



PREFERENTIAL PROCUREMENT POLICY

2024 / 2025 FY

AMENDED

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ACRONYMS AND DEFINITIONS

The words in this policy shall bear a meaning as prescribed and/or ascribed by applicable legislation, and in the event of a conflict, the meaning attached thereto by National Legislation shall prevail:

- 1) “**Act**” means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).
- 2) “**Black people**” as defined in the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003), is a generic term which means Africans, Coloured and Indians.
- 3) “**B-BBEE**” means Broad-Based Black Economic Empowerment.
- 4) “**Broad-Based Black Economic Empowerment Act**” means the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003).
- 5) “**CIDB**” means Construction Industry Development Board.
- 6) “**Code of good practice**” means a generic or sector-specific B-BBEE certificate.
- 7) “**Collusion**” means an intentional and unlawful agreement by two or more companies/firms which is intended or calculated to misrepresent facts or defraud with the sole purpose of influencing the procurement process thereby prejudicing the interests of the service provider.
- 8) “**Companies and Shares**” shall be read to include Close Corporations and members interest’s mutatis mutandis.
- 9) “**Comparative price**” means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration.
- 10) “**Conditions of Tender**” means A document of the procedures, the manner in which those engaged in the procurement process are to behave, the obligations of the tenderer and the undertakings of the Local Municipality. The Conditions of Tender are distinct from the General Conditions of Contract and the Special Conditions of Contract.
- 11) “**Consortium or Joint Venture**” means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract.
- 12) “**Contract**” means the agreement that results from the acceptance of a tender by an organ of state.
- 13) “**CFO**” means Chief Financial Officer.
- 14) “**Direct Sales**” means sales directly to citizens and customers where a competitive bidding process was not followed. Direct sales include the income generated for municipal services;

entrance tickets to municipal venues; Direct sales also include sales for bulk services that are negotiated with a bulk customer.

- 15) “**Disability**” 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.

- 16) **“Local Municipality”** means Mkhondo Local Municipality.
- 17) **“EME”** means Exempted Micro Enterprise with an annual turnover of R10 million or less in terms of the B-BBE Act.
- 18) **“Firm price”** is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, 'levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.
- 19) **“Generic Enterprise”** means any enterprise with an Annual Total Revenue of R50 million and more qualifies as a Large Enterprise in terms of the B-BBEE Act.
- 20) **“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;
- 21) **“Income-generating contract”** means a legal agreement between the Local Municipality and a third party that produces revenue for the organ of state, 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;
- 22) **“Individual”** an individual shall mean a natural person.
- 23) **“IDP”** means Integrated Development Plan of the Local Municipality.
- 24) **“Local Labour”** means South African residents who permanently resides in the Mkhondo municipal area of jurisdiction where the project is implemented.
- 25) **“Local Business”** means an enterprise which has an operational or head office located within the Mkhondo Local municipal area of jurisdiction.
- 26) **“Local economic development”** means local and socio-economic development as contemplated in section 152 of the Constitution, 1996.
- 27) **“Lowest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders
- 28) **“Management”** in relation to an enterprise or business, means an activity inclusive of control and performed daily, by any person who is a principal executive officer of the company, by whatever name that person may be designated, and whether or not that person is a director.

- 29) “**MFMA**” means Municipal Finance Management Act, 2003 (No.56 of 2003).
- 30) “**Non-firm prices**” means all prices other than “firm” prices.
- 31) “**Person**” includes reference to a juristic person.
- 32) “**Public auction**” means a traditional “open cry” auction where it is not practical to apply a system of preference. Examples include events facilitated by an auctioneer during asset disposal auctions; auction of unwanted goods; staff auctions and so on.
- 33) “**QSE**” means a Qualifying Small Enterprise that qualifies for measurement scorecard as such with a turnover of R10 million or more but less than R50 million in terms of the B-BBEE Act
- 34) “**Rand value**” means the total estimated value of a contract in Rand denomination which is calculated at the time of tender invitations and includes all applicable taxes and excise duties.
- 35) “**RFQ**” means any request for quotations for procurement of goods and services above the petty cash procurement estimate threshold set on the Municipal Supply Chain Management Policy, inclusive of all taxes less all unconditional discounts.
- 36) “**SANAS**” means South African National Accreditation System.
- 37) “**SMME**” means Small Medium and Micro Enterprise.
- 38) “**Sub-Contracting**” means the primary contractor’s assigning or leasing or making out work to or employing another person to support such primary contractor in the execution of part of a project in terms of the contract in line with MFMA Circular 120.
- 39) “**Nominated Sub-contractor**” means contractors accredited on the municipal database for construction related work as contemplated in the CIDB.
- 40) “**Tender**” means a written offer or bid in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services or goods or construction works.
- 41) “**Tender format/strategy**” means the special conditions describing the tender strategy approach in order to achieve identified targets.
- 42) “**Trust**” means the arrangement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person.
- 43) “**Trustee**” means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person.
- 44) “**Youth**” means persons between the ages of 14 and 35.

