

FOURTH EDITION | NOVEMBER 2012

PROCUREMENT HANDBOOK

A GUIDE TO THE PROCUREMENT POLICY AND PRACTICES OF
THE COEGA DEVELOPMENT CORPORATION



right **PLACE** • right **TIME** • right **CHOICE**

LEVEL 2 BEE CONTRIBUTOR
ISO 9001 14000 18000

THIS GUIDE EXPLAINS

- The principles followed in procurement.
- The way contractors and service providers are canvassed.
- The way tenders and proposals are adjudicated.

SCHOOLS PROJECT BACKGROUND

Since its inception, the Coega Development Corporation (CDC) has implemented a number of projects on behalf of the provincial governments, mostly in the Eastern Cape and KwaZulu Natal, and it continues to do so. These projects are focused mainly on infrastructure development—which includes building roads, upgrading hospitals, and critically building schools in the aforementioned provinces. The Department of Education sponsored schools building project is a flagship initiative of the CDC as implementing agent. There are two major projects rolling out:

Eastern Cape Department of Education

The CDC has for two years provided services to the Eastern Cape Department of Education (DoE-EC) through its School Building Program (SBP). This programme includes the provision of Early Learning Centres and the eradication of school mud structures that can be found dotted around the rural Eastern Cape countryside. This is done so that the learners and educators can have access to an environment that is conducive to learning and growth. The nature and size of the projects permits the use of smaller contractors – and thus enables building industry contractor development. The Expanded Public Works Programme learner contractor initiative is carried out through the SBP and has been hailed as a resounding success. The CDC implemented a total of 32 projects amounting to R316 million on behalf of the Eastern Cape Department of Education during the 2011/12 financial year. The project continues and will do so into the next financial year.

KwaZulu Natal Department of Education

During the 2010/11 financial year, the CDC extended its services to the KwaZulu Natal province to provide assistance to the Department of Education. One hundred and fifty eight (158) projects amounting to R971 million were allocated to CDC-S for implementation in the past year. The KZN portfolio increased significantly in 2011/12 compared to the initial allocation in 2010/11 FY, which was 30 projects amounting to R250 million. This has enabled many contractors to benefit from the process – both from a financial and experience-based perspective. Not only have contractors benefited, but learners can now learn in schools that are well-built and equipped to deliver education to the leaders of the future.

CONTENTS

What is the CDC?	1
Aims of the CDC	2
What is the Procurement Policy?	3
CDC's Procurement Principles	5
SMME Support Programmes	10
Procurement Structures	13
Compliance Monitoring	16

WHAT IS THE CDC?

The Coega Industrial Development Zone (IDZ) is South Africa's primary location for new industrial investments. Located within the Nelson Mandela Metropolitan Municipality, the initiative is a multi-billion rand industrial development covering 11 000 hectares and includes a new Deepwater Port. The project aims to position South Africa as a platform for global exports through attracting foreign and local investment in manufacturing industries.

