSE OF POLICY**

4.1 The purpose of this policy is to set guidelines for the IDC personnel engaged in the procurement process in order to ensure compliance with governance requirements and to ensure that the IDC achieves its objectives.

4.2 The implementation of the policy shall be effected through communication, guidelines, strategies, directives, processes and procedures.

## **5 OBJECTIVES**

5.1 The objectives of this policy are to:

5.1.1 Ensure a fair, equitable, transparent, competitive and cost-effective procurement process;

5.1.2 Achieve continuous improvement on all procurement transactions;

5.1.3 Promote Broad-based Black Economic Empowerment (BBBEE); and

5.1.4 Achieve value for money in all procurement activities.

## **6 SCOPE**

6.1 The procurement policy covers the following:

- 6.1.1 The acquisition of goods, services (tangible and intangible) and works covering capital and operational expenditure, fixed assets and the appointment of consultants as well as the disposal and selling of obsolete / redundant items.
- 6.1.2 Unless otherwise stated the IDC's Procurement policy, as contained in this document, is applicable to the IDC, its business units and its financing subsidiaries, property companies and administered subsidiaries, where applicable.

## **7 EXCLUSIONS**

The following are inter alia excluded from the Procurement policy:

- 7.1 Petty cash purchases which are subject to instructions as issued in terms of the applicable financial policy.
- 7.2 Professional memberships and subscriptions.
- 7.3 Water and electricity.
- 7.4 Income generating transactions, where no outlay of funds is required.
- 7.5 Rates and taxes and other levies raised by local authorities or provincial administrations which includes, but are not limited to VAT, Skills Development Levy, UIF (Unemployment Insurance Fund) contributions, WCA (Workman's Compensation Act) contributions, PAYE (Pay As You Earn) contributions, normal taxation including stamp duties, IDC vehicle license renewals, and audit fees in respect of audit services rendered by the Auditor-General and / or its duly appointed External Auditors only.
- 7.6 Educational grants (except for services rendered arising out of this grant).
- 7.7 Gifts not exceeding R3 500 (excluding VAT) per person for presentation to IDC Board members and / or other dignitaries.
- 7.8 Goods/services provided by the IDC Departments/SBU's.
- 7.9 Letting and hiring; and acquisition and alienation of land and fixed property where the bidding process cannot be utilised.
- 7.10 Sponsorships, donations and partner marketing events (except where goods or services are sourced from third party suppliers)
- 7.11 Industry/profession related external training, industry or professional related seminars or conferences and leadership development training.
- 7.12 Recruitment services in cases where the IDC preferred suppliers could not source the best suitable candidate and Executive Search through specific institutions are subject to approval by the Divisional Executive: Human Capital
- 7.13 Sensitive and Confidential transactions as referenced in this policy includes Executive recruitment fees, specialist legal advice for confidential transactions and confidential and/or sensitive forensic audits/investigations. Such transactions shall be approved by any of the following authorities: the Board or an authorised sub- committee thereof; or the Executive Management Committee (EXCO); or the Chief Executive Officer (CEO) or his nominated delegate depending on the nature, confidentiality or sensitivity of the transaction.
- 7.14 Other expenses related to the Kindoc aircraft which includes aircraft navigation, approach landing- and accommodation and other related costs at airports; aircraft fuel purchases; periodicals and books for the library; intercompany charges (internally administered companies)
- 7.15 The appointment of personal coaches through Learning and Development

**NOTE: While excluded from this policy, these exceptions are subject to normal IDC's approval procedures.**

## **8 AUTHORITY TO EXECUTE**

- 8.1** All procurement activities shall be executed in accordance with pre-established levels of authority through delegations, as approved by the Board to ensure control and division of responsibilities. Refer to the IDC Delegation of Authority (DOA) Matrix regarding Procurement related matters.

## **9 ETHICS IN PROCUREMENT**

### **9.1 ETHICAL STANDARDS**

- 9.1.1** The IDC commits itself to a policy of fair dealing and integrity in the conducting of its procurement activities.
- 9.1.2** The IDC shall conduct business with suppliers in a manner that encourages good supplier relations within an environment that promotes competition and in compliance with the law.
- 9.1.3** In conducting procurement and related activities, all staff (including procurement practitioners) should adhere to the IDC Code of Ethics and Business Conduct.

### **9.2 NON-ADHERENCE TO THE PROCUREMENT POLICY**

- 9.2.1** Abuse and failure to comply with the provisions of this policy is not acceptable and the IDC shall take appropriate disciplinary action against any person found to have violated and/or abused this policy or any of its procedures.
- 9.2.2** Practices found to contravene this policy shall be halted and reported accordingly.

