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## **Standard for Uniformity in Construction Procurement**

**Draft Second edition**

# Standard for Uniformity in Construction Procurement

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## Introduction

The Construction Industry Development Board (CIDB) has a mandate in terms of its founding Act (Act no 38 of 2000) to:

- determine and establish best practices that promotes procurement and delivery management reform and improved public sector delivery management; and
- promote best practices through the development and implementation of appropriate programmes and measures aimed at participants in the construction delivery process.

The construction industry comprises the broad conglomeration of industries which add value in the creation and maintenance of fixed assets within the built environment including building and engineering infrastructure. The way clients approach procurement in this industry has a major influence on how the industry behaves, performs, and ultimately delivers value in projects. For each individual project or group of projects, the client's procurement strategy and delivery management arrangements is what orchestrates the collaboration between design professionals, contractors, and subcontractors, ensuring that client requirements are met efficiently and effectively. Procurement processes not only bring together these various contributors but also establish the terms of engagement, defining the roles, responsibilities, and risks that bind the parties, with the aim of achieving value for money and optimizing project outcomes.

Projects and programmes associated with the development, extension, installation, repair, maintenance, renewal, removal, renovation, alteration, dismantling or demolition of a fixed asset including building and engineering infrastructure are delivered through a supply chain. Contracts bind the participants in the supply chain. The delivery of such projects embraces:

- a "buying" or client delivery management function focusing on client delivery management practices (plan, specify, procure and oversee delivery);
- a "supply" or delivery function focussing on the management and integration of the resources required to deliver the project.

The specificities relating to project delivery within the construction industry include:

- the need to simultaneously address the geography, site conditions, communities, physical environments, existing construction works, as well as a wide range of stakeholder requirements, client value propositions and project constraints;
- an ever-changing, complex environment, often with a high degree of known and unknown risks;
- the scale and complexity of projects require high-impact evidence-based decision making with material implications for cost and outcomes;
- the frequent one-of-a-kind product which is delivered on a particular site rather than mass-produced items delivered in a factory environment;
- the unique design of engineering infrastructure within a system of interdependent assets which invariably requires optimization within the environment within which it operates and alignment of interfaces with the operational characteristics and parameters of its components;
- the frequent integration of built environment professions and engineering disciplines and specialists in the design and delivery processes;
- the delivery of a project in phases, which provides an opportunity to review and refine the project design and implementation strategy, as well as to validate the investment intention;

- the industry being almost entirely based on a competitive market environment for project cost, schedule and performance delivery;
- the nature of the contracting construction businesses which are paid for work in progress and become a conduit for payment to those businesses who do the actual work;
- projects being delivered through multiple contracts where:
  - the individual pieces in a single project have no value without every other piece being successfully completed;
  - requirements (specifications), availability of resources (supply-side issues) and the context (how and why projects take place) can change between project inception and completion, particularly where there is an appreciable time between these milestones;
- the involvement of different combinations of funders, professionals, site conditions, materials and technologies and general contractors, specialist contractors, skills and workforces on each project;
- the development or utilization of land;
- the magnitude of individual transactions which can form a major portion of the annual turnover or the assets of organizations and stakeholders involved in the process;
- construction works, with a few exceptions, being acquired to support social and economic activities and, as such, forming inputs into broader projects, beyond the construction sector; and
- the buying or client function requires significant built environment professional capability throughout the process of conceptualisation, implementation and maintenance i.e., throughout the full life-cycle of a project.

The second edition of the CIDB Standard for Uniformity in Construction, which replaces the first edition which was first published in 2004 and last amended in 2015, expands the scope of the first edition to:

- embrace the delivery management function associated with project delivery within the construction industry and aligns it with the specificities of the construction industry;
- standardize processes and procedures for a procurement system as envisaged in the Public Procurement Act of 2024; and
- give effect to the call for government to be a sophisticated client and to make a step change in the planning, procurement and execution systems with capabilities to be operating at the highest global standard as articulated in the National Infrastructure Plan 2050 (NIP 2050) published in terms of the Infrastructure Development Act of 2014.

This standard must be implemented by all organs of state as defined in section 239 of the Constitution of the Republic of South Africa. Given that it is framed around national and international best practices it is suitable for implementation in the private sector in whole or part as a best practice as well as organisations operating in the public sector which are not organs of state.

# Standard for Uniformity in Construction Procurement

## 1 Scope

**1.1** This standard establishes requirements for a construction procurement system for:

- a) the delivery of an organisation's construction works projects; and
- b) the contracting of goods or services which add value in the creation and maintenance of construction works including professional services.

**1.2** This standard provides:

- a) uniform and standard processes, methods and procedures to perform procurement and delivery management functions in the delivery or maintenance of construction works;
- b) generally applicable requirements for an organisation's procurement system as provided for in the Public Procurement Act of 2024;
- c) control frameworks within which decisions may be made in relation to:
  - 1) project delivery from project inception or the initiation of a contract to the close out of the project or contract; and
  - 2) procurement tasks associated with the initiation of a procurement process, the preparation of procurement documents, the evaluation of submissions and the award and management of contracts;
- d) a framework for the standardisation of procurement documents; and
- e) ethical practices that regulate the actions, practices and procedures of those engaged in the procurement system for project delivery.

**1.3** This standard:

- a) includes the procurement of goods and / or services necessary for a new facility, structure or system as delivered to be used or occupied as a functional entity; and
- b) excludes digital or analogue communication systems and petty cash purchases.

Note: Annex A provides guidance on the implementation of this standard.

## 2 Normative references

The following documents are referred to in the text in such a way that some or all their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

AACE International (2020a). Cost Estimate Classification System – as applied in Engineering, Procurement, and Construction for the Building and General Construction Industries. Recommended Practice No 56-R08

AACE International (2020b). Cost Estimate Classification System – as applied in Engineering, Procurement, and Construction for the Process Industries. Recommended Practice No 18R-97

CIDB Code of Conduct for all parties engaged in construction procurement as published by CIDB Notice No 127 in Gazette No. 25656 of 31 October 2003

Construction Industry Regulations issued in terms of the Construction Industry Development Board Act of 2000 (Act 38 of 2000)

HM Treasury, Infrastructure and Projects Authority, Infrastructure Business Case: International Guidance

ISO 6082, Construction project governance — Guidance on delivery management

ISO 21502, Project, programme and portfolio management — Guidance on project management

SANS 10845-1/ ISO 10845-1, Construction procurement — Part 1: Processes, methods and procedures

SANS 10845-2/ ISO 10845-2, Construction procurement — Part 2: Formatting and compilation of procurement documents

SANS 10845-3/ ISO 10845-3, Construction procurement — Part 3: Standard Conditions of Tender

SANS 10845-4/ ISO 10845-4, Construction procurement — Part 4: Standard Conditions for the Calling for Expressions of Interest

SANS 22058:2024 / ISO 22058:2022, Construction procurement — Guidance on strategy and tactics

SANS 55001 / ISO 55001, Asset Management — Management systems — Requirements

### 3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

**advance payment:** sum of money paid to the contractor after the contract is signed but before work starts or goods or services or any combination thereof are supplied

**agent:** a person who is not an employee of an employer who engages in procurement activities on behalf of the employer

**asset:** completed construction works put into use or operations

**asset management plan:** documented information that specifies the activities, resources and timescales required for an individual asset, or a grouping of assets, to achieve the client's asset management objectives

**authorised amount:** the sum of money authorised by the governing body for a project or programme which may not be exceed without authorisation

**benefit:** created advantage, value or other positive effect

**built environment professional:** a person registered in one of the following professional category of registration:

- a) professional architect or professional senior architectural technologist in terms of the Architectural Profession Act of 2000;
- b) professional landscape architect or a professional landscape technologist in terms of the Landscape Architectural Profession of 2000;
- c) a professional engineer, professional engineering technologist or professional engineering technician in terms of the Engineering Profession Act of 2000;
- d) a professional construction project manager or professional construction manager in terms of the South African Council for the Project Management and Construction Management Council; or
- e) a professional quantity surveyor in terms of the Quantity Surveying Professions Act.



**business case:** a proposition that explains why a project or programme is necessary or a documented justification to support decision making about the commitment to a project

**Note:** A business case is a management tool for scoping, planning and evaluating that proposition

**class estimate:** a categorization of cost estimates into five classes based on their accuracy and project definition level

**Note:** AACE International publishes class estimate classification systems for various industries

**client organisation:** the organisation requiring construction works to support a business case or a service delivery mandate which approves the requirements for project delivery

**client delivery management team:** resources who, through coordinated actions, are responsible for performing the delivery management functions associated with project delivery

**Note:** A client delivery management team commonly comprises a client delivery manager, a technical team and an administrative team (see ISO 6082)

**conflict of interest:** a situation where business, financial, family, political or personal interests could interfere with the judgment of persons in carrying out their duties for an organization

**Note:** a conflict of interest includes any situation in which someone in a position of trust has competing professional or personal interests which make it difficult for them to fulfil their duties impartially, an individual or organization is in a position to exploit a professional or official capacity in some way for their personal or for corporate benefit, or incompatibility or contradictory interests exist between an employee and the organization which employs that employee

**contingency sum:** a sum of money budgeted for to cover required work that cannot be foreseen or predicted with certainty

**contract data:** document that identifies the applicable conditions of a contract and states the associated contract-specific data

**contract management:** application of the terms and conditions of a contract, monitoring of compliance with requirements, management of changes in requirements, determining corrective action and assessing adjustments to cost and schedule occasioned by risk events

**contractor:** person or body of persons that contracts to supply goods, carry out construction works, provide services or undertake disposals or any combination thereof;

**Note:** the use of the generic term "contractor" eliminates the need to introduce the terms "service provider" and "supplier" as it has been defined to cover these terms.

**control budget:** the amount of money which is allocated or made available to deliver or maintain construction works associated with a project, contract or order, including any site costs, professional fees, all service and planning charges, furniture, fittings and equipment, applicable taxes, risk allowances and provision for price adjustment for inflation

**control framework:** the organisation of activities and actions within a process into discrete tasks or stages which incorporate decision gates enabling informed decision-making relating to authorizations to proceed or confirming compliance with governance requirements

**construction procurement:** the acquisition of goods, services or any combination thereof in accordance with a procurement system envisaged in Section 24(3) the Public Procurement Act of 2024 aligned with the specificities of the construction industry

**construction procurement policy:** intensions and directions and accepted principles or instructions which state the client organisation's and / or procuring entity's expectations on what ought to be done and what is allowed or not allowed in implementing this standard

**construction works:** fixed assets including building and engineering infrastructure



**decision gate:** a control point within a process where a decision is required from a person authorised to do so before proceeding to the next process, activity or task

**delivery management:** critical leadership role played by a knowledgeable client organisation to plan, specify, procure and oversee the delivery of construction works projects including knowledgeable leadership, consistent governance and systematic administration of procurement, contracts and project finances

**demand management:** co-ordinated activities, based on asset management plans and strategic planning processes, which forecast demand for new and functionality of existing construction works, and reduce, increase, delay or switch demand in response to resource constraints with forecasted consequences

**emergency:** an event which is unexpected and usually a dangerous situation that poses an immediate risk to health, life, human rights, property, financial loss, livestock, environment or the ability of the organization to maintain critical business functions and requires immediate action

**employer:** person or body of persons intending to or entering a contract with a contractor to supply goods, carry out construction works, provide services or undertake disposals or any combination thereof

**Note:** The employer can be the client organisation or the implementing agent

**facility:** physical structure or installation, including related site works

**framework agreement:** an agreement between an employer and a contractor, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

**family member:** a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

**Five Case Model (5CM):** a framework for the development and presentation of a business case, comprising the strategic, economic, commercial, financial and management cases – the five dimensions of the case

**Note:** The Infrastructure Business Case: International Guidance provides guidance on the 5CM which is aligned with the G20 Principles for the Infrastructure Project Preparation Phase

**governing body:** person or group of people who have ultimate accountability for a whole organization

**Note:** a governing body includes an accounting authority or an accounting officer as defined in section 1 of the Public Finance Management Act of 1999 and the municipal official referred to in section 60 or section 93 of the Municipal Finance Management Act of 2003 in relation to a municipality and a municipal entity

**gratification:** an inducement to perform an improper act

**infrastructure:** physical facilities or structures

**maintenance:** work undertaken to ensure the continuing performance of completed construction works and made available for use to achieve their expected useful lives in line with the asset management plan  
**order (call off):** instruction to supply goods, carry out construction works and/or provide services under a framework agreement

**package:** work which is grouped together for delivery under a single contract or an order issued in terms of a framework agreement

**preferential procurement:** procurement implemented in accordance with a procuring entity's preferential procurement policy which provides for categories of preference in the allocation of

contracts and the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination

**procurement document:** documentation used to initiate or conclude (or both) a contract or the issuing of an order (call off)

**procurement strategy:** selected packaging, contracting, pricing and targeting strategy and selection method for a particular procurement

**procuring entity:** the client organisation or the organisation which implements elements of a procurement system on behalf of the client organisation

**professional services:** services including design and consultancy services which are provided with the skill and care normally used by professionals providing services similar to the required service

**programme:** group of programme components managed in a coordinated way to realize benefits

**project:** an undertaking which maintains or creates construction works or a series of related construction works including professional services

**project delivery:** actions and activities associated with the creation or maintenance of construction works

**project delivery management plan:** a plan which, as a minimum, summarizes the asset management plan, provides a credible forecast of current and net demand for construction works or requirements for functionality and prioritizes projects against a forecasted budget over a number of years

**project delivery team:** individuals or entities who, through coordinated activities, are collectively responsible for producing project deliverables

**project preparation:** the actions necessary to ensure that a project is well conceptualised, aligned with client organisation's strategic objectives, is feasible and can be successfully implemented

**respondent:** person or body that submits an expression of interest in response to an invitation to do so

**risk:** exposure to the chance of loss, harm or failure to achieve objectives

**social facilitation:** a structured set of interventions and professional services aimed at mobilising, engaging, and integrating communities into the project delivery processes

**stage:** a collection of logically related activities in the project delivery cycle that culminates in a major deliverable

**stakeholder:** person, group or organisation that has interests in, or can affect, be affected by, or perceive itself to be affected by, any aspect of the project

**structure:** organized combination of connected parts designed to provide some measure of strength and rigidity

**submission data:** document that establishes the respondent's obligations in responding to a call for an expression of interest and the employer's undertakings in administering the process of calling for and receiving expressions of interest

**tenderer:** person or body that submits a tender offer

**tender data:** document that establishes the tenderer's obligations in submitting a tender and the employer's undertakings in administering the tender process and evaluating tender offers

**variation:** instructed alteration to the nature or the extent of the work as provided for in the contract, or to the conditions under which they will be carried out

**value for money:** optimal use of resources to achieve intended outcomes

Note: optimal use of resources results in the most desirable possible outcomes given expressed or implied restrictions or constraints.

**work package:** the work defined at the lowest level of the work breakdown structure for which cost and duration are estimated and managed

## 4 System requirements

### 4.1 General principles

**4.1.1** A client organisation requiring project delivery shall ensure that the system as implemented:

- a) is fair, equitable, transparent, competitive and cost effective in accordance with the provisions of Table 1 and embrace a construction procurement policy providing for categories of preference in the allocation of contracts and the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination as provided for in a framework prescribed by national legislation within which such a policy must be implemented;
- b) promotes the efficient, effective and economic use of available resources in an accountable, ethical and development orientated manner; and
- c) enables administrative action that is lawful, procedurally fair and reasonable.

Note: 4.1.1a), b) and c) capture the Constitutional imperatives included in Sections 217, 195 and 33 of the Constitution.

**Table 1: Procurement system parameters**

| Parameter                     | Basic system requirement                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fair                          | The process of offer and acceptance is conducted impartially without bias and provides participating parties simultaneous and timely access to the same information.<br>Terms and conditions for performing the work do not unfairly prejudice the interests of the parties.                                                                                                                                                 |
| Equitable                     | The process of offer and acceptance is reasonable, fair and just.<br>The only grounds for not awarding a contract to a tenderer who complies with all requirements are restrictions from doing business with the procuring entity, lack of capability or capacity, legal impediments and conflicts of interest.<br>Procurement is sustainable and has the most positive environmental, social and economic impacts possible. |
| Transparent                   | The procurement process and criteria upon which decisions are to be made are publicized. Decisions (award and intermediate) are made publicly available. Reasons for decisions are provided. It is possible to verify that criteria were applied.<br>The requirements of procurement documents are presented in a clear, unambiguous, comprehensive and understandable manner.                                               |
| Competitive                   | The system provides for: <ul style="list-style-type: none"> <li>open competition as the default procurement method.</li> <li>a range of procurement methods which facilitate appropriate levels of competition within particular procurement contexts to ensure fair and cost-effective outcomes.</li> </ul> Contracts are only concluded at market related prices                                                           |
| Cost-effective                | The processes, procedures and methods are standardized with sufficient flexibility enabling best- value outcomes in respect of quality, timing and cost and least resources to effectively manage and control procurement processes.<br>Decision making focusses on the attainment of value for money through the evaluation of relevant costs and benefits together with the assessment of risks.                           |
| Promotion of other objectives | The system may incorporate measures to promote objectives associated with a preferential procurement policy in accordance with the framework prescribed in national legislation subject to objectives being measurable, quantifiable and monitored for compliance.                                                                                                                                                           |

**4.1.2** A governing body requiring project delivery shall, based on the provisions of this standard, develop its construction procurement policy including its preferential procurement policy aligned with applicable national legislation and its delivery capabilities and competencies. Such a policy must as a minimum address the issues identified in Annex A.

Note: This standard needs to be read in conjunction with an organisation's construction procurement policy. It establishes generic and uniform construction procurement system requirements in the form of rules, planning instruments, delegation frameworks which include decision gates, control sequencing and oversight mechanisms. Each organisation has its own governance arrangements, capabilities, capacities and needs for project delivery. It is therefore not possible to standardise the governance arrangement and use of options. At the same time, public sector procurement is in a state of transition in moving towards the implementation of the Public Procurement Act of 2024. As a result, variables such as the number of days are omitted from the text of the standard and need to be stated in a construction procurement policy. Annex A identifies what needs to be included or considered in a construction procurement policy.

## **4.2 Institutional arrangements**

**4.2.1** The procurement system established by a client organisation shall include:

- a) an effective and efficient planning system which:
  - 1) provides for the identification and analysis of the procurement needs of the organisation;
  - 2) ensures that procurement needs support the strategic and operational commitments of the organisation; and
  - 3) considers the total cost of owning an asset over its useful life from its acquisition to its disposal including its acquisition, operating, maintenance and disposal costs as well as indirect costs such as those associated with environmental and social impacts;
- b) effective governance processes to ensure that:
  - 1) there are proper management and control systems implemented for project delivery including demand management;
  - 2) all the various parts of the organisation which play a role in project delivery work together in a coordinated, efficient and effective manner;
  - 3) project delivery is, wherever possible, managed as a long term and strategic system of individual yet interlinked projects aimed at meeting the client organisation's objectives;
  - 4) there is timeous decision-making and both individual and organisational accountability for project delivery;
  - 5) single point accountability is assigned to a suitably qualified and experienced practitioner (client delivery manager) to provide executive level leadership in the planning, specifying, procuring and overseeing of project delivery;
  - 6) control frameworks are established which include decision gates to enable risks to be appropriately and proactively managed and enable the delivery system to be audited;
  - 7) there is a separation in duties from those:
    - i) accounting for the organisation's expenditure and those certifying payments in accordance with the provisions of a contract; and
    - ii) managing and accounting for the organisation's expenditure and those managing and accounting for project expenditure; and
  - 8) procurement is recognized as a central competency of those responsible for project delivery; and
- c) a suitable means for the tracking of the progress of projects, the monitoring of performance and at least quarterly reporting to the governance structures.

Note: Client leadership (see Annex A) and governance are closely connected. Client governance processes should ensure that the client organisation takes ownership of the delivery of construction works projects. Annex A illustrates an appropriate allocation of roles and responsibilities whereby a client delivery manager has single point accountability for project delivery based on ISO 6082.

**4.2.2** The client organisation shall appoint a client delivery management team comprising individuals or entities who through coordinated actions are responsible for performing the necessary delivery management functions associated with project delivery in accordance with the guidance provided in ISO 6082. Such a team shall include suitably experienced and qualified built environment professionals to provide advice and to support decision making from project inception to project completion.

**4.2.3** Responsibility to perform functions of the client's delivery management team may be performed by internal resources (employees of the client organisation) or external resources (another organ of state or contracted individuals or entities on a full or part time basis). Contracted individuals and entities who function as members of the client delivery management team shall not provide services relating to the project delivery team save as otherwise approved by the procuring entity's governing body on good grounds.

Note: ISO 6082 provides guidance on the roles and responsibilities of those who support project delivery including the client delivery management team.

**4.2.4** A client organization may appoint an organ of state (implementing agent) to perform functions associated with a procurement system on their behalf provided that an agency agreement is put in place assigning responsibilities and delegations. Such an agreement shall:

- a) establish principles and requirements relating to the recovery of costs associated with the rendering of the service, claims for payments made on an agency basis including the release of retention sums, the settling of claims for payment and the documentation required to accompany such claims; and
- b) contain as necessary:
  - 1) overall aims, objectives and priorities;
  - 2) governance structures;
  - 3) reporting requirements;
  - 4) the scope of the services to be performed by the implementer during each financial year;
  - 5) the projects and packages which are included in a project delivery management plan and which are to be delivered, and the timeframes for doing so;
  - 6) the roles and responsibilities of the parties to the agreement, including requirements for the engagement and management of stakeholders;
  - 7) delegations to the implementer to accept end-of-stage deliverables on an agency basis;
  - 8) contributing resources, including human resources; and
  - 9) dispute resolution procedures.

### **4.3 Governance arrangements**

#### **4.3.1 Establishment of control frameworks**

**4.3.1.1** The client organisation shall put in place suitable control frameworks which are substantially similar to those established in terms of 4.3.2 to 4.3.5 and assign responsibility for decision making at control gates in its construction procurement policy. Additional decision gates may be added to the control framework to address organisational specificities.



**4.3.1.2** Decisions to proceed to the next stage at each decision gate shall be based on the acceptability or approval of the end-of-stage deliverable. The level of detail contained in such deliverables shall be sufficient to enable decision makers to make informed decisions whether to proceed to the next stage or task.

**4.3.1.3** All relevant approvals and acceptances that are obtained shall be recorded on suitable templates and retained for record and potential audit purposes in a secure environment for a period of not less than the number of years stated in a construction procurement policy after such approval or acceptance.

