

MAKHUDUTHAMAGA MUNICIPALITY

PREFERENTIAL PROCUREMENT POLICY

2008

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Preferential Procurement Policy

Policy objectives

The preferential procurement policy objectives of the Municipality are to utilize procurements and disposals where appropriate to promote:

- a) the redressing of skewed business ownership patterns along racial and gender lines
- b) employment to relatively unskilled workers residing within the area under the jurisdiction of the Municipality
- c) the market share of small businesses
- d) businesses located within the jurisdiction of the Municipality and
- e) South African manufactured goods
- f) Empowerment of former liberation struggle combatants
- g) The empowerment of registered indigent residents of the Municipality to move them from indigent support.
- h) Ensuring that all residents benefit equitably from the procurement processes of the Municipality by:
 - Giving preference to cooperatives controlled by one or more of the target groups
 - Enforcing rotation during procurement

For each financial year as part of its IDP/Budget process the Municipality should identify the priority objectives and allocate resources to achieve these. The priorities can be set for a single year or for a longer period. Where Council decides on a longer period this should be reviewed annually as part of the IDP/Budget process. Council must annually allocate preference percentages to the procurement priorities based on its performance for the preceding year and to achieve its stated target.

Targets

The policy outcomes which are to be strived for are:

Policy objective	Target
The redressing of skewed business ownership patterns along racial and gender lines	By year 2011 the market share of black business is to be at least 50% of all municipal procurement. By year 2011 the market share of women businesses is to be at least 20% of all municipal procurements.

The market share of small businesses	By year 2011 the market share of small businesses is to be at least 30% of all municipal procurements.
Businesses located within the jurisdiction of the Municipality	By year 2011 the market share of local businesses is to be at least 30% of all municipal procurements.
Employment of relatively unskilled workers residing within the area under the jurisdiction of the Municipality	At least 30% of the total construction cost of contracts, excluding design and supervision fees and VAT should represent the payment of wages and allowances to local labour.
Empowerment of former liberation struggle combatants	By year 2011 at least 10% of all municipal procurement is to be from business with at least 25% shareholding in the hands of former liberation struggle combatants.
Empowerment of registered indigents	<ul style="list-style-type: none"> By year 2011 at least 25% of all municipal procurement is to be from business with at least 25% shareholding by targeted groups or from cooperatives formed for the purpose of empowering indigents. Encourage rotation of suppliers for all procurement below R 200 000 and for procurement above R 200 000 offer no preferential points for bidders who have already done business with the Municipality in the current financial year to an accumulated Rand value of 80% or more of the bid under consideration.
Ensuring that all residents and, in particular, business registered on the Municipality's database, benefit equitably from municipal procurement	

Target groups

The target groups associated with the Municipality's preferential procurement will be defined as:

Target group	Definition
Black Business Enterprise	Enterprise which is in the control of one or more black persons and is at least fifty one percent owned by one or more black persons who are principals.
Local Business Enterprise	Enterprise which has its sole office or head office located within the area under the jurisdiction of the Municipality.
Local labour	South African citizens who permanently reside within

	the municipal boundaries and earn wages and allowances that are no more than one and a half times the minimum wage established for construction related work.
Small Business Enterprise	Enterprise which satisfies the definition for a micro or small business in terms of the Small Business Act (Act 102 of 1996).
Woman Business Enterprise	Enterprise which is in the control of one or more women and is at least fifty one percent owned by one or more women who are principals.
Former liberation struggle combatants	Former members of the previous liberation struggle forces who currently are registered members of any association formed to advance the interest of such members.
Indigent	Any person who appears on the Municipality's indigent register as of 01 July of the year under consideration.

Targeting strategies

One of the following two basic targeting strategies will be used in all procurements and disposals, except where the estimated value of the procurement or disposal, inclusive of VAT is less than R 30 000 where no preferencing will be applied:

- a) direct preferences in terms of which tenderers are granted a preference should their enterprise satisfy the requirement of one or more targeted enterprise definitions provided in the procurement documents or the supplies are manufactured in South Africa or
- b) direct participation in terms of which a tenderer offers to attain a contract participation goal relating to the engagement of targeted enterprises or targeted labour as stated in the procurement documents in the performance of the contract.

Mechanisms for measuring, monitoring and auditing the projected and actual outcomes

The Preferential Procurement Policy will be implemented in accordance with the provisions of SANS 10396: Standard for Implementing Preferential Policies using Targeted Procurement Procedures in so far as they are applicable to ensure that socio-economic deliverables are appropriately defined in the procurement documents and are measured, verified and audited in the execution of contracts.

Use of the following South African National Standards will be made to permit bidders to offer contract participation goals and enable bids to be evaluated in

accordance with the provisions of the Preferential Procurement Policy Framework Act:

- a) SANS 1914-1: Participation of targeted enterprises
- b) SANS 1914-4: Participation of targeted enterprises and targeted labour (local resources)
- c) SANS 1914-5: Participation of targeted labour

Where a contractor fails to adhere to the conditions associated with the granting of preferences, financial penalties will be applied which must be approximately equal to one and a half times than any theoretical cost advantage that they may have received as a result of being granted the preference.

Annual reports to Council

The Municipal Manager will present an annual report to Council on the outcomes of the preferential procurement policy. The report as a minimum must indicate the value of the contracts associated with each of the targeting strategies, the estimated value of work performed by each of the targeted groups and progress made towards the attainment of targets.

Programmes funded by others

The policy objectives and implementation procedures of programmes funded by bodies other than the Municipality will be pursued provided that it is established by the Municipal Manager that such objectives and procedures are consistent with the Preferential Procurement Policy Framework Act (Act 5 of 2000).

Annual review of policy

This policy will be reviewed annually by the Chief Financial Officer in the light of the outcomes achieved in a year and will be adjusted, if necessary to ensure that the targets are met and the needs of the community which the Municipality serves are taken into account.