



Umhla Date: Datum	15 JUNE 2021	Ifonti Telephone: Telefoon	040 101 0363, 040 101 0368
Ireferensi Ref No: Verwysings	CIRCULAR NO. 03 OF 2021/22: THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS, WORKS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS	Ifaxi Facsimile: Faksimile:	040 1010 716
Imibuzo Enquiries: Navrae	MS D. SOWAZI / MR R. R. SURAJBALI	Amakhasi: Pages: Bladsye:	5
Iposi E-mail: E-pos	Dieketseng.sowazi@ectreasury.gov.za / radhesh.surajbali@ectreasury.gov.za		

**TO ALL: ACCOUNTING OFFICERS / AUTHORITIES
CHIEF FINANCIAL OFFICERS
HEADS: SUPPLY CHAIN MANAGEMENT UNITS**

CIRCULAR NO. 03 OF 2021/22

THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS, WORKS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

PURPOSE

1. The purpose of this circular is to disseminate the National Treasury PFMA SCM Instruction No. 02 of 2021/22 on the revised threshold values for the procurement of goods, works and services by means of petty cash, written price quotations or competitive bids.

BACKGROUND

2. The National Treasury has the authority to determine procurement thresholds which were last reviewed and prescribed in November 2007 through the National Treasury Practice Note No 8 of 2007/2008.



CIRCULAR NO. 03 OF 2021/22: THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS, WORKS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

3. Due to the significant time that has elapsed since the last review and the steady erosion to the value of money, the threshold values for the procurement of goods, works and services have thus been revised.
4. Accounting officers / Accounting authorities must accordingly from the effective date of National Treasury PFMA SCM Instruction No. 02 of 2021/22, procure within the revised thresholds of the relevant procurement processes prescribed therein.

LEGISLATIVE FRAMEWORK

5. The Constitution of the Republic of South Africa, 1996, Section 217, requires that when an Organ of State in the national, provincial or local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.
6. Section 38 (1) (a) (iii) of the Public Finance Management Act No 1 of 1999 (PFMA) requires that the Accounting Officer for a department, trading entity or constitutional Institution ensures that, that Department, Trading Entity or Constitutional Institution has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.
7. Section 51 (1) (a) (iii) of the PFMA requires that an Accounting Authority for a Public Entity ensures that, that Public Entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective.
8. Treasury Regulations 16A.1 prescribes that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

CIRCULAR NO. 03 OF 2021/22: THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS, WORKS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

DISCUSSION

9. National Treasury issued the attached PFMA SCM Instruction No. 02 of 2021/22 communicating the revised prescribed threshold values for the procurement of goods, works and services by means of petty cash, written price quotations or competitive bids as follows:
- 9.1 Petty cash up to a transaction value of R 2 000 (Inclusive of all applicable taxes);
 - 9.2 Written price quotations above the transaction value of R2000 but not exceeding R1 000 000 (Inclusive of all applicable taxes); and
 - 9.3 Competitive bids above the transaction value of R1 000 000 (inclusive of all applicable taxes).
10. Accounting Officers / Authorities must take note of and ensure implementation of the requirements stipulated in the PFMA SCM Instruction No. 02 of 2021/22 with special note to:
- 10.1 Paragraph 3.2.2 relating the minimum number of days for the invitation of price quotations which must be prescribed in their Supply Chain Management Policies;
 - 10.2 Paragraph 3.2.3 relating to the minimum number of suppliers from whom quotations must be invited which must be prescribed in their Supply Chain Management Policies and compliance with the requirements stipulated in Paragraph 3.2.5;
 - 10.3 Paragraph 3.2.4 which stipulates that at least three (3) written price quotations must be obtained as well as Sub-Paragraph 3.2.4 b) relating to prices being market related and the provision for negotiations where they are not;
 - 10.4 Paragraph 3.3.2 and 3.3.3 relating to the advertising of competitive bids and the publication of award of bids. It must be noted that the requirement for advertising of competitive bids and publication of award of bids in the Provincial Tender Bulletin must also be complied with; and
 - 10.5 Paragraph 3.3.4 on the reporting of contract awards above R 1 000 000 in value undertaken in terms of Treasury Regulation 16A.6.4. It must be noted that the provisions of National Treasury Instruction SCM Instruction Note 3 of 2016/17 relating