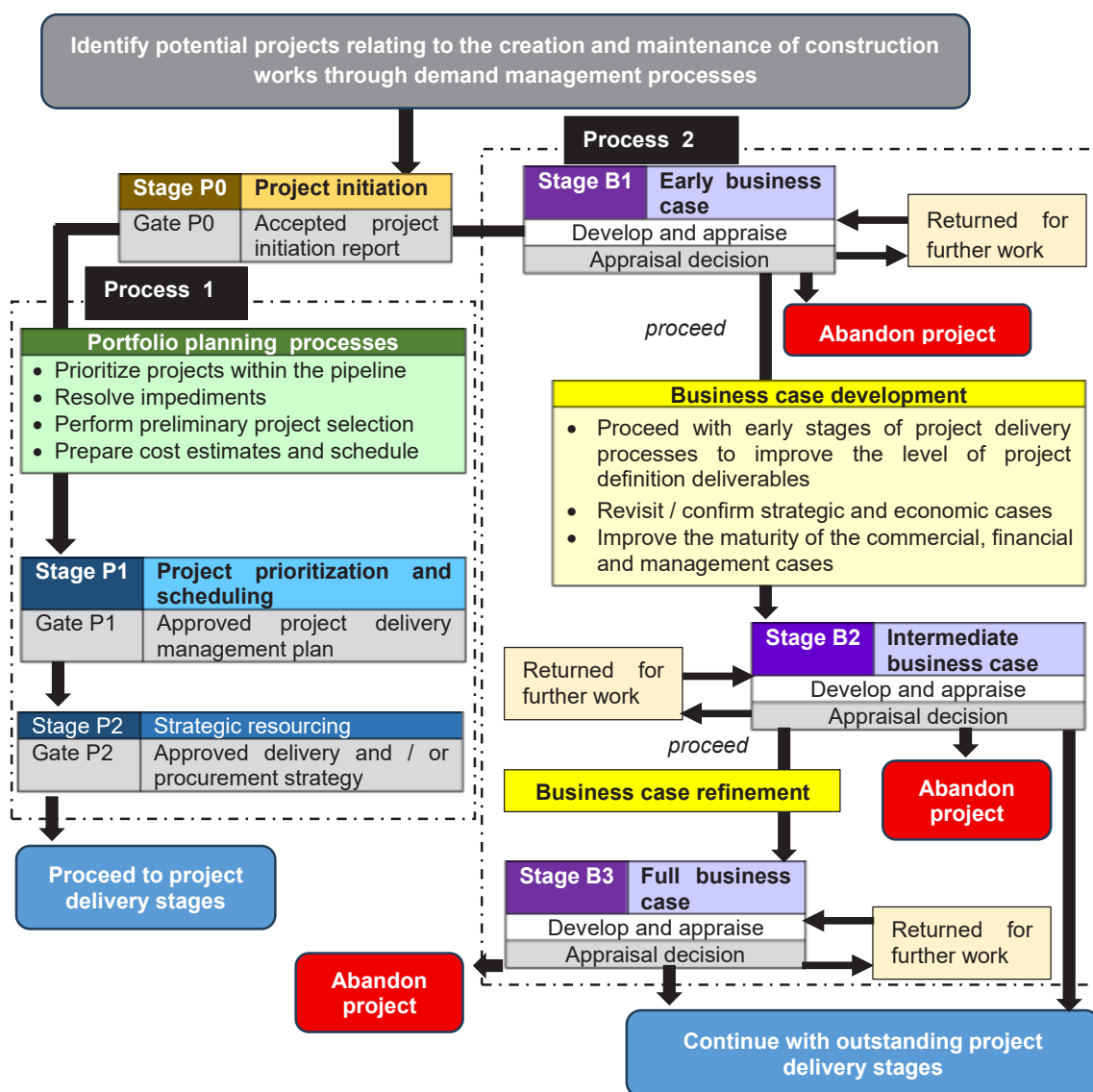
#### **4.3.2 Control framework for project preparation**

**4.3.2.1** Projects shall:

- a) be identified through demand management and strategic planning processes (see 4.4 and Figure 1); and
- b) following a decision being taken at Stage P0 to advance a project, be prepared for implementation through the project preparation control framework provided for in Figure 1 and Table 3 by:
  - 1) process 1 - being admitted to portfolio planning processes (see 4.5.1 and 4.5.2) ; or
  - 2) process 2 - having the early business case developed before a decision to proceed is made (see 4.3.2.2).

**Table 3: Project preparation stages and associated deliverables**

| Stage                                                        | End of stage deliverable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| P0 Project initiation                                        | An initiation report that outlines the high-level business case which the project seeks to meet with the estimated project cost and proposed schedule for a single project or a group of projects having a similar high-level scope which should as a minimum: <ul style="list-style-type: none"> <li>• describe why the project is necessary and provide a rationale for the project</li> <li>• provide a project description and high-level scope of work;</li> <li>• outline key issues and solution options that were interrogated and the options that were evaluated; and</li> <li>• decision-making criteria, findings, assumptions and recommendations</li> </ul> |
| P1 Project prioritization and scheduling                     | Project delivery management plan which identifies and prioritizes projects and work packages against a forecasted budget over a three-to-five-year horizon which should include for each project a high level scope, the proposed time schedule, the estimated total cost and annual budget requirement, the geographical location and any known encumbrances with the estimated time frames for their removal.                                                                                                                                                                                                                                                           |
| P2 Strategic resourcing                                      | A procurement strategy for each project or work package in at least the first year of the project delivery management plan together with the structure and composition of the client delivery management team to oversee the implementation of such strategy                                                                                                                                                                                                                                                                                                                                                                                                              |
| B1 Scoping                                                   | Early business case (first stage in developing a project's business case) which focuses primarily on the strategic and economic cases, establishing the 'strategic need' for the project, and a shortlist of options together with high-level costs, benefits and risks                                                                                                                                                                                                                                                                                                                                                                                                   |
| B2 Planning stage leading to procurement                     | Intermediate Business Case (second, and most substantial, stage in developing the project's Five Case Model (5CM)) which focuses on the economic, commercial, financial and management cases, assesses the shortlist of options through cost benefit analysis to determine a 'preferred option', considers the affordability and commercial viability of the 'preferred option', and identifies the expected resources and management arrangements for the project.                                                                                                                                                                                                       |
| B3 Delivery stage where the procurement leads to contracting | Full business case (third stage in developing a project's Five Case Model (5CM)) which focuses primarily on the procurement process, and updates the economic, commercial, financial and management cases to reflect the negotiated deal.                                                                                                                                                                                                                                                                                                                                                                                                                                 |



**Figure 1: Control framework for project preparation**

**4.3.2.2** An early business case (process 2) shall be prepared in accordance with the Five Case Model (5CM) (Stage 1) following acceptance of Stage P0 and further refined through Stage B2 and, where necessary, Stage B3, should a project meet one of more of the following conditions:

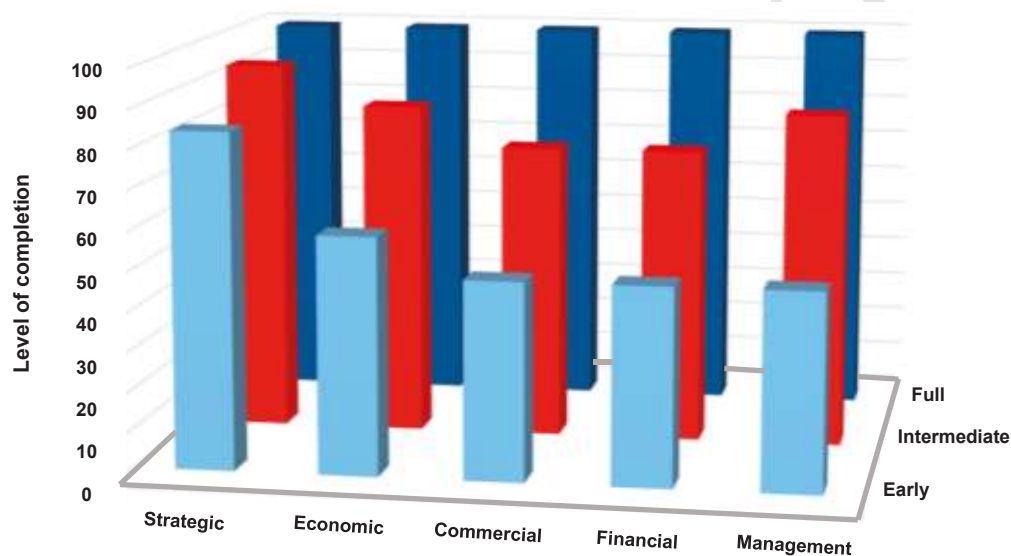
- the project or series of interrelated projects on a single site has an estimated cost above a threshold established in terms of legislation or a construction procurement policy;
- there are several solutions available to satisfy needs and opportunities with significantly different financial and non-financial benefits and risks;
- there is a need to demonstrate that capital investment and operating costs are affordable from public and/or private resources;
- possible sources of finance, suitability of the project for green or climate financing, or affordability of options need to be considered including any expected income which the state may generate from the project;



- e) technological novelty such as first-of-a-kind technologies is central to the project;
- f) project scope, organisational or stakeholder complexity is high; or
- g) required by a construction procurement policy or legislation.

**4.3.2.3** Early, intermediate and final business cases shall be developed in accordance with the Five Case Model (5CM) described in the HM Infrastructure and Project's Authority's Infrastructure Business Case: International Guidance as outlined in Table 4 and illustrated in Figure 2. An intermediate business case shall be prepared prior to proceeding with the procurement of a contractor. A full business case shall, if necessary, be developed following the receipt of tenders (see Table 3).

**4.3.2.4** The project delivery management plan developed during the portfolio planning processes shall be updated at least annually and supplemented as necessary with periodic structured risk reviews.



**Figure 2: Illustration of the evolution of the full business case form the early business case**

### 4.3.3 Control framework for project delivery

**4.3.3.1** Projects shall be delivered within authorised amounts which are included in project delivery management plans (process 1 in Figure 1) or which are approved following the development of a business case (process 2 in Figure 1) when a decision is taken to implement a project. Any increase in the authorised amount must be approved by the governing body.

Note 1: A client organisation can include in the project delivery management plan authorised amounts to cover project preparation processes (process 1 and process 2) and project delivery processes to enable a project to progress to a stage when a decision can be taken to execute the project or not within an authorised amount (see Annex A).

Note 2: The authorised amounts included in the project delivery management plan for project preparation can apply to multiple projects grouped into programmes and need not be separately allocated to a particular project (see Annex A).

**Table 4: Five Case Model**

| <b>Case</b>                                                                                                                                                                                                                             | <b>Early business case</b><br>(Scoping stage)                                                                                                                    | <b>Intermediate business case</b><br>(Planning stage leading to procurement)                                                                                                                                                                                                                                                      | <b>Full business case</b><br>(Planning stage where the procurement leads to contracting)                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Strategic Case</b> (describes why the project is necessary)                                                                                                                                                                          | Provides the rationale for the project, evidences the strategic fit, defines the project objectives and outlines the potential scope for the project             | Revisits and confirms the project rationale, strategic fit, and objectives, and updates the potential scope accordingly                                                                                                                                                                                                           | Confirms and updates as necessary the project rationale, strategic fit, objectives, and the agreed scope                                                                                                                                   |
| <b>Economic Case</b> (determines how the project will deliver the economic, social, and environmental objectives while achieving the most value for money for society, or public value)                                                 | Appraises a range of possible option choices, refines these to a shortlist with high level estimates of costs and benefits and identifies a 'Preferred Approach' | Revisits the longlist of project options, subjects the shortlisted options to detailed cost benefit analysis based on values for Environmental Social Impact Assessments and technical studies and confirms the Preferred Option                                                                                                  | Reconsiders and confirms the economic case options based on cost data received from tenderers together with associated whole-life costs.                                                                                                   |
| <b>Commercial Case</b> (demonstrates that the project is commercially viable)                                                                                                                                                           | Gives initial thought to the potential commercial and procurement arrangements for the preferred approach.                                                       | Sets out the service requirements and outputs for the procurement, including potential arrangements for the allocation of risk between the contracting parties. Provides analysis of the associated charging arrangements and contractual arrangements for the potential deal between the public sector and supply side partners. | Sets out the agreed service requirements and outputs for the procurement. It describes the agreed charging arrangements and contractual arrangements for the deal between the public sector and appointed supplier(s).                     |
| <b>Financial Case</b> (demonstrates that capital investment and operating costs are affordable from public and/or private resources, and that sufficient allowance has been made for risk management, monitoring and unexpected events) | Provides indicative whole-life costs (capital plus operating costs) for the preferred approach and considers potential funding and financing options.            | Provides best estimates of the whole-life costs (capital plus operating costs, including project contingency sums) for the preferred option, to test the affordability of the project and describes how the project will be funded and financed.                                                                                  | Provides agreed contract costs together with associated public sector costs and describes how the whole-life costs (capital plus operating costs, including project contingency sums) will be funded and financed, as agreed and expected. |
| <b>Management Case</b> (describes the project delivery team and demonstrates it has the right skills and experience, appropriate governance, and a realistic project delivery plan)                                                     | Gives initial thought to delivery arrangements, and the capacity and capability resources required for the preferred approach                                    | Details the expected project management arrangements, including governance, roles and responsibilities, project implementation approach and required resources, and the assurance and evaluation plans                                                                                                                            | Reviews and finalizes the plans developed at the intermediate stage and show how they will be fit for purpose once the contract has been signed and the project moves into delivery                                                        |

**4.3.3.2** Projects shall be delivered through the project delivery control framework provided for in Figure 3 and Table 5 provided that:

- a) where projects are processed through portfolio planning processes (process 1 in Figure 1),

Stage 1 may only commence following the approval of the project delivery management plan in whole if the budgets are approved; and

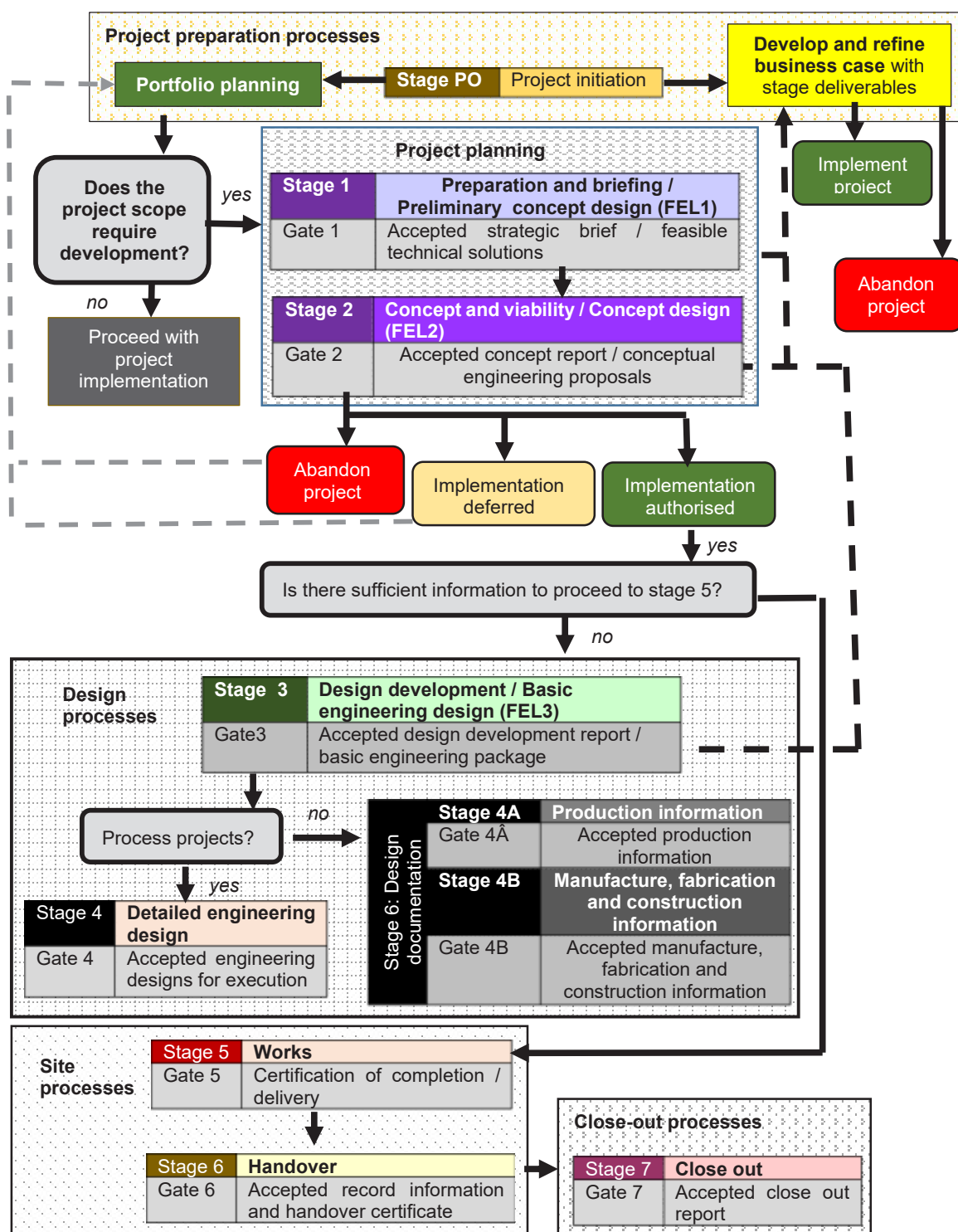
- b) Stage 1 may be omitted should an early business case have been prepared (process 2 in Figure 1) which incorporates the contents of the end of stage deliverable for Stage 1.

Note ISO 6082 provides guidance on the application of the project delivery control framework for building and construction projects.

**Table 5: Stages associated with project delivery**

| Stage No<br>(AACE<br>class<br>estimate) | Building and construction projects |                                                                                                                                                                                                                                       | Process projects                  |                                                                                                                                                                                                                                                    |
|-----------------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                         | Name                               | Typical description of end-of-stage deliverable                                                                                                                                                                                       | Name                              | Typical description of end-of-stage deliverable                                                                                                                                                                                                    |
| 1<br>(class 5)                          | Preparation and briefing           | A strategic brief that defines project objectives, needs, acceptance criteria and client organisation priorities and aspirations, and that sets out the basis for the development of the concept report for one or more work packages | Preliminary concept design (FEL1) | Feasible technical solutions identified, high-level design approaches outlined, block flow diagrams provided and preferred solution selected                                                                                                       |
| 2<br>(class 4)                          | Concept and viability              | A concept report which establishes the detailed brief, scope, scale, form and control budget, and sets out the integrated concept for one or more work packages                                                                       | Concept design (FEL2)             | Conceptual engineering proposal developed which establish the initial project scope, the technical basis for the works including a process flow diagram and mass and energy balance for the adopted solution and "freezes" the out-put level scope |
| 3<br>(class 3)                          | Design development                 | A design development report which develops in detail the approved concept to finalize the design and definition criteria, sets out the integrated design, and contains the cost plan and schedule for one or more work packages       | Basic engineering design (FEL3)   | Basic engineering package which includes the design philosophy including the process and instrumentation diagram, the detailed scope and "freezes" the design.                                                                                     |
| 4<br>(Class 2)                          | Design documentation               | Production information and manufacture, fabrication and construction information                                                                                                                                                      | Detailed engineering design       | Completed detailed engineering design for execution                                                                                                                                                                                                |
| 5                                       | Works                              | Completed works which are capable of being occupied or used                                                                                                                                                                           | Works                             | Completed works which are commissioned                                                                                                                                                                                                             |
| 6                                       | Handover                           | Works which have been taken over by the user or owner complete with record information                                                                                                                                                | Handover                          | Works which have been taken over by the user or owner complete with record information                                                                                                                                                             |
| 7                                       | Close out                          | Works with notified defects corrected, final account settled and the close out report issued                                                                                                                                          | Package completion                | Works with notified defects corrected, final account settled and the close out report issued                                                                                                                                                       |

Note: FEL (Front-End Loading is also referred to as FEED (Front-End Engineering Design) or FEP (Front End Planning)



**Figure 3: Control framework for project delivery**

**4.3.3.3** Stages 1 to 7 may be omitted where the project scope does not need to be developed. Stages 3 and 4 may be omitted following the conclusion of Stage 2 if there is sufficient information to proceed to Stage 5.

**4.3.3.4** A stage shall only be complete when the deliverable has been approved or accepted by the

person or persons designated in a construction procurement policy to do so. Activities within stages 4 to 6 may be undertaken in parallel or series, provided that each stage is completed in sequence.

**4.3.3.5** The level of detail contained in a deliverable associated with the end of a stage shall in addition to being sufficient to enable informed decisions to be made:

- a) be capable of being used to form the basis of the scope of work for a construction contract framed around the adopted procurement strategy should a contractor be appointed following the conclusion of Stages 2, 3 or 4;
- b) enable a class 1, 2, 3 or 4 estimate to be made at Stages 1, 2, 3 and 4, respectively, in accordance with the provisions of the relevant AACE International cost estimation system.

Note: The AACE International cost estimation system links classes of estimates to the maturity of project definition deliverables linked to an expected range of accuracy as indicated in Annex A.

**4.3.3.6** Procurement processes associated with long lead items of plant, equipment and materials may be initiated before the conclusion of stage 2 (concept and viability or feasibility). No contract may be entered into following such processes until stage 2 has been concluded and the budgets are in place to proceed.

**4.3.3.7** Gateway reviews (assurance review point) may be initiated by a client organisation at any of the gates established or identified in Figure 3. Where a gateway review is performed, the procuring entity shall appoint a gateway review team comprising not less than three persons who are not involved in the project and who are familiar with various aspects of the subject matter of the deliverable at the end of the stage under review. The members of the team should, as relevant, have expertise in key technical areas, cost estimating, scheduling and implementation of similar projects and be led by a built environment professional. The independent assurance team shall develop an assessment report of the project which:

- a) shows the team's confidence in the project's ability to meet its aims and objectives;
- b) offers advice as to whether it has reached a sufficient stage of maturity to proceed to the next stage.

Note: Gateway reviews at the end of stage 2 in Figure 3 provides an effective means for moderating the planned project outcomes and identifying gaps and shortcomings in the information upon which a decision is made to proceed to implementation. Such a review can provide client organisations with the necessary confidence to proceed. ISO 6082 provides guidance on the conducting of gateway reviews.

**4.3.3.8** The contents of the gateway review report shall be considered when accepting the end of stage deliverable. A stage deliverable should not be accepted until such time that all risks that pose a significant risk to the project have been addressed.

#### **4.3.4 Control framework for initiating, creating and fulfilling contracts**

**4.3.4.1** Procurement shall, whenever a negotiated, competitive selection or competitive negotiations selection method is applied, be implemented in accordance with the processes included in Table 6 and the control framework indicated in Figure 4.

