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# **PREFERENTIAL PROCUREMENT POLICY**

## 1. Framework

- 1.1 A preference point system must be allowed
- 1.2 For contracts with a Rand value equal to, or above R30 000 a maximum of 20 points may be allocated for specific goals provided that the lowest tender scores 80 points for price (80/20 point system)
- 1.3 For contracts with a Rand value above R500 000 a maximum of 10 points may be allocated for specific goals provided that the lowest tender scores , 90 points for price (90/10 point system)
- 1.4 Any other acceptable tenders which are higher in price must score fewer point's , on a pro rate basis, calculated on their tender prices in relation to the lowest acceptable tender , in accordance with the prescribed formula.
- 1.5 The contract must be awarded to the tenderer who scores the highest points unless objective criteria justify the award to another tenderer.
- 1.6 Any contract awarded on account of false information furnished by the tenderer in order to secure preference in terms of this policy, may be cancelled at the sole discretion of the organ of state without prejudice.
- 1.7 The tender documents must, stipulate the preference point system which will be applied in the adjudication of the tender.
- 1.8 In the event that two or more tenders have scored equal total points, the successful tender must be the one scoring the highest number of preference points for specified goals, Should two or more tenders be equal in all respect, the award shall be decided by the drawing of lots.

## 2. The 80/20 preference point system

- 2.1 The following formula must be used to calculate the points for price in respect of tenders/procurement with a Rand value equal to, or above R30 000 and up to a Rand value of R500 000.

$$p_s = 80 \frac{fl-pt - P_{min}}{P_{min}}$$

Where

$P_s$  = Points scored for price '  $P_t$  = Rand value of tender under consideration  $P_{min}$  = Rand value of lowest acceptable tender.

- 2.2 A maximum of 20 points may be awarded to a tender by achieving any of the preferment points or specified goals.

### 3. The 90/10 preference point system

- 3.1 The following formula must be used to calculate the points for price in respect of tenders/procurement with a Rand value above R5000 000.

$$PS = 90 \frac{(1-pt - Pmin)}{Pmin}$$

Where

Ps = Points scored for price

Pt = Rand value of tender under consideration

Pmin = Rand value of lowest acceptable tender

- 3.2 A maximum of 10 points may be awarded to a tender by achieving any of the preferment points or specified goals.

#### Preference points

- 4.1 Preference points must be awarded for equity ownership by HDIS
- 4.2 The Equity ownership must be equated to the percentage of an enterprise or business owned by individuals or, in respect of a company, the percentage of a company's shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise, commensurate with their degree of ownership at the closing date of the tender. If the percentage of ownership changes after the closing date of the tender, the tenderer must send a notification and such tenderer will not be eligible for any preference points.
- 4.3 Preference points may not be claimed in respect of individuals who are not actively involved in the management of an enterprise or business and who do not exercise control over an enterprise or business commensurate with their degree of ownership.
- 4.4 Preference points may not be awarded to public companies and tertiary institutions.
- 4.5 Equity within private companies must be based on the percentage of equity ownership.
- 4.6 Equity claims for a Trust may only be allowed in respect of those persons who are both trustees and beneficiaries and who are actively involved in the management of the Trust.
- 4.7 A Consortium or Joint Venture may, based on the percentage of the contract value managed or executed by their HID members, be entitled to equity ownership in respect of an HDI.

- 4.8 A Person awarded a contract as a result of preference for contracting with, or providing equity ownership to, a HDI, may not subcontract more than 25% of the value of the contract to a person who is not an HDI or does not qualify for such preference .
- 4.9 The following formula must be applied to calculate the number of points for equity ownership by a HDI.

$$NEP = NOP \times \frac{EP}{100}$$

Where

NEP = Points awarded for equity ownership by an HDI

NOP = The maximum number of points awarded for equity ownership by an HDI

EP = The percentage of equity ownership by an HDI within the enterprise or business.

- 4.10 The maximum number of points awarded for equity ownership by an HDI as follows:

^ 80/20 preference points system = 10 points \$£

90/10 preference points system = 5 points

## 5. Specific goals

- 5.1 Over and above the awarding of preference points in favour of HDPs, points will also be awarded for specific goals.
- 5.2 The Tender Committee must determine for each tender/procurement the specific activities applicable as well as the number of points to be awarded to each activity.
- 5.3 The maximum number of point that can be awarded is as follows:
- SI 80/20 preference points system = 10 points SI*  
*90/20 preference points system = 5 points*
- 5.4 The following activities may be considered by the Tender Committee for awarding points.

# The promotion of locally manufactured products  
 & The promotion of South African owned enterprises

# The promotion of SMME's

# The creation of new jobs or the intensification of labour absorption

& The promotion of enterprises located within the boarders of the Eastvaal District Council. \$• The promotion of enterprises located within the boarders of Msukaligwa Local Municipality & The Empowerment of the work force by standardising the level of skill and knowledge of workers.

& 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.

^ The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure, donations, and charity organisations.

#■ The Promotion of local empowerment by subcontracting a percentage of the contract to local HDI's.

5.5 Specific goals must be measurable and quantifiable and the Tender Committee must monitor the execution of the contract for compliance with such goals.

**ALL TENDERERS MUST ACQUAINT THEMSELVES WITH THE PREFERENTIAL PROCUREMENT POLICY**