CIRCULAR NO. 03 OF 2021/22: THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS, WORKS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

to the prior approval of deviations by Provincial Treasury have not been withdrawn and Accounting Officers / Authorities must still comply therewith in respect of deviations above the threshold of R 1 000 000. The reporting requirements contained in Paragraph 3.3.4 thus relate to all procurement above R 1 000 000 either through sole source selection, emergency cases or those instances of deviation approved by Provincial Treasury.

11. Accounting Officers / Authorities must take note that this Instruction takes effect from 01 July 2021 and does not apply retrospectively. However, procurement processes that commenced prior to the coming into effect of this Instruction must be concluded on the basis of the prescripts that were applicable when the procurement process commenced; i.e. the prescripts under which written quotations or bids were invited or advertised.

AUTHORITY

12. This circular is issued in terms of Section 18 (2) (a) of the Public Finance Management Act 1 of 1999 as amended.

APPLICABILITY

13. This Circular and the attached National Treasury PFMA SCM Instruction are applicable to all Provincial Departments and Schedule 3C Public Entities.

EFFECTIVE DATE

14. The National Treasury PFMA SCM Instruction No. 02 of 2021/22 and this Circular take effect from 01 July 2021 and do not apply retrospectively.

REPEAL OF NATIONAL TREASURY PRACTICE NOTE NO 8 OF 2007/2008

15. The National Treasury Practice Note No 8 of 2007/2008 issued on 29 November 2007 is repealed.

CIRCULAR NO. 03 OF 2021/22: THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS, WORKS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

DISSEMINATION OF INFORMATION

16. Accounting Officers / Accounting Authorities are requested to kindly ensure that all the relevant officials receive copies of this Circular and the accompanying National Treasury PFMA SCM Instruction Note.
17. Should there be any enquiries regarding the contents of the Circular and the accompanying National Treasury PFMA SCM Instruction Note, please contact:

Ms D. A. Sowazi

Deputy Director: SCM Policy and Norms

Tel No. 040 101 0363

Email: dieketseng.sowazi@ectreasury.gov.za

OR

Mr R. R. Surajbali

Director: SCM Policy, Norms and Compliance Monitoring

Tel No. 040 101 0368

Email: radhesh.surajbali@ectreasury.gov.za

Ikhwezi Lomso greetings: Serving with Honesty, humililty and Integrity.


MR D. MAJEKE

HEAD OF DEPARTMENT

EASTERN CAPE PROVINCIAL TREASURY



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PFMA SCM INSTRUCTION NO. 02 OF 2021/22

**PUBLIC FINANCE MANAGEMENT ACT
(ACT 1 OF 1999)**

**THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS AND SERVICES BY MEANS OF
PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS**

TO ALL:	ACCOUNTING OFFICERS OF DEPARTMENTS ACCOUNTING OFFICERS OF CONSTITUTIONAL INSTITUTIONS ACCOUNTING AUTHORITIES OF SCHEDULE 3A AND 3C PUBLIC ENTITIES HEAD OFFICIALS OF PROVINCIAL TREASURIES
----------------	---

1. PURPOSE

This instruction is issued to amend the procurement threshold values within which accounting officers / authorities may procure goods and services by means of petty cash, written price quotations or competitive bids.

2. INTRODUCTION

- 2.1. Treasury Regulation 16A6.1 makes provision for the procurement of goods and services by way of price quotations or through a bidding process within the threshold values as determined by the National Treasury. National Treasury last reviewed and prescribed procurement threshold values in November 2007.
- 2.2. Significant time has elapsed since this last review and there has been a steady erosion to the value of money.
- 2.3. The threshold values for the procurement of goods and services have thus been revised and from the effective date indicated in this instruction, accounting officers and accounting authorities must procure within the thresholds and procurement processes prescribed below.