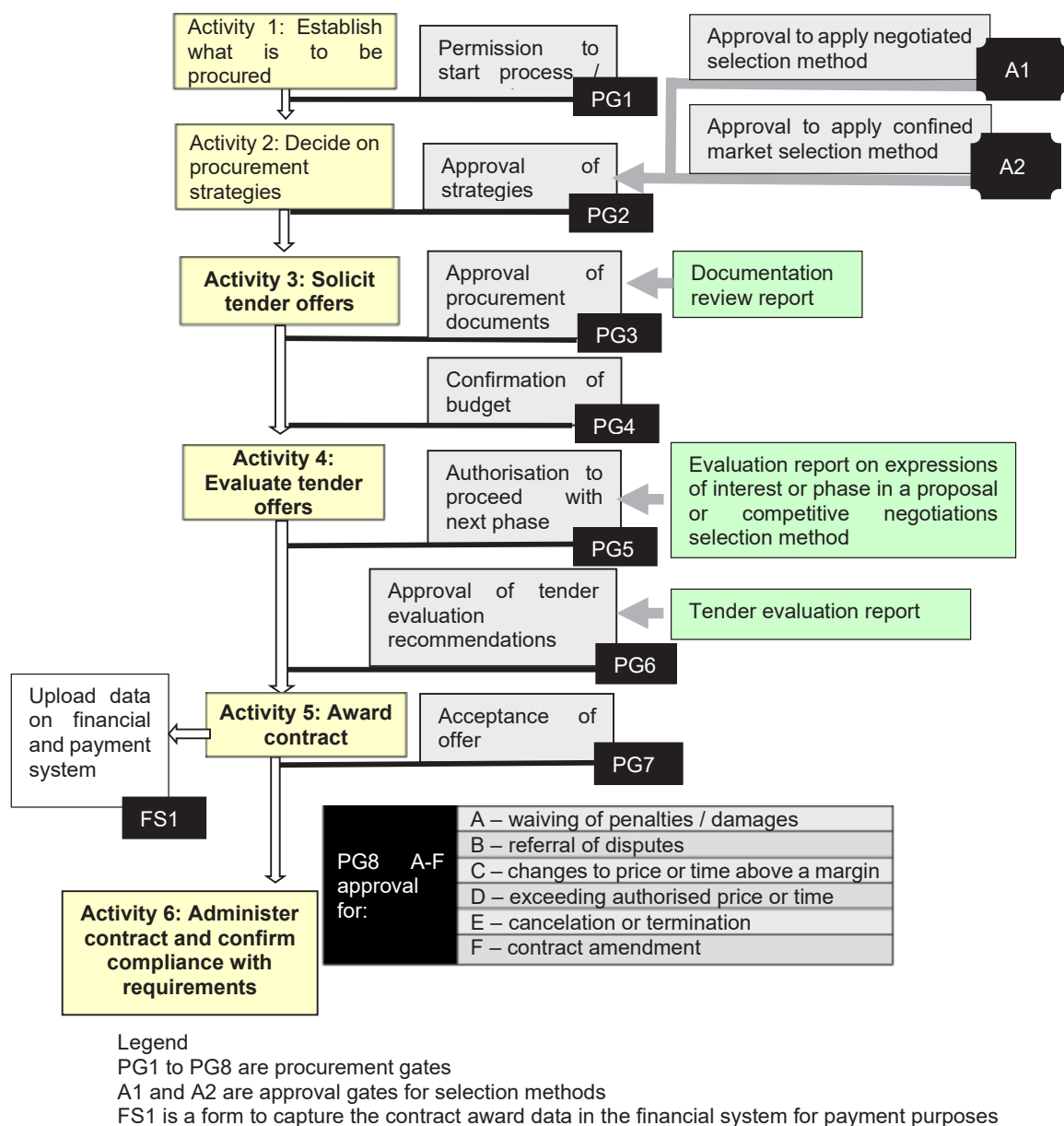
Note: SANS ISO 10845-1 provides guidance on the application of the control framework in Annexes D and E.

**4.3.4.2** Notwithstanding the provisions of 4.2.4.1, where the contract value of the transaction is equal to or less than the prescribed threshold for quotations, the acceptance of an offer shall be based on the evaluation report prepared by the evaluation committee.

**Table 6: Principal actions and sub activities for initiating, creating and fulfilling contracts**

| Activity |                                                               | Subactivity                                                                                                                                                                                                                                                                         |                                                                                     |
|----------|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| No.      | Description                                                   |                                                                                                                                                                                                                                                                                     |                                                                                     |
| 1        | Establish what is to be procured                              | 1. Prepare broad scope of work for procurement                                                                                                                                                                                                                                      |                                                                                     |
|          |                                                               | 2. Estimate financial value of proposed procurement                                                                                                                                                                                                                                 |                                                                                     |
|          |                                                               | 3. Obtain permission to start with the procurement process (PG1)                                                                                                                                                                                                                    |                                                                                     |
| 2        | Decide on procurement strategies                              | 1. Establish opportunities for promoting secondary procurement policies, if any                                                                                                                                                                                                     |                                                                                     |
|          |                                                               | 2. Establish contracting strategy                                                                                                                                                                                                                                                   |                                                                                     |
|          |                                                               | 3. Establish targeting strategy                                                                                                                                                                                                                                                     |                                                                                     |
|          |                                                               | 4. Establish selection method                                                                                                                                                                                                                                                       |                                                                                     |
|          |                                                               | 5. Obtain approval for procurement strategies that are to be adopted (PG2)                                                                                                                                                                                                          |                                                                                     |
|          | Solicit tender offers                                         | 1. Prepare procurement documents                                                                                                                                                                                                                                                    |                                                                                     |
|          |                                                               | 2. Obtain approval for procurement documents (PG3)                                                                                                                                                                                                                                  |                                                                                     |
|          |                                                               | 3. Confirm that budgets are in place (PG4)                                                                                                                                                                                                                                          |                                                                                     |
|          |                                                               | 4. Invite contractors to submit tender offers or expressions of interest                                                                                                                                                                                                            |                                                                                     |
|          |                                                               | 5. Receive submissions                                                                                                                                                                                                                                                              |                                                                                     |
|          |                                                               | 6. Open and record submissions received                                                                                                                                                                                                                                             |                                                                                     |
| 4        | Evaluate tender offers                                        | Qualified, proposal or competitive negotiations selection methods only                                                                                                                                                                                                              | 1. Evaluate and prepare evaluation report on submissions received                   |
|          |                                                               |                                                                                                                                                                                                                                                                                     | 2. Obtain authorization to proceed with next phase of the procurement process (PG5) |
|          |                                                               |                                                                                                                                                                                                                                                                                     | 3. Invite tender offers from qualified respondents or selected tenderers            |
|          |                                                               |                                                                                                                                                                                                                                                                                     | 4. Open and record submissions received and, if necessary, repeat 1 to 4 above      |
|          |                                                               | 5. Evaluate tender offers and prepare a tender evaluation report                                                                                                                                                                                                                    |                                                                                     |
|          |                                                               | 6. Confirm recommendations contained in tender evaluation report (PG6)                                                                                                                                                                                                              |                                                                                     |
| 5        | Award contract                                                | 1. Notify unsuccessful tenderers of the outcome                                                                                                                                                                                                                                     |                                                                                     |
|          |                                                               | 2. Compile contract document                                                                                                                                                                                                                                                        |                                                                                     |
|          |                                                               | 3. Award contract (PG7)                                                                                                                                                                                                                                                             |                                                                                     |
|          |                                                               | 4. Capture contract award data data (including provisions for contingency amount, escalation, and currency fluctuations)                                                                                                                                                            |                                                                                     |
|          |                                                               | 5 Upload data in financial management and payment systems (FS1)                                                                                                                                                                                                                     |                                                                                     |
| 6        | Administer contracts and confirm compliance with requirements | 1. Administer contract in accordance with the terms and provisions of the contract                                                                                                                                                                                                  |                                                                                     |
|          |                                                               | 2. Confirm compliance with requirements                                                                                                                                                                                                                                             |                                                                                     |
|          |                                                               | 3. Capture contract completion/ termination data                                                                                                                                                                                                                                    |                                                                                     |
|          |                                                               | 4. Obtain approval to waive penalties or low performance damages (PG8A)                                                                                                                                                                                                             |                                                                                     |
|          |                                                               | 5. Obtain approval to notify and refer a dispute to an adjudicator, or for final settlement to an arbitrator or court of law (PG8B)                                                                                                                                                 |                                                                                     |
|          |                                                               | 6. Obtain approval to increase the total of prices, excluding contingency sums and price adjustment for inflation, or the time for completion at the award of a contract or the issuing of an order up to a specified percentage stated in a construction procurement policy (PG8C) |                                                                                     |
|          |                                                               | 7. Obtain approval to exceed the total of prices, excluding contingency sums and price adjustment for inflation, or the time for completion at award of a contract or the issuing of an order by more than percentages stated in a construction procurement policy (PG8D)           |                                                                                     |
|          |                                                               | 8. Obtain approval to cancel or terminate a contract (PG8E)                                                                                                                                                                                                                         |                                                                                     |
|          |                                                               | 9. Obtain approval to amend a contract (PG8F)                                                                                                                                                                                                                                       |                                                                                     |
|          |                                                               | 10 Close out the contract                                                                                                                                                                                                                                                           |                                                                                     |





**Figure 4: Control framework for initiating, creating and fulfilling contracts**

**4.3.4.3** Prior approval shall be obtained for the use of the negotiated and confined market selection methods from the person named in a construction procurement policy, unless:

- these procedures are already provided for in the approved procurement strategy developed during stage P2 of the control framework for project preparation (see Figure 1); or
- where a rapid response is required in an emergency which can be dealt with, or the risks relating thereto arrested, within 48 hours, and the person delegated authority in a construction procurement policy has granted approval to do so.

**4.3.4.4** The governing body shall approve an increase in the total of prices excluding price adjustment for inflation and contingency sums at gate PG8D in Table 6 which exceeds a percentage

stated in the organisation's construction procurement policy. The procuring entity shall record in their annual report any such increase which is occasioned by an expansion in the scope of work or a variation indicating the reasons associated therewith.

**Note:** The intention of the 4.3.3.4 is to curb the expansion or variation of the scope of work associated with a contract to avoid approaching the market for the additional / unplanned work. However, there are several reasons for the original value of a contract to be increased and the end date of a contract to be extended for reasons other than those relating to the expansion or variation of the scope of work. For example, any of the following contractual provisions if included in a contract can lead to cost and time increases:

- a) price adjustment for inflation;
- b) foreign currency fluctuations;
- c) various risk events that materialise during the contract period which the contractor is not at risk;
- d) changes in quantities;
- e) exclusion of items which ought to have been included in the bill of quantities but for whatever reason were omitted;
- f) correction of assumptions made regarding items which were identified but could not be fully priced at the time of tender e.g., specialist subcontracts; and
- g) the application of a "pain and gain" (risk sharing) mechanism in target contracts.

#### 4.3.5 Control framework for issuing orders in terms of framework agreements

Orders issued in terms of framework agreements shall be implemented in accordance with the processes included in Table 7 and the control framework indicated in Figure 5.

**Table 7: Principal actions and sub activities for issuing an order under a framework agreement**

| Activity |                                                 | Sub-activity                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| #        | Description                                     |                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 1        | Budget confirmation                             | <b>Confirm that budgets are in place (FG1)</b>                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 2        | Motivation for selecting a framework contractor | <b>1.</b> Prepare motivation for selecting a framework contractor where there is more than one framework agreement covering the same scope of work<br><b>2. Confirm justifiable reasons provided in motivation (FG2)</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 3        | Inviting quotations for an order                | Competition not reopened amongst framework contractors                                                                                                                                                                   | 1a. Prepare draft order<br>2a. Consult framework contractor and prepare draft priced order<br>3a. Review the procurement document prior to the submission for approval<br><b>4a. Obtain approval for procurement documents (FG 3)</b>                                                                                                                                                                                                                                  |
|          |                                                 | Competition reopened amongst framework contractors                                                                                                                                                                       | 1b. Prepare procurement documents<br>2b. Review the procurement document prior to the submission for approval<br><b>3b. Obtain approval for procurement documents (FG3a)</b><br>4b. Invite all framework contractors having the same scope of work to submit quotations and receive submissions<br>5b. Open and record submissions received<br>6b. Evaluate and prepare draft evaluation report on submissions received<br><b>7b. Approve evaluation report (FG3b)</b> |
| 4        | Issue order                                     | <b>Issue order to framework contractor (FG4)</b>                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 5        | Administer contract                             | Administer order and confirm compliance with requirements                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

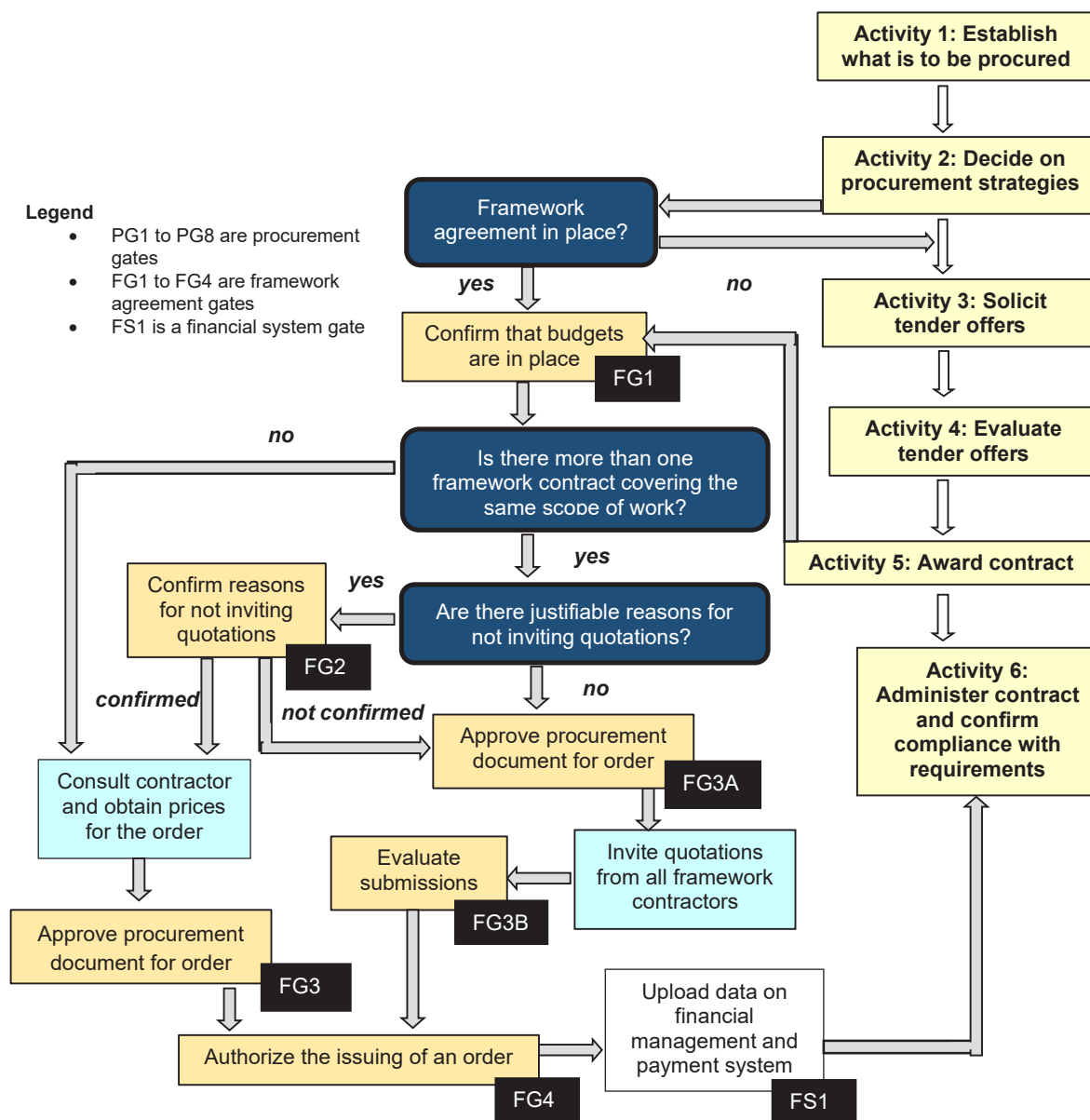


Figure 5: Control framework for issuing orders for framework agreements

## 4.4 Demand management

4.4.1 The demand for projects relating to the creation and maintenance of fixed assets within the built environment shall be identified through:

- asset management activities based on an asset management system informed by SANS ISO 55001; and
- strategic planning activities.

Note: Where there are significant constraints on available funding and resources, the nature and scope of projects and programmes should be reconfigured based on risk management considerations.

**4.4.2** Demand for projects established in 4.4.1 shall be:

- a) managed through asset management plans which provide a credible forecast of current and net demand for or requirements for system functionality and associated life-cycle management projects of such assets over a period of not less than ten years and which are informed by:
  - 1) the assessment of current performance against desired levels of service and functionality;
  - 2) a needs analysis informed by factors such as policies, norms and standards, condition assessments, functional performance, demographic trends, current and forecasted levels of optimisation; and
  - 3) cost estimates for the life cycle activities comprising acquisition, operations, maintenance, refurbishment, rehabilitation or alteration as relevant; and
- b) based on the following principles:
  - 1) construction works shall be used efficiently and when they become surplus to requirements and disposed of or repurposed if it does not support its service delivery objectives or the organization's strategic objectives at an efficient level and if it not in the organization's best interest to be upgraded to that level;
  - 2) alternative service delivery methods or solutions that do not require infrastructure or reduce the demand for infrastructure such as maximising utilisation, improving efficiencies, reducing peak demand, repurposing, promoting alternatives and changing behaviour, shall be identified and considered to minimise the demand for infrastructure;
  - 3) the cost of the construction works as well as operational and maintenance cost throughout its life cycle shall be considered when acquiring infrastructure;
  - 4) construction works that are currently used shall be kept operational to function in a manner that supports safe use in accordance with legislative requirements within acceptable levels of reliability / non-availability; and
  - 5) construction works shall be disposed of and / or decommissioned when:
    - i) no longer required or fails to provide best use of funds;
    - ii) is financially unsustainable; or
    - iii) other methods of delivering the service or outputs become more economical or environmentally acceptable to do so.

**4.4.2** Goods which are required to maintain infrastructure, and which are issued to the client organisation's staff or are issued to contractors shall be delivered at the right price, time and place and of be of the right quality and compatible with existing components, elements and subsystems.

**4.4.3** Demand for enhancements or additional construction works shall be proactively managed through project planning and contract management phases to:

- a) resist insistent and peremptory requests for modifications and additions or statutory approvals; and
- b) prevent scope creep, i.e. changes, continuous or uncontrolled growth in a project's scope.

## 4.5 Procurement planning and budgeting

### 4.5.1 Project preparation

**4.5.1.1** Potential projects relating to the creation or maintenance of construction works shall be identified through strategic planning and demand management processes. A project initiation report (see Table 3) shall be developed to inform the decision as to whether resources should be made available to further prepare projects prior to taking a decision to proceed with implementation.

**4.5.1.2** All projects which are subjected to portfolio planning processes must be prioritized as relevant on a risk-based approach in terms of:

- a) extent of impact;
- b) benefits of the project;
- c) urgency of the project;
- c) potential consequences of not undertaking the work;
- d) alignment with broader planning and strategic considerations including spatial planning strategies;
- e) interdependencies with other projects;
- f) affordability in terms of initial and whole-life costs; and
- e) the resolution of impediments to their implementation such as those relating to land, planning, environmental, heritage and other legislative approvals and licencing.

### 4.5.2 Project prioritization and scheduling

**4.5.2.1** A project delivery management plan which identifies and prioritises projects and work packages against a forecasted budget shall be developed over a 3 to 5 year horizon (see Annex B of ISO 6082) and updated preferably on a quarterly basis but at least annually.

**4.5.2.2** An annual procurement plan of all planned procurement which is aligned to the budget of the organisation shall be developed, updated as necessary, and made available to procurement committees.

### 4.5.3 Procurement strategy

Procurement strategies shall be:

- a) aimed at achieving value for money and cost-effective project outcomes, taking into account risks and organisational policy including social and environmental objectives, and
- b) developed and documented in accordance with the provisions of SANS ISO 22058 except where business cases are developed in accordance with the provisions of the Five Case Model .

Note:

- 1) Value for money addresses the following four Es, namely economy ( minimizing the cost of resources used to achieve a desired project outcome), effectiveness (extent to which planned project outcomes are realized or achieved), efficiency (resources used in relation to the results achieved) and equity (balanced and objective consideration of intergenerational, interregional and intra-societal ethics, including environmental protection, economic efficiency and social needs).
- 2) SANS ISO 22058 provides a framework for developing a procurement strategy framed around strategic considerations, procurement objectives, a spend, organisational, market and stakeholder analysis, packaging

strategy, contracting strategy, targeting strategy and selection method. It also provides a standard format for documenting a procurement strategy.

- 3) SANS ISO 22058 provides a structured approach to deal with decisions and descriptions of procurement approaches. Rather than focusing on contracting methods, the distinguishing features of each have been identified in a way that leads to the answering of the six underlying questions which explain how any specific project is being procured, namely. source of funding, selection method, responsibility for design, responsibility for co-ordination, price basis and supply chain integration.

#### **4.5.4 Budgets**

**4.5.4.1** Project budgets shall be realistic and based on cost estimates, reliable benchmarks, cost norms or elemental cost estimates which provide for all project costs including land costs, professional fees, furniture, fittings and equipment and contingency sums to cover costs which cannot be foreseen or predicted with certainty, price adjustment for inflation and exchange rate fluctuations.

**4.5.4.2** Costs shall be proactively managed through the setting and proactive monitoring of control budgets for projects through the project planning, detailed design and site processes. Control budgets within authorised amounts shall be established for each project. Contingency amounts included in such budgets shall be managed at a project level and not at a contract level.

Note: Annex A provides guidance on managing multi-year construction works projects over a three year horizon. Annex E of SANS ISO 10845-1 provides guidance on managing contingency sums.

**4.5.4.3** The budgets for multi-year projects may be appropriated to programmes rather than individual projects to allow for the management of cash flows within a financial year provided that expenditure for individual projects does not exceed the authorised amounts for projects (see Annex A).

#### **4.5.5 Social facilitation**

**4.5.5.1** The procuring entity shall during the project preparation processes identify which projects require social facilitation to mitigate potential site-based disruptions and community conflicts that can hinder project delivery. Where necessary and appropriate, social facilitation identification should include:

- a) stakeholder mapping and analysis which identifies all project stakeholders, documents their demographics and assesses their interest and influence;
- b) community profiling and needs assessments to understand the unique needs of each community to inform project delivery and social facilitation responses;
- c) the development and implementation of a community engagement and consultation plan to interface with the community throughout the project delivery life cycle, given the local context and dynamics
- d) the development of a communication strategy to clearly communicate project benefits and to manage expectations;
- e) the identification and implementation of strategies to provide for the participation of targeted enterprises and targeted labour in the execution of contracts and opportunities for skills development; and
- f) the establishment of a conflict management and site security plan to proactively manage conflict in hostile environments , engage with law enforcement agencies and apply site disruption protocols.

**4.5.5.2** Where social facilitation is necessary, the procuring entity shall develop and implement:



- a) site-level incident reporting protocols
- b) escalation pathways to law enforcement; and
- c) a system for monitoring and evaluating social facilitation processes and efforts and documenting lessons learned.

## **4.6 Acquisition management**

### **4.6.1 Conducting of acquisition processes**

#### **4.6.1.1 Advertisements**

**4.6.1.1.1** An invitation for prospective respondents and tenderers to submit expressions of interest or tenders, respectively, shall be advertised in accordance with the requirements and time frames stated in a construction procurement policy.

#### **4.6.1.2 Contacting of participants before the closing time for submissions**

All communications with respondents and tenderers during the procurement process to obtain information and clarifications shall be made in writing through the employer's agent named in the submission or tender data. Records of all communications shall be retained for auditing purposes.

#### **4.6.1.3 Receipt of tender submissions**

**4.6.1.3.1** Tenders may be submitted electronically in terms of a device satisfying the requirements of clause 4.7 of SANS ISO 10845-1 or deposited in a secure and dedicated tender box in accordance with a construction procurement policy.

**4.6.1.3.2** Submissions shall be opened by an opening panel named in a construction procurement policy who have declared their interest or confirmed that they have no interest in the submissions that are to be opened.

**4.6.1.3.3** The opening panel shall open the tenders received at tender box at the stipulated closing time. Electronic submissions may be opened only after the closing time for submissions.