## **10 POLICY REVIEW**

- 10.1** The Procurement Department Manager is the accountable owner of this policy document.
- 10.2** The IDC's EXCO Policy Committee is the approver of this policy.
- 10.3** This document may be reviewed periodically for any possible amendments.

## **11 ALIGNMENT OF POLICY TO OTHER IDC POLICIES AND PROCEDURES**

- 11.1** This Policy is aligned with the following IDC Policies as it pertains to the Procurement function:
- i. Asset Register Policy
  - ii. Cash Management Policy
  - iii. Codes of Ethics and Business Conduct
  - iv. Corporate Social Investment Policy
  - v. Currency Risk Management Policy
  - vi. Environmental Policy
  - vii. IDC BEE Policy
  - viii. IDC Delinquent Register systems and procedures
  - ix. IDC Policies and Procedures to mitigate the occurrences of Corporate Crime

- x. IDC Human Capital Policy and Guidelines Section 14: Learning and Development Policy
- xi. Management of Politically Exposed Persons ('PEP') systems and procedures
- xii. Policy on Policy Formulation
- xiii. Records Management Policy
- xiv. Risk Management Policies
- xv. Travel Policy

## **12 ROLES AND RESPONSIBILITIES (ROLE PLAYERS)**

### **12.1 FOCUS ON PROCUREMENT**

The roles and responsibilities of all structures hereunder are defined only from the perspective of procurement.

### **12.2 RESPONSIBILITIES OF PROCUREMENT PRACTITIONER**

Each official shall carry out procurement activities within his line of responsibility and take appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful expenditure.

### **12.3 PARTICIPATION OF EXTERNAL ADVISORS/CONSULTANTS**

- 12.3.1 Specialist advisors/consultants may assist in the execution of the procurement function.
- 12.3.2 No advisor/consultant may form part of the final decision-making process regarding the award of a bid.

### **12.4 ROLES OF GOVERNANCE STRUCTURES AND ROLE PLAYERS**

#### **12.4.1 THE IDC BOARD OF DIRECTORS**

- 12.4.1.1 The Board has the power to enact and enforce procurement decisions in the IDC and such powers are delegated in terms of the approved DOA as it pertains to the procurement function.
- 12.4.1.2 The Board should ensure that the IDC is fully aware of and complies with applicable laws, regulations, governance, policies and codes of business practice as it pertains to procurement.
- 12.4.1.3 Notwithstanding the above the Board shall remain vested with all powers relating to procurement matters.

#### **12.4.2 THE EXECUTIVE COMMITTEE**

- 12.4.2.1 The Executive Committee (EXCO Policy) will approve procurement transactions in line with the approved DOA.
- 12.4.2.2 The EXCO may refer transactions of materiality and significance to the IDC Board of Directors for consideration.
- 12.4.2.3 The EXCO will approve the appointment of members to the Procurement Committee (PC).



### **12.4.3 THE CHIEF EXECUTIVE OFFICER (CEO)**

12.4.3.1 The CEO shall:

- i. Take all reasonable steps to ensure that proper mechanisms, delegation (through sub-delegation) and separation of duties in the procurement environment are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices; and
- ii. Exercise utmost care to ensure reasonable protection of the procurement records of the IDC.

### **12.4.4 THE PROCUREMENT COMMITTEE (PC)**

12.4.4.1 The Procurement Committee is mandated by the IDC's Executive Management to take full responsibility for all decisions falling within its mandate regarding the procurement of all goods and services required by the IDC.

12.4.4.2 Members of the Procurement Committee are appointed on a rotational basis preferably every three years.

12.4.4.3 The Procurement Committee shall have the following functions in carrying out its responsibilities in line with the Procurement Committee Terms of Reference:

- i. Ensure that proper governance was followed during the procurement process and that the process complies with the IDC procurement policy and relevant legislation;
- ii. Approves procurement transactions in line with the approved DOA;
- iii. Review, ratify, approve or reject supplier selection recommendations;
- iv. Recommend procurement transactions in excess of its delegated authority to the applicable approval authority;
- v. May refer bid submissions back for clarification from role players within the procurement process; and
- vi. May consider all other matters as delegated from time to time.

12.4.4.4 Members will be required to sign a declaration of interest in line with the IDC Code of Ethics and Business Conduct and the Procurement Committee Terms of Reference. In cases where any conflict of interest is noted, such member will be recused from any discussion around such submission and will not have any voting rights on such submission.

