



# PROCUREMENT HANDBOOK

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



## THIS GUIDE EXPLAINS

The principles followed in procurement

•  
The way contractors and service providers are canvassed

•  
The way tenders and proposals are adjudicated

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## WHAT IS THE CDC?

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

The Coega Development Corporation (CDC) is the developer and operator of the zone and is responsible for the entire landside infrastructure for the IDZ, while a modern Deepwater Port facility is being developed by the National Ports Authority of South Africa. The CDC is committed to operating an efficient, world class Industrial Development Zone for the benefit of all investors. The CDC has prepared a strategic Development Framework Plan for the IDZ. From this strategic plan, specific infrastructural development requirements for the 4 500 ha Core Development Area need to be established.

## AIMS OF THE CDC

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

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



# WHAT IS PROCUREMENT POLICY?



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

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

# CDC'S PROCUREMENT PRINCIPLES

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

## VALUE FOR MONEY AND FITNESS FOR PURPOSE

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



## EMPLOYMENT CREATION AND SKILLS DEVELOPMENT

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

## STIMULATION OF LOCAL ECONOMY

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

## EMPOWERMENT OF BLACK COMPANIES

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

## GOOD GOVERNANCE

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

## OPTIMISATION OF THE PROJECT MANAGEMENT PARAMETERS

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



## HARMONY WITH EXISTING LEGISLATION

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

## BID SOLICITATION

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

PROCUREMENT APPROACH	TYPE OF ASSIGNMENT
1. Closed Bidding Process	<ul style="list-style-type: none"> <li>- Procurement not exceeding R500 000 (incl VAT),</li> <li>- Source bidders from the database,</li> <li>- No public invitation.</li> </ul>
2. Open Bidding Process	<ul style="list-style-type: none"> <li>- Procurement above R500 000 (incl VAT)</li> </ul>
3. Pre-qualification of SP (SP from Database)	<ul style="list-style-type: none"> <li>- More applicable to Ops, ID, CDC-S, FM &amp; Office Management,</li> <li>- Procurement of goods and services that may be large volumes,</li> <li>- Call for EOI will be conducted,</li> <li>- PC submission will be completed.</li> </ul>
4. Procuring Consultants	<ul style="list-style-type: none"> <li>- Bids are more service than goods,</li> <li>- BU will prepare RFP or EOI,</li> <li>- PC Submission.</li> </ul>
5. Procurement by Negotiation	<ul style="list-style-type: none"> <li>- Where goods and/or service can only be obtained from single supplier,</li> <li>- Where previous bids have failed to meet requirements,</li> <li>- Where there is no sufficient time to follow open process e.g Client's or Investor's requirements,</li> <li>- Emergency situations e.g possible damage to property, injury and loss of human life, interruption of essential services,</li> <li>- NB lack of proper planning does not constitute an urgent or emergency case.</li> </ul>



# SMME

## SUPPORT PROGRAMME



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

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

The social element comprises three parts:

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

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

As an example, the tender document may specify the following thresholds, targets & weightings:

### EMPOWERING SCORING

CONTRIBUTION LEVEL		QUALIFICATION / SCORE
Level One Contributor		100 points
Level Two Contributor		85 but < 100 points
Level Three Contributor		75 but < 85 points
Level Four Contributor		65 but < 75 points
Level Five Contributor		55 but < 65 points
Level Six Contributor		45 but < 55 points
Level Seven Contributor		40 but < 45 points
Level Eight Contributor	30 but < 40 points	These two levels will be scored 0(zero)
Non Compliant Contributor	Less than 30 points	

# PROCUREMENT STRUCTURES

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

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

TEAM / COMMITTEE	FUNCTION / RESPONSIBILITIES	COMPOSITION
Bid Specification Team (BST)	Review and approve Procurement Plans Review specifications and bid conditions prior to the advertisement being placed	SCM or Procurement Manager PC Chairperson or two PC Members Project Manager (invitee) 1 ad hoc member from a different BU or PC or external
Bid Adjudication Team (BAT)	Adjudicate bids submitted by bidders The PM Consolidates and submits to the PC a report and recommendations regarding the award of the bids	1 Representative from SCM unit 3 Project Managers (either all from the same BU or 1 from a different BU) or 2 Project Managers and 1 external member
Procurement Committee (PC)	Approves bids of values between *R200 000 to *R5 million and forward them to EXMA for noting Recommend bids above *R5m to EXMA	PC Terms of Reference and with two year membership appointed by the CEO
EXMA	Approve bids over *R5m up to *R100m and notify the Board Recommend to the Board all bids in Excess of *R100m	As per the EXMA Terms of Reference
The BOARD	Note all bids above *R5m and approve bids above *R100m	As per the Board Terms of Reference

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



### ADJUDICATING TENDERS AND PROPOSALS

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

- Price
- Quality & functionality
- Empowerment

ELEMENT	WEIGHTING / SCORES			
	Professional Service Providers		Service Providers (incl Building Contractors)	
	90:10	80:20	90:10	80:20
Price	30	25	55	50
Quality & Functionality	60	55	35	30
<b>SUB TOTAL</b>	<b>90</b>	<b>80</b>	<b>90</b>	<b>80</b>
Empowerment	10	20	10	20
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

# COMPLIANCE MONITORING

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

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

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

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

**Tel:** +27 (0)41 403 0400 | +27 (0)86 102 6342

**Fax:** +27 (0)41 403 0401

**E-mail:** [contactcentre@coega.co.za](mailto:contactcentre@coega.co.za)

**Web:** [www.coega.com](http://www.coega.com)

**Contact:** 08610 26342