

PREFERENTIAL PROCUREMENT POLICY
(Approved by Council on 29 May 2025)

2025/2026



THEMBELIHLE

LOCAL MUNICIPALITY
PLAASLIKE MUNISIPALITEIT
U-MASIPALA WASEKUHLENI

PREFERENTIAL PROCUREMENT POLICY adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations, 2022.

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1. Definitions

In this Policy, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Act must bear the meaning so assigned—

"Acceptable Tender" mean any tender which, in all respects, complies with the specification and conditions of tender as set out in tender document.

"Black designated groups" has the meaning assigned to it in the codes of good practice issued in terms of section 9 (1) of the BBBEEA.

"Black people" has the meaning assigned to it in section 1 of the BBBEEA.

"Designated group" means black designated groups, black people, women, people with disabilities; or small enterprises which are enterprises, owned, managed, and controlled by previously disadvantaged persons and which is overcoming business impediments arising from the legacy of apartheid.

"Disability" means in respect of a person, a permanent means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being.

"EME" means

- (1) exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the BBBEEA.
- (2) an entity with an annual turnover of R10 000 00.000 (ten million Rand) or less

"Large Enterprises" is a company with an annual turnover in excess of R50 million.

"highest acceptable tender" means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;

"Locality" means the local suppliers and/or service providers that reside within the Municipal area

"lowest acceptable tender" means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;

"National Treasury" has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

"price" means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;

“Proof of B-BBEE status level of contributor” means the B-BBEE status level certificate issued by an authorised body or person

- 1) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or
- 2) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act.

“Proof of locality” means a –

- 1) municipal account in the name of the tenderer not older than 90 days;
- 2) lease agreement where the tenderer is the lessee; or
- 3) an official letter from the bank confirming the registered business address of the tenderer;

“Qualifying Small Enterprise (QSE)” is a company with a turnover between R10 million and R50 million

“Rand value” means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

“SMME” means small, medium and micro enterprises namely Exempted Micro Enterprises and Qualifying Small Enterprises

“specific goals” means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in *Government Gazette* No. 16085 dated 23 November 1994;

“tender” means a written offer in the form determined by the municipality in response to an invitation to provide goods or services through price quotations (transactions with a value above R10,000.00 up to R200,000.00, VAT inclusive), competitive tendering process or any other method envisaged in legislation;

“tender for income-generating contracts” means a written offer in the form determined by the municipality in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the municipality and a third party that produces revenue for the municipality, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions; and

“the Act” means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

“the municipality” refer to Thembelihle Municipality

2. Introduction

- 2.1 The Constitution of the Republic of South Africa, 1996, provides in sections 152(1)(c) and 152(2) that local government must promote social and economic development and that the municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1).
- 2.2 The Constitution provides in Section 217 that an organ of state must contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive, and cost effective and to implement a policy to grant preferences within a framework prescribed by National Legislation.
- 2.3 The Broad-Based Black Economic Empowerment Act, 2003 provides in section 10 (b) that every organ of state and public entity must apply any relevant code of good practice issued in terms of the Act in developing and implementing a preferential procurement policy.
- 2.4 The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)-[PPPFA] was promulgated by the Minister in response to the Constitutional provision and allow for a Municipality to develop a preferential procurement policy and to implement such policy within the PPPFA framework.
- 2.4.1 Section 2 (1) (d) (i) and (ii) of the Preferential Procurement Policy Framework Act, 2000 refers to specific goals which may include:
 - (i) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability;
 - (ii) implementing the programmes of the Reconstruction and Development Programme (RDP) as published in *Government Gazette* 16085 dated 23 November 1994.
- 2.4.2 The RDP (1994), as basis for development in South Africa, was meant to provide a holistic, integrated, coherent socio-economic policy that is aimed at mobilising people and resources to work towards the upliftment of the material and social conditions of local communities to build sustainable livelihoods for these communities.
- 2.4.3 In terms of Section 2 (1)(d)(ii), the following activities may be regarded as a contribution towards achieving the goals of the RDP, in addition to the awarding of preference points in favour of HDIs (published in *Government Gazette* No. 16085 dated 23 November 1994):
 - (i) The promotion of South African owned enterprises;
 - (ii) The promotion of export orientated production to create jobs;
 - (iii) The promotion of SMMEs;
 - (iv) The creation of new jobs or the intensification of labour absorption;
 - (v) The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
 - (vi) The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
 - (vii) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area;
 - (viii) The promotion of enterprises located in rural areas;
 - (ix) The empowerment of the work force by standardising the level of skill and knowledge of workers;

- (x) The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
- (xi) The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.