PART 1. POLICY CONTEXT

- 1.1 The Preferential Procurement Policy Framework Act, section 2(1) prescribes that every organ of state must develop its own preferential procurement policy, within a framework upon which the institution will specify how the preferential points will be allocated when awarding bids and how it intends to use procurement as one of its enablers for economic development.
- 1.2 The Preferential Procurement Regulations, 2022 issued on 4 November 2022 provides minimum guidance and requirements for all organ of state, on the determination of respective preferential procurement policies.
- 1.3 The preferential procurement policy is developed within the context of the municipal supply chain management principles of promoting fairness, transparency, equitable, competitiveness and cost-effectiveness.
- 1.4 This policy is aimed at assisting the government programme of redressing the historical imbalances through the application of the preferential points system and other incentive programme aimed at local economic development.
- 1.5 The IDP of Mkhondo Local Municipality is a strategic document that provides the ecosystem of local demographics, socio-economic and service delivery issues and challenges, and strategic objectives and programmes which requires to be taken into account on the development and reviewing of this preferential procurement policy.

PART 2. PURPOSE AND OBJECTIVES

- 2.1. The purpose of the Policy is to provide an instrument that Mkhondo Local Municipality will implement to achieve the objectives of the PPPFA and the implementation of section 152 of the Constitution through the following:
 - 2.1.1 Validate Mkhondo Local Municipality's commitment to local socio-economic development.
 - 2.1.2 Ensure effective and efficient application of resources.
 - 2.1.3 Promote accountability, transparency, and fairness.
 - 2.1.4 Create opportunities for local EMEs.
 - 2.1.5 Enhance quality of services.
 - 2.1.6 Stimulate local socio-economic development.
 - 2.1.7 Eliminate and counter corruption.
 - 2.1.8 Contribute towards reduction of unemployment, especially within the Municipal Area.
 - 2.1.9 Broadening the tax base within the Municipal Area.
 - 2.1.10 Encourage linkages between small and large enterprises.

- 2.1.11 Promote skills transfer and training of the historically disadvantaged.
- 2.1.12 Protect local industry against unfair competition.
- 2.1.13 Create new jobs or intensify labour absorption within the Mkhondo local area.
- 2.1.14 Promote enterprises located within the Municipal Area for work to be done or services to be rendered.

PART 3. LEGISLATIVE AND REGULATORY FRAMEWORK

3.1 Constitution, 1996 (Act 18 of 1996)

- 3.1.1 Sections 152(1)(c) and 152(2) of the Constitution provides that local government must promote social and economic development and that the Local Municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1).
- 3.1.2 Section 217(1) of the Constitution, 1996 (Act 108 of 1996) provides that when contracting for goods and services, organs of state must do so in accordance with a system that is fair, equitable, transparent, competitive, and cost effective. Section 217(2) and (3) of the Constitution allows organs of state to grant preferences when procuring for goods and services within a framework prescribed by National legislation.

3.2 Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) (PPPFA) and related Preferential Procurement Regulations, 2022 (PPR)

- 3.2.1 Section 2 of the PPPFA states that an organ of state must determine its preferential procurement policy and implement it with the following framework:
 - (a) A preference point system of a total of 20 or 10 points must be followed for contracts with a Rand value below or above a prescribed amount may be allocated for specific goals, provided that the lowest acceptable tender scores 90 or 80 points for price.
 - (b) The specific goals 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 Programmes (RDP) as published in Government Gazette No. 16085, dated 23 November 1994.
- 3.2.2 Sections 4 and 5 of the PPR provides the formula to be applied on prescribed threshold value below or above R50 million of the 80/20 or 90/10 price and preference point system for procurement or acquisition of goods or services.
- 3.2.3 Sections 6 and 7 of the PPR provides the formula to be applied on prescribed threshold value below or above R50 million of the 80/20 or 90/10 price and preference point system for tender for income-generating contracts.