12.4.4.5 The Procurement Committee will recommend procurement related matters and procurement transactions falling outside its delegated threshold to the EXCO (Policy) for approval and sanctioning.

### **12.4.5 THE SPECIFICATION AND BID EVALUATION COMMITTEE (SBEC)**

12.4.5.1 The SBEC is a cross functional sourcing team, constituted by the Procurement Department Manager in consultation with line functions, that comprise individuals who are specialists from different functional areas brought together to achieve procurement related tasks. The team will conduct bid evaluations make recommendations for purchases above the quotation threshold, in line with this policy.

- 12.4.5.2 The composition of the SBEC will vary depending on the nature and complexity of the specific procurement project and will always include a representative from the Procurement Department and the business unit concerned. A representative from Risk Management may be included in high value and high profile bids.
- 12.4.5.3 Members of the SBEC may not withdraw without prior approval by the Procurement Department Manager and the relevant SBU Head.
- 12.4.5.4 Members shall sign a declaration of interest and where any conflict of interest arises such member may not participate in the procurement process.
- 12.4.5.5 The SBEC shall be responsible for various functions including but not limited to the following:
  - i. Developing selection criteria for bids;
  - ii. Compilation and issuing of the RFQ/RFI/RFP/RFB documents;
  - iii. Facilitate briefing sessions;
  - iv. Perform bid evaluations;
  - v. Conduct site visits when applicable;
  - vi. Conduct negotiations with suppliers;
  - vii. Perform due diligence evaluations on prospective suppliers (if required); and
  - viii. Promote Broad-based Black Economic Empowerment.

#### **12.4.6 THE PROCUREMENT DEPARTMENT MANAGER**

- 12.4.6.1 The Procurement Department Manager has the authority to approve procurement transactions in line with the DOA.
- 12.4.6.2 The Procurement Department Manager and the procurement team, upon such request have the authority to procure on behalf of the IDC end users in line with this policy and the DOA.
- 12.4.6.3 The Procurement Department Manager in consultation with the DE responsible for the procurement function will recommend updates to the procurement policy to the relevant committees in the IDC including EXCO Policy.
- 12.4.6.4 The Procurement Department Manager or his delegate in consultation with relevant line functions will appoint members of the respective SBEC.
- 12.4.6.5 The Procurement Department Manager together with line management which includes the SBU and / or Department Heads may establish ad hoc governance structures to manage the procurement process to assist in making recommendations to the relevant approval authority.

#### **12.4.7 THE PROCUREMENT DEPARTMENT**

- 12.4.7.1 The Procurement Department shall have the following responsibilities:
  - i. Manage the material/service and vendor master;
  - ii. Manage the procurement function;
  - iii. Quotation/bid management;
  - iv. Evaluations and recommendations;
  - v. Facilitate adjudication;
  - vi. Recommend the approval of procurement transactions in line with the DOA;
  - vii. Contract conclusion and administration of contracts;
  - viii. Logistics management;
  - ix. Disposal management; and

- x. Procurement risk management.

#### **12.4.8 THE END USER**

- 12.4.8.1 The end-user shall have the following responsibilities:
- i. Take ultimate responsibility for the provision of specifications/terms of reference and determine demand;
  - ii. Assist with evaluations and recommendations;
  - iii. Ensure availability of approved budget and/or business case before procurement; and
  - iv. Manage supplier contracts and service level agreements.

### **13 DEMAND MANAGEMENT**

#### **13.1 RESPONSIBILITY FOR DEMAND MANAGEMENT**

13.1.1 Demand Management involves activities associated with managing the type and volumes of the IDC's procurement. The objective is to ensure that the correct quantities of the correct products or services are procured from suppliers. Effective demand management in the IDC will ensure that:

- i. The highest level of customer service is delivered to Procurement customers in terms of the right product, service, quality, cost and quantity of goods required;
- ii. Procurement activities are better planned;
- iii. Optimum levels of inventory are achieved;
- iv. Resources are allocated effectively during the procurement process; and
- v. Benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature are taken into account.

13.1.2 The Department Heads and SBU Heads must, annually, align activities in their strategic plan, operational plans and approved budget allocations with goods, services and asset requirements of the IDC in order to develop their demand plans. These plans must inform the procurement requirements.

### **14 PREFERENTIAL PROCUREMENT**

14.1 Preferential Procurement in the IDC will be implemented in line with the PPPFA and its regulations; the BBBEE Act and the Codes of Good Practice.