**4.6.1.3.4** The opening panel shall as relevant:

- a) sort through the submissions and return those submissions to the box that are not yet due to be opened including those whose closing date has been extended;
- b) returns submissions unopened and suitably annotated where submissions:
  - 1) are received late, unless otherwise permitted in terms of the submission data;
  - 2) were submitted by a method other than the stated method,
  - 3) were withdrawn in accordance with the procedures contained in SANS 10845-3; and
  - 4) only one tender submission is received and it is decided not to open it and to call for fresh tender submissions;
- c) record in the register submissions that were returned unopened;
- d) open submissions if received in sealed envelopes and annotated with the required particulars and read out the name of and record in the register the name of the tenderer or respondent and, if relevant, the total of prices including VAT where this is possible;
- e) record in the register the name of any submissions that is returned with the reasons for doing so;
- f) record the names of the tenderer's representatives that attend the public opening;
- g) sign the entries into the register; and

h) mark each returnable document in each tender submission.

**4.6.1.3.5** Submissions shall be safeguarded from the time of receipt until the conclusion of the procurement process.

#### **4.6.1.4 Publication of submissions received and the award of contracts**

**4.6.1.4.1** Within the number of days of the closure of any advertised call for an expression of interest or an invitation to tender stated in a construction procurement policy, the names of all respondents or tenderers that made submissions to that advertisement, and if practical or applicable, the total of the prices and the preferences claimed, shall be published on the procuring entity's website. Such information should remain on the website for at least 30 days.

**4.6.1.4.2** The following shall as a minimum be published on the procuring entity's website within the number of days of the award of a contract stated in a construction procurement policy:

- a) the contract number and title;
- b) the total of the prices, if practical;
- c) the names of successful tenderers; and
- d) the duration of the contract.

**4.6.1.4.3** The award of contracts and orders in terms of a framework agreement relating to construction works which are subject to the Construction Industry Development Regulations issued in terms of the Construction Industry Development Act of 2000 shall in addition to the requirements of 4.6.1.4.2 be notified on the CIDB website. The notification shall be placed by the person named in a construction procurement policy.

#### **4.6.1.5 Notification of award**

The person named in a construction procurement policy shall ensure that the outcome of the tender process is communicated to all participants under his or her signature. Any communication to the recommended tenderer notifying them of their preferred tenderer status shall stipulate that no contract and / or contractual obligation of any kind whatsoever exists until such time as a formal written contract is concluded and entered into.

### **4.6.2 Committee system**

#### **4.6.2.1 General**

**4.6.2.1.1** A committee system comprising a procurement documentation committee, evaluation committee and tender committee shall be applied to all selection methods where the estimated value of the procurement exceeds the value stipulated in a construction procurement policy for the quotation procedure. A construction procurement policy shall establish requirements for the quotation procedure.

**4.6.2.1.2** The membership of the committees referred to in 4.6.2.1.1 shall be drawn from employees of the procuring entity as set out in a construction procurement policy. Persons appointed as technical advisors and subject matter experts who are not employees of the procuring entity may attend any committee meeting but not participate in the decision-making proceedings.

**4.6.2.1.3** No person who has a conflict of interest shall be appointed to a committee. No person who is a member of the documentation committee or the evaluation committee may serve on tender committee but may participate as a technical advisor or subject matter expert. The person authorised to take a decision on the award of a contractor may not serve on any of the three committees.

**4.6.2.1.4** Committee decisions shall be:

- a) as far as possible based on the consensus principle, namely the general agreement characterized by the lack of sustained opposition to substantial issues; and
- b) recorded in writing on an appropriate standard template and retained for a period stated in 4.3.1.3.

**4.6.2.1.5** Committees shall make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses.

**4.6.2.1.6** No member of, technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, shall be permitted to tender for any work associated with the tender which is considered by these committees.

#### **4.6.2.2 Approval of procurement documents**

**4.6.2.2.1** A procurement documentation committee shall approve procurement documents before they are issued to the market in terms of a competitive or competitive negotiation selection method, are finalised in the negotiated selection method or issued to framework contractors. Such approval should take place following the review of the procurement documents in the case of a project by a documentation review team.

**4.6.2.2.2** The procurement documentation committee shall when approving a procurement document:

- a) consider the contents of the documentation review report (see 4.6.2.2.3 to 4.6.2.2.6);
- b) confirm that the procurement documents are fair, transparent and equitable and are likely to result in a cost-effective procurement outcome; and
- c) confirm the following as relevant:
  - 1) the proposed eligibility criteria do not unfairly eliminate tenderers from consideration;
  - 2) compulsory clarification meetings are justifiable in the context of the procurement;
  - 3) the weightings, if any, included in the evaluation of submissions are reasonable;
  - 4) the quality criteria and any weightings between sub-criteria which are to be scored in the evaluation of tenders are fair and reasonable and are justifiable in terms of procurement outcomes, and
  - 5) the provisions for applying preferential procurement are feasible and are likely to result in the tendering of market related prices.

**4.6.2.2.3** The review of procurement documents associated with the negotiation, competitive selection or competitive negotiation procedure should confirm that:

- a) the procurement documents have been formatted and compiled in accordance with the requirements of this standard and a construction procurement policy and are aligned with the approved procurement strategy;
- b) appropriate prompts for judgement are included in accordance with the requirements of this standard whenever quality is evaluated and scored in the evaluation of calls for expressions of interest or tender offers;
- c) the selected form of contract is in accordance with the requirements of this standard and the construction procurement policy and any organizational standard templates have been correctly applied;

- d) the selected submission data in the case of a call for an expression of interest, or tender data and contract data options in the case of a draft contract, are likely to yield best value outcomes;
- e) the scope of work adequately establishes what is required and the constraints to the way in which the contract work is to be provided, and satisfies the drafting requirements of this standard;
- f) the submission or returnable documents are necessary and will enable submissions to be evaluated fairly and efficiently, and
- g) the risk allocations in the contract and pricing data are appropriate.

**4.6.2.2.4** The review of procurement documentation associated with the issuing of an order needs to confirm that

- a) any standard organizational templates have been correctly applied;
- b) the scope of work adequately establishes what is required and the constraints to the way the contract work is to be provided;
- c) the provisions for competition amongst framework contractors, if relevant, and the selected options are likely to yield best value outcomes; and
- d) the risk allocations are appropriate.

**4.6.2.2.5** One or more built environment professionals shall be appointed in the case of a project to review the procurement documents and to develop a procurement documentation review report.

**4.6.2.2.6** The documentation review report needs to:

- a) list the name(s) and qualifications of person(s) that undertook the review;
- b) confirm that the documents are in accordance with the requirements of this standard;
- c) identify sections, if any, which require amendments or improvements;
- d) capture any comments or opinions which the reviewer(s) may wish to express; and
- e) make recommendations whether the document be accepted with or without modifications.

### **4.6.2.3 Evaluation of tenders and submissions**

**4.6.2.3.1** An evaluation committee shall:

- a) finalize evaluation reports prepared in accordance with 4.6.2.3.2 to 4.6.2.3.5 and address any areas in the report should a report be referred back to the committee by the tender committee;
- b) authorize admission to an electronic data base and the proceeding with the next phase of a procurement process in the qualified and two-stage competitive and the restricted and open competitive negotiation selection methods following the:
  - i) confirmation that the evaluation report is complete and addresses all considerations necessary to make a decision,
  - ii) confirmation of the validity and reasonableness of reasons provided for the elimination of tenderers or respondents, and
  - iii) the identification and consideration of any risks that have been overlooked which warrant investigation prior to taking a final decision.

**4.6.2.3.2** Submissions shall be evaluated strictly in accordance with:

- a) the approved procurement documents and any addenda relating thereto; and

- b) the processes set out in Annex C of SANS ISO 10845-4 in the case of expressions of interest; and Annex C of SANS ISO 10845-3 in the case of tender offers.

**4.6.2.3.3** Evaluation reports shall be prepared in accordance with the content headings and relevant guidelines contained in:

- a) Annex D of SANS ISO 10845-4 in the case of an expression of interest; or
- b) Annex E of SANS ISO 10845-3 in the case of tender offers, with modifications as necessary where a two-envelope, two-stage process or competitive negotiation selection method is followed or competition is reopened amongst those having framework agreements covering the same scope of work.

**4.6.2.3.4** The reports referred to in subclause 4.6.2.3.2 shall:

- a) contain extracts from the procurement documents which are linked to the evaluation of submissions, such as eligibility criteria, criteria associated with evaluation methods, preferencing, quality criteria (including prompts for judgement), the method by which tenders are reduced to a common base and lists of returnable documents to enable those tasked with making decisions based on these documents to do so without having to refer back to submissions to understand the content of the report; and
- b) include in annexures the evaluation reports of any prior processes, e.g. a call for an expression of interest, a round in a competitive negotiation procedure or a stage in a competitive selection procedure.

**4.6.2.3.5** The evaluation report shall be prepared by one or more persons who are conversant with the nature and subject matter of the procurement documents. Where the procurement relates to a project, the evaluation report shall be prepared by a person registered in the categories of professional registration identified in 4.6.1.2.2.

**4.6.2.3.6** Where quality is evaluated, at least three persons who are conversant with the nature and subject matter of the procurement documents and are built environment professionals shall undertake such an evaluation. Quality shall be scored by each evaluator separately in terms of the prompts for judgement, with fixed scores assigned to each prompt preferably with notes to substantiate the score. The evaluators may discuss and moderate scores where there is a significant difference in a score between evaluators for a criteria prior to the scores being averaged. Such individual evaluation documents shall be placed on file as an audit trail and may form the basis of any contractor debriefing that takes place.

**4.6.2.3.7** An evaluation report covering the application of the negotiated procedure for the award of a contract or the issuing of an order, shall specifically confirm that the negotiated amounts are market-related and represent value for money. Where the total of the prices associated with a target cost contract is negotiated, the total of prices shall be certified as being fair and reasonable (market related). Confirmations and certifications shall be made by a professional quantity surveyor registered in terms of the Quantity Surveying Profession Act of 2000 or a professional engineer or a professional engineering technologist registered in terms of the Engineering Profession Act of 2000.

#### **4.6.2.4 Recommendation for the award of a contract**

**4.6.2.4.1** The tender committee should

- a) consider the report and recommendations of the evaluation committee and
  - 1) verify that the procurement process which was followed complies with the provisions of this policy;

- 2) confirm that the report is complete and addresses all considerations necessary to make a recommendation;
  - 3) confirm the validity and reasonableness of reasons provided for the elimination of tenderers; and
  - 4) consider risks indicated in the report and identify any risks that have been overlooked or fall outside of the scope of the report which warrant investigation prior to taking a final decision; and
- b) refer the report back to the evaluation committee for their reconsideration together with their reasons for doing so or make a recommendation to the authorized person on the award of a tender, with or without conditions, together with reasons for such recommendation.

Note: The tender committee should rely on the documented evaluation report prepared by the evaluation committee to reach a decision.

#### **4.6.2.5 Award of contracts and issuing of orders**

**4.6.2.5.1** The persons authorised in a construction procurement policy to award a contract shall, if the value of the contract is within his or her delegation, consider the report(s) and recommendations of the tender committee, or in the case of the awards for contracts below the quotation procedure threshold, the recommendation of the evaluation report and either:

- a) award the contract after confirming that the report is complete and addresses all considerations necessary to make a recommendation and budgetary provisions are in place; or
- b) decide not to proceed or to start afresh with the process.

**4.6.2.5.2** The award of a construction contract shall be notified on the CIDB website in accordance with the provisions of the Construction Industry Development Regulations.

#### **4.6.2.6 Issuing of an order**

**4.6.2.6.1** The persons authorised in a construction procurement policy to issue an order, should, if the value of an order issued in terms of a framework contract is within his or her delegation either:

- a) decide not to proceed or to start afresh with the process, or
- b) authorize the issuing of an order after
  - 1) confirming that the required goods or services, or any combination thereof, are within the scope of work associated with the relevant framework contract, and
  - 2) considering the recommendations of the evaluation report where competition amongst framework contractors takes place or a significant proportion of the total of the prices is negotiated, based on the financial parameter contained in the framework contract, and either confirm the reasonableness of such recommendations and sign the acceptance of the order, or refer the evaluation report and recommendation back to those who prepared it.

**4.6.2.6.2** The issuing of an order shall be notified on the CIDB website in accordance with the provisions of the Construction Industry Development Regulations.

#### 4.6.3 Unsolicited proposals

A procuring entity may consider unsolicited offers received outside a normal procurement process but may consider such an offer only if:

- a) the goods, services or any combination thereof that is offered is a demonstrably or proven unique innovative concept;
- b) proof of ownership of design, manufacturing, intellectual property, copyright or any other proprietary right of ownership or entitlement is vested in the person who made the offer; and
- c) the offer presents a value proposition which demonstrates a clear, measurable and foreseeable benefit for the client organisation;
- d) the procuring entity's governing body finds the reasons for not going through the normal tender processes to be sound.

#### 4.6.4 Emergency procurement

The procuring entity shall incorporate in their construction procurement policy emergency procurement procedures based on the recommended methods aligned with different types of emergencies as indicated in Table 8.

**Table 8: Recommended emergency procurement procedures**

| Category of emergency          |                                                                                                             | Recommended method to acquire resources                                                                                                                               |
|--------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type                           | Description                                                                                                 |                                                                                                                                                                       |
| I<br>Localised failure         | <b>Localised failures</b> which can readily be remedied within 48 hours.                                    | <ul style="list-style-type: none"> <li>• Negotiation procedure (see 4.3.4.3b))</li> <li>• Issuing of orders in terms of a framework agreement</li> </ul>              |
| II<br>Localised reconstruction | <b>Localised reconstruction</b> of an element or component                                                  | <ul style="list-style-type: none"> <li>• Nominated procedure</li> <li>• Issuing of orders in terms of a framework agreement</li> <li>• Qualified procedure</li> </ul> |
| III<br>Widespread failure      | <b>Widespread failure</b> commonly associated with an extreme event which requires extensive reconstruction | <ul style="list-style-type: none"> <li>• Issuing of orders in terms of a framework agreement</li> <li>• Qualified procedure</li> </ul>                                |

### 4.7 Contract management and assessment of projects against outcomes

#### 4.7.1 Oversight requirements

**4.7.1.1** The client delivery manager shall, appropriate to the adopted procurement strategy for the delivery of new or altered, refurbished or rehabilitated infrastructure (see SANS ISO 22058), ensure that there is a level of expertise and resources that are available to ensure that:

- a) contracts are entered into as an informed client organisation;
- b) due diligence is undertaken at an appropriate level to confirm that the requirement of a contract is delivered in accordance with the terms of that contract; and
- c) an appropriate level of independent scrutiny is undertaken in relation to all aspects of design and construction or installation that are in effect largely or partly self-certified by those producing them.

**4.7.1.2** The client delivery manager shall ensure that financial data is gathered to enable a financial report to be generated at regular intervals (see 4.12 and Annex A).



**4.7.1.3** The client delivery manager shall ensure that an implementation plan is produced, for all projects for which he or she is responsible, to enable a project delivery management plan to be implemented incrementally. Implementation plans shall be prepared or updated prior to the start of a financial year which should indicate the information indicated in Table 9 (see ISO 6082). The client delivery manager shall update the implementation plan at least quarterly.

**Table 9: Content of implementation plan**

| Suggested heading |                                                           | Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No                | Title                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 1                 | Programme / project objectives                            | An overview of the programme / project and identified objectives                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 2                 | Scope, budget and schedule                                | <p>In respect of each project, contract or work package for the financial year under consideration:</p> <ul style="list-style-type: none"> <li>• outline of the scope,</li> <li>• the authorised expenditure, broken down into financial years</li> <li>• the control budget for each project, broken down into financial years</li> <li>• the overarching control budget and authorised expenditure for each financial year</li> <li>• proposed / actual start and end date for the project</li> </ul>                                                                                                      |
| 3                 | Key success factors and Key Performance Indicators        | Key success factors and the key performance indicators which should be measured, monitored and evaluated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 4                 | Outline of procurement strategy                           | <p>Procurement strategy in summary form for each project or order issued in terms of a framework contract, i.e.</p> <ul style="list-style-type: none"> <li>• The selected option to engage the market (if applicable) - design strategy and interface management strategy</li> <li>• Packaging strategy - framework / non-framework</li> <li>• Contracting strategy - contract type, standard form of contract and procurement strategy</li> <li>• Targeting strategy</li> <li>• Selection method</li> </ul>                                                                                                 |
| 5                 | Time management plan                                      | A time management plan for each project in the form of a Gantt Chart for the financial year under consideration, i.e. the baseline against which progress towards the attainment of milestone (key deliverables) target dates can be measured.                                                                                                                                                                                                                                                                                                                                                               |
| 6                 | Projected budget and cash flow                            | The projected budget and cash flows for the financial year under consideration and subsequent financial years, which will enable planned and actual expenditure to be compared and revisions to the budget to be approved, and multiple project budgets to be managed                                                                                                                                                                                                                                                                                                                                        |
| 7                 | Procurement plan                                          | <p>The timeline for the financial year under consideration for advertising and closing of tenders and the obtaining of gate approvals leading up to</p> <ul style="list-style-type: none"> <li>• the award of the contract including information such as: <ul style="list-style-type: none"> <li>- Tender number, title, broad scope of work</li> <li>- Estimated total of the prices for the contract / order</li> <li>- Proposed dates for approvals (see ISO 10845-1)</li> </ul> </li> <li>• the issuing of an order in terms of a framework agreement including information (see ISO 10845-1)</li> </ul> |
| 8                 | Major risks                                               | The identification of major risks and how such risks are to be mitigated or managed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 9                 | Health, safety and environmental and socio-economic risks | An outline of the controls and measures which will address health, safety, socio-economic or environmental risks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 10                | Quality plan                                              | An indication as to how quality requirements and expectations are to be met and managed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 11                | Communication plan                                        | A communication plan which determines the lines of communication and the key activities associated therewith                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 12                | Allocation of resources                                   | An indication of the assigned internal and external resources with implementation responsibilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

**4.7.1.4** The client delivery manager shall establish an annual control budget for all projects for which he or she is responsible for delivering in a financial year as well as for each individual project (see Annex A). Such a budget shall include all costs associated with the delivery of a work package including professional fees, furniture, fittings and equipment and make provision for contingency sums and price adjustment for inflation.

**4.7.1.5** The client delivery management team shall monitor and measure performance against agreed plans, including authorized changes, in accordance with the practices established in ISO 21502.

#### **4.7.2 Duties of a contract manager**

**4.7.2.1** A contract manager, who may or may not be a member of the procuring entity's staff, shall be responsible for applying the terms and conditions of a contract, including the agreed procedures for the management thereof, subject to any constraints that may be imposed by the procuring entity.

**4.7.2.2** The contract manager, shall

- a) act as stated in the contract as the agent of the employer, subject to any constraints that may be imposed by the procuring entity in terms of its construction procurement policy;
- b) timeously obtain approvals at procurement gates for taking actions to increase the total of the prices or time for completion when administering contract or order issued in terms of a framework agreement so that the work is not disrupted while approvals are being sought (see Procurement Gates 8A to 8F in Figure 4 and Table 6);
- c) promptly provide all information for a contract or order required to populate and maintain registers for governance purposes including:
  - 1) the agreed time for completion or delivery at the start of the contract or order and any changes to such times made in accordance with the provisions of the contract;
  - 2) an initial and a revised cash flow forecast;
  - 3) the agreed and forecasted total of prices;
  - 4) where applicable, the estimated price adjustment for inflation; and
  - 5) final delay damages and retention amounts;
- d) manage the interface between the contractor and those responsible for providing client organisation inputs;
- e) develop and maintain a contract risk register;
- f) provide a monthly report on events which, in terms of the contract, cause the total of prices to increase or the contract completion date to be changed;
- g) report monthly on specific key performance indicators required by a procuring entity, funder or in terms of legislation;
- h) immediately notify the client delivery manager of any health and safety events that impact on the work undertaken in terms of the contract;
- i) provide the client delivery manager with adequate notice of the anticipated date of completion of a part or the whole of the works so that the necessary handover arrangements with the client organisation or end user may be made; and
- j) ensure that the necessary CIDB best practice assessment scheme reports are developed in accordance with the provisions of the Construction Industry Development Regulations;

- k) make inputs into the close out report, including those relating to cost norms or benchmarks, contractor / supplier performance and the attainment, or not, of project objectives; and
- l) coordinate the social facilitation requirements for the contract, and maintain a record of all stakeholder engagements.

#### **4.7.3 Qualifications of a contract manager**

The contract manager responsible for the contract management of a construction works contract or order relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure, shall be a built environment professional .

#### **4.7.4 Payment against certified amounts**

Payment shall be made by the procuring entity against the amount certified by the contract manager. Any corrections to a certified amount other than a final amount shall be affected in the subsequent payment certificate.

#### **4.7.5 Meetings on construction contracts**

The focus of site meetings relating to construction contracts between the contract manager and the contractor in site meetings shall be on how the effects of project risks which can:

- a) increase the contract amount;
- b) delay the time for completion, the client organisation from realising benefits or others from doing their work;
- c) adversely affect the performance of works in use; or.
- d) cause the works for whatever reason to cease

can be avoided or reduced.

### **4.8 Risk management**

**4.8.1** Risk management by a procuring entity of risks which have a significant chance of occurring shall include :

- a) an identification of risks, including possible consequential risks;
- b) an analysis of risks to determine the probabilities of occurrence and the likely impacts thereof;
- c) decisions as to how risks are to be allocated and managed through the life of a project to contain them within acceptable limits;
- d) monitoring and controlling changes in risks; and
- e) gathering and analysing data enabling informed decisions to be made.

**4.8.2** A procuring entity shall manage risks on projects through the following as applicable:

- a) focussing decision making on:
  - 1) the attainment of value for money through the evaluation of relevant costs and benefits together with the assessment of risks;
  - 2) the final contract amount (outturn cost) which equates to the sum of the initial contract price for work, contract price adjustment for inflation and the cost of risk events that materialise in the execution of a contract for which the contractor is not responsible;
  - 3) the management of risk events which impact negatively on time, cost and quality or performance and which may be foreseen or unforeseen and have the potential to negatively

- impact project outcomes during the protracted delivery process;
- 4) proactive management of project contingency sums in a stepped manner as provided for in 4.3.4 at Procurement Gates 8C and 8D to fund risks for which the client organisation is financially liable;
  - b) the proactive mitigation of risks which threaten project outcomes through:
    - 1) the application of the control frameworks established in 4.3;
    - 2) the formulation of appropriate procurement strategies and tactics for projects aimed at achieving value for money and cost effective project outcomes taking into account risks, policy objectives and the total cost of ownership or the life cycle of that which is procured (see 4.5.3 and 5.7.1.2);
    - 3) the framing of delivery models around the following:
      - i) the contractual transfer or retention of risk, based on the allocation of risk to the part best able to manage such risk or where the efficiency gains by transferring risk are higher than the losses from inefficient risk pricing;
      - ii) the mitigation of risk through collaborative approaches and making use of competitive negotiations to address uncertainties in tender processes;
      - iii) the degree to which externalised project activities are bundled;
      - iv) the appropriate identification of work packages associated with the scope of the project and the arrangements for interface management between work packages;
      - v) the approach to remuneration on a cost or price basis;
      - vi) the introduction in contracts of positive / negative incentives such as pain/ gain share regimes and performance bonds; and
      - vii) when in the project cycle are contractors involved in the design process or assigned design responsibilities;
    - 4) establishment of contingency plans to deal with risks should they occur;
    - 5) having in place emergency procedures which may be rapidly activated when an emergency arises; and
  - c) risk transfer to insurers.
  - d) processes and procedures to deal with social disruptions and corruption and avoid non-compliance with labour, environmental, planning, and health and safety legislation which can delay projects or increase costs.