3. PROCUREMENT THRESHOLDS AND PROCESSES

**3.1. PETTY CASH UP TO A TRANSACTION VALUE OF R 2 000 (INCLUSIVE OF ALL
APPLICABLE TAXES)**

- 3.1.1. Accounting officers / authorities may procure goods and services by means of petty cash up to the value of R2000 (inclusive of all applicable taxes) without inviting price quotations or following a bidding process.

SCM INSTRUCTION NO. 02 OF 2021/2022

THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

- 3.1.2. Accounting officers / authorities must determine and prescribe their own internal procedures to ensure sound financial management of funds when goods and / or services are procured by means of petty cash.
- 3.1.3. Accounting Officers may for security and any other reasons decide not to utilise petty cash for the procurement of goods and services. Where this decision is taken, the accounting officer / authority must then procure goods and services that would have otherwise been procured by means of petty cash through price quotations in compliance with the conditions prescribed for price quotations.
- 3.2. WRITTEN PRICE QUOTATIONS ABOVE THE TRANSACTION VALUE OF R2000 BUT NOT EXCEEDING R1 000 000 (INCLUSIVE OF ALL APPLICABLE TAXES)**
- 3.2.1. Accounting officers / authorities must invite written price quotations for requirements up to an estimated value of R1 000 000 (inclusive of all applicable taxes) from prospective suppliers who are registered on the Central Supplier Database subject to 3.2.3 below.
- 3.2.2. Institutions must prescribe in their SCM policies the minimum number of days for the invitation of price quotations, ensuring that prospective suppliers are afforded enough time to submit their quotations and balancing with the need for the organ of state to deliver services.
- 3.2.3. Institutions must prescribe in their SCM policies the minimum number of suppliers from whom quotations will be invited and must take into consideration the requirements of paragraph 3.2.5 when determining said number.
- 3.2.4. At least three (3) written price quotations must be obtained from three (3) different suppliers registered on the CSD.
- a) If it is not possible to obtain at least three (3) written price quotations from three (3) different suppliers registered on the CSD, except where suppliers are exempted from registration on the CSD, the reasons should be recorded and approved by the accounting officer / authority or his / her delegate/ committee before the order is issued and maintained for audit purposes.
- b) Accounting officers / authorities must ensure that the prices received are market related and where they are not, negotiations have been entered into in line with the Preferential Procurement Regulations, 2017 (PPR 2017).
- 3.2.5. Accounting officers / authorities must in their SCM policies prescribe the processes to be followed for the invitation of price quotations including but not limited to the following:
- a) Persons or committee responsible for drafting the specifications;

SCM INSTRUCTION NO. 02 OF 2021/2022

THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

- b) methodology for the selection of suppliers from the Central Suppliers Database (CSD) for invitation to quote;
- c) the period (days) for which price quotations will be invited for (closing date);
- d) the validity period of price quotations after the closing date,
- e) the method of inviting and receiving price quotations including documentation;
- f) process to be followed when inviting price quotations from foreign suppliers;
- g) persons or committee responsible for the evaluation of price quotations;
- h) persons or committee responsible for the adjudication of price quotations;
- i) Proper record keeping for audit and record purposes; and
- j) provisions of the Preferential Procurement Regulations 2017.