3.3 Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) – (MFMA) and related SCM Treasury Regulations, 2005 (Municipal SCM Regulations)

- 3.3.1 The MFMA aims to regulate financial management and Supply Chain Management (SCM) of local government to ensure that all revenue, expenditure, assets, and liabilities are managed efficiently and effectively.
- 3.3.2 Sections 110 – 119 of the MFMA deals with SCM requirements and must be read together with the municipal SCM Regulations 1 – 52 issued in terms of section 168 of the MFMA through Government Gazette No. 27636 effective from 30 May 2005.

3.4 Broad-Based Black Economic Empowerment Act, 2003 (Act 56 of 2003) (B-BBEEA)

- 3.4.1 Section 10(b) of the B-BBEEA states every organ of state and public entity must take into and, as far as is reasonably possible, apply any relevant code of good practice issued in terms of this Act in developing and implementing a preferential procurement policy.

PART 4. POLICY STATEMENT

4.1 Application

- 4.1.1 This policy is applicable to price quotations, RFQs and competitive bids which Mkhondo Local Municipality will apply preference points when making the final award.
- 4.1.2 This Policy will apply to all active industry sectors in the Mkhondo municipal area. It is accepted that through the population of reliable data, trends will be evident which will continuously require a review of the Policy to ensure its relevance of all active industry sectors.
- 4.1.3 This Policy must be read and applied together with the Mkhondo Local Municipality's SCM Policy and the PPPFA prescripts amended from time-to-time.
- 4.1.4 Construction tenders will also have to adhere to this policy and CIDB Act framework.
- 4.1.5 The principles of this policy, where possible, must apply to deviations as per Regulation 36 of the municipal SCM Regulations, contracts procured from other organs of state as per Regulation 32 of the municipal SCM Regulations and transversal contracts.
- 4.1.6 The policy objectives should form part of the conditions of tender and RFQs in order to be active and brought into life.
- 4.1.7 The policy objectives should not form part of the functionality criteria set out to determine the capability of the bidder.

4.2 Uniformity and simplification

- 4.2.1 Tender documents will be rationalized and simplified.
- 4.2.2. Tender documents will include all certificates, declarations, and preference requirements.
- 4.2.3 Where possible standardized contract templates will form part of tender documents.

4.3 Fairness, transparency and consistency

- 4.3.1 The preferential procurement structure should be designed in a manner that promotes fairness, transparency and consistency on the procurement and disposal processes.

4.4 Targeting

4.4.1 Targeting will be regarded as a specific goal identified by Mkhondo Local Municipality and will be reflected in Part 7 of this Policy.

4.4.2 These targets will be determined prior to the invitation of tenders by Mkhondo Local Municipality and reflected on the bid document.

PART 5. APPLICABLE OF POINTS SYSTEM

5.1 Application of preference point system

5.1.1 Mkhondo Local Municipality will, in the tender documents, stipulate —

- (a) the preference point system applicable;
- (b) any specific goal as envisaged in section 2(1)(d) and (e) of the PPPFA.
- (c) the number of points that will be awarded to each goal, and proof of the claim for such goal.

5.1.2 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.

5.2 80/20 price and preference point system is for acquisition of goods or services with Rand value equal to or below R50 million

5.2.1 The following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or below 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.

5.2.2 A maximum of 20 points may be awarded to a tenderer for the specified goals for the tender.

5.2.3 The points scored for the specific goal must be added to the points scored for the price and the total must be rounded off to the nearest two decimal places.

5.2.4 Subject to section 2(1)(f) of the PPPFA, the contract must be awarded to the tendering scoring the highest points.

5.3 90/10 price and preference point system is for acquisition of goods or services with Rand value above R50 million

5.3.1 The following formula must be used to calculate the points out 90 for price in respect of a 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
 P_{\min} = Price of lowest acceptable tender.