2.5 The Minister of Finance gazetted the new Preferential Procurement Regulations, 2022 dated 4 November 2022 in terms of section 5 of the Preferential Procurement Policy Framework Act, 2000 (PPPFA).

3. Purpose and Objectives

3.1 (a) The purpose of this policy is to:

- (i) Provide for categories of preference in awarding of bids;
- (ii) Provide for the advancement of persons or categories of persons disadvantaged by unfair discrimination; and
- (iii) Clarify the mechanisms how the above items in paragraph 3.1 (a) (i) and (ii) will be implemented.

3.2 (b) The objectives to be achieved through this policy is to:

- (i) Promote Black-Based Black Economic Empowerment (B-BBEE) - enterprises providing services and goods.
- (ii) Promote local labour and/ or promotion of enterprises located in the municipal area.
- (iii) Promote Small Medium and Micro Enterprises (SMME's), Joint Ventures, Consortiums, and partnerships.
- (iv) To promote Youth
- (v) To promote gender
- (vi) Implement recognised best procurement practises through effective planning, strategic purchasing, and contract management.

The policy rests upon certain core principles of behaviour as set out in the Constitution and ratified by the Constitutional Certification Judgements. In this context, the policy will be applied in accordance with a system, which is fair, equitable, transparent, competitive, and cost-effective in terms of Section 217 of the Constitution.

This policy strives to ensure that the objectives for uniformity in the supply chain management systems between Municipalities/Municipal entities, is not undermined and consistency with the SCM policies in line with sections 152(1)(c) and 152(2) of the Constitution.

4. Application of Preference Point System

4.1 The Municipality will, in the tender documents, stipulate —

- (a) the preference point system applicable; and
- (b) any specific goal as envisaged in section 2(1)(d) and (e) of the Preferential Procurement Act.

4.2 If it is unclear whether the 80/20 or 90/10 preference point system applies—

- (a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or
- (b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

5. 80/20 preference point system for acquisition of goods or services with a Rand value above R10,000.00 up to a Rand value equal to R50 million

- 5.1 The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value above R10,000.00 up to a Rand value equal to R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where-

- P_s = Points scored for price of tender under consideration;
- P_t = Price of tender under consideration; and
- P_{\min} = Price of lowest acceptable tender.

- 5.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.
- 5.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 5.4 A tenderer must submit proof of its B-BBEE status level of contributor in order to claim points for B-BBEE.
- 5.5 A tenderer failing to submit proof of B-BBEE status level of contributor with his quotation/tender or is a non-compliant contributor to B-BBEE may not be disqualified, but will only score 0 points for B-BBEE.
- 5.6 A tenderer must submit proof of locality in order to claiming point(s) for locality.
- 5.7 A tenderer failing to submit proof of locality with his quotation/tender may not be disqualified, but will only score 0 points for locality.
- 5.8 A tenderer that scores 0 points for B-BBEE and/or 0 points for locality must be scored for price in addition to points for B-BBEE or locality, as the case may be.
- 5.9 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

6. 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

- 6.1 The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where-

- P_s = Points scored for price of tender under consideration;
- P_t = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

- 6.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.
- 6.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 6.4 A tenderer must submit proof of its B-BBEE status level of contributor in order to claim points for B-BBEE.
- 6.5 A tenderer failing to submit proof of B-BBEE status level of contributor with his quotation/tender or is a non-compliant contributor to B-BBEE may not be disqualified, but will only score 0 points for B-BBEE.
- 6.6 A tenderer must submit proof of locality in order to claiming point(s) for locality.
- 6.7 A tenderer failing to submit proof of locality with his quotation/tender may not be disqualified, but will only score 0 points for locality.
- 6.8 A tenderer that scores 0 points for B-BBEE and/or 0 points for locality must be scored for price in addition to points for B-BBEE or locality, as the case may be.
- 6.9 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

7. 80/20 preference points system for tenders for income-generating contracts with a Rand value above R10,000.00 up to a Rand value equal to R50 million

- 7.1 The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value above R10,000.00 up to a Rand value equal to R50 million, inclusive of all applicable taxes:

$$Ps = 80 \left(1 + \frac{Pt - Pmax}{Pmax} \right)$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

- 7.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.
- 7.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 7.4 A tenderer must submit proof of its B-BBEE status level of contributor in order to claim points for B-BBEE.
- 7.5 A tenderer failing to submit proof of B-BBEE status level of contributor with his quotation/tender or is a non-compliant contributor to B-BBEE may not be disqualified, but will only score 0 points for B-BBEE.
- 7.6 A tenderer must submit proof of locality in order to claiming point(s) for locality.

