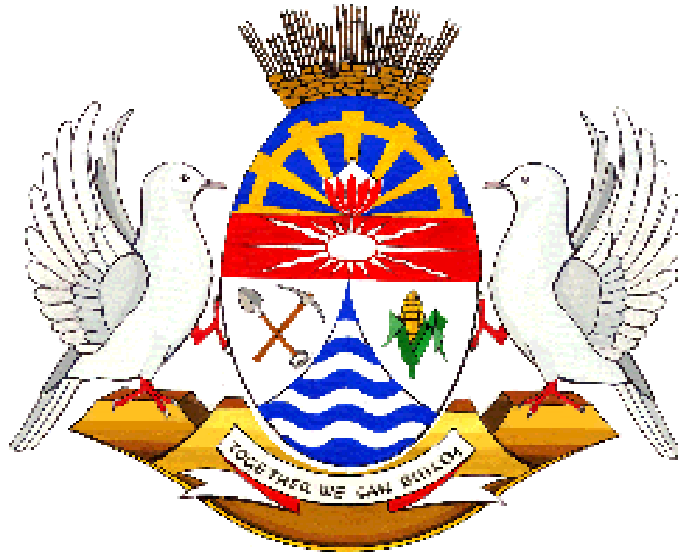




LEJWELEPUTSWA DISTRICT MUNICIPALITY

Preferential Procurement Policy 2025/2026

Issued in terms of sections 152(1)(c) and 217 of the Constitution read with section 2 of the Preferential Procurement Policy Framework Act 5 of 2000 and 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 have been assigned in the Act must bear the meaning so assigned-

"Act"	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
"B-BBEE"	means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act
"B-BBEE status level of contributor"	means the B-BBEE status of an entity in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act
"Broad-Based Black Economic Empowerment Act"	means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
"Co-operative"	means a co-operative registered in terms of Section 7 of the Co-operatives Act, 2005 (Act No. 14 of 2005)
"locality"	means local suppliers and/or service providers that resides within the Lejweleputswa Municipal area, Lejweleputswa District, Free State and Provinces within Republic of South Africa
"Local Business".	means an enterprise which has an operational office located within the Lejweleputswa Municipal area, Free State and Provinces within Republic of South Africa
"price"	includes all applicable taxes less all unconditional discounts

Proof of B-BBEE status level of contributor	Means: 1.10.1 the B-BBEE status level certificate issued by an authorised body or person (SANAS) 1.10.2 a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or 1.10.3 any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act
Proof of locality	Means: 1.11.1 municipal account in the name of the bidder not older than 90 days 1.11.2 lease agreement where the bidder is the lessee, with statement of account
Tender	means a written offer in the form determined by Lejweleleputswa District Municipality in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;
Specific goals	<i>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;</i>

2. Introduction

2.1 The Constitution of the Republic of South Africa Act, No.108 of 1996, (section 217) requires an organ of state to contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive, cost effective and to grant preferences within a framework prescribed by National Legislation.

2.2 Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for –

2.2.1 Categories of preference in allocation of contracts; and

2.2.2 The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination

2.3 National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.

2.4 Section 2 of Preferential Procurement Policy Act of 2000 –

1. An organ of state must determine its preferential procurement policy and implement it within the following framework:

(a) A preference point system must be followed (b)

i. for contracts with a Rand value above a prescribed amount a maximum of 10 points may be allocated for specific goals as contemplated in paragraph (d) provided that the lowest acceptable tender scores 90 points for price

ii. For contracts with a Rand value equal to or below a prescribed amount a maximum of 20 points may be allocated for specific goals as contemplated in paragraph (d) provided that the lowest acceptable tender scores 80 points

(c) Any other acceptable tenders which are higher in prices must score fewer points, on pro rata basis, calculated on their tender prices in relation to the lowest acceptable tender, in accordance with prescribed formula

(d) The specific goals may include –

i. Contracting with persons or categories of persons from designated sectors on the basis of race, gender or disability

ii. Implementing the programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994

- (e) Any specific goal for which a point may be awarded must be clearly specified in the invitation to submit a tender
- (f) The contract must be awarded to the tenderer who scores the highest points, unless objective criteria in addition to those contemplated in paragraphs (d) and (e) justify the award to another tenderer; and
- (g) Any contract awarded on account of false information furnished by the tenderer in order to secure preference in terms of this Act, may be cancelled at the sole discretion of the organ of state without prejudice to any other remedies the organ of state may have.
- (h) Any Goals contemplated in subsection (1)(e) must be measurable, quantifiable and monitored for compliance

2.5 Section 2 (a) of The Black-based Economic Empowerment Act, No. 53 of 2003, states that one of the goals of the Act is to promote economic transformation to enable meaningful participation of black people in the economy.