5.3.2 A maximum of 10 points may be awarded to a tenderer for the specified goals for the tender.

5.3.3 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.

5.3.4 Subject to section 2(1)(f) of the PPPFA, the contract must be awarded to the tenderer scoring the highest points.

5.4 80/20 preference points system is for tenders for income-generating contracts with Rand value equal to or below R50 million.

5.4.1 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 equal to or below R50 million, inclusive of all applicable taxes:

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

Where-

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

5.4.2 A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

5.4.3 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.

5.4.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

5.5 90/10 preference point system is for tenders for income-generating contracts with Rand value above R50 million

5.5.1 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.

5.5.2 A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

5.5.3 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.

5.5.4 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

PART 6. IDENTIFICATION AND APPLICATION OF POINTS SYSTEM

- 6.1 Mkhondo Local Municipality will in line with section 2 of PPPFA and Regulations 4, 5, 6 and 7 of the PPR determine the applicable preference points system applicable in the tender document for quotations, competitive bids and multiple limited bids for the procurement of goods, services and works; the disposal assets or goods no longer required; and for income-generating contracts:
- 6.2 The 80/20 preference point system for contracts with a Rand value equals to or below than R50 million including all applicable taxes; or the 90/10 preference point system for contracts with a Rand value greater than R50 million including all applicable taxes.
- 6.3 Where Mkhondo Local Municipality is uncertain of the Rand value of the tender, it will indicate in the tender document that either 80/20 or 90/10 will apply, to avoid cancellation of tender thus delaying service delivery.
- 6.4 Invitation for procurement contracts, that the lowest acceptable tender will be used to determine the applicable preference point system; or for an invitation for disposal or income-generating contracts, that the highest acceptable tender will be used to determine the applicable preference point system.
- 6.5 On the application of points system, Mkhondo Local Municipality shall;
- 6.5.1 Determine the points scored using the price formula 80 or 90 points system
 - 6.5.2 Determine the specific goals for 20 or 10 preference points system, as outline in section 2(d) of the PPPFA.
 - 6.5.3 The allocation of the applicable preference points will be determined by Mkhondo Local Municipality for each tender and will be set out in the tender document.
- 6.6 The tendering conditions will stipulate the specific goals, as contemplated in section 2(1)(d)(ii) of the PPPFA, be attained.
- 6.7 A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), will be allocated for the specific goals.
- 6.8 These specified goals are contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.
- 6.9 The policy does not include pre-qualification goals and objectives.
- 6.10 Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender.
- 6.11 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 or 90 points for price; and
 - (ii) scores 0 points out of 20 or 10 points, the relating to specific goals stated in the invitation to submit a tender.

6.12 The preference points scored by a tenderer must be added to the points scored for price.

6.13 The points scored will be rounded off to the nearest two decimal places.

6.14 The contract will be awarded to the tenderer scoring the highest points.

PART 7. PREFERENCE TARGETS AND EMPOWERMENT OBJECTIVES

7.1. Empowerment objectives

7.1.1 The determination of the empowerment objectives for a RFQ shall be prepared by the SCM Unit and the user department guided by the framework on Part 8 of this Policy.

7.1.2 The determination of the empowerment objectives for a tender shall be prepared by the Bid Specification Committee in accordance with Part 8 of this Policy for tenders or bids which have to follow the competitive bidding process.

7.1.3 The bid specification shall determine the proof of evidence of meeting the empowerment objectives.

7.1.4 The threshold values and types of bids and contracts which empowerment objectives shall apply:

TYPE	THRESHOLD VALUE	CONTRACT DEFINATIONS
➤ Major contracts	➤ Contracts exceeding R50 million	➤ High contract complexity types of works ➤ Large scale development ➤ Any bid category (CIDB or General goods and services)
➤ Large Contracts	➤ Contracts exceeding R10 million but less than R50 million or Contract exceeding one year	➤ Medium to high complex works ➤ Any bid category (CIDB or general goods and services)
➤ Micro contracts	➤ Contracts exceeding R5 million but less than R10 million	➤ Low to medium complexity types of works. ➤ Short-term project. ➤ Any bid category (CIDB or General goods and services.
➤ Small Contracts	➤ Contracts exceeding R300 000 but less than R5 million	➤ Low complexity types of works ➤ Short-term project ➤ Any bid category (CIDB or General goods and services)
➤ RFQ bids	➤ Quotations above R 30 000 threshold value but less than R300 000	➤ Three quotations requirement or 7 days quotations advertisement for procurement of goods or services.