14.2 The IDC will actively promote the increase in procurement from BBBEE enterprises and SMMEs.

14.3 The increase in BBBEE procurement will be achieved through the application of several strategic interventions, which may include but are not limited to:

- i. Setting of weightings for BBBEE for supplier selection initiatives;
- ii. Developing a database for BBBEE enterprises which will be updated regularly;
- iii. Demanding BBBEE accreditation of suppliers, where applicable; and
- iv. Negotiating of BBBEE commitment and development plans with suppliers where appropriate.

14.4 The IDC will promote local production and local content as evaluation criteria where appropriate.

## **15 MANAGEMENT OF SUPPLIERS**

### **15.1 SUPPLIER SELECTION**

The IDC will do business with suppliers who best meet the set evaluation criteria.

### **15.2 ESTABLISHMENT OF THE DATABASE OF PROSPECTIVE SUPPLIERS PER COMMODITY**

15.2.1 The IDC shall during its procurement process establish and maintain a database of prospective suppliers per commodity for the purpose of sourcing quotations.

15.2.2 The database of prospective suppliers shall be used effectively to promote BBEE as well as the promotion of businesses owned by Historically Disadvantaged Individuals (HDI) and SMMEs and the promotion of Local Content where appropriate.

15.2.3 Prospective suppliers will be assessed in terms of a predetermined evaluation criterion and supplier credentials shall comply with verification requirements of BBEE.

### **15.3 SUPPLIER RELATIONS**

15.3.1 The IDC shall maintain and practice the highest possible standards of business ethics, professional courtesy, and competence in all its dealings with suppliers.

15.3.2 Suppliers are considered important partners in the supply chain of the IDC.

### **15.4 SUPPLIER PERFORMANCE**

The Procurement Department will evaluate performance of major suppliers against agreed contractual deliverables at least annually.

### **15.5 SUPPLIER RESTRICTION**

15.5.1 Suppliers may, under the below-mentioned circumstances, be restricted from current and future business with the IDC for a term determined by the EXCO or as provided for in legislation and will be added to the IDC's delinquent register:

- i. Non-compliance with legislation such as the Prevention and Combating of Corrupt Activities Act and all other relevant legislation;
- ii. Proven non-performance/non-compliance with contractual obligations when stipulated as a condition of bid and contract; and
- iii. Proven unethical actions and behaviour and abuse of the procurement system.

### **15.6 SUPPLIER COMMUNICATION DURING THE BID PROCESS**

The channel for all communication during the bid process shall be through the Procurement Department contact person as indicated on the bid document.

### **15.7 SUPPLIER SAMPLES AND PROOF OF CONCEPTS**

15.7.1 Samples of commercially available products may be requested from bidding suppliers.

15.7.2 The IDC shall not pay for samples provided and samples damaged/destroyed as a result of testing.

15.7.3 The IDC shall not be obliged to endorse any products/services provided by suppliers.

15.7.4 The IDC will provide feedback on the results of tested samples, however, due procurement process should be followed before entering into contracts.

## **15.8 SUPPLIER FACILITIES**

Visits by members of the SBEC to supplier facilities should only be to evaluate a supplier's capabilities and should be undertaken as part of the functions of the SBEC.

## **15.9 SUPPLIER VISITS TO THE IDC**

Supplier representatives may have access to the IDC's staff to deal with their services and products; however, all bid enquiries should go through the Procurement Department's relevant contact person.

## **15.10 PURCHASES FROM EMPLOYEES**

15.10.1 It shall be the IDC's policy not to purchase any goods or services from any employee or a business with material ownership by an employee.

15.10.2 The relevant declarations should be complied with in line with the IDC Code of Business Conduct.

## **16 SYSTEM OF PROCUREMENT MANAGEMENT**

### **16.1 HIERARCHY FOR SATISFYING REQUIREMENTS**

Before satisfying requirements through a procurement process, the requirements must first be endeavoured to be satisfied through existing contracts and items in stock.

### **16.2 PROCUREMENT OF GOODS, SERVICES AND WORKS**

Goods, services and works shall only be procured in accordance with this policy and approved in terms of the DOA. The IDC reserves the right to consider the procurement of goods and services from its subsidiaries, in line with the provisions of this policy.

### 16.3 THE IDC PROCUREMENT THRESHOLDS (AS AMENDED FROM TIME TO TIME)

16.3.1 The threshold values for procurement transactions exclude VAT.

16.3.2 It is a contravention of this policy to split requisitions in order to circumvent the approved thresholds and delegations of authority.