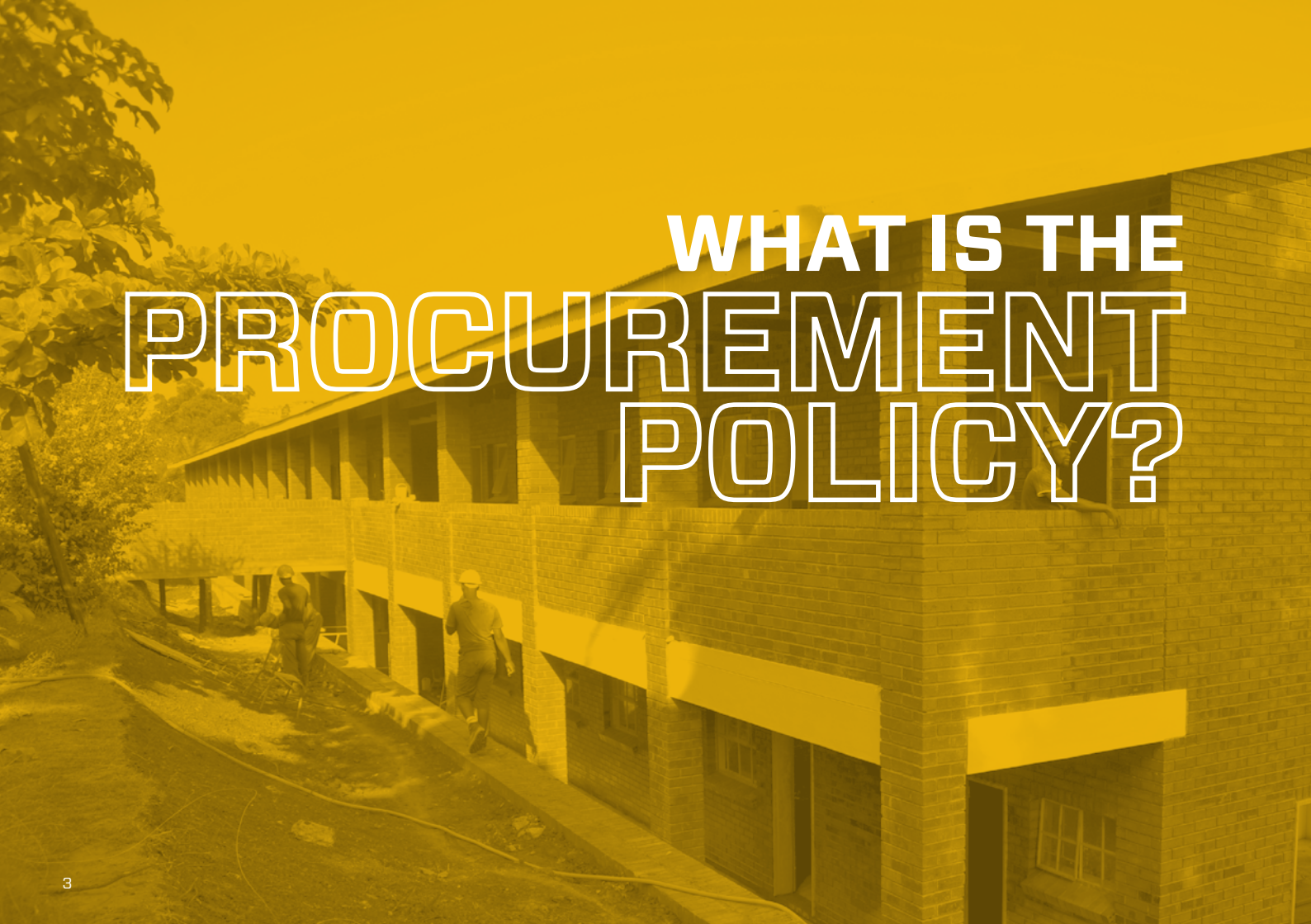
The Coega Development Corporation (CDC) is the developer and operator of the zone and is responsible for the entire landside infrastructure for the IDZ, while a modern Deepwater Port facility was developed by the National Ports Authority of South Africa. The CDC is committed to operating an efficient, world class Industrial Development Zone for the benefit of all investors. The CDC has prepared a strategic Development Framework Plan for the IDZ.

From this strategic plan, specific infrastructural development requirements for the 4 500 ha Core Development Area need to be established.

AIMS OF THE CDC

The aim of the CDC is to stimulate economic development by the formation of an industrial development area that business will prefer to locate in, in order to gain a competitive advantage. The attractions of the IDZ at Coega are broadly:

- The availability of large areas of land that can be configured to suit the needs of the industry;
- Purpose built infrastructure provided and operated by the CDC;
- A Deepwater Port adjacent to the industrial area;
- The Nelson Mandela Metropolitan Municipality, with excellent amenities and resources for business and leisure;
- A large skilled labour force in a suitable environment; and
- Attract Foreign Direct Investment.