7.2 Empowerment programme

7.2.1 Through this policy Mkhondo Local Municipality can determine its own empowerment programme which shall be aimed at community upliftment.

7.2.2 The types of empowerment programme to be determined by Mkhondo Local Municipality can typically fall within the following areas:

7.3 Corporate Social Investment (CSI)

7.3.1 Corporate social investment (CSI) is defined as contributions (either employee time and/or resources) which bring benefits over and above those directly associated with the municipal core business activities.

7.3.2 Depending on the principles of fairness and cost-effectiveness, the relevant commodity required and the profile of the

supply industry, Mkhondo Local Municipality may require that specific CSI contributions be made

7.3.3 The suppliers shall be expected to indicate or provide an outline of socio-economic projects to be implemented through its CSI in the municipal area.

7.3.4 Proposed projects must be measurable with specific focus on vulnerable groups. Bidders can suggest or explore the following socio-economic project practices for consideration:

- (a) On the job training and development of staff (learnerships), particularly for the unemployed or young people including the recruitment of long-term job seekers and handicapped people.
- (b) Young women or mother's upliftment or leadership programme.
- (c) Skills development initiatives (technical and soft skills) must be accredited with recognised institutions.
- (d) Youth leadership and empowerment projects.
- (e) Early childhood development.
- (f) Projects can be in collaboration with local Community Based Organisations, Non-Governmental Organisations, and relevant institutions.
- (g) Business skills and enterprise support including mentoring of local enterprises.
- (h) Development of Parks and open spaces.

7.3.5 All appointed service providers will be required to contribute 1 percent (%) on every invoice which will go towards corporate social investment as part of the empowerment programs.

7.4 Skills transfer

- (a) The Mkhondo Local Municipality shall determine a system for skills transfer of knowledge and expertise to identified municipal staff members where the service provider shall train officials provide evidence.
- (b) if the project is community based, the service provider shall train identified community members in operating, maintaining, and securing the asset.
- (c) Where feasible the Mkhondo Local Municipality should make it a condition of contract that the service provider must train EMEs in business operations, financial aspects of business and compliance aspects of business.

7.5 Contractor development and Special Purpose Vehicle projects

- (a) Where the Mkhondo Local Municipality has an active contractor development programme, where EMEs are registered, the service provider shall be required to conduct a contractor development programme on behalf of the Mkhondo Local Municipality.
- (b) As part of the conditions, the service provider shall be required to give preference to the EMEs in the contractor development incubation programme in pre-determined areas of work.

7.6 Local socio-economic empowerment initiatives

7.6.1 Mkhondo Local Municipality shall through its local economic development strategies and/or policies progressively aims to continuously set aspirational targets to achieve local socio-economic empowering of the local communities, by implementing the following initiatives and programmes:

POLICY OBJECTIVE	TARGET
Improve market share of local EMEs	<ul style="list-style-type: none"> ➤ Mkhondo Local Municipality will continuously promote and implement targeted strategies and modalities, in order to improve the local EMEs competitiveness in the market, as guided by section 152 of the Constitution. ➤ Economic Planning and Development Department shall develop and maintain a fair and transparent processes and systems of identifying and enlisting of EMEs to be supported through the Local Economic Development Strategies and/or Policies initiatives and programmes. ➤ Economic Planning and Development Department shall monitor the implementation of the CSI or Social Labour Plans and submit progress reports to Council on a quarterly basis.
Improve the local economic market <i>[local buying]</i>	<ul style="list-style-type: none"> ➤ Bidders awarded bids by Mkhondo Local Municipality must source the materials within the municipal area, where possible.
Employment of local semi-& unskilled workers	<ul style="list-style-type: none"> ➤ In all projects implemented in the municipal area, the main contractor shall where practical source unskilled and semi-skilled labourers in the area per municipal ward.
Ensure equitable work distribution in the municipal area.	<ul style="list-style-type: none"> ➤ Develop a rotation mechanism to employ local businesses registered on the Central Supplier Database for procurement of goods or services below R 30 000.
Address identified local socio-economic weakness areas	<ul style="list-style-type: none"> ➤ Mkhondo Local Municipality will continuously identify commodities in the demand management plans that will be marked as special purpose vehicles focusing on youth employment. ➤ Economic Planning and Development Department shall compile and keep a database of the demographics of the youth and other groups employment status per ward level and municipal level.