3.3. ABOVE THE TRANSACTION VALUE OF R1 000 000 (INCLUSIVE OF ALL APPLICABLE TAXES)

- 3.3.1. Accounting officers / authorities must invite open competitive bids for all procurement above R 1 000 000 (inclusive of all applicable taxes).
- 3.3.2. Competitive bids must be advertised in at least the Government Tender Bulletin and the eTender Publication Portal. Accounting officer / authorities may also advertise competitive bids on their institutions website and in any other appropriate media should an accounting officer / authority deem it necessary to ensure greater exposure to potential bidders. The responsibility for advertisement costs will be that of the relevant accounting officer / authority.
- 3.3.3. Accounting officers / authorities must publish the awards of bids in the Government Tender Bulletin and eTender Publication Portal. Accounting officers / authorities may also publish awards of bids in any other other media the bid was advertised in.
- 3.3.4. Accounting officers/ authorities must report, within ten (10) working days of approval of the award of the contract, to the relevant treasury and the Auditor-General all cases where goods and services above the transaction value of R1 000 000 (inclusive of all applicable taxes) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the competitive bidding process.

4. GENERAL PROVISIONS

- 4.1 Procurement of goods and services may not be deliberately split into parts or items of a lesser transaction value in order to circumvent the prescribed procurement process. When determining transaction values, where required goods and services consist of different parts or items, said parts or items must as far as possible be treated as a single transaction for the purposes of determining which procurement process to follow.

SCM INSTRUCTION NO. 02 OF 2021/2022

THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

- 4.2 Accounting officers / authorities must apply the prescripts of the Preferential Procurement Policy Framework Act, Act 5 of 2000 (PPPFA) and its associated Regulations in line with the conditions stipulated therein:
- 4.2.1 the accounting officer / authority may prescribe in the SCM policy of the Institution that the preference point system be applied for procurement with a value of less than R 30 000, if and when determined appropriate by the accounting officer or accounting authority; and
 - 4.2.2 the accounting officer / authority must maintain a record of the analysis which informed the determination of which provisions of the Preferential Procurement Regulations to apply.
- 4.3 Accounting officers / authorities may in their SCM policies:
- 4.3.1 lower, but not increase, the different threshold values specified in paragraphs 3.1 to 3.3; and
 - 4.3.2 direct that a competitive bidding process be followed for any procurement below R1 000 000 either on a case by case basis or for a category of goods and services.

5. APPLICABILITY

This instruction applies to all departments, constitutional institutions and public entities listed in Schedule 3A and 3C of the Public Finance Management Act.

6. EFFECTIVE DATE

This instruction takes effect from 01 July 2021 and does not apply retrospectively. Procurement processes that have commenced prior to the coming into effect of this instruction must be concluded on the basis of the prescript that was applicable when they were invited or advertised.

7. REPEAL OF NATIONAL TREASURY PRACTICE NOTE NO 8 OF 2007/2008

This instruction repeals National Treasury Practice Note No 8 of 2007/2008 Issued on 29 November 2007.

8. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

- 8.1 Accounting officers of national departments and constitutional institutions must bring the contents of this Treasury Instruction to the attention of:
- 8.1.1 Chief financial officers, heads of supply chain management and supply chain management officials of their respective institutions; and
 - 8.1.2 All accounting authorities of public entities reporting to the executive authority of their respective departments

SCM INSTRUCTION NO. 02 OF 2021/2022

THRESHOLD VALUES FOR THE PROCUREMENT OF GOODS AND SERVICES BY MEANS OF PETTY CASH, WRITTEN PRICE QUOTATIONS OR COMPETITIVE BIDS

8.2 Heads Officials of Provincial Treasuries are requested to bring the contents of this Treasury Instruction to the attention of accounting officers of their provincial departments and accounting authorities of the provincial public entities with the request that the information contained herein be disseminated to all chief financial officers, heads of supply chain management and supply chain management officials of their respective institutions.

9. AUTHORITY FOR THIS INSTRUCTION

This instruction is issued in terms of section 76(4)(c) of the Public Finance Management Act.

10. CONTACT INFORMATION

Enquiries pertaining to the content of this instruction may be directed to:

Email: OCPO.SCMPolicy@treasury.gov.za



MS ESTELLE SETAN
ACTING CHIEF PROCUREMENT OFFICER
DATE: 8 June 2021

Cc: Auditor-General South Africa