WHAT IS THE PROCUREMENT POLICY?

The CDC is very conscious of its responsibility to follow best practice in all activities related to the establishment of the Coega Industrial Development Zone. In particular, the CDC is committed to exercising responsible corporate governance. The CDC uses public funds to purchase goods and services in the private sector for the development of the zone. In a world class environment where abuse or wastage of public funds is all too common, the CDC is determined to implement policies and procedures that will ensure this does not occur. The CDC complies with the Broad Based Black Economic Empowerment Act (No 53 of 2003).

Because there is strong competition from other countries in attracting business, the CDC needs to emphasise efficiency and commercial viability. Accordingly, resources must be employed in the most efficient and sustainable manner. This extends to the procurement of consultants, contractors and suppliers required to develop the zone. This is an economic objective—using resources mostly efficient and effectively. However, it must also be remembered that the main purpose of the Coega Project is to benefit people of the region and the country as a whole. There is therefore, a substantial social objective in all activities. Employment creation and skills development are two important elements of the social objective.



CDC'S PROCUREMENT PRINCIPLES

The broad requirements of the CDC's economic and social objectives must be reflected in a balanced manner in the procurement principles.

VALUE FOR MONEY AND FITNESS FOR PURPOSE

CDC Managers are mandated to initiate procurement only for products and services that are justified in terms of the business case for a project or the zone. Even where procurement is targeted at SMME's (Small Medium and Micro Enterprises) the objective will still be to get the best value for money, in terms of the predetermined budgets.

EMPLOYMENT CREATION AND SKILLS DEVELOPMENT

Whereas the operation of the IDZ as a whole is aimed at employment creation and skills development, the construction process also provides such opportunities. The CDC will favour methods of construction that maximise or optimise employment. In particular cases, the CDC will set aside projects or portions of projects for SMMEs or EP.WP labour intensive methods of construction.

STIMULATION OF LOCAL ECONOMY

The Coega IDZ is one of several IDZ's being established nationally. While it brings to the country as a whole, the development is aimed first and foremost at the Nelson Mandela Metro and surrounding areas of the Eastern Cape. The construction of the IDZ will be undertaken using local resources as far as is practicable.

EMPOWERMENT OF BLACK COMPANIES

The CDC will promote the empowerment of Black Companies participating in the construction and operation of the IDZ. At all levels, whether Consulting, Sub Consulting, Main Contractor, Sub-Contractor or Supplier, the CDC will favour teams which maximise opportunities for Small and Local Companies. The CDC will pay particular attention to ensuring that the empowerment aspects of a proposal or tender are authentic.

GOOD GOVERNANCE

The CDC's procurement procedures provide for the aspects of good governance that will eliminate conflict of interests or corruption, and promote fairness and good ethics. Ease of compliance with the CDC's adopted policy is also promoted. Procedures are transparent and auditable, and responsibilities are separated. The Supply Chain Unit receives and records proposals and tenders with other witnesses. The procurement process is reviewed by a Procurement Committee which must check that prescribed procedures and policies have been complied with, and approve the recommended service providers. In large tenders, independent external assessors are required to participate in the adjudication process.

OPTIMISATION OF THE PROJECT MANAGEMENT PARAMETERS

The balancing of priorities of time, cost, quality, scope, risk, safety, health, human resource development and environmental issues with the social objectives of empowerment and skills transfer is done in a Value Engineering process prior to tenders being advertised. Tenderers are made aware of the criteria to be used to adjudicate between price, technical appropriateness and empowerment objectives. The selection of service providers and contractors is therefore achieved based on all of the aforementioned criteria, not just price and Historically Disadvantaged Individual content.



HARMONY WITH EXISTING LEGISLATION

Although the CDC is a private company, it is sensitive to legislation affecting both state owned and private enterprises. The CDC seeks to meet or exceed Government targets, and give expression to the spirit and intent of the Law. The CDC complies with the Public Finance Management Act (PFMA No 1 of 1999).