7.6.2 Mkhondo Local Municipality shall determine a policy implementation strategy which shall detail the specific targets to ensure the above preference targets are met, and the strategy shall be reviewed annually in conjunction with the budget polices.

7.6.3 To determine which tender conditions will be applicable to a specific tender, the following considerations will apply:

- (a) Mkhondo Local Municipality will apply the empowerment goals as per section 2 of PPPFA for allocating preference points within the preference point system applicable to the tender.
- (b) Mkhondo Local Municipality will determine and record its reasons whether the goods or services for which a tender is to be invited, will be evaluated based on functionality. Apply functionality as per case law best practice.
- (c) Mkhondo Local Municipality will determine targeting conditions for procurement within the thresholds as directed by Council in 8.1 below and apply such as conditions of tender and/or conditions of contract.
- (d) Mkhondo Local Municipality will determine whether and what additional objective criteria are applicable to the tender as envisaged in the PPPFA 2(1)(f).
 - (i) Objective criteria (2(1)(f)) may be included in the invitation to quote or bid, but will not be limited to that which is published; and
 - (ii) Objective criteria (2(1)(f)) must not include evaluation criteria used to determine an acceptable tender, and must not include the Specific Goals used to determine the 20 or 10 points.
- (e) Where practical possible, labour, plant, equipment and materials should be sourced from suppliers residing in the wards where the projects are implemented.

PART 8. PREFERENCE POINTS ALLOCATION FOR SPECIFIC GOALS

- 8.1 The allocation of points for empowerment goals and offers will be done in accordance with section 2 of the PPPFA.
- 8.2 To promote fairness, transparency, uniformity and consistent on the allocation of preference points for specific goals, the following preference points allocation system will be applied;
 - 8.2.1 Procurement of goods or services up to R 30 000.00 threshold, the 20 preference points for achievement of specific goals shall be allocated as follows;
 - (a) A total of **12.5** preference points shall be allocated on a proportional or pro rata basis for contracting an enterprise owned by historically disadvantaged persons or individuals who meet the following requirements-
 - (i) Black-owned bidders to a maximum of **5.0** points
 - 5.0 points if 100% black ownership
 - 3.0 points if 75% to less 100% black ownership
 - 1.0 points if 51% to less 75% black ownership
 - (ii) Women-owned bidders to a maximum of **2.5** points
 - 2.5 points if 100% owned by a women
 - 1.0 points if 51% or more but less than 100% owned by a women
 - (iii) Youth-owned bidders to a maximum of **2.5** points
 - 2.5 points if 100% owned by youth
 - 1.0 points if 51% or more but less than 100% owned by youth
 - (iv) People living with disability bidders to a maximum of **2.5** points
 - 2.5 points if 100% owned by persons living with disabilities
 - 1.0 points if 51% but less than 100% owned by persons living with disabilities

- (b) A total of **7.5** preference points shall be allocated on a proportional or pro rata basis for implementing of programmes for RDP-
- (v) Locality of bidders to a maximum of **7.5** points:
- 7.5 points for enterprise regarded as EMEs located within the local area of jurisdiction.

8.2.2 Procurement of goods or services above R 30 000.00 threshold up to R300 000, the 20 preference points for achievement of specific goals shall be allocated as follows;

(a) A total of 15 preference points shall be allocated on a proportional or pro rata basis for contracting an enterprise owned by historically disadvantaged persons or individuals who meet the following requirements-

- (i) 5 points for 100% black person or people owned enterprise;
- (ii) 5 points for more than 30% woman or women shareholding or owned enterprise;
- (iii) 2,5 points for more than 30% youth shareholding or owned enterprise;
- (iv) 2,5 points for more than 30% people living with disability shareholding or owned enterprise.