16.3.3 The IDC may review the threshold values for procurement matters at its sole discretion in line with National Treasury directives in this regard.

| Threshold                                    | Mechanism                         | Pre-requisite                                              | Evaluation                     | Approval         |
|----------------------------------------------|-----------------------------------|------------------------------------------------------------|--------------------------------|------------------|
| Up to R1500 Purchase                         | Petty cash                        | Available budget                                           | Business Unit                  | In line with DOA |
| Between R1500 up to R2500 per request        | Verbal / Written one quote system | Available budget and purchasing requisition                | Buyer / Procurement Specialist | In line with DOA |
| Between R2500 up to R30 000 per request      | Written three quote system        | Available budget, purchasing requisition and specification | Buyer / Procurement Specialist | In line with DOA |
| Between R30 000 up to R1 000 000 per request | Written three quote system        | Available budget, purchasing request and specification     | Buyer / Procurement Specialist | In line with DOA |
| Above R1 000 000 per request                 | Competitive bid                   | Business Case/ budget approval and specification           | SBEC                           | In line with DOA |

## 17. ACQUISITION METHODS

### 17.1 REQUEST FOR INFORMATION (RFI)

17.1.1 If sufficient information is not readily available with which to draft terms of reference/specifications, an RFI process may be followed in order to obtain more information from the market to prepare the specification. From RFI responses, a specification is drawn that will be issued to the open market. The data contained in the RFI may vary in accordance with the type of requirement.

17.1.2 No award can be made following a RFI process; however, the subsequent request for bid (RFB) may be restricted to respondent suppliers provided that it was so specified in the RFI document.

## **17.2 REQUEST FOR PROPOSAL (RFP)**

17.2.1 This method should be followed where the bid functionality is clear but supplier bids will be in the form of proposals that will differ in the achievement of the set functionality/requirement.

17.2.2 The selection is based on the quality of the proposal, its cost and other criteria through a competitive process.

## **17.3 REQUEST FOR BID (RFB)**

17.3.1 The RFB process is generally used when the specification of the product and/or service is well defined and specific bid responses are required rather than creative responses.

17.3.2 The selection is based on compliance to the requirement, cost and other criteria through a competitive process.

## **17.4 REQUEST FOR QUOTATION (RFQ)**

17.4.1 The RFQ process should be followed for all requirements up to the quotation threshold of R1 000 000.

17.4.2 A minimum of three quotes should be obtained if possible, verbal or written based on the value of the purchase.

## **17.5 NEGOTIATIONS**

17.5.1 Direct negotiations with single or sole source suppliers shall only be permitted after approval by the delegated authority.

17.5.2 Negotiation sessions shall be held with short-listed suppliers during the normal course of the procurement process as-and-when required.

17.5.3 Information required for clarification purposes may be requested from short-listed and other bidders during negotiations or during the normal course of the procurement process provided it does not prejudice any other bidder.

## **17.6 BUILDING, ENGINEERING OR CONSTRUCTION WORKS**

In case of construction works, it shall be done according to provisions of the Construction Industry Development Board (CIDB). The CIDB may be consulted in this regard.

## **17.7 REVERSE AUCTIONS UP TO THE QUOTATION THRESHOLD (VAT EXCL.)**

The process of reverse auctions may be applied for disposal of goods up to the quotation threshold of R1 000 000 and where the requirement is not complex.

## **17.8 PROCUREMENT FROM AN APPROVED PANEL OF SUPPLIERS**

- 17.8.1 Where goods or services of a nature are required on a recurring basis, a list of approved suppliers may be established through the competitive bidding process. The award for specific projects under this arrangement will follow a closed bidding process to the panel and the recommendation to award will be approved in terms of the DOA.
- 17.8.2 The IDC may apply the two stage bidding process in cases of certain contracts or works of a specialised nature, where it is impractical to prepare exact technical specifications in advance or where it becomes more practical to do so. This will involve a pre-qualification process to establish a panel of bidders.
- 17.8.3 Pre-qualifications should be based entirely upon the ability of prospective bidders to meet the evaluation criteria of the IDC for the particular contract.
- 17.8.4 The IDC, at its sole discretion, may refresh the Panel of approved suppliers (i.e. membership) through a competitive Tender process. Such a refresh process may:
- i. vary the membership in all or some of the Service Categories and Specialisations;
  - ii. add suppliers to the Panel to promote the inclusion of new entrants in the market to the panel; or
  - iii. add, modify, expand or restrict Service Categories and Specialisations.