**4.8.3** Risk registers shall be established and maintained to enable risk relating to the procurement system to be identified proactively mitigated and managed at both a project and senior executive level.

**4.8.4** Risks that have a significant negative impact upon project outcomes shall be escalated through the project governance structures established in 4.2 to mitigate the risk.

## **4.9 Logistics management**

**4.9.1** The logistics management system shall address at least the following:

- a) the requisitioning of goods or services;
- b) the placing of orders for goods or services;
- c) the receipt of goods or services;

- d) the distribution of goods;
- e) the preparation of payment vouchers;
- f) the reconciliation of inventory records with financial accounts; and
- g) inventory management including:
  - 1) the measurement of inventory for reporting in the annual financial statements and in associated disclosures;
  - 2) a coding system for the recording of inventory items;
  - 3) manual or computerised systems for demand forecasting and material requirement planning;
  - 4) approaches for inventory control;
  - 5) stock levels for the different categories of inventory items;
  - 6) quality and re-order point models to be used for categories of inventory items;
  - 7) stocktake requirements;
  - 8) mechanisms to prevent theft, losses, wastage and misuse for each category of items;
  - 9) warehouse and stockroom organisation; and
  - 10) systems, whether manual or computerised, for the recording of inventory transactions.

**4.9.2** Materials, equipment and plant may be procured and issued free of charge to a contractor for incorporation into the works. Care shall be taken to ensure that suitable arrangements or measures are in place to minimise:

- 1) loss, degradation or damage to such items until the contractor has received and accepted them; and
- 2) delays in supply which can result in increases in the contractor's prices for providing the works.

#### **4.10 Disposal management**

The procuring entity shall appoint a disposal committee to decide on how best to undertake disposals who shall make recommendations on disposals.

Note: 5.6.9 establishes disposal methods

#### **4.11 Monitoring and assessment of procurement performance**

**4.11.1** The client delivery manager shall ensure that the following registers are developed, maintained and kept up to date (see Annex A):

- a) a planned procurement and commitment register to record for each project the contract value for all the contracts or orders issued in terms of a framework agreement, and the estimated value of a planned procurement so that at any point in time the total value of work that is committed for a project can be compared with the authorised project expenditure;
- b) a contracts register to provide particulars of all contracts and orders issued in terms of a framework agreement, including information relating to the starting price, details relating to the time for completion and any changes in the prices and time for completion;
- c) a payment register to record all the payments that have been certified for payment against each contract or order issued in terms of a framework agreement; and

- d) a purchase order register (or the equivalent thereof) which links contracts and orders and payments relating thereto to the authorised amounts within the procuring entity's financial management system.

**4.11.2** The client delivery manager shall ensure proper feedback on projects so that all the role players are fully aware of everything taking place and can take any corrective action that may be required in accordance with the provisions of ISO 21502.

**4.11.3** The client delivery management team shall:

- a) review, as necessary progress towards the attainment of project deliverables, outcomes, outputs and benefits as well as deviations from the expected or anticipated progress
- b) review, on at least a monthly basis project timelines, budgets and cash flows and carefully monitor any potential deviations and the effect of corrective actions taken;
- c) continuously monitor the status of project contingency sums and reduce unused contingency sums as the work progresses; and
- d) propose mitigation measures to bring projects closer to what was planned or prepare proposed changes to reflect the changed circumstances for consideration by the governance structures.

## **4.12 Reporting**

**4.12.1** Reports prepared by the client delivery management team for senior executives and the governing body should focus on providing the status, analysis of variances, and forecasts of future performance for projects in relation to project plans (see ISO 21502). They should also, as relevant, report on the progress towards the attainment of benefits including those associated with targets (key performance indicators) associated with the implementation of preferential procurement policy.

**4.12.2** The client delivery management team shall ensure that financial data is gathered to enable a financial report to be generated at quarterly intervals which:

- a) lists the packages which have completed stage 5 (works) together with actual expenditure;
- b) indicates the following for packages which have advanced beyond stage 2 (concept and viability or stage 2 (concept design) but have not yet completed stage 5 (works):
  - 1) budget for the financial year;
  - 2) expenditure committed to date;
  - 3) actual expenditure to date;
  - 4) remaining budget for the year;
  - 5) forecast expenditure for the remainder of the year; and
  - 6) forecast over/under expenditure for the year;
- c) indicates professional fees and any furniture, fittings and equipment associated with a project or package; and
- d) enables "actual" versus "committed" and "planned" expenditure to be compared.

## **5 Procurement methods and procedures**

### **5.1 General**

**5.1.1** Procurement shall be undertaken in accordance with:

- a) the relevant requirements of SANS ISO 10845-1, SANS ISO 10845-2, SANS ISO 10845-3 and SANS ISO 10845-4; and
- b) the administrative procedures embedded in the standard forms of contract and associated contract data incorporated in a contract; and
- c) the guidance provided in SANS ISO 22058 and ISO 6082.

**5.1.2** All contracts that are entered into following a procurement process shall be in writing.

**5.1.3** Written reasons shall upon request be made to respondents and tenderers for any decisions that are taken during a call for an expression of interest and an invitation to tender. Such reasons for actions taken should be as brief as possible and where relevant be framed around the clauses in:

- a) SANS ISO 10845-4 which give rise to the reason why a respondent was not admitted to a data base, short listed or prequalified to be invited to submit tender offers; and
- b) SANS ISO 10845-3, as to why a tenderer was not considered for the award of a contract or not awarded a contract.

## **5.2 Selection methods**

**5.2.1** The methods by which tenders are solicited from the market shall be in accordance with the provisions of Table 10 and the corresponding requirements of SANS ISO 10845-1. The open selection method shall be the default method. Other selection methods may be used where the conditions associated with a method in Table 10 are satisfied unless otherwise stated in a construction procurement policy.

**5.2.2** Approval for the use of a confined market selection method shall only be valid for a period not exceeding 18 months.

**5.2.3** The period between calling for expressions of interest and the inviting of submissions in the qualified procedure shall not exceed 18 months.

**5.2.4** The nominated procedure may only be used where the procuring entity has in place a rotating electronic data base which substantially satisfies the provisions of 4.5.1 and 4.5.2 of SANS ISO 10845-1. Calls for expressions of interest for admission to the rotating electronic data base shall be made at least once a year. Respondents shall be admitted to the data base for a period of three years whenever they make an application and comply with the entry requirements and are removed from the data base after the expiry of this period.

Note: A rotating electronic data base is a form of a panel that satisfies the system requirements established in Table 1. It ensures that those on the data base are afforded an opportunity to submit tenders when requested to do so.

**5.2.5** Quotations in the quotation procedure shall only be invited from prospective contractors whose core business is to supply the required goods or services or any combination thereof in a manner which is consistent with the system objectives identified in Table 1, giving tenderers the minimum number of working days stated in a construction procurement policy to respond to the invitation.



**Table 10: Standard selection methods and the conditions under which they may be applied**

| Selection method<br>(see clause in SANS<br>ISO 10845-1) | Description                                                                                                                                                                                                                                                                                                    | Conditions which need to be satisfied to utilise the procedure unless otherwise stated in a construction<br>procurement policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 Negotiation<br>(6.3.3)                                | A tender offer is solicited from a single tenderer.                                                                                                                                                                                                                                                            | <p>Any procurement where it is established with reasonable certainty that:</p> <ol style="list-style-type: none"> <li>1) a rapid response is required due an emergency and there is insufficient time to mitigate the risks relating thereto using a competitive selection method (see Table 8) ;</li> <li>2) the required goods, services or works cannot technically or economically be separated from another contract previously performed by a specific contractor;</li> <li>3) only one contractor has been identified following market research as possessing the necessary experience and qualifications or product to deliver value for money in relation to a particular need;</li> <li>4) the service or works being procured are largely identical to work previously executed by that contractor and it is not in the interest of the public or the procuring entity to solicit other tender offers;</li> <li>5) the nature of the works, goods or services, or the risks attached thereto, do not permit prior overall pricing;</li> <li>6) it is impractical to pursue a competitive selection method due to artistic, technical reasons, exclusive rights or achieving compatibility with other members of or balanced skills sets within a client delivery management team;</li> <li>7) specialist or strategic inputs are required to address gaps and shortcomings in initiating and implementing projects or overseeing delivery which threatens cost effective project outcomes; or</li> <li>8) none or only one responsive tender is received in response to a competitive selection method and it is unlikely that fresh tenders will result in a different outcome</li> </ol> <p>An unsolicited proposal is converted into a contract.</p> |
| 2 Competitive<br>selection<br>(6.3.2.1)                 | Any selection method in which the contract is normally awarded to the contractor who submits the lowest financial offer or obtains the highest number of tender-evaluation points.                                                                                                                             | A competitive selection method is the default option. A negotiated and competitive negotiation method should only be used were justified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 2A Nominated<br>(6.3.2.2)                               | Tenderers that satisfy stipulated criteria are entered into an electronic database. Tenderers are invited to submit tender offers based on search criteria and, if relevant, their position in the database. Tenderers are repositioned in the database upon appointment or upon submission of a tender offer. | <p>Any procurement where:</p> <ol style="list-style-type: none"> <li>1) large numbers of procurement transactions are required for work that is relatively simple and routine in nature or the goods or services are readily obtainable form the market;</li> <li>2) the employer's exposure to risks are low;</li> <li>3) the procurement transactions are below a prescribed threshold; and</li> <li>4) the employer has in place a rotating data base which satisfies the requirements of SANS ISO 10845-1</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Selection method<br>(see clause in SANS<br>ISO 10845-1)                | Description                                                                                                                                                                                                                                                                     | Conditions which need to be satisfied to utilise the procedure unless otherwise stated in a construction<br>procurement policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                            |
|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2B Open<br>(6.3.2.3)                                                   | Tenderers may submit tender offers in response to an advertisement by the procuring entity to do so.                                                                                                                                                                            | Any procurement, except where the cost of the evaluation of a large number of tender submissions is disproportionate to the value of the work.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                            |
| 2C Qualified<br>(6.3.2.4)                                              | A call for expressions of interest is advertised and thereafter only those tenderers who have expressed interest, satisfy objective criteria and who are selected to submit tender offers, are invited to do so.                                                                | Any procurement where:<br>1) a contract requires for its execution a high degree of specialised input, skills or expertise which are not readily available, or requires exceptional management skills or quality;<br>2) a tender submission requires significant tenderer inputs to respond appropriately to requirements and make a tender offer;<br>3) it is desirable, in a large programme or project, to link packages of work to tenderers who have the appropriate capacity and capability to compete against one another; or<br>4) the time and cost required to examine and evaluate a large number of tender offers is excessively high. |                                                                                                                                                                                            |
| 2D Quotation<br>(6.3.2.5)                                              | Tender offers are solicited from not less than three tenderers, subject to the procedures being fair, equitable, transparent, competitive and cost-effective.                                                                                                                   | Any procurement where the estimated contract value does not exceed a prescribed threshold                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                            |
| 2E Proposal<br>procedure using the<br>two-envelope system<br>(6.3.2.6) | Tenderers submit technical and financial proposals in two envelopes. The financial proposal is only opened if the technical proposal is found to attain the minimum threshold score.                                                                                            | Any procurement involving the provision of services including professional services where tenderers are required to develop a scope of work and price proposals to satisfy a broad scope of work.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                            |
| 2F Proposal<br>procedure using the<br>two-stage system<br>(6.3.2.7)    | Non-financial proposals are called for. Tender offers are then invited from those tenderers that submit acceptable proposals based on revised procurement documents. Alternatively, a contract is negotiated with the tenderer scoring the highest number of evaluation points. | Option 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Any procurement in which tenderers are required to submit technical proposals and, if required, cost parameters around which a contract may be negotiated.                                 |
|                                                                        |                                                                                                                                                                                                                                                                                 | Option 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Any procurement in which tenderers are invited to submit technical proposals in the first stage and to submit tender offers based on procurement documents issued during the second stage. |
| 2G Confined market<br>(6.3.2.8)                                        | Tenders are invited from a limited number of tenderers who can provide goods, services or construction works which are not freely available in the market, or which are provided solely for the client organisation in accordance with unique requirements.                     | It is established following market research that there are only a very limited number of contractors who are able to provide the required goods, services or works which:<br>1) are not freely available in the market, or which are provided solely for the client organisation in accordance with unique requirements; or<br>2) there is justification for standardising goods or making use of manufacturer-accredited contractors                                                                                                                                                                                                              |                                                                                                                                                                                            |
|                                                                        |                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                            |

| Selection method<br>(see clause in SANS<br>ISO 10845-1) | Description                                                                                                                                                                                                                                                                                                            | Conditions which need to be satisfied to utilise the procedure unless otherwise stated in a construction<br>procurement policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3 Competitive<br>negotiation<br>(6.3.4)                 | A selection method which reduces the number of tenderers competing for the contract through a series of negotiations until the remaining tenderers are invited to submit their final offers.                                                                                                                           | Procurements where tenderers:<br>1) need to discuss aspects of the service, goods or construction works which might influence their financial and non-financial proposals;<br>2) might benefit from interactions with designers before finalizing their proposals and in design and construct construction contracts or supply contracts.                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 3A<br>Restricted competitive<br>negotiations            | A call for expressions of interest is advertised and thereafter only those tenderers who have expressed interest, satisfy objective criteria and who are selected to submit tender offers, are invited to do so. The procuring entity evaluates the offers and determines who may enter into competitive negotiations. | As for open competitive negotiations, but where:<br>1) a contract requires for its execution a high degree of specialised input, skills or expertise which is not readily available, or requires exceptional management skills or quality;<br>2) a tender submission requires significant tenderer inputs to respond appropriately to requirements and make a tender offer;<br>3) it is desirable, in a large programme or project, to link packages of work to tenderers who have the appropriate capacity and capability to compete against one another; or<br>4) the time and cost required to examine and evaluate a large number of tender offers is high.                                                                                            |
| 3B<br>Open competitive<br>negotiations<br>(6.3.4)       | Tenderers may submit tender offers in response to an advertisement by the procuring entity to do so. The procuring entity evaluates the offers and determines who may enter into competitive negotiations.                                                                                                             | Any procurement where:<br>1) it is not feasible to formulate detailed specifications for the work or to identify the characteristics of goods or works to obtain the most satisfactory solution to procurement needs;<br>2) there are various possible means of satisfying procurement needs;<br>3) the technical character of the goods or works, or the nature of the services, warrants the use of competitive negotiations to realise the most satisfactory solution to procurement needs;<br>4) the purpose of the contract is research, experimentation, study or development; or<br>5) all the tenders received in a competitive selection procedure are non-responsive and the calling for fresh tenders is likely to result in a similar outcome. |

### 5.3 Framework agreements

**5.3.1** A framework agreement for goods, works or services shall:

- a) be put in place using an appropriate selection method in accordance with the provisions of 5.2;
- b) be entered into in a single-stage with all the terms which may be called off over the term of the agreement being agreed at the time that the agreement is concluded;
- c) be implemented in accordance with the provisions of clause 6.4 of SANS ISO 10845-1;
- d) have a term not exceed 4 years unless a shorter period is stated in a construction procurement policy or the procuring entity can on good grounds justify a longer period.

Note: A framework agreement is a contractual arrangement for variable volumes of goods, services or works which may be instructed over a term.

**5.3.2** Orders may be issued in accordance with 4.3.5 with or without reopening competition amongst contractors. Competition is not reopened where there is only one contractor or where the framework agreement sets out all the terms governing orders and objective criteria or a mechanism exists which can be applied to choose one contractor over other contractors. Competition shall take the form of a mini-competition, based on quotes or proposals.

**5.3.3** A contracting entity may:

- a) enter into a framework agreement covering the same scope of work with more than one contractor and may put in place further agreements with the same scope of work during the term of such agreements;
- b) approach the market for goods, works or services covered by a framework agreement during the term of such agreement whenever it considers that better value in terms of time, cost and quality may be obtained;

**5.3.4** A procuring entity may request in writing to make use of one or more framework agreements entered into by another procuring entity. Such a request, signed by the governing body of that organisation shall:

- a) outline the scope and anticipated quantum of work associated with the work that is required;
- b) provide a motivation for the use of the framework agreement; and
- c) detail the benefit for the state to be derived from making use of the framework agreement.

**5.3.5** The governing body of the procuring entity may approve a request made in terms of 5.3.4 to make use of the organisation's framework contract, conditionally or unconditionally, if:

- a) the framework agreement was put in place following a competitive tender process;
- b) confirmation is obtained that the framework agreement is suitable for the intended use, and the required goods, services and works fall within the scope of such contract;
- c) the other party to the agreement (contractor) agrees in writing to accept an order from that procuring entity;
- d) the requesting procuring entity undertakes to pay the contractor in accordance with the terms and conditions of the agreement; and
- e) the term of the framework agreement does not expire before the issuing of the required orders.

## 5.4 Design competitions

Design competitions shall be conducted in accordance with the provisions of clause 6.5 of SANS ISO 10845-1.

## 5.5 Targeted procurement procedures

Targeted procurement procedures described in SANS ISO 10845-1, SANS ISO 22058 and ISO 6082 may be used provided they do not breach the system requirements expressed in Table 1. Where they breach these system parameters, the provisions of 5.6 apply.

## 5.6 Preferential procurement

### 5.6.1 General

A procuring entity shall where possible, permitted and provided for in a construction procurement policy implement any or all of the following:

- a) set-asides in accordance with the provisions of 5.6.2;
- b) pre-qualification in accordance with the provisions of 5.6.3; or
- c) subcontract in accordance with the provisions of 5.6.4;
- d) requirements that only locally produced goods or locally manufactured goods meet a threshold for minimum local production and content in accordance with the provisions of 5.6.5; and
- e) measures to advance sustainable development in accordance with the provisions of 5.6.6; and
- f) measures to address specified developmental objectives in accordance with the provisions of 5.6.7.

### 5.6.2 Set-asides for preferential procurement

**5.6.2.1** A procuring entity shall, where possible, set-aside contracts having an estimated contract value below a threshold stipulated in a construction procurement policy for targeted categories of persons. The targeted categories of persons shall be:

- a) limited to the categories of persons identified in the Public Procurement Act of 2024 who have the relevant prescribed ownership and membership percentages; and
- b) prescribed or identified in the procuring entity's construction procurement policy provisions for set-asides.

**5.6.2.2** Only targeted categories of persons are eligible to be invited to submit tender offers. At least the number of persons stated in a construction procurement policy who have the capability and capacity to perform the proposed contract shall be invited to submit tender offers. Submissions shall be evaluated in accordance with method 1 (financial offer) as provided for in SANS ISO 10845-1.

**5.6.2.3** Where it is not possible to identify the minimum number of suitable targeted categories of persons to perform the contract stated in a construction procurement policy the prequalifying provisions of 5.6.3 shall be applied.

### 5.6.3 Prequalification criteria for preferential procurement

**5.6.3.1** A procuring entity shall, where possible, apply prequalifying criteria for the award of a contract having an estimated contract value not exceeding a value stipulated in a construction

procurement policy if there is a strong likelihood that at least 5 tenders will satisfy such criteria. A tenderer shall, in order to have their tender evaluated:

- a) satisfy a minimum percentage of preferential procurement from enterprises that are owned and managed by black people in terms of the applicable code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- b) undertake if considered feasible by the procuring entity, to subcontract a prescribed minimum percentage of the contract to categories of persons identified in the Public Procurement Act of 2024 which satisfy prescribed ownership and member percentages; provided that in the case of construction contracts, subcontractors so engaged are registered in terms of the Construction Industry Development Board Act of 2000.

**5.6.3.2** Submissions shall, as relevant, be evaluated in accordance with method 1 (financial offer) or method 2 (financial offer and quality) as provided for in SANS ISO 10845-1.

**5.6.3.3** Subcontractors shall not be engaged in terms of a written subcontract which contains any of the following:

- a) a right to set off in favour of the employing contractor not provided for by law;
- b) authoritarian rights given to the employing contractor or his agent, with no recourse to independent adjudication in the event of a dispute arising;
- c) payment procedures based on a pay-when-paid system;
- d) a dispute resolution process which only makes use of formal proceedings such as arbitration or litigation and excludes inexpensive alternative dispute resolution procedures such as arbitration or litigation; or
- e) conditions which are more onerous than those which exist in the main contract.

**5.6.3.4** Justifiable reasons for a procuring entity not applying the subcontracting portion of the prequalification criteria (5.2.6.2.1b)) include the inappropriate division of responsibilities, increased contractual risk, duplication of establishment charges, under-utilization of resources and practicalities of subcontracting a portion of the contract.

#### **5.6.4 Subcontracting as a condition of contract**

**5.6.4.1** A procuring entity shall, where feasible, require subcontracting as a condition of contract where a contract has an estimated contract value and only if there is a strong likelihood that the minimum number of tenders will be able to comply with such a requirement as stated in a construction procurement policy. A tenderer shall, in order to have their tender evaluated undertake to subcontract a prescribed minimum percentage of the contract to categories of persons identified in the Public Procurement Act of 2024 which satisfy prescribed ownership and member percentages; provided that in the case of construction contracts, subcontractors so engaged are registered in terms of the Construction Industry Development Board Act of 2000.

**5.6.4.2** A procuring entity may, to encouraging the tendering of a beyond minimum subcontracting percentage, offer a preference in terms of a points scoring tender evaluation system. The total preference points in such a system shall not exceed 10% of the total tender evaluation points in accordance with the provisions of SANS ISO 10845-1.

**5.6.4.3** Submissions shall, as relevant, be evaluated in accordance with method 1 (financial offer), method 2 (financial offer and quality), method 3 (financial offer and preference) or method 4 (financial offer, quality and preferences) as provided for in SANS ISO 10845-1.

**5.6.4.4** The successful tenderer shall be free to identify and engage subcontractors in terms of a written subcontract which does not contain any of the following:

- a) a right to set off in favour of the employing contractor not provided for by law;
- b) authoritarian rights given to the employing contractor or his agent, with no recourse to independent adjudication in the event of a dispute arising;
- c) payment procedures based on a pay-when-paid system;
- d) a dispute resolution process which does not include inexpensive alternative dispute resolution procedures, such as mediation or adjudication, but which only makes use of formal proceedings such as arbitration or litigation; or
- e) conditions which are more onerous than those which exist in the main contract.

**5.6.4.5** Justifiable reasons for a procuring entity not applying subcontracting as a condition of contract include the inappropriate division of responsibilities, increased contractual risk, duplication of establishment charges, under-utilization of resources, practicalities of subcontracting a portion of the contract.

## **5.6.5 Designation of sectors for local production and content**

**5.6.5.1** The procuring entity shall, where the Minister for Trade, Industry and Competition, has designated a sector, sub-sector or product for local production and content, advertise the tender with a specific condition that only locally produced goods or locally manufactured goods meeting the stipulated minimum threshold for local production and content will be considered. Any submission which fails to meet the stipulated minimum threshold for local production and content shall not be eligible to be evaluated.

**5.6.5.2** The provisions of 5.6.4.1 shall not apply or only apply in part where the procuring entity has obtained a waiver in accordance with the provisions of the Public Procurement Act of 2024.