- 7.7 A tenderer failing to submit proof of locality with his quotation/tender may not be disqualified, but will only score 0 points for locality.
- 7.8 A tenderer that scores 0 points for B-BBEE and/or 0 points for locality must be scored for price in addition to points for B-BBEE or locality, as the case may be.
- 7.9 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

8. 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

- 8.1 The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

$$Ps = 90 \left(1 + \frac{Pt - Pmax}{Pmax} \right)$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

- 8.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.
- 8.3 The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 8.4 A tenderer must submit proof of its B-BBEE status level of contributor in order to claim points for B-BBEE.
- 8.5 A tenderer failing to submit proof of B-BBEE status level of contributor with his quotation/tender or is a non-compliant contributor to B-BBEE may not be disqualified, but will only score 0 points for B-BBEE.
- 8.6 A tenderer must submit proof of locality in order to claiming point(s) for locality.
- 8.7 A tenderer failing to submit proof of locality with his quotation/tender, may not be disqualified, but will only score 0 points for locality.
- 8.8 A tenderer that scores 0 points for B-BBEE and/or 0 points for locality must be scored for price in addition to points for B-BBEE or locality, as the case may be.
- 8.9 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

9. Specified Contract Participation Goals

- 9.1 The tendering conditions will stipulate the specific goals, as contemplated in section 2(1)(d)(ii) of the Preferential Procurement Act, to be attained.

Commented [EM1]: MM recommends youth should be also included

Labour should not be used but rather the use the word procurement

- 9.2 Tenders for income-generating contracts points will be allocated in terms of the BBBEE scorecard as follows:

Locality of supplier	Number of Points for Locality (80/20)	Number of Points for Locality (90/10)
Within the boundaries of South Africa	20	10

- 9.3 For any other tenders a maximum of 20 points (80/20 preference points system) or 10 (90/10 preference points system), will be allocated for specific goals. These goals are:

- (a) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, women, youth or disability;
- (b) local procurement and promotion of enterprises located in the municipal area especially SMME's.
- (c) Consorted and deliberate program of skills development
- (d) The empowerment of the work force by standardising the level of skill and knowledge of workers;
- (e) The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills

Specific goals will be allocated depending on the nature of the procurement and will be allocated accordingly. If the Municipality makes use of all specific goals as per paragraph 9.3 (a-e), the remainder of the 50% will be equally split between specific goals b-e.

- 9.4 Regarding paragraph 9.3 (a) 50% of the 20/10 points will be allocated to promote this goal and points will be allocated in terms of the BBBEE scorecard as follows.

B-BBEE Status Level of Contributor	Number of Points for Preference (80/20)	Number of Points for Preference (90/10)
1	10	5
2	9	4.5
3	8	4
4	5	2.5
5	4	2
6	3	1.5
7	2	1

B-BBEE Status Level of Contributor	Number of Points for Preference (80/20)	Number of Points for Preference (90/10)
8	1	0.5
Non-compliant contributor	0	0

- 9.5 A tenderer must submit proof of its BBBEE status level contributor [scorecard].
- 9.6 A tenderer failing to submit proof of BBBEE status level of contributor –
- 9.6.1 may only score in terms of the 80/90-point formula for price; and
- 9.6.2 scores 0 points for BBBEE status level of contributor, which is in line with section 2 (1) (d) (i) of the Act, where the supplier or service provider did not provide proof thereof.
- 9.7 Regarding paragraph 9.3 (b-e) 50% of the 20/10 points will be allocated to promote these goals and will be determined based on the tender at hand.
- 9.8 The policy should not include Pre-qualification goals.
- 9.9 Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender.
- 9.10 A tenderer failing to submit proof of required evidence to claim preferences for other specified goals, which is in line with section 2 (1) (d) (ii) of the Act.
- (i) may only score in terms of the 80/90-point formula for price; and
- (ii) scores 0 points for the relevant specific goals where the supplier or service provider did not stipulate locality.
- 9.11 The preference points scored by a tenderer must be added to the points scored for price.
- 9.12 The points scored must be rounded off to the nearest two decimal places.
- 9.13 The contract must be awarded to the tenderer scoring the highest preference points.
- 10. Criteria for breaking deadlock in scoring**
- 10.1 If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.
- 10.2 If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.
- 11. Remedies**
- 11.1 If the municipality is of the view that a tenderer submitted false information regarding a specific goal, it must—
- (a) inform the tenderer accordingly; and
- (b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part.
- 11.2 After considering the representations referred to in subregulation (1)(b), the municipality may, if it concludes that such information is false—
- (a) disqualify the tenderer or terminate the contract in whole or in part; and
- (b) if applicable, claim damages from the tenderer.
- 12. Short title**
- This policy is called the Preferential Procurement Policy of the Thembelihle Municipality.