BID SOLICITATION

The CDC is a procurer of a wide variety of goods and services. Hence the procurement strategy employed needs to take cognisance of the existing markets, as well as the social objectives of the CDC. For this reason, there are a number of different methods of procurement. The CDC also maintains the flexibility to vary the normal procurement routes. Where the CDC proposes to vary the procurement route, the reasons for doing so and the procurement route followed are subjected to the scrutiny of the Procurement Committee and the Executive Management Committee. A procurement report is prepared and kept for auditing purposes.

PROCUREMENT APPROACH	TYPE OF ASSIGNMENT
1. Closed Bidding Process	<ul style="list-style-type: none"> • Procurement not exceeding R1 million (incl VAT), • Source bidders from the database, • No public invitation.
2. Open Bidding Process	<ul style="list-style-type: none"> • Procurement exceeding R1 million.
3. Pre-qualification of SP (SP from Database)	<ul style="list-style-type: none"> • More applicable to Ops, ID, CDC-S, FM and Office Management, • Procurement of goods and services that may be large volumes, • Call for EOI will be conducted, • PC submission will be completed.
4. Procuring Consultants	<ul style="list-style-type: none"> • Consultants are advised to form consortiums, • BU will prepare RFP or EOI, • PC submission.
5. Procurement by Negotiation	<ul style="list-style-type: none"> • Where goods and/or service can only be obtained from single supplier, • Where previous bids have failed to meet requirements, • Where there is no sufficient time to follow open process e.g. Client's or Investor's requirements, • Emergency situations e.g. possible damage to property, injury and loss of human life, interruption of essential services, • NB lack of proper planning does not constitute an urgent or emergency case.



SMME

SUPPORT PROGRAMME


Development contracts will typically be aimed at SMME's. A process has been established whereby the CDC has requested the registration of all SMMEs interested in working in the IDZ on the CDC database. When a development contract is identified, the database is accessed for a list of contractors that match the profile of the contract, either by trade speciality or size. A tender document is then given to each of the qualified contractors. The contract is then priced on a competitive basis by the contractors.

The CDC also runs an SMME support programme to assist small contractors and service providers build capacity and competence for the work which they are hoping to undertake. The CDC will always, where possible, choose to assess competitive bids rather than negotiate with individual contractors. Because they are in a process of development, SMMEs will be assessed on the basis of price and capacity.

The social element comprises three parts:

1. Broad Based Black Economic Empowerment (BBBEE) as measured by the DTI Codes of Good Practice Score Card,
2. Local Enterprise Participation (LEP) as measured by the value sourced locally as a percentage of the total value of the project, and
3. SMME/EME which is the extent to which Small Enterprise are involved in the project, and is measured by the total value of work done by the SMME in the contract or project.

The CDC encourages involvement and the participation of SMME/EME and local (KwaZulu-Natal) based companies. It is therefore encouraged that 30% of the contract value be awarded to SMMEs and local companies.



CONTRIBUTION LEVEL	QUALIFICATION / SCORE
Level One Contributor	10 points
Level Two Contributor	9 points
Level Three Contributor	8 points
Level Four Contributor	5 points
Level Five Contributor	4 points
Level Six Contributor	3 points
Level Seven Contributor	2 points
Level Eight Contributor	1 point
Non Compliant Contributor	0 points

PROCUREMENT STRUCTURES

No communication between the respondents and CDC staff is permitted other than through the specified channels. Lobbying by respondents may result in disqualification. In the event that a Conflict of Interest exists, the employee of the CDC and/or Bidder must complete the Compulsory Declaration of Interest Form.

Once the adjudication report has been completed, the Supply Chain Manager will make a submission to the CDC Procurement Committee. This body will assess compliance with CDC's policies, processes and procedures and, if satisfied, then make a recommendation to the CDC Executive Management Committee to authorize the appointment. For higher value contracts, EXMA and/or CDC Board approval may also be required.