## **17.9 LIMITED/CONFINED BIDDING**

The IDC shall use limited bidding only in the following exceptional circumstances:

- 17.9.1 In cases where it becomes impossible or impractical to follow the standard procurement process.
- 17.9.2 In cases of emergency which are defined as serious, unexpected and potentially dangerous circumstances requiring immediate rectification such as a threat or interruption in the IDC's ability to execute its mandate or an immediate threat to the environment or human safety.
- 17.9.3 Multiple source bidding in cases where there is proven limited competition in the market and there is good reason to restrict it to only those few bidders such as standardisation on a certain brand/product.
- 17.9.4 Single source bidding where, after a thorough analysis, there is good and justifiable reason to restrict the process to only one bidder such as where you enter into a maintenance contract with only the bidder who supplied the product otherwise the product loses its guarantee.
- 17.9.5 Sole source bidding where no competition exists and it is proven that only one bidder exists.
- 17.9.6 Poor planning shall not be acceptable as justification for the use of limited bidding.
- 17.9.7 Such exceptions with the justification thereof shall be approved in line with the DOA.

## **17.10 EMERGENCY PURCHASES**

- 17.10.1 An emergency situation is defined as one that is serious, unexpected and potentially dangerous where significant financial loss may occur or a serious disruption of business may result.
- 17.10.2 The following are examples of emergency situations:
- i. Disasters (e.g. damage from cyclones, floods, fire, etc).



- ii. Customer service impacting conditions.
- iii. System failures; and
- iv. Jeopardising the safety and health of others.

17.10.3 The order to proceed in engaging a supplier during emergencies can be issued, preferably via the Procurement Department and all the necessary paperwork for the emergency purchase should be completed following the incident to ensure a proper audit trail. The ratification must be signed off by the Procurement Department Manager and approved by the chairperson or deputy chairperson of the Procurement Committee or the CEO in the event where the Procurement Committee chairperson is unavailable or conflicted.

17.10.4 Approved suppliers or those previously used by the IDC should be used whenever possible for emergency situations.

## **17.11 INTERNATIONAL PURCHASES**

The IDC may procure from abroad provided that the Corporate Treasury department is consulted for advice on such transactions.

## **18. MANAGEMENT OF BIDS**

### **18.1 LANGUAGE OF QUOTATION/BID DOCUMENTS**

The IDC shall compile all bid documentation in English.

### **18.2 CALLING FOR BIDS/QUOTATIONS**

Bids and quotations shall be invited by the Procurement Department.

### **18.3 ADVERTISING OF BIDS**

All open bids shall at least be advertised in the Government Tender Bulletin and/or any media with national coverage.

### **18.4 CLOSING TIME OF BIDS/QUOTATIONS**

Bids/quotations of the IDC shall close at a time and on the day indicated in the bid/quotation documents.

### **18.5 DETERMINING THE CLOSING PERIOD**

Bids shall be advertised for at least 14 days before closing time, except in urgent cases when bids may be advertised for such shorter periods as agreed with the Procurement Department Manager or delegate.

### **18.6 DETERMINING THE VALIDITY PERIOD**

The validity period should allow the IDC sufficient time to finalise the evaluation and award process of the bid/quotation but the minimum period is 120 days from the closing date of the bid. The SBEC may request extension of the validity period from all bidders prior to its expiry.

## **18.7 AVAILABILITY OF BID DOCUMENTS**

Bid documents shall be ready and available before the requirement is advertised.

## **18.8 SALE OF BID DOCUMENTS**

The IDC shall, where so decided, make its bid documents available, at a predetermined cost.

## **18.9 ELEMENTS FOR INCLUSION IN BID DOCUMENTS**

- 18.9.1 Bid documentation shall at least include a terms of reference/specification, evaluation and adjudication criteria as well as relevant contractual conditions.
- 18.9.2 The appropriate preference point system (80/20 or 90/10) to be used in the evaluation and adjudication of bids must be clearly stipulated.
- 18.9.3 The minimum qualifying score for functionality and applicable weightings must be stipulated if the bid will be evaluated on functionality.

## **18.10 SPECIFICATIONS/TERMS OF REFERENCE**

Specifications and terms of reference shall be compiled with the assistance of the internal technical expert/s in the relevant requirement field. It shall be comprehensive and clear to allow bidders sufficient information to address the requirement in detail.