(b) A total of 5 preference points shall be allocated on a proportional or pro rata basis for implementing of programmes for RDP-

- (v) 5 points for enterprise regarded as EMEs located within the local area of jurisdiction.

8.2.3 Procurement of goods or commodities which are also manufactured or produced and/or services rendered by service providers who are supported by Mkhondo Local Municipality through various Local Economic Development Strategies and/or Policies initiatives and programmes, above R 30 000.00 threshold up to R300 000. The 20 preference points for achievement of specific goals shall be allocated as follows;

(a) A total of 10 preference points shall be allocated on a proportional or pro rata basis for contracting an enterprise owned by historically disadvantaged persons or individuals who meet the following requirements-

- (i) 2,5 points for 100% black person or people owned enterprise;
- (ii) 2,5 points for more than 30% woman or women shareholding or owned enterprise;
- (iii) 2,5 points for more than 30% youth shareholding or owned enterprise;
- (iv) 2,5 points for more than 30% people living with disability shareholding or owned enterprise.

(b) A total of 10 preference points shall be allocated for implementing of programmes for RDP-

- (i) 10 points shall be allocated to only those enterprises regarded as EMEs or Start-Ups located within the local area of jurisdiction, supported by Mkhondo Local Municipality through various Local Economic Development Strategies and/or Policies initiatives and programmes, subject to meeting the requirements stated on section 7.6 of this Policy.

8.2.4 Procurement of goods or services above R300 000 with a maximum threshold value of R5 million, the 20-preference point for achievement of specific goals shall be allocated as follows;

(a) A total of 12,5 preference points shall be allocated on a proportional or pro rata basis for contracting an enterprise owned by historically disadvantaged persons or individuals who meet the following requirements-

- (i) 5 points for 100% black person or people owned enterprise;
- (ii) 2,5 points for more than 30% woman or women shareholding or owned enterprise;
- (iii) 2,5 points for more than 30% youth shareholding or owned enterprise;
- (iv) 2,5 points for more than 30% people living with disability shareholding or owned enterprise.

- (b) A total of 7,5 preference points shall be allocated on a proportional or pro rata basis for implementing of programmes for RDP-
 - (i) 2,5 points for enterprise regarded as EMEs located within Mkhondo local area of jurisdiction;
 - (ii) 5 points for valid B-BBEE level 1 contribution (SANAS accredited B-BBEE certificate for generic enterprise, and for EME and SME a sworn affidavit or CIPC issued certificate confirming annual turnover and level of Black Ownership).

8.2.5 Procurement of goods or services or works above R5 million up to a maximum threshold value of R10 million, the 20-preference point for achievement of specific goals shall be allocated as follows;

- (c) A total of 10 preference points shall be allocated on a proportional or pro rata basis for contracting an enterprise owned by historically disadvantaged persons or individuals who meet the following requirements-
 - (v) 2,5 points for 100% black person or people owned enterprise;
 - (vi) 2,5 points for more than 30% woman or women shareholding or owned enterprise;
 - (vii) 2,5 points for more than 30% youth shareholding or owned enterprise;
 - (viii) 2,5 points for more than 30% people living with disability shareholding or owned enterprise.
- (d) A total of 10 preference points shall be allocated on a proportional or pro rata basis for implementing of programmes for RDP-
 - (i) 2,5 points for enterprise regarded as EMEs located within Mkhondo local area of jurisdiction;
 - (ii) 5 points for Corporate Social Investment (CSI) or Social Labour Plan proposition;
 - (iii) 2,5 points for valid B-BBEE level 1 contribution (SANAS accredited B-BBEE certificate for generic enterprise, and for EME and SME a sworn affidavit or CIPC issued certificate confirming annual turnover and level of Black Ownership).