**5.6.5.3** Submissions shall, as relevant, be evaluated in accordance with method 1 (financial offer), method 2 (financial offer and quality), method 3 (financial offer and preference) or method 4 (financial offer, quality and preferences) as provided for in SANS ISO 10845-1.

## **5.6.6 Measures to advance sustainable development**

**5.6.6.1** A procuring entity may develop Key Performance Indicators (KPI) or identify practices to promote sustainable development i.e. development that meets the environmental, social and economic needs of the present without compromising the ability of future generations to meet their own needs. Such KPIs and practices may be linked to a preference points system in the evaluation of tenders to offer a preference to tenderers who undertake to equal or exceed a KPI or embrace identified practices subject to:

- a) KPIs being formulated in accordance with the provision of SANS ISO 22058 and are incorporated into the scope of work associated with a contract;
- b) identified practices are fully specified in the scope of work;
- c) the total preference points in the tender evaluation system do not exceed 10% of the total tender evaluation points in accordance with the provisions of SANS ISO 10845-1; and
- d) penalties are included in the contract should the KPIs not be achieved or the practices fail to be implemented.

**5.6.6.2** Submissions shall, as relevant, be evaluated in accordance with method 1 (financial offer), method 2 (financial offer and quality), method 3 (financial offer and preference) or method 4 (financial offer, quality and preference).



**5.6.7 Measures to address specified developmental objectives**

**5.6.7.1** A procuring entity may develop Key Performance Indicators (KPI) or identify practices to promote beneficiation and innovation, advancing creation of jobs, intensification of labour absorption and development of small enterprises within geographical areas. Such KPIs and practices may be linked to a preference points system in the evaluation of tenders to offer a preference to tenderers who undertake to equal or exceed a KPI or embrace identified practices subject to:

- a) KPIs being formulated in accordance with the provision of SANS ISO 22058 and are incorporated into the scope of work associated with a contract;
- b) identified practices are fully specified in the scope of work;
- c) the preference points in the tender evaluation system do not exceed more than 10% of the total tender evaluation points in accordance with the provisions of SANS ISO 10845-1; and
- d) penalties are included in the contract should the KPIs not be achieved or the practices fail to be implemented.

**5.6.7.2** Submissions shall be evaluated, as relevant, in accordance with method 1 (financial offer), method 2 (financial offer and quality), method 3 (financial offer and preference) or method 4 (financial offer, quality and preferences)

**5.6.8 Preferential procurement reporting**

A procuring entity shall:

- a) verify that the conditions associated with preferential treatment were met maintain records regarding the use of the different procedures and what preference was applied and
- b) the measurable benefits that were achieved.

**5.6.9 Disposal methods**

Disposals may be undertaken using:

- a) a suitable selection method as provided for in clause 6.3.5 of SANS ISO 10845-1;
- b) a public auction (see Annex H of SANS ISO 10845-1);
- c) transfers to other organs of state;
- d) recycling or re-use of component materials; or
- e) controlled dumping.

**5.7 Procurement documents****5.7.1 General requirements**

**5.7.1.1** Procurement documents shall as relevant:

- a) require those making submissions to submit particulars sufficient for the procuring entity to evaluate their submissions, establish their credentials and assess their capabilities and capacities to perform a contract;
- b) establish the risks, liabilities and obligations of the parties to the contract, the procedures for the management of the contract and how the contractor is to be remunerated in terms of the contract; and

- c) define the nature, quality and quantity of goods, services or any combination thereof to be provided in the performance of the contract.

**5.7.1.2 Procurement documents shall be:**

- a) prepared in English;
- b) developed in accordance with the relevant provisions of clause 6.2 of SANS ISO 10845-1 and clause 4 of SANS 10845-2;
- c) formatted and compiled under the headings in accordance with the provisions of clauses 5 and 6 of SANS ISO 10845-2 as relevant, using the headings and contents aligned with the provisions of Tables 11, 12 and 13; and
- d) framed around suitable tactics which enable identified procurement strategies to be effectively implemented (see ISO 22058).

**Table 11: Documents that relate to a call for expressions of interest**

| Contents                                         |                                                           | Function and broad outline of contents                                                                                                                                                                                               |
|--------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number                                           | Heading                                                   |                                                                                                                                                                                                                                      |
| E1: Submission procedures                        |                                                           |                                                                                                                                                                                                                                      |
| E1.1                                             | Notice and invitation to submit an expression of interest | Alerts respondents to submit their credentials in order to be admitted to an electronic database or to be invited to submit tenders should they satisfy the stated criteria.                                                         |
| E1.2                                             | Submission data                                           | Establishes the rules from the time a call for an expression of interest is advertised to the time a submission is evaluated.                                                                                                        |
| E2: Returnable documents                         |                                                           |                                                                                                                                                                                                                                      |
| E2.1                                             | List of returnable documents                              | Ensures that everything the employer requires a respondent to include in his submission is included in, or returned with, such a submission.                                                                                         |
| E2.2                                             | Submission schedules                                      | Contains documents that the respondent is required to complete for the purpose of evaluating submissions.                                                                                                                            |
| E3: Indicative scope of work (where appropriate) |                                                           |                                                                                                                                                                                                                                      |
| E3                                               | Indicative scope of work                                  | Indicates to respondents what the contract is likely to entail so that they can make an informed decision as to whether or not they wish to respond and, if so, structure their submission around the likely demands of the project. |

**Table 12: Documents that relate to the tender**

| Contents                 |                                        | Function and broad outline of contents                                                                                                                                                   |
|--------------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number                   | Heading                                |                                                                                                                                                                                          |
| T1: Tendering procedures |                                        |                                                                                                                                                                                          |
| T1.1                     | Tender notice and invitation to tender | Alerts tenderers to the nature of the goods, services and construction works required by the employer and should contain sufficient information to enable them to respond appropriately. |
| T1.2                     | Tender data                            | Establishes the rules from the time a tender is invited to the time a tender is awarded.                                                                                                 |
| T2: Returnable documents |                                        |                                                                                                                                                                                          |
| T2.1                     | List of returnable documents           | Ensures that everything the employer requires a tenderer to submit with his tender is included in, or returned with, his tender submission.                                              |
| T2.2                     | Returnable schedules                   | Contains documents that the tenderer is required to complete for the purpose of evaluating tenders and other schedules which, upon acceptance, become part of the subsequent contract.   |

**Table 13: Documents that relate to the contract**

| Contents                                           |                                                          | Broad outline of contents                                                                                                                                                                                                                      |
|----------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number                                             | Heading                                                  |                                                                                                                                                                                                                                                |
| C1: Agreements and contract data                   |                                                          |                                                                                                                                                                                                                                                |
| C1.1                                               | Form of offer and acceptance                             | Formalizes the legal process of offer and acceptance.                                                                                                                                                                                          |
| C1.2                                               | Contract data                                            | Identifies the applicable conditions of contract and associated contract-specific data that collectively describe the risks, liabilities and obligations of the contracting parties and the procedures for the administration of the contract. |
| C2: Pricing data                                   |                                                          |                                                                                                                                                                                                                                                |
| C2.1                                               | Pricing assumptions                                      | Provides the criteria and assumptions which it is assumed (in the contract) that the tenderer has taken into account when developing his prices and fee percentages in the case of cost-reimbursable contracts.                                |
| C2.2                                               | Pricing schedules/ activity schedule/ bill of quantities | Records the contractor's prices for providing goods, services or construction works which are described in the scope of work section of the contract.                                                                                          |
| C3: Scope of work                                  |                                                          |                                                                                                                                                                                                                                                |
| C3                                                 | Scope of work                                            | Specifies and describes the goods, services or construction works which are to be provided and any other requirements and constraints relating to the manner in which the contract work shall be performed.                                    |
| C4: Site information (construction contracts only) |                                                          |                                                                                                                                                                                                                                                |
| C4                                                 | Site information                                         | Describes the site at the time of tender to enable the tenderer to price his tender and to decide upon his method of working and programming, and risks.                                                                                       |

**5.7.1.3** Procurement documents shall incorporate requirements to enable the implementation of the register of contractors and the best practice project assessment schemes established in terms of the Construction Industry Development Act.

### **5.7.2 Notice and Invitation to submit an Expression of Interest or Tender**

The notice and invitation to submit an expression of interest or tender shall comply with the minimum requirements established in subclauses 5.2.1 and 5.3.1 of SANS ISO 10845-2 and as a minimum contain the wording of the progorma documents published on the CIDB website.

### **5.7.3 Submission and tender data**

**5.3.2.1** The submission data shall reference the Standard Conditions for the Calling for Expressions of Interest contained in SANS ISO 10845-4. The tender data shall reference the Standard Conditions of Tender contained in SANS ISO 10845-3.

**5.3.2.2** The tender offer validity period provided for in the tender data shall generally not exceed eight weeks, and in exceptional circumstances shall not exceed 12 weeks, unless otherwise authorised by the procuring entity.

**5.3.2.3** The submission data and tender data for a construction works contract shall include the CIDB contractor grading criteria as provided for in the Construction Industry Development Regulations.

#### **5.7.4 Returnable documents**

**5.7.3.1** Standard returnable documents which are incorporated into expressions of interest and tender documents shall not conflict with the provisions of SANS ISO 10845-2 and be compatible with the contents of SANS ISO 10845-4 and SANS ISO 10845-3, respectively, as well as any standard conditions of contract referenced in the draft contract.

**5.7.3.2** Tender assessment schedules shall, where appropriate, be used to take account of all tendered financial parameters that have an impact upon the final value of the contract to facilitate the reducing of tender offers to a comparative amount in the evaluation of submissions.

**5.7.3.3** The Compulsory Declaration, Proposed amendments and qualifications and the Record of Addenda to Tender Documents obtainable from the CIDB website, shall be included in the tender portion of procurement documents.

#### **5.7.5 Form of offer and acceptance**

**5.7.5.1** The Form of Offer and Acceptance contained in SANS ISO 10845-2 shall be used, with minimal contract-specific amendments, to form the basis of agreement arising from the solicitation of tender offers. The formation of a contract (see SANS 10845-2) shall occur once:

- a) each and every amendment to the tender documents made in terms of addenda issued prior to the close of tenders and permitted in terms of the conditions of tender, and agreed to in the process of offer and acceptance has either:
  - 1) been reflected in the schedule of deviations; or
  - 2) been incorporated into the final contract and a brief summary of the changes made in the final contract document is included in the schedule of deviations so as to allow the reader to understand the nature and extent of the changes; and
- b) the acceptance portion of the Form of Offer and Acceptance has been signed by the person authorised to do so.

**5.7.5.2** A tenderer's covering letter may not be included in the final contract document or referenced in the schedule of deviations. The agreed provisions of such a letter shall be reflected in the schedule of deviations.

#### **5.7.6 Contract data**

**5.7.6.1** The contract data shall reference a suitable standard form of contract which is listed in Table 14 or an amended version of Table 14 published on the CIDB website, unless the procuring entity can on good grounds justify the use of a bespoke contract.

**5.7.6.2** The selected standard form of contract shall be used with minimal contract amendments which do not change their intended usage and shall only be amended when necessary to accommodate special needs.

**5.7.6.3** An alternative dispute resolution procedure shall be used to resolve disputes arising during the performance of a contract prior to proceeding to either arbitration or litigation.

**5.7.6.4** Bonds which guarantee performance with a stated financial benefit in the event of non-performance shall unless otherwise directed by the procuring entity on good grounds:

- a) not be required in service, professional service and supply contracts; and
- b) be between 5% and 12,5% of the contract or package order value, excluding VAT, and may be either a fixed or variable guarantee.

**Table 14: Standard forms of contract**

| Contract type                      | Scope and nature of the contract                                                                                                                                                                                                                                                                                                    | Document                                                                                                                                                                                                                                                               |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Construction contract              | Construct, alter, refurbish or rehabilitate construction works on a site including any level of design responsibility. The contractor is generally responsible for loss of or damage to the works from the time that access is granted to provide the works until the works are completed and taken over by the client organisation | 1) SAICE's General Conditions of Contract for Construction Works<br>2) JBCC Principal Building Agreement<br>3) NEC Contracts published by the Institution of Civil Engineering<br>4) FIDIC Contracts published by the International Federation of Consulting Engineers |
| Design, build and operate contract | Design, build and operate or maintain construction works over a defined period of time                                                                                                                                                                                                                                              | 1) NEC Contracts published by the Institution of Civil Engineering<br>2) FIDIC Contracts published by the International Federation of Consulting Engineers                                                                                                             |
| Professional service contract      | Provide construction works related services with the skill and care normally used by professionals providing services similar to the required services                                                                                                                                                                              | 1) NEC Contracts published by the Institution of Civil Engineering<br>2) Standard contract published by the CIDB                                                                                                                                                       |
| Service contract                   | Manage and provide a construction works related service other than a professional service or maintain construction works and plant in an existing state, typically over a term, which may involve a modest amount of improvement through renewal and replacement                                                                    | 1) NEC Contracts published by the Institution of Civil Engineering<br>2) FIDIC Contracts published by the International Federation of Consulting Engineers                                                                                                             |
| Supply contract                    | Supply local and international construction works related goods and provide any associated services, if any, including design                                                                                                                                                                                                       | NEC Contracts published by the Institution of Civil Engineering                                                                                                                                                                                                        |

**5.7.6.5** Advance payment, where required in construction and supply contracts, may only be made to contractors against the lodging of a suitable advance payment bond and with the approval a person nominated in a construction procurement policy.

**5.7.6.6** Retention monies that are held shall not exceed 10% of any amount due to a contractor. The total amount of retention monies held shall not exceed 5% of the contract or order price.

**5.7.6.7** Professional service appointments shall, unless otherwise directed by the procuring entity on good grounds, be subject to proof of current professional indemnity insurance being submitted by the contractor in an amount of not less than an amount stipulated by the procuring entity in respect of each claim, without limit to the number of claims.

### **5.7.7 Scope of work**

**5.7.7.1** The topics included in the checklist included in Annex C of SANS ISO 10845-2 should be considered when developing a scope of work for a supply, service, professional service or construction contract.

**5.7.7.2** The scope of work shall not reference a particular trademark or trade name, patent, design or type, specific origin or producer unless:

- a) there is not a sufficiently precise or intelligible way of describing the characteristics of the subject matter of the procurement in which case words such as "or equivalent" must be included;
- b) there are clear advantages to do so or there is justification for standardising goods or making use of manufacturer-accredited contractors;

- c) a change in product or manufacturer requires modifications to related equipment and fixtures;  
or
- d) a replacement model requires the holding of additional spares or maintenance personnel.

**5.7.7.3** The scope of work shall include the following where:

- a) it is estimated that a grade 7 or higher contractor grading designation construction contracts in all classes of construction works is required and the time for completion is at least 12 months; and
- b) professional service and term service contracts where the estimated tender value exceeds R 5,0 including VAT and the time for completion is at least 12 months.

The provisions of the Standard for Indirect Targeting for Enterprise Development through Construction Works Contracts shall apply.

**5.7.7.4** The scope of work included in a procurement document for a construction works contract in the general building (GB) or civil engineering (CE) class of construction works shall include the following where:

- a) it is estimated that a grade 7 or higher contractor grading designation is required and the time for completion is at least 6 months; and
- b) at least 25% of the main contract can reasonably be expected to be subcontracted to one or more of the following CIDB classes of construction works:
  - 1) general building works (GB);
  - 2) civil engineering works (CE);
  - 3) electrical engineering works (buildings) (EB); or
  - 4) mechanical engineering works (ME).

The provisions of the Standard for Indirect Targeting for Enterprise Development through Construction Works Contracts shall apply with the following specification data:

The contract participation goal (CPG) is . . . . % [insert a value not less than 5%]

The employer's representative is . . . . . [insert name]

## **5.7.8 Budgetary items**

**5.7.7.1** Provision for budgetary items in procurement documents should as far as possible be avoided. Assumptions should rather be stated in the pricing data so that they can be priced and adjusted in terms of the contract, should these assumptions be incorrect. Where unavoidable, estimates of the likely costs may be included in the contract to cover identified work or services to be performed by a subcontractor appointed in terms of the contract.

**5.7.7.2** No provision for contingency sums or price adjustment for inflation shall be made in the pricing data or included in the contract price at the time that the contract is awarded or an order is issued.

## **5.8 Applying the CIDB register of contractors to public contracts**

**5.8.1** Contractor grading designations shall, where required in terms of the Construction Industry Regulations issued in terms of the Construction Industry Development Board Act, be described in all procurement documents by a three digit alpha-numeric where the first character is a number representing the tender value designation and the next two characters are capital letters representing the designation for the class of construction works indicated in the Construction Industry Development Regulations.

**5.8.2** The following wording shall be included in the Notice and Invitation to Tender in all construction contracts:

It is estimated that tenderers should have a CIDB contractor grading designation of ..... or ..... or higher..

Note: Delete "or ...." where only one class of construction works is applicable.

**5.8.3** The following wording shall be included in the Tender Data, where the class of work is designated in accordance with the provisions of the Construction Industry Development Regulations:

| Clause number (refer to SANS ISO 10845-3) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.1                                       | <p>Only those tenderers who are registered with the CIDB, or are capable of being so prior to the evaluation of submissions, in a contractor grading designation equal to or higher than a contractor grading designation determined in accordance with the sum tendered, or a value determined in accordance with Regulation 25 (1B) or 25(7A) of the Construction Industry Development Regulations, for a ..... or .....*. class of construction work, are eligible to have their tenders evaluated.</p> <p>Joint ventures are eligible to submit tenders provided that**:</p> <p>every member of the joint venture is registered with the CIDB;</p> <p>the lead partner has a contractor grading designation in the ..... or .....* class of construction work; and</p> <p>the combined contractor grading designation calculated in accordance with the Construction Industry Development Regulations is equal to or higher than a contractor grading designation determined in accordance with the sum tendered for a .....* class of construction work or a value determined in accordance with Regulation 25 (1B) or 25(7A) of the Construction Industry Development Regulations.</p> |

\* insert class of construction work (see Table G2). Delete "or ...." where only one class of construction works is applicable.

\*\* include where joint ventures are eligible to submit tenders

**5.8.4** The following wording shall be included in the Notice and Invitation to Submit an Expression of Interest in respect of engineering and construction works, where the contractor grading designation is based on the estimated value of a tender that may arise:

Respondents must have a contractor grading designation of ... or .....or higher.

Note: Delete "or ...." where only one class of construction works is applicable.

**5.8.5** The following wording shall be included in the Submission Data:

| Clause number (refer to SANS ISO 10845-4) |                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.1                                       | <p>Only those respondents who are registered with the Construction Industry Development Board, or are capable of being so registered within 21 working days from the closing date for submission of tenders, in a contractor grading designation of . . . . or . . . . * or higher, are eligible to have their submissions evaluated.</p> |

\*insert contractor grading designation for one or two classes of construction works. Delete "or ...." where only one class of construction works is applicable.

**5.8.6** The following wording may be included in the Submission Data:



| Clause number (refer to SANS ISO 10845-4) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.1                                       | <p>Joint ventures are eligible to have their submissions evaluated provided that:</p> <p>1) every member of the joint venture is registered with the CIDB not later than 21 working days from the closing date for tenders;</p> <p>2) the lead partner has a contractor grading designation in the ... or .....* class of construction work; and</p> <p>3) the combined contractor grading designation calculated in accordance with the Construction Industry Development Regulations is equal to or higher than the required contractor grading designation..</p> |

\* insert class of construction work (see Table L2). Delete "or ...." where only one class of construction works is applicable.

**5.8.7** Where a client or employer promotes potentially emerging enterprises within a framework of a targeted development programme as contemplated in terms of Regulation 25(8) of the Construction Industry Development Regulations:

- a) the wording provided in the Notice and Invitation to Tender in terms of 5.8.2 shall be amended as follows:

It is estimated that tenderers should have a CIDB contractor grading designation of ..... or .....\* or higher. .... or .....\*\* potentially emerging enterprises who satisfy criteria stated in the Tender Data may submit tender offers.

\* insert estimated contractor grading designation in one or two construction classes, as relevant.

\*\* insert one contractor grading designation below estimated contractor grading designation

Note: Delete "or ...." where only one class of construction works is applicable.

- b) the wording in the Tender Data provided in terms of 5.8.3 shall be amended as follows:

| Clause number (SANS ISO 10845-4) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.1                              | <p>The following tenderers who are registered with the CIDB, or are capable of being so registered prior to the evaluation of submissions, are eligible to have their tenders evaluated:</p> <p>a) contractors who have a contractor grading designation equal to or higher than a contractor grading designation determined in accordance with the sum tendered, or a value determined in accordance with Regulation 25 (1B) or 25(7A) of the Construction Industry Development Regulations, for a ..... or .....*. class of construction work; and</p> <p>b) contractors registered as potentially emerging enterprises with the CIDB who are registered in one contractor grading designation lower than that required in terms of a) above and who satisfy the following criteria:</p> <p>.....**</p> |

\* insert class of construction work (see Table L2 ). Delete "or ...." where only one class of construction works is applicable.

\*\*state criteria relevant to employer's targeted development programme

- b) the wording provided in terms of 5.8.4 shall be amended as follows:

Respondents must have a contractor grading designation of ... or ..... or higher. .... or ..... potentially emerging enterprises who satisfy criteria stated in the Submission Data may submit expressions of interest.

Note: Delete "or ...." where only one class of construction works is applicable.

- c) the wording in the Submission Data provided in terms of 5.8.5 shall be amended as follows:

| Clause number (refer to SANS ISO 10845-4) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.1                                       | <p>The following respondents who are registered with the CIDB, or are capable of being so registered not later than 21 working days from the closing date for the submission of tenders, are eligible to have their submissions evaluated:</p> <p>a) those respondents who are registered with the Construction Industry Development Board, or are capable of being so registered within 21 working days from the closing date for submission of tenders, in a contractor grading designation of ..... or .....*or higher; and</p> <p>b) contractors registered as potentially emerging enterprises with the CIDB who are registered in one contractor grading designation lower than that required in terms of a) above and who satisfy the following criteria:</p> <p>.....**</p> <p>.</p> |

\* insert contractor grading designation for one or two classes of construction works. Delete "or ...." where only one class of construction works is applicable.

\*\*state criteria relevant to employer's targeted development programme

- d) details appropriate to any support provided shall be stated in the Contract Data, the Pricing Data and the Scope of Work, as relevant.

**5.8.8** Employers, wherever appropriate, in support of industry development, shall in the application of the register of contractors, promote the participation and development of registered contractors by means of one or more of the following:

- a) unbundling projects into smaller contracts;
- b) implementing targeted development programmes to support potentially emerging contractors in accordance with the provisions of the Construction Industry Development Regulations;
- c) offering preferences to contractors who undertake to enter into joint ventures with or subcontract portions of the works to such contractors; and
- d) requiring a prime contractor to subcontract defined portions of the works to such contractors.

## **6 Conduct of those engaged in procurement and delivery management**

### **6.1 General**

**6.1.1** All agents and employees shall:

- a) behave equitably, honestly and transparently;
- b) discharge duties and obligations timeously and with integrity;
- c) comply with all applicable legislation and associated regulations;
- d) satisfy all relevant requirements established in procurement documents;
- e) avoid conflicts of interest; and
- f) not maliciously or recklessly injure or attempt to injure the reputation of another party.

