

NATIONAL TREASURY

NO. 1095

16 OCTOBER 2020

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003
AMENDMENT OF MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS, 2005**

In terms of section 169(1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) the draft amendments to the Municipal Supply Chain Management Regulations, 2005, published under Government Notice No. 868 of 30 May 2005 (herein called “the Regulations”), as set out in the Schedule, are hereby published for comment.

Interested persons may submit their comments on the draft amendments to the Regulations in writing on or before 30 November 2020 to: The Director-General, National Treasury, Private Bag X115, Pretoria, 0001, or per fax to 012 315 5230 or e-mail to MFMA@treasury.gov.za.

Kindly provide the name, address, telephone, fax number and e-mail address of the person or organisation submitting the comments.

SCHEDULE**1. Regulation 12 is hereby amended—**

(a) by the substitution of subregulation (1) for the following subregulation:

- “(1) A supply chain management policy must, subject to regulation 11(2), provide for the procurement of goods and services by way of—
- (a) petty cash purchases, up to a transaction value of R2000 (VAT included);
 - (b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);
 - (c) formal written price quotations for procurement of a transaction value over—
 - (i) R10 000 up to R300 000 (VAT included), in the case of a local municipality;
 - (ii) R10 000 up to R200 000 (VAT included), in the case of a district municipality;
 - (iii) R10 000 up to R750 000 (VAT included), in the case of a metropolitan municipality; and
 - (d) a competitive bidding process for—
 - (i) procurement above a transaction value of R300 000 (VAT included), in the case of a local municipality;
 - (ii) procurement above a transaction value of R200 000 (VAT included), in the case of a district municipality; and
 - (iii) procurement above a transaction value of R750 000 (VAT included), in the case of a metropolitan municipality.”; and

(b) by the substitution of item (iii) in paragraph (b) of subregulation (2) for the following item:

- “(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the prescribed competitive bidding thresholds specified in subregulations (1)(c)(i) to (iii).”.

2. Regulation 19 is hereby substituted for the following regulation:

- “A supply chain management policy must specify—
- (a) that goods or services above a transaction value of—
 - (i) R300 000 (VAT included), in the case of a local municipality;
 - (ii) R200 000 (VAT included), in the case of a district municipality; and
 - (iii) R750 000 (VAT included), in the case of a metropolitan municipality,
 may be procured by the municipality or municipal entity only through a competitive bidding process, subject to regulation 11(2); and
 - (b) that no requirement for goods or services above an estimated transaction value of—
 - (i) R300 000 (VAT included), in the case of a local municipality;
 - (ii) R200 000 (VAT included), in the case of a district municipality; and
 - (iii) R750 000 (VAT included), in the case of a metropolitan municipality,
 may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.”.

3. Regulation 35 is hereby amended by the substitution of subregulations (1) and (2) for the following subregulations:

- “(1) A supply chain management policy may allow the accounting officer to procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurement is made.
- (2) A contract for the provision of consultancy services to a municipality or municipal entity must be procured through competitive bids if—
- (a) the value of the contract exceeds R300 000 (VAT included), in the case of a local municipality; or
 - (b) the value of the contract exceeds R200 000 (VAT included), in the case of a district municipality; or
 - (c) the value of the contract exceeds R750 000 (VAT included), in the case of a metropolitan municipality; or
 - (d) the period of the contract exceeds one year.”.