## **18.11 PRE-BID INFORMATION SESSIONS**

- 18.11.1 A supplier briefing/information session may be held before the bid closing date in order to clarify any questions potential bidders might have or provide further information on the bid requirements.
- 18.11.2 Where a briefing session is a requirement of the bid, particulars such as date, time and location must be indicated on the advertisement and the bid document. Compulsory briefing sessions should be held as an exception rather than the norm.

## **19. RECEIVING AND OPENING OF BID RESPONSES**

### **19.1 GENERAL GUIDELINES**

- 19.1.1 A fair and transparent process shall be followed for the receiving, opening and processing of quotations/bids.
- 19.1.2 Bidders shall be allowed to submit bids by mail or by courier or by hand as specified in the bid document.
- 19.1.3 A bid box shall be visible on the premises of the IDC and shall be accessible to all bidders during normal business hours.

### **19.2 CONFIDENTIALITY**

- 19.2.1 The information relating to the examination, clarification and evaluation of bids and recommendations concerning the procurement process should not be disclosed to bidders or other persons not officially concerned with the process, until the successful bidder is notified of the award.
- 19.2.2 The members of the SBEC and any other person shall maintain strict confidentiality in respect of any information of a confidential nature to which they may become privy at meetings of the committee or during the procurement process. Such information may

only be disclosed as may become necessary or required for the purposes of official IDC business.

19.2.3 Any breach in confidentiality may result in disciplinary action.

### **19.3 BIDS RECEIVED LATE**

19.3.1 Bids are late if they are received at the address indicated in the bid documents after the closing date and time. Late bids that were not admitted will be placed on record.

19.3.2 It is the IDC's policy not to consider late bids for tender evaluation.

### **19.4 DEALING WITH UNSOLICITED BIDS**

The IDC is not obliged to consider unsolicited bids received outside a normal bidding process.

### **19.5 CONFLICT OF INTEREST**

19.5.1 Persons involved in the procurement process are required to sign a declaration of interest form. Should any person be in conflict, they must declare and excuse themselves from proceeding with the procurement process.

19.5.2 Conflict of interest shall be dealt with in accordance with the IDC Code of Ethics and Business Conduct.

## **20. BID EVALUATION PROCESS**

### **20.1 GENERAL**

20.1.1 The IDC shall evaluate a proposal based on the content of the documentation and the evaluation criteria stipulated.

20.1.2 Bids that do not achieve the minimum qualification score for functionality as indicated in the bid documentation shall not be regarded as acceptable. Only bids that have achieved the minimum score will be evaluated further in terms of the preference point systems in accordance with the Preferential Procurement Regulations.

20.1.3 Relevant internal technical expertise must be applied in the evaluation. Where a value-based judgement has to be made in the case of professional services, evaluations must be performed by more than one evaluator and the average score achieved will be used for evaluation purposes. This does not preclude the review and clarification of technical scores with the evaluators.

### **20.2 REASONS FOR REJECTION**

20.2.1 The IDC may:

- i. Reject any bid that fails to comply with the requirements as called for in the bid document;
- ii. Reject a proposal for the award of a contract if the recommended bidder has committed a proven corrupt and / or fraudulent act; and
- iii. Reject any bid from a supplier who fails to provide written proof from SARS that the supplier and/ or any of its subcontractors or joint venture partners either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations at the time of bid submission or as allowed by the IDC.

### **20.3 NEW AND UNPROVEN PRODUCTS**

A bid may not be rejected summarily simply because the bidder or the product offered is unknown.

### **20.4 ALTERNATIVE OFFERS**

Alternative offers may be considered and accepted provided that other bidders are not prejudiced

### **20.5 IMPROVEMENT ON SPECIFICATION**

A quotation/bid received which offers an improvement on the specification may be accepted provided that the other bidders are not prejudiced.

### **20.6 SUBCONTRACTING AND JOINT VENTURES**

It is incumbent upon the IDC to take care that subcontractors and partners in joint ventures are engaged in fair and reasonable conditions of contract.

## **21. CLEARANCE OF BIDDERS PRIOR TO THE AWARD OF A CONTRACT**

### **21.1 RESTRICTED PERSONS**

The Procurement Department should ensure that a supplier has not been restricted in terms of the IDC's delinquent register prior to contract award.

### **21.2 NATIONAL INDUSTRIAL PARTICIPATION PROGRAMME**

The IDC may assist in obtaining clearance for a recommended bidder from the Department of Trade and Industry (DTI) in respect to contracts which are subject to the National Industrial Participation Programme (NIPP).