Note: These general requirements are aligned with those contained in CIDB Code of Conduct published in terms of section 5(4) of the Construction Industry Development Board Act for all parties engaged in construction procurement and SANS ISO 10845-1. The parties that may be directly and indirectly involved in construction procurement include agents, contractors, employers, employees, representatives (an elected person who holds a public office or a member of a board or controlling body of an employer who is not an employee), subcontractors and tenderers. The CIDB Code of Conduct targets all those involved in construction procurement i.e. natural persons, juristic persons and partnerships, as relevant. It is published with a set of examples that illustrate good conduct and, by implication, conduct that would breach this code.

#### **6.1.2 All employees and agents engaged in the procurement system shall:**

- a) exercise powers and perform duties impartially and with the degree of care and diligence that a reasonable person would exercise in similar circumstances;
- b) not use their position, or information obtained because of their position improperly to gain an advantage for themselves or someone else or cause prejudice to any other person;
- c) not interfere with or exert undue influence on any person involved in procurement;
- d) if a conflict of interest exists in a procurement matter, disclose such conflict and recuse himself or herself from participating in the process of that procurement matter.
- e) not perform any duties to unlawfully gain any form of compensation, payment or gratification from any person for themselves or a family member or an associate;
- f) perform their duties efficiently, effectively and with integrity and may not use their position for private gain or to improperly benefit another person;
- g) strive to be familiar with and abide by all statutory and other instructions applicable to their duties;
- h) furnish information in the course of their duties that is complete, true and fair and not intended to mislead;
- i) ensure that resources are administered responsibly;
- j) at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual;
- k) not abuse the power vested in them;
- l) not place themselves under any financial or other obligation to external individuals or firms that might seek to influence them in the performance of their duties;
- m) assist the procuring entity in combating corruption and fraud within the procuring entity's procurement system;
- n) not disclose information obtained in connection with a project except when necessary to carry out assigned duties;
- o) not make false or misleading entries in reports or accounting systems; and
- p) keep matters of a confidential nature in their possession confidential unless legislation, the performance of duty or the provision of the law require otherwise.

### **6.2 Conflicts of interest**

**6.2.1** Employees and agents who are connected in any way to the procuring entity's procurement system activities shall:

- a) disclose in writing to the staff member to whom they report, or to the person responsible for managing their contract, if they have, or a family member or associate has, any conflict of interest; and
- b) not participate in any activities that might compromise the integrity of the procuring entity's procurement system.

**6.2.2** Employees and agents shall declare and address any perceived or known conflict of interest, indicating the nature of such conflict to those responsible for acquisition management at the start of any deliberations relating to the evaluation and award of contract or as soon as they become aware of such conflict, and abstain from any decisions where such conflict exists or recuse themselves from the procurement process, as appropriate.

### **6.3 Evaluation of submissions received from respondents and tenderers**

**6.3.1** An employee or agent of the procuring entity:

- a) may not amend or tamper with any submission, tender or contract in any manner whatsoever.
- b) shall immediately withdraw from participating in any manner whatsoever in a procurement process in which they, or any close family member, partner or associate, has any private or business interest.

**6.3.2** The confidentiality of the outcome of the processes associated with the calling for expressions of interest, quotations or tenders shall be preserved. Those engaged in the evaluation process shall:

- a) not have any conflict between their duties as an employee or an agent and their private interest;
- b) may not be influenced by a gift or consideration (including acceptance of hospitality) to show favour or disfavour to any person;
- c) deal with respondents and tenderers in an equitable and even-handed manner at all times; and
- d) not use any confidential information obtained for personal gain and may not discuss with, or disclose to outsiders, prices which have been quoted or charged to the procuring entity.

### **6.4 Gratifications, hospitality and gifts**

**6.4.1** Employees and agents of the procuring entity shall not, directly or indirectly, accept or agree or offer to accept any gratification from any other person including a commission, whether for the benefit of themselves or for the benefit of another person, as an inducement to improperly influence in any way a procurement process, procedure or decision.

**6.4.2** Employees and agents of the procuring entity as well as their family members or associates shall not receive any of the following from any tenderer, respondent or contractor or any potential contractor:

- a) money, loans, equity, personal favours, benefits or services;
- b) overseas trips; or
- c) any gifts or hospitality irrespective of value from tenderers or respondents prior to the conclusion of the processes associated with a call for an expression of interest or a tender.

**6.4.3** Employees and agents of the procuring entity shall not purchase any items at artificially low prices from any tenderer, respondent or contractor or any potential contractor at artificially low prices which are not available to the public.

**6.4.4** Employees and agents of the procuring entity may for the purpose of fostering inter-personal business relations accept the following:

- a) meals and entertainment, but excluding the cost of transport and accommodation;

- b) promotional material of small intrinsic value such as pens, paper-knives, diaries, calendars, etc; and
- c) complimentary tickets to sports meetings and other public events, but excluding the cost of transport and accommodation, provided that such tickets are not of a recurrent nature.

**6.4.5** Under no circumstances shall gifts be accepted from prospective contractors during the evaluation of calls for expressions of interest, quotations or tenders that could be perceived as undue and improper influence of such processes.

**6.4.6** All agents and employees of the procuring entity shall without delay report any incidences of a respondent, tenderer or contractor who directly or indirectly offers a gratification to them or any other person to improperly influence in any way a procurement process, procedure or decision.

## **Annex A: Implementation guide**

### **A1 Introduction**

Construction works are, except for certain types of residential buildings, necessary to support the strategic and business objectives of client organisations according to their purpose and values. Accordingly, projects involving construction works with a few exceptions form inputs into broader projects, beyond the construction sector. The implications of this, apart from pointing to the linkage between the role played by the client and project outcomes, are that:

- governance processes within the client organisation are required to take ownership of project delivery as an important component of the organisation's business; and
- project delivery is managed as a business rather than as an ad-hoc collection of projects.

Project delivery takes place through a supply chain. Contracts bind the participants in the supply chain. Such projects embrace:

- a "buying" or client delivery management function focusing on client delivery management practices (plan, specify, procure and oversee delivery); and
- a "supply" or delivery function focussing on the management and integration of the resources required to physically deliver the project.

Effective delivery management shaped by strategic decision-making is central to transforming a client's business case and value proposition into successful project outcomes across the entire project lifecycle.

### **A2 Structure and purpose of the standard**

The Public Finance Management Act of 1999 (PFMA) requires an accounting officer or accounting authority to ensure that their organisation has in place an appropriate procurement and provisioning system. The Local Government Municipal Finance Management Act of 2023 (MFMA) requires a council to adopt and implement a supply chain management policy which is in accordance with the provisions of that Act. The Public Procurement Act of 2024 makes the accounting officer or accounting authority of a procuring entity responsible for making decisions on behalf of the entity in terms of the Act. This Act makes the procuring entity responsible for implementing an effective and efficient procurement system including a procurement policy which provides for:

- institutional and governance arrangements;
- demand management;
- procurement planning and budgeting;
- acquisition management;
- contract management, including assessment of projects against outcomes;
- risk management;
- logistics management;
- disposal management;
- monitoring and assessment of procurement performance; and
- reporting.

A construction procurement system as envisaged in the Public Procurement Act of 2024 operates within a structured system of rules, delegation frameworks, control sequencing and oversight mechanisms. The purpose of this standard is to provide a coherent architecture within which procurement decisions are framed, authorised, implemented and, where necessary, corrected. It

establishes a system of planning instruments, control points and procurement processes which together form an integrated control environment across all stages of project delivery.

This standard represents a significant and necessary evolution from a procedural procurement standard toward a structured control framework for project delivery. The inclusion of planning instruments, procurement gates and broader delivery management considerations collectively provide a solid platform for consistently delivering value for money. This is made possible through the provision of a structured control framework within which procurement and delivery decisions are taken, and progression is conditional on defined information, authority and confirmation.

This standard does not include proforma documents for inclusion in procurement documents. Such documents are available from the CIDB website.

### **A3 Tailoring**

The provisions of this standard are generic and scalable in nature and can be applied across the spectrum of construction works projects from the simplest to the most complex in both the public and private sectors. It is recognised that each organisation has its own governance arrangements, capabilities, capacities and needs for project delivery that influence how the standard is implement. At the same time, public sector procurement is in a state of transition in moving from the Supply Chain Management Regulations issued in terms of the PFMA or MFMA towards the implementation of the Public Procurement Act of 2024. As a result, variables such as the number of days within a process are omitted from the text of the standard.

It is therefore not possible to standardise the construction procurement system for all public and private sector organisations. Some tailoring through an organisation's construction procurement policy is necessary. What is possible is to provide:

- uniform and standard processes, methods and procedures to perform procurement and delivery management functions in the delivery or maintenance of construction works;
- generally applicable requirements for an organisation's construction procurement system;
- control frameworks within which decisions may be made in relation to project delivery;
- a framework for the standardisation of procurement documents; and
- ethical practices that regulate the actions, practices and procedures of those engaged in the procurement system for project delivery.

However, there are several policy choices and alignments required to make it organisation specific. It is necessary to:

- tailor some of the principles and provision to the specificities of client organisational needs and levels of maturity;
- discard the application of some of the options or implement them incrementally over time due to organisational capacity and capability constraints;
- make several policy choices and alignments required with the parameters of the current and future public sector legislative framework for procurement.

Such adjustments and tailoring may be performed through the development of the organisation's construction procurement policy, a proforma of which is available from the CIDB website.

Table A1 identifies what needs to be included or considered in a construction procurement policy to align it with the provisions of the standard



**Table A1: Minimum policy requirements to align a construction procurement policy with the standard**

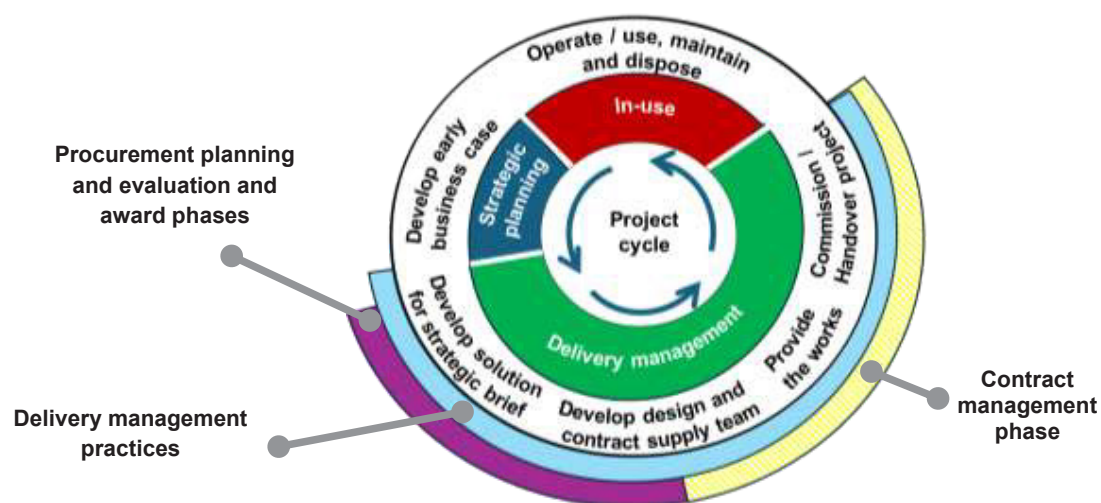
| General clause              | Construction procurement policy requirements and considerations                                                                                                                                                                                                                               | Specific clauses                  |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| 4.1 General principles      | The policy must, based on the provisions of the standard, include a preferential procurement policy aligned with applicable national legislation and organisational delivery capabilities and competencies                                                                                    | 4.1.1 a)<br>4.1.3                 |
| 4.3 Governance arrangements | Assign responsibility for decision making at control gates and add any additional gates if necessary                                                                                                                                                                                          | 4.3.1.1                           |
|                             | The number of years that documents relating to approvals and acceptance are retained for record or potential audit purposes                                                                                                                                                                   | 4.3.1.3                           |
|                             | Cost thresholds and conditions that trigger the development of business cases using the Five Case Mode and gateway review requirements.                                                                                                                                                       | 4.3.2.2a) and g)<br>4.3.3.7       |
|                             | Delegations relating to percentage increases in the total of prices or time for completion at Procurement Gates PG8C or PG8D                                                                                                                                                                  | Table 6;<br>Activity 6<br>4.3.4.4 |
|                             | Identity of person who approves the use of the negotiated and confined market selection method                                                                                                                                                                                                | 4.3.4.3                           |
|                             | Identity of person who is empowered to authorise a rapid response in an emergency which can be dealt with in 48 hours                                                                                                                                                                         | 4.3.4.3b)                         |
| 4.6 Acquisition management  | Requirements for placing of advertisements and the timing of advertisements                                                                                                                                                                                                                   | 4.6.1.1.1                         |
|                             | Permit or prohibit electronic submissions                                                                                                                                                                                                                                                     | 4.6.1.3.1                         |
|                             | Arrangements for a tender box                                                                                                                                                                                                                                                                 | 4.6.1.3.2                         |
|                             | The identity of the opening panel                                                                                                                                                                                                                                                             | 4.6.1.4.1<br>4.6.1.4.2            |
|                             | The number of days following the closure of any advertised call for an expression of interest or an invitation to tender within which data associated therewith must be published on the organisation's website                                                                               | 4.6.1.4.3                         |
|                             | The identity of the person who notifies the award of contracts and orders in terms of framework agreements on the CIDB website in accordance with the provisions of the Construction Industry Development Regulations                                                                         | 4.6.1.5                           |
|                             | The identity of the person who communicates the outcome of the tender process to all participants                                                                                                                                                                                             | 4.6.2.1.1                         |
|                             | Establish:<br><ul style="list-style-type: none"> <li>the value below which the petty cash purchases</li> <li>the estimated value of a procurement above which the quotation procedure may not be applied; and</li> <li>requirements for the application of the quotation procedure</li> </ul> | 4.6.2.1.2                         |
|                             | Establish the membership of the procurement documentation committee, evaluation committee and tender committee                                                                                                                                                                                | 4.6.2.2.3                         |
|                             | Establish requirements for procurement documents which are beyond the minimum requirements of the standard including which standard forms of contract endorsed by the CIDB on their website may be used and requirements to apply standard templates                                          | 4.6.2.5.1                         |
|                             | The identity of the person(s) who are authorised to award a contract                                                                                                                                                                                                                          | 4.6.2.6.1                         |
|                             | The identity of the person(s) who are authorised to issue an order in terms of a framework agreement                                                                                                                                                                                          | 4.6.4                             |
|                             | Establish emergency procurement procedures                                                                                                                                                                                                                                                    |                                   |

| General clause                       | Construction procurement policy requirements and considerations                                                                                                  | Specific clauses |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 4.7 Contract management              | Identify constraints if any that may be imposed on the contracts manager when acting in terms of the contract                                                    | 4.7.2.2a)        |
| 5 Procurement methods and procedures | Identify selection methods which may not be applied and / or modifications to the conditions under which a selection method may be applied                       | 5.2.1            |
|                                      | State the minimum number of working days which tenderers must be given to prepare and submit quotations under the quotation procedure                            | 5.2.5            |
|                                      | State the maximum term of a framework agreement                                                                                                                  | 5.3.1d)          |
|                                      | Identify where possible and permitted in terms of legislation which instruments may be applied to implement a preferential procurement policy                    | 5.6.1            |
|                                      | State the value of the threshold below which set asides may be implemented and where permitted                                                                   | 5.6.2            |
|                                      | Identify the targeted categories of persons for which contracts may be set aside                                                                                 |                  |
|                                      | Establish the minimum number of persons who must have the capability and capacity to perform the contract to be invited to submit tenders                        | 5.6.3.1          |
|                                      | State the value of the threshold below which prequalification criteria may be implemented                                                                        |                  |
|                                      | State the value, the minimum number of tenderers required to comply with requirements and the estimated value to apply subcontracting as a condition of contract | 5.6.4.1          |
|                                      | Identify the person who approves advance payments to contractors                                                                                                 | 5.7.6.5          |

## A4 Critical leadership role of the client

### A4.1 Principal function of a client organisation

An organization, functioning as a client in a project delivery context, initiates and finances a project and approves the requirements as captured in a brief and any changes thereto. The principal function of the client organization is to ensure that a solution to the business case for a construction works project is achieved. The client, as such, owns the business case of the project and is accountable for project outcomes throughout the project cycle shown in Figure A1..



**Figure A1: Stages and principal activities in the project cycle**

The role of the client is widely held as the primary determinant of successful project delivery irrespective of scale, technical complexity or geographic variables. Effective alignment of the project objectives with broader business outcomes is predicated on the client's active engagement, the

strategic selection of project teams and procurement options, and the implementation of robust management systems characterised by consistent decision-making and transparent communication. Effective governance, clear roles, and structured processes help transform a client's value proposition into successful project outcomes across the full project delivery cycle as indicated in Figure A1.

Table A2 outlines the key actions associated with the project cycle indicated in Figure A1. Table A3 maps the topics covered in this standard in relation to the project cycle.

**Table A2: Descriptions and associated key actions in the project cycle**

| Stage               | Description                                                                                                                                                                                                                     | Key actions associated with a principal activities                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| In-use              | Stage during which construction works performs its intended functions and is maintained in a condition to do so reliably                                                                                                        | <ul style="list-style-type: none"> <li>• Operate / use as intended</li> <li>• Maintain in a condition as intended</li> <li>• Dispose when no longer required</li> </ul>                                                                                                                                                                                                                                                                                           |
| Strategic planning  | Stage when projects involving the creation and maintenance of construction works projects are identified and motivated through organisational processes aimed at meeting strategic or critical asset management objectives      | Develop as necessary <ul style="list-style-type: none"> <li>• project initiation report that outlines the high-level business case, costs and schedule</li> <li>• early business case which focuses primarily on the strategic and economic cases, establishing the 'strategic need' for the project, and a shortlist of options.</li> </ul>                                                                                                                      |
| Delivery management | Stage when projects are planned, specified, procured and their delivery overseen through knowledgeable leadership, consistent governance and systematic administration of procurement processes, contracts and project finances | <ul style="list-style-type: none"> <li>• Develop a viable solution which enables decisions to be made to proceed or develop an intermediate business case before proceeding</li> <li>• Procure contractor(s) and professionals as per adopted procurement strategy</li> <li>• Develop design and associated documentation, as necessary</li> <li>• Provide, commission and / or hand over works to those who will operate / use and maintain the works</li> </ul> |

**Table A3: Project cycle topics addressed in the standard**

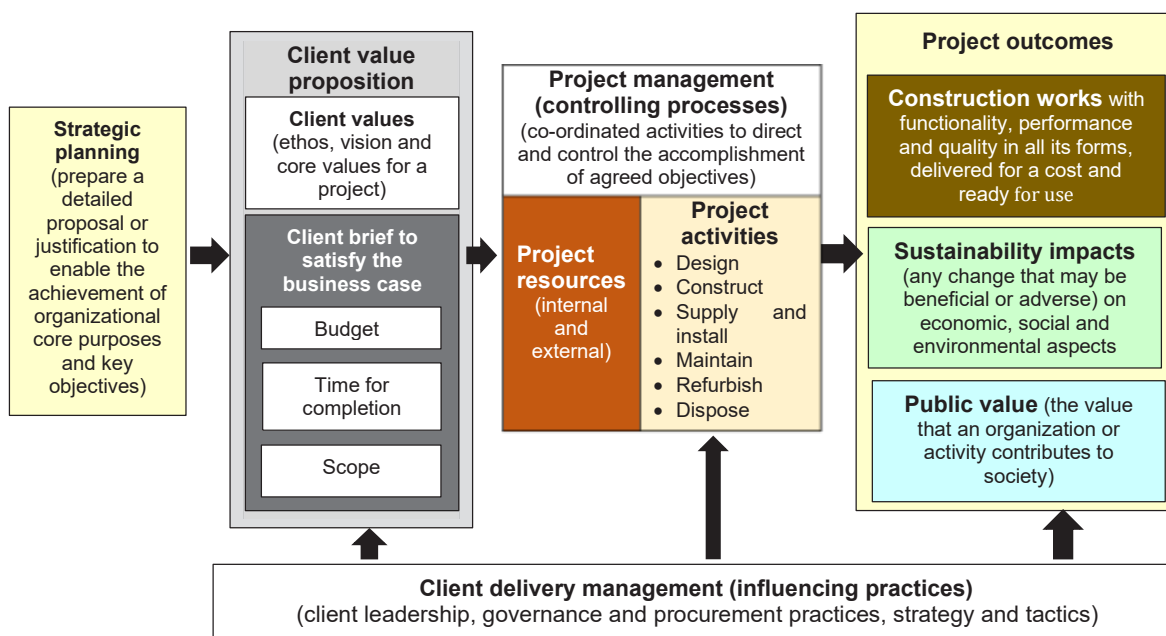
| Stage                               | Clause          | Topic                                                                                                                                                                    |
|-------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Operate / use, maintain and dispose | 4.3.2.1         | Linkage between strategic planning and demand management processes to project identification                                                                             |
|                                     | 4.4             | Principles associated with the establishment of the demand for projects linked to asset management and strategic planning activities                                     |
|                                     | 4.6.4           | Arrangements for obtaining external resources to address emergencies which result in local failure, localised reconstruction or widespread failure of construction works |
|                                     | 4.10 and 5.6.9  | Options for disposal of materials and construction works which are surplus to requirements                                                                               |
| Develop early business case         | 4.3.1 and 4.3.2 | Organisation of activities and actions within project preparation processes into discrete tasks which incorporate decision gates (control framework)                     |
|                                     | 4.4             | Principles associated with managing the demand for projects linked to asset management and strategic planning activities                                                 |
|                                     | 4.5.1           | Informing of decision making through the preparation of a project initiation report and the criteria by which projects are prioritised                                   |
|                                     | 4.5.2           | Tools for project prioritisation and scheduling through project delivery management plans and annual procurement plans                                                   |
|                                     | 4.5.3           | Considerations in the development of a construction procurement strategy                                                                                                 |
|                                     | 4.6.3           | Principles for considering and accepting unsolicited proposals                                                                                                           |

| Stage                                   | Clause              | Topic                                                                                                                                                                                              |
|-----------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Develop solution for strategic brief    | 4.3.1 and 4.3.3     | Organisation of activities and actions within project planning processes into discrete tasks which incorporate decision gates (control framework) for project preparation                          |
|                                         | 4.3.2               | Criteria for admission to portfolio planning processes and business case development established as well as what is required in terms of these two front end planning regimes                      |
|                                         | 4.3.3               | Minimum stage deliverables associated with project planning processes which inform project viability or enable business cases to be refined                                                        |
|                                         | 4.3.3.6 and 4.3.3.7 | Assurance review points in the form of gateway reviews which are usually applied at the end of the project planning phases                                                                         |
|                                         | 4.5.4               | Principles for development and management of budgets                                                                                                                                               |
|                                         | 4.5.5               | Mitigation of potential site based disruptions and community conflicts through social facilitation                                                                                                 |
| Develop design and contract supply team | 4.3.1 and 4.4.3     | Organisation of activities and actions within design development processes into discrete tasks which incorporate decision gates (control framework) for project preparation                        |
|                                         | 4.3.4               | Organisation of activities and actions within processes associated with the initiating, creating and fulfilling contracts into discrete tasks which incorporate decision gates (control framework) |
|                                         | 4.3.5               | Organisation of activities and actions within processes associated with the issuing of orders for framework agreements into discrete tasks which incorporate decision gates (control framework)    |
|                                         | 4.6                 | Principles and requirements associated with the conducting of acquisition processes                                                                                                                |
|                                         |                     | Application of the committee system to approve procurement documents, evaluate submissions and make recommendations to award a contract                                                            |
|                                         | 4.7                 | Award of contracts and issuing of orders in terms of framework agreements                                                                                                                          |
|                                         |                     | Oversight responsibilities of the client delivery manager                                                                                                                                          |
| Provide the works                       | 4.3.1 and 4.3.3     | Duties of a contract manager                                                                                                                                                                       |
|                                         |                     | Payment against certified amounts                                                                                                                                                                  |
|                                         | 5.3                 | Framework agreements                                                                                                                                                                               |
|                                         | 4.3.1 and 4.3.3     | Payment against certified amounts                                                                                                                                                                  |
|                                         | 4.3.3.5             | Focus of meetings on construction contracts                                                                                                                                                        |
| Commission / handover project           | 4.5.5               | Framework agreements                                                                                                                                                                               |
|                                         | 4.7                 | Payment against certified amounts                                                                                                                                                                  |

## A4.2 Translating a value proposition into project outcomes

The client's organisation's business case, vision, values and project priorities collectively make up the client's value proposition for a project i.e. the promise of measurable benefits. Figure A2 illustrates the process whereby a client's value proposition is transformed into project delivery outcomes. Activities associated with the planning, designing, manufacturing, fabrication, construction, installation and commissioning need to translate the client's value proposition into project outcomes i.e. the change resulting from the use of the output from a project. Project outcomes include construction works with the required functionality, performance, and quality in all its forms, ready for use, with a concomitant impact on the three aspects of sustainability

(economic, environmental and social) and public value. Project value is the outcome of client decision making to achieve an optimal balance of the project benefits, risks and costs.