COMMITTEE	FUNCTION / RESPONSIBILITIES	COMPOSITION
Bid Specification Committee (BSC)	<ul style="list-style-type: none"> Review and approved Procurement Plans, Review specifications and bid conditions prior to the advertisement being placed. 	<ul style="list-style-type: none"> Supply Chain Manager and two PC Members. Project Manager (invitee) 1 ad hoc member from a different BU or PC or external.
Bid Evaluation Committee (BEC)	<ul style="list-style-type: none"> Adjudicate bids submitted by bidders, The Supply Chain Consolidates and submits to the PC a report and recommendations regarding the award of the bids. 	<ul style="list-style-type: none"> 1 Representative from SCM unit. 3 Project Managers (either all from the same BU or 1 from a different BU) or 2 Project Managers and 1 external member.
Procurement Committee (PC)	<ul style="list-style-type: none"> Approves bids of values between *R500,000 to R5 million and recommend them to EXMA for noting, Recommend bids above *R5m to EXMA . 	<ul style="list-style-type: none"> PC Terms of Reference and with two year membership appointed by the CEO.
EXMA	<ul style="list-style-type: none"> Approve bids over *R5m up to *R100m and notify the Board, Recommend to the Board all bids in excess of *R100m. 	<ul style="list-style-type: none"> As per EXMA Terms of Reference.
The CDC BOARD	<ul style="list-style-type: none"> Note all bids above *R5m and approve bids above *R100m. 	<ul style="list-style-type: none"> As per the Board Terms of Reference.

* The rand value amounts may change from time to time.

ADJUDICATING TENDERS AND PROPOSALS

The criteria to be used in the adjudication of tenders and proposals fall into three categories:

• Three Stage Approach

Stage 1	Responsiveness Stage <ul style="list-style-type: none">• Mandatory Requirements• Pre-Qualifiers
Stage 2	Quantitative Stage <ul style="list-style-type: none">• Price• BB-BEE
Stage 3	Qualitative Stage <ul style="list-style-type: none">• Site Inspection/Presentations

• Price

• Empowerment

ELEMENT	WEIGHTING / SCORES	
	Professional Service Providers/Contractors	
	90:10	80:20
Price	90	80
Empowerment	10	20
TOTAL	100	100



COMPLIANCE MONITORING

During the execution of contracts, the CDC undertakes audits to check compliance with the various specifications contained in the Tender Documents. Audits are done on quality, empowerment objectives and environmental compliance.

The CDC will implement penalties for non-compliance by Contractors, Service Providers and Consultants. A close-out report will identify whether or not the required standards were achieved and also whether or not feedback is required.

The Procurement Unit does the verification of the empowerment credentials of companies who are bidding, including subcontractors and major suppliers.

DURBAN OFFICE

Mayfair on the Lake
19 High Street
Mhlanga, Durban
4000
KwaZulu-Natal

Tel: +27 (0) 31 584 1760
Fax: +27 (0) 31 566 3022

Tender Queries

E-mail: KZNtenders@coega.co.za - Website: www.coega.com

Corner Alcyon Road & Zibuko Street, Zone 1, Coega IDZ, Port Elizabeth 6100
Coega Development Corporation, P/B X6009, Port Elizabeth 6000, South Africa
Tel: +27 (0) 41 403 0400 - Fax: +27 (0) 41 403 0401
Contact Centre International - Tel: +27 (0) 41 408 4800 - Fax: +27 (0) 41 408 4998
E-mail: contact.centre@coega.co.za - Website: www.coega.com

CDC IS A PROUD BBBEE LEVEL 2 CONTRIBUTOR



FOLLOW US ON FACEBOOK AND TWITTER



right **PLACE** • right **TIME** • right **CHOICE**
LEVEL 2 BEE CONTRIBUTOR
ISO 9001 14000 18000