8.2.6 Procurement of goods or services above R10 million up to maximum threshold value of R50 million, the 20-preference point for achievement of specific goals shall be allocated as follows;

- (a) A total of 8 preference points shall be allocated on a proportional or pro rata basis for contracting an enterprise owned by historically disadvantaged persons or individuals who meet the following requirements-
 - (i) 2 points for 100% black person or people owned enterprise;
 - (ii) 2 points for more than 30% woman or women shareholding or owned enterprise;
 - (iii) 2 points for more than 30% youth shareholding or owned enterprise;
 - (iv) 2 points for more than 30% people living with disability shareholding or owned enterprise.
- (b) A total of 12 preference points shall be allocated on a proportional or pro rata basis for implementing of programmes for RDP-
 - (i) 2 points for enterprise located within Mkhondo local area of jurisdiction;
 - (iv) 2 points for enterprise who will sub-contract minimum of 30% of the contract value to EMEs in the ward or local communities where the services to be rendered or works to be undertaken;
 - (v) 5 points for Corporate Social Investment (CSI) or Social Labour Plan proposition;
 - (vi) 3 points for valid B-BBEE level 1 contribution (SANAS verified B-BBEE certificate for generic enterprise, and for EME and SME a sworn affidavit or CIPC issued certificate confirming annual turnover and level of Black Ownership).

8.2.7 Procurement of goods or services and works above R50 million, the 10-preference point for achievement of specific goals shall be allocated as follows;

- (a) A total of 4 preference points shall be allocated on a proportional or pro rata basis for contracting an enterprise owned by historically disadvantaged persons or individuals who meet the following requirements-
 - (i) 1 point for 100% black person or people owned enterprise;
 - (ii) 1 point for more than 30% woman or women shareholding or owned enterprise;
 - (iii) 1 point for more than 30% youth shareholding or owned enterprise;
 - (iv) 1 point for more than 30% people living with disability shareholding or owned enterprise.
- (b) A total of 6 preference points shall be allocated on a proportional or pro rata basis for implementing of programmes for RDP-
 - (i) 1 point for enterprise located within Mkhondo local area of jurisdiction;
 - (ii) 1 point for enterprise who will sub-contract minimum of 30% of the contract value to EMEs in the ward or local communities where the services to be rendered or works to be undertaken;
 - (vii) 3 points for Corporate Social Investment (CSI) or Social Labour Plan proposition;
 - (viii) 1 point for valid B-BBEE level 1 contribution (SANAS verified B-BBEE certificate for generic enterprise, and for EME and SME a sworn affidavit or CIPC issued certificate confirming annual turnover and level of Black Ownership).

PART 9. CRITERIA FOR BREAKING DEADLOCK IN SCORING AND REMEDIES

9.1 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.

9.2 If two or more tenderers score an equal total number of points, the objective criteria in addition to those contemplated in sections (d) and (e) of the Act, justify the award to the tenderer that scored the highest points in accordance with section 2(1)(f) of the Act.

9.3 If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

9.4 A contract may be awarded to tenderer not scoring highest points subject to meeting certain objective criteria clearly specified on the invitation to submit a tender.

9.5 Remedies

- (a) If Mkhondo Local Municipality is of the view that a tenderer submitted false information regarding a specific goal, it must;
 - (i) inform the tenderer; accordingly, and
 - (ii) 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.

- (b) After considering the representations referred to in paragraph 8.5(a) of this Policy, Mkhondo Local Municipality may if it concludes that such false information was submitted by the tenderer;
- (i) disqualify the tenderer or terminate the contract in whole or in part; and
- (ii) if applicable, claim damages from the tenderer.

PART 10. ALIGNMENT WITH THE PROCUREMENT PROCESS

- 10.1 This Policy shall be implemented in conjunction with the Mkhondo Local Municipality's SCM Policy.

PART 11. DEVIATIONS AND EXEMPTIONS

- 11.1 Any exemption from compliance to this Policy shall be permitted only within the delegatory powers permitted by Council and as prescribed in terms of the MFMA and the PPPFA.

PART 12. ADMINISTRATION OF POLICY

12.1 Responsibility

- 12.1.1 The responsibility for the implementation and administration of the Policy is delegated to the Accounting Officer, who will be supported and assisted by the Chief Financial Officer, General Manager – Economic Planning and Development and other relevant departments of Mkhondo Local Municipality.
- 12.1.2 The SCM Unit shall be responsible for putting in place internal control processes and systems relating to effective implementation of this Policy.

12.2 Oversight by Council

- 12.2.1 The Accounting Officer must align its reporting requirements to Council as per Regulation 6 of the municipal SCM Treasury Regulations regarding the implementation of this Policy.

PART 13. IMPLEMENTATION

- 13.1 This Policy shall be implemented with immediate effect from date of adoption by Council of Mkhondo Local Municipality