**Figure A2: Translating the client value proposition into project outcomes**

During the process of converting a value proposition into project outcomes, the client should perform the following delivery management (influencing) practices to realize project value:

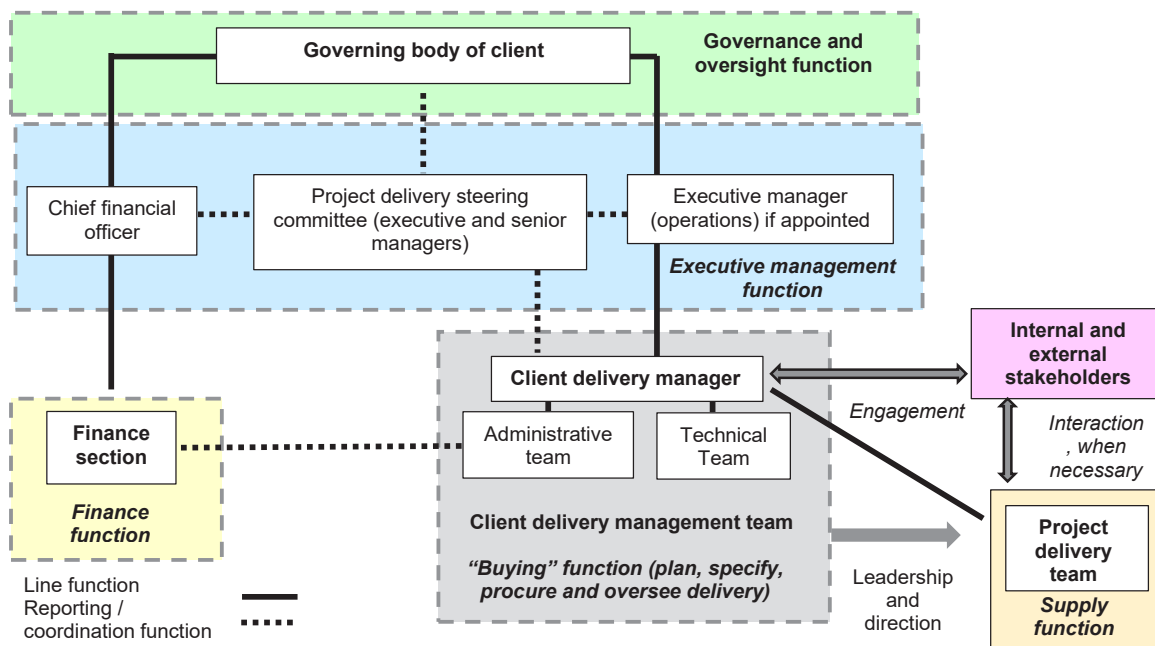
- plan – decide on what should be done, how it is to be resourced and achieved and in what time frames, and set a budget;
- specify – define the organisation's functional and other requirements for the project clearly and precisely;
- procure – obtain project resources (internal and external) to execute project activities with care and effort; and
- oversee delivery – observe and define the execution of the project to deliver and realise the client's value proposition associated with a business case.

The project management function associated with projects coordinates activities to direct and control the accomplishment of agreed objectives in support of the supply function. The delivery management function, on the other hand, focuses on knowledgeable leadership, consistent governance and systematic administration of procurement, contracts and project finances.

A client needs to provide effective leadership of the project throughout the delivery cycle, commencing at a strategic level and ending at the close out of a project.

### A4.3 Functions of principal role players in project delivery

There is no 'one size fits all' allocation of roles and responsibilities to support project delivery as project governance arrangements vary between projects and client organizations. Figure A3, nevertheless, illustrates an appropriate allocation of roles and responsibilities aligned with the project governance arrangements whereby a client delivery manager has single-point accountability for project delivery and reports to a senior line manager and a project delivery steering committee. The line manager in turn reports to the governing body.



**Figure A3: Example of the allocation of roles and responsibilities in project delivery**

Note: ISO 6082 provides guidance on the roles and responsibilities of the role players in project delivery

#### A4.4 Client leadership

The key purpose of project delivery control frameworks (see 4.3.3) that impose decision gates is to undertake work incrementally to promote informed decision-making as the project progresses and its definition is developed. As the project definition deliverables mature over time, the estimating methods change and the expected range of accuracy improve as indicated in Table A4. The procurement of the entity responsible for the works stage (stage 5) can be appointed following the completion of stages 1, 2, 3 or 4, depending on whether they are assigned design responsibilities for the permanent works and how contractors are to be contracted and remunerated.

Mature control frameworks consider more than the technical solution. They also consider the ongoing development and refinement as necessary of the business case, project execution planning and the role of the project owner in decision making throughout the lifecycle.

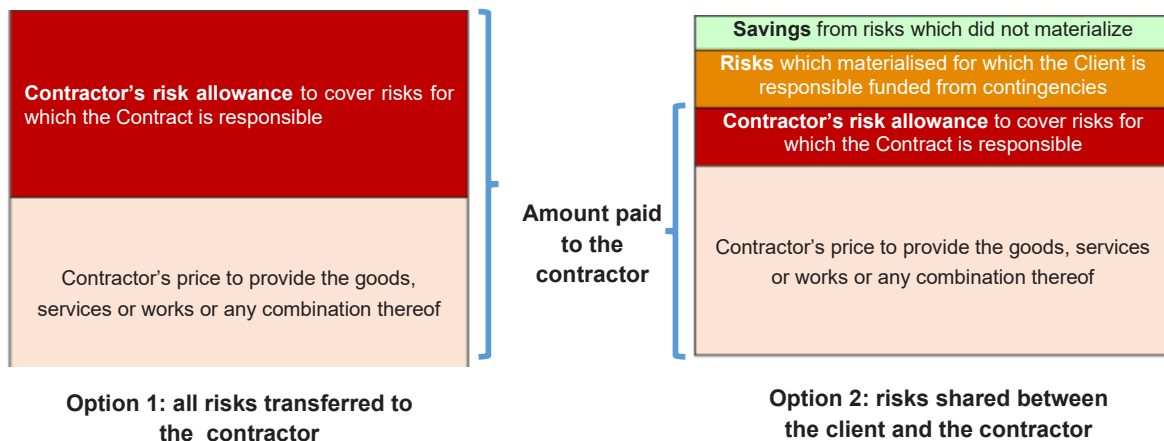
There are also several approaches to the allocation of risks in a contract between the client organisation and the contractor. Risks can be retained by the client organisation or transferred to the contractor. Risks for which the contractor is responsible for are priced in the contract amount and are as such paid irrespective of whether they manifest during the execution of the contract. Retained risks reduce risk pricing in contract amounts but need to be funded should the risk event occur (see Figure A4). At the same time, the demand for insistent and peremptory requests for modifications and additions to the scope and additional features or functions not authorised (scope creep) may flare up. These risks can lead to considerable cost overruns if not carefully monitored and overseen.

Knowledgeable leadership is required to guide the client through the maze of decision making required to deliver a project and to achieve project value.



**Table A4: AACE International Cost Estimate Classification System**

| Class estimate / approximate stage | General building and construction industries (56R-08, 2020) |                                                       |                                                                    | Process industries (18R-97, 2020)                     |                                         |                                                                    |
|------------------------------------|-------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------|
|                                    | Maturity level of project definition deliverables (%)       | End usage (Typical purpose of estimate)               | Expected accuracy range (typical variation in low and high ranges) | Maturity level of project definition deliverables (%) | End usage (Typical purpose of estimate) | Expected accuracy range (typical variation in low and high ranges) |
| Class 5 / Stage 1                  | 0% to 2%                                                    | Functional area, or concept screening                 | L: -20% to -30%<br>H: +30% to +50%                                 | 0% to 2%                                              | Concept screening                       | L: -20 to -50%<br>H: +30 to +100%                                  |
| Class 4 / Stage 2                  | 1% to 15%                                                   | Schematic design or concept study                     | L: -10% to -20%<br>H: +20% to +30%                                 | 1% to 15%                                             | Study or Feasibility                    | L: -15 to -30%<br>+20 to +50%                                      |
| Class 3 / Stage 3                  | 10% to 40%                                                  | Design development, budget authorization, feasibility | L: -5% to -15%<br>H: +10% to +20%                                  | 10% to 40%                                            | Budget, Authorisation, or Control       | L: -10 to -20%<br>H: +10 to +30%                                   |
| Class 2 / Stage 4                  | 30% to 75%                                                  | Control or bid/tender, semi-detailed                  | L: -5% to -10%<br>H: +5% to +15%                                   | 30% to 70%                                            | Control or Bid/Tender                   | L: -5 to -15%<br>H: +5 to +20%                                     |
| Class 1 / Stage 5                  | 65% to 100%                                                 | Check estimate or pre bid/tender, change order        | L: -3% to -5%<br>H: +3% to +10%                                    | 70% to 100%                                           | Check Estimate or Bid/Tender            | L: -3 to -10%<br>H: +3 to +15%                                     |



Note: The focus in the allocation of risk is on the payment and responsibility for the cost of the risk event, should it materialise

**Figure A4: Risk allocation principles**

## A5 Managing multi-year construction works projects over a three year horizon

### A5.1 General

Public sector planning in South Africa is governed by a 3 year rolling budgetary planning process referred to as the Medium Term Expenditure Framework (MTEF) or the Medium Term Revenue and Expenditure Framework (MTREF). A client delivery management team needs to oversee and



manage budgets and cash flows, the procurement of implementation resources, payment of contracted persons and the accounting for expenditure. This requires cost and time management across multiple construction works projects which is dependent on having accurate, reliable and up to date information to make informed decisions. The focus of such management is on:

- managing the overall budget available for the current financial year and, if necessary, over subsequent years;
- delivering projects within a budget; and
- aligning the completion of projects within end user requirements (achieving project value).

The primary tools for doing so are defined in this standard as:

- **authorised amount:** the sum of money authorised by the governing body for a project or programme which may not be exceed without authorisation;
- **control budget:** the amount of money which is allocated or made available to deliver or maintain construction works associated with a project, contract or order, including any site costs, professional fees, all service and planning charges, furniture, fittings and equipment, applicable taxes, risk allowances and provision for price adjustment for inflation; and
- **contingency sum:** a sum of money budgeted for to cover required work that cannot be foreseen or predicted with certainty

## A5.2 Authorised amounts, project control budgets and contingency sums

Risk can influence the delivery of a project in terms of time, cost and quality, and in extreme cases, even the completion of the project. Risk taking is unavoidable in project delivery. A central issue that needs to be dealt with is the financial liability relating to the uncertainty of future events (see Figure A4). Standard forms of contract establish the allocation of risks between the parties and make provision for any necessary adjustments to the contract amount and time for completion arising from risk events for which the contractor is not responsible.

The authorised amount is funding approved by the governing body for a project following a decision to implement a project. It represents the total cost of an investment required to realise the value proposition for a project. Such an amount includes delivery management costs and the project control budget as indicated in Table A5.

**Table A5: Example of the authorised amount for a project**

| Item                                                                                      | Amount (Rands) |
|-------------------------------------------------------------------------------------------|----------------|
| A Contribution from own resources e.g. revenue R.....                                     |                |
| B Contribution from other resources e.g. annual budget R.....                             |                |
| C Grant funding R.....                                                                    |                |
| <b>Total amount available for the project (A + B + C = T<sub>1</sub>)</b>                 | <b>R.....</b>  |
| D Expenses relating to insurance, audit fees etc. R.....                                  |                |
| E Expenses relating to delivery management team services / implementing agent fees R..... |                |
| F Expenses relating to technical advisory services R.....                                 |                |
| G Other R.....                                                                            |                |
| <b>Total expenses (D + E + F + G = T<sub>2</sub>)</b>                                     | <b>R.....</b>  |
| <b>H Total authorised amount available for the project (T<sub>1</sub>-T<sub>2</sub>)</b>  | <b>R.....</b>  |

A control budget needs to be established for each project. Such budgets are concerned with the estimation of the outturn (final) cost of a project and include costs for all external resources required to deliver or maintain identified construction works as indicated in Table A6. Such a

budget needs to include contingency sums to fund the client organisation's liabilities (risk allocations) in terms of the contract. Control budgets as such set a target or benchmark against which projects are delivered. They are set and adjusted / amended at decision gates (control points) within the control framework for project delivery.

**Table A6: Example of a control budget for a project**

| Item                                                                                                                                                                    | Amount (Rands) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| A Service and planning charges                                                                                                                                          | R .....        |
| Cumulative value of planned procurements, contracts and orders issued in terms of a framework agreement excluding contingencies and price adjustment for inflation for: |                |
| • work packages                                                                                                                                                         | R .....        |
| • professional services and other services                                                                                                                              | R .....        |
| • furniture fittings and equipment                                                                                                                                      | R .....        |
| B Total cumulative planned procurements, contracts and orders (A)                                                                                                       | R .....        |
| C Add contingency amount                                                                                                                                                | ..... % of A   |
| D Add allowance for price adjustment for inflation                                                                                                                      | ..... % of A   |
| E Add allowance for currency fluctuations                                                                                                                               | ..... % of A   |
| <b>Total excluding VAT (A+B+C+D+E)</b>                                                                                                                                  | <b>R .....</b> |
| VAT@ .... %                                                                                                                                                             | R .....        |
| <b>Project control budget</b>                                                                                                                                           | <b>R .....</b> |

The difference between the authorised amount (see Table A5) and the control budget (see Table A6) enables the surplus / deficit to be established.

### A5.3 Multi-year budgeting for projects

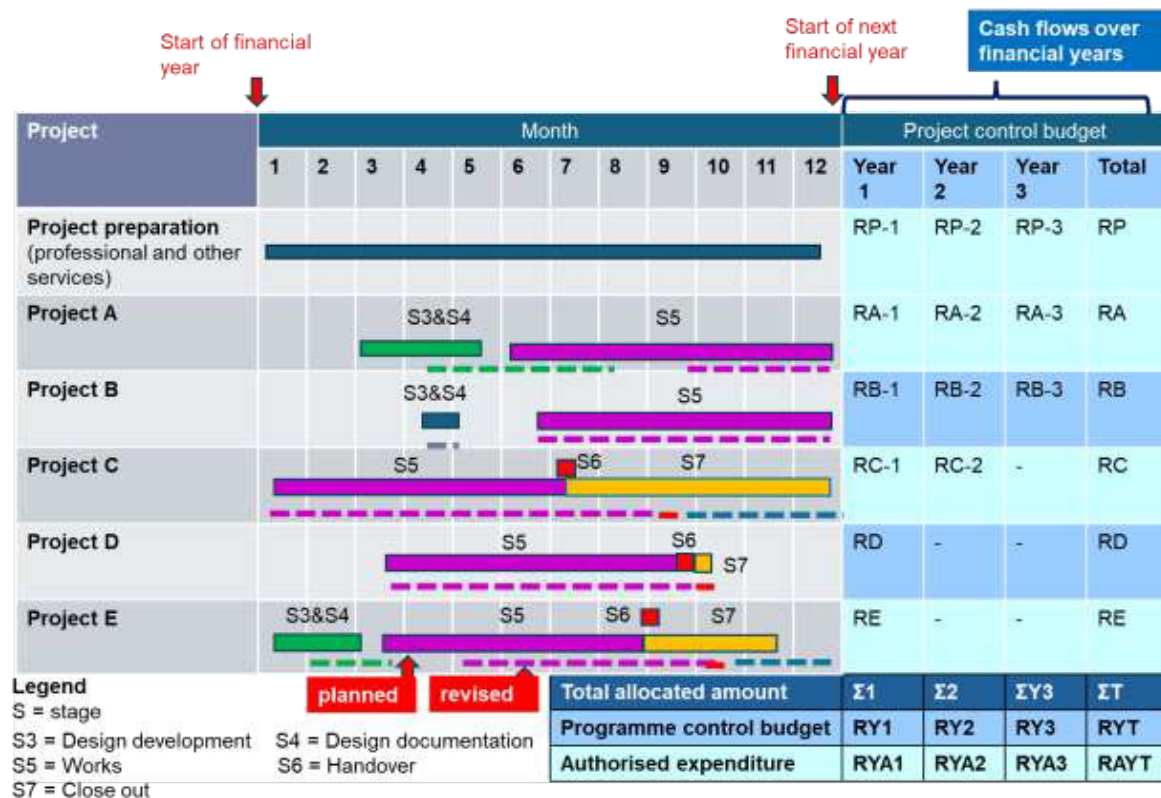
It is seldom possible to complete the planning, design, procurement and implementation of a construction works project in a single financial year. A multi-year approach is required for planning project delivery, as a procuring entity may in any given year be engaged in:

- closure and reporting activities for the previous year's project implementation;
- managing implementation, monitoring and reporting for the current year's project implementation;
- managing procurement processes for the current, next or future year's implementation;
- planning for next and future year's implementation; and
- updating the project delivery management plan.

The budget for a multi-year project should be spread over the years for which the project is planned. Project plans should therefore include cash-flow projections that indicate when budgets are required, what portion of the project will be completed in each financial year, and how much budget should be allocated each year. This will inform the cashflow to be allocated to each project for each year.

Delays in project delivery are common, and not just due to poor management. Often delays are caused by unforeseen events, such as ground conditions which are only discovered after the project has started. To avoid under-expenditure in a financial year, the procuring entity needs flexibility to adjust annual project cash-flow projections so that funds can be directed to faster-moving projects. This does not mean that overall project budgets or the approved purpose of the funds would change, but rather that the rate of expenditure may vary. This cashflow management requires careful consideration.

One way to achieve this cash-flow flexibility is to appropriate budgets to programmes (groups of coordinated projects) rather than individual projects, allowing funds to move between projects as illustrated in Figure A5.



**Figure A5: An example of a high-level multi-year project delivery management plan for a programme of projects**

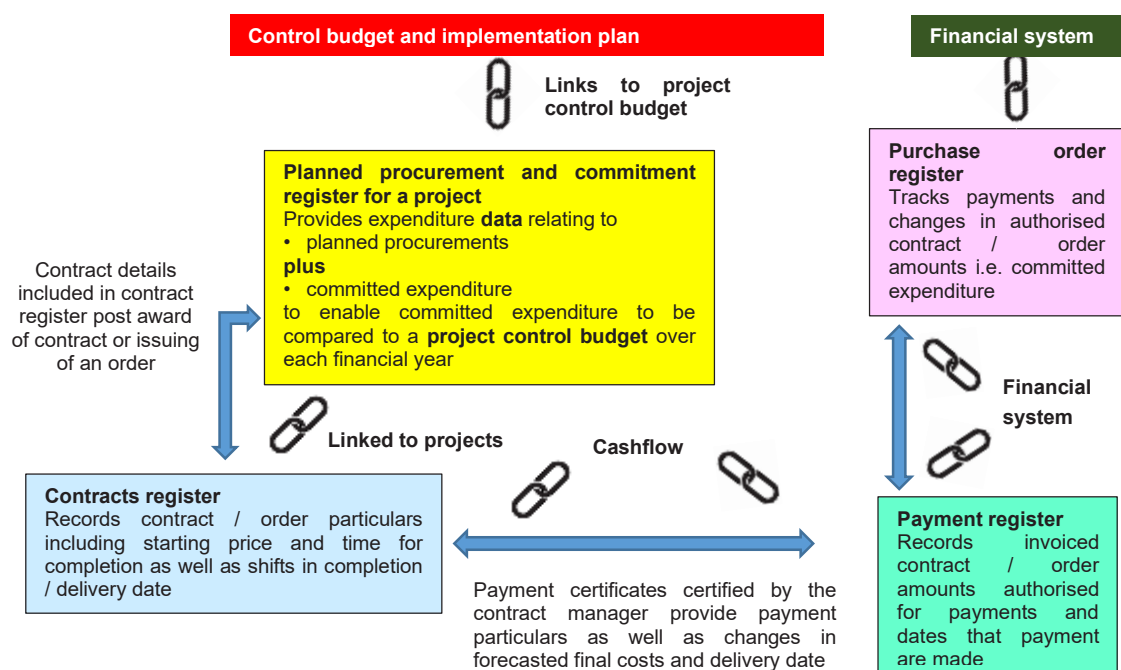
#### A5.4 Data gathering to manage commitments and expenditure

Cost data needs to be gathered continuously to ensure that, at any point in time, both the amount paid on a project and the funds set aside for projected expenditure in each financial year are known. Much of this data can be obtained from well formulated payment certificates issued in terms of the contract as the contract manager has all the required information i.e. the data relating to the time for completion and the total of the prices at the start of the contract and any changes to these values which are made in accordance with the provisions of the contract or are pending.

A management system to enable oversight and control of procurements, contract commitments, authorised budgets, payments and expenditure needs to be put in place by the client delivery manager's administrative team at both a project and programme level. Such a system should comprise the following four registers indicated in Figure A5 to seamlessly link project finances to the overarching financial management system:

- 1) a **planned procurement and commitment register** to record for each project the estimated value of planned procurements together with the contracts entered (or orders issued in terms of a framework agreement) so that at any point in time the total value of a project can be compared with the planned project budget;
- 2) a **contracts register** which ensures that contract numbers are never duplicated and contains particulars of all contracts and orders issued in terms of a framework agreements and can, if required, include additional information relating to the starting price, details relating to the time for completion and any changes in the time for completion;

- 3) a **payment register** to record all the payments that have been authorised against each contract and purchase order and enable time between receipt of invoice and making of payment to be established; and
- 4) a **purchase order register** to link contracts or orders issued in terms of framework agreements and the payments relating thereto to the amounts authorised within the financial management system to ensure that approved contract budgets are not exceeded.



**Figure A5: Managing the overall programme of commitments and expenditure**

Underpinning these registers is a Payment Authorisation Form that spells out what is being paid against which contract or order, which purchase order, how much has been paid in total and how much is remaining on the control budget and authorised amount.