## **22. CONTRACT MANAGEMENT**

### **22.1 CONTRACTUAL COMMITMENTS**

22.1.1 The acceptance of a successful bid or quote must be in writing. It is advisable that a contract be entered into with suppliers for goods or services in excess of the quotation threshold where an open bidding process was followed. However, for procurement of a once-off nature in excess of the quotation threshold a purchase order may be placed in terms of the standard terms and conditions as contained in the specific bid document. For such procurement the purchase order would constitute the contract.

22.1.2 The onus resides with the respective SBU Head and / or Department Manager in consultation with the Procurement Department to determine upfront whether a contract would not be required.

## **22.2 MANAGEMENT OF CONTRACTS**

- 22.2.1 The management of contracts as it pertains to the procurement transactions shall be a shared responsibility in the IDC.
- 22.2.2 The Legal Department will be responsible to assist in drafting of contracts, providing legal advice on contracts and vetting of all contracts before signing of the contract.
- 22.2.3 The Procurement Department together with the relevant project owner are responsible to facilitate contract negotiations, renewals, extensions and terminations.
- 22.2.4 The Procurement Department is responsible for contract administration and to maintain a database of supply contracts.
- 22.2.5 The end-user will ensure supplier compliance with the contract and associated Service Level Agreement (SLA) and will report any deviations to the Procurement Department.

## **22.3. CONTRACT EXTENSIONS**

Contract extensions in terms of scope, value and term will be performed in line with the approved DOA.

## **23. ACCESS TO BIDDING INFORMATION**

- 23.1 All bidding information remains strictly confidential and shall not be disclosed to any other bidder.
- 23.2 It is the sole discretion of the IDC to provide information to suppliers on request and the release of such information shall be done in line with the relevant Acts
- 23.3 Bids are not available for perusal by the public. When divulging information, a balance shall be stricken between one party's right to access of information and the right to confidentiality of the other party.
- 23.4 Where no bid has been accepted, particulars of the bids received shall not be made public.
- 23.5 The IDC can withhold information if the release or publication of the information will:
  - i. Impede law enforcement; or
  - ii. Be contrary to the public interest; or
  - iii. Harm the legitimate interests of the IDC; or
  - iv. Hinder fair competition between bidders by revealing any proprietary information of any bidder.

## **24. RECORDING AND REPORTING OF INFORMATION**

- 24.1 The Procurement Department Manager shall submit to the Board and the Executive Committee (EXCO) such procurement information as they may require from time to time and in such format and at such intervals as specified.
- 24.2 The IDC shall implement an information gathering, recording and reporting mechanism to facilitate the above and to promote good governance.

## **25. DISPOSAL MANAGEMENT**

- 25.1 Disposal Management is the final process when the IDC needs to do away with unserviceable, redundant or obsolete items.

25.2 The recommendations for the disposal must be approved in line with the DOA before implementation.

**26. RISK MANAGEMENT**

26.1 The procurement of goods and services will be performed in line with the provisions of the IDC's Enterprise Wide Risk Management policy to ensure the identification, consideration and avoidance of potential risks in the procurement system. A representative from Risk Management may form part of the SBEC for high value and high profile bids.

26.2 Relevant stakeholders shall identify risk on a case-by-case basis, allocate risk to the party best able to manage such risk and ensure optimum risk mitigation on the part of the IDC.

26.3 Bid and contract documentation shall endeavour to clearly state the responsibility of the different parties in order to allocate any risk associated with the procurement of goods and services appropriately.

**27. PROCUREMENT ON BEHALF OF IDC CLIENTS AND SUBSIDIARIES**

27.1 Procurement transactions undertaken on behalf of IDC clients, subsidiaries and stakeholders shall be subject to the IDC Procurement policy.

27.2. In such cases, the IDC Adjudication Committee may either award the respective tenders or may recommend the award of such tenders to the relevant stakeholder, depending on the terms of engagement between the IDC and such stakeholder at the time.

27.3 Where the client / subsidiary / stakeholder deviates from the IDC's recommendation and decides to award the tender to any other bidder, the client / subsidiary / stakeholder must provide a written justification for its decision to deviate and the IDC will refer all requests for debriefings to the relevant client / stakeholder.

**28. PERFORMANCE MEASUREMENT OF PROCUREMENT ACTIVITIES**

The Divisional Executive responsible for the procurement function shall measure and monitor the implementation of the Procurement policy and any Procurement process regularly through a performance measurement system to ascertain whether governance objectives have been achieved.

**29. MAINTAINING OF POLICY**

The Procurement Department Manager is the accountable owner of this policy document and will ensure that this document is reviewed periodically for any possible amendments.