2.6 Section 2(1) of the PPPFA states that an organ of state must determine its Preferential Procurement Policy and implement it within the framework provided for in the Act

2.7 The PPPFA provides for institutions to contract with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability; and through implementing the programmes of the Reconstruction and Development Programme as published in *Government Gazette* No. 16085 dated 23 November 1994;

3. PURPOSE OF THE POLICY

3.1 The purpose of this Preferential Procurement Policy is to provide a framework within which section 217 of the Constitution of the Republic of South Africa, 1996, the Municipal Finance Management Act (MFMA) No. 56 of 2003, the Preferential Procurement Policy Framework Act, 2000 and other provincial and national supply chain management prescripts shall be implemented in the Lejweleputswa District Municipality to ensure a consistent approach to Supply Chain Management.

3.2 To Promote equity and create economic growth and employment in Lejweleputswa District, by:

- 3.2.1 increasing participation of Historically Disadvantaged Individuals in the municipal procurement opportunities.
- 3.2.2 increasing participation by SMMEs.
- 3.2.3 creating new jobs for local labour; and
- 3.2.4 supporting Local products.
- 3.2.5 Create opportunities for Local small, medium and micro enterprises.
- 3.2.6 Enhance quality of services.
- 3.2.7 Stimulate socio-economic development.
- 3.2.8 Contribute towards reduction of unemployment through targeting companies owned by women and youth
- 3.2.9 Protect industries in the district against unfair competition.
- 3.2.10 Promote enterprises located within rural areas in and around the Free State Province
- 3.2.11 Promote SMME's, Co-operatives and partnerships, especially within the Lejweleputswa District area

4. APPLICABLE POINTS SYSTEM

4.1 Application of preference point system

4.1.1 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.

4.1.2 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;
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.

4.2 80/20 preference point system for acquisition of goods or services with Rand value from R2001 up to Rand value equal R50 million

4.2.1 The following formula must be used to calculate the points out of 80 for price in respect of a quotation/tender with a Rand value from R2001 up 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.

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

4.2.3 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.

4.2.4 A bidder must submit proof of its compliant B-BBEE status level of contributor in order to claim points for B-BBEE

4.2.5 Failure to submit proof of B-BBEE or compliant B-BBEE status level of contributor with quotation/tender, will lead to a score of zero (0) and not a disqualification

4.2.6 Proof of Locality must be submitted in order to claim point(s) for Locality

4.2.7 Failure to submit proof of locality with quotation/tender, will lead to a score of zero (0) and not a disqualification

4.2.8 A bidder that Score 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.

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

4.3 90/10 preference point system for acquisition of goods or services with Rand value from R50 000 001

- 4.3.1 The following formula must be used to calculate the points out of 90 for price, in respect of a tender with a Rand value from R 50,000,001 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.

- 4.3.2 A maximum of 10 points may be awarded to a tenderer for the specified goals of the tender.
- 4.3.3 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.
- 4.3.4 A bidder must submit proof of its compliant B-BBEE status level of contributor in order to claim points for B-BBEE.
- 4.3.5 Failure to submit proof of B-BBEE or compliant B-BBEE status level of contributor with quotation/tender, will lead to a score of zero (0) and not a disqualification.
- 4.3.6 Proof of Locality must be submitted in order to claim point(s) for Locality.
- 4.3.7 Failure to submit proof of locality with quotation/tender, will lead to a score of zero (0) and not a disqualification.
- 4.3.8 A bidder that Score 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.
- 4.3.9 Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

4.4 80/20 preference points system for tenders to for income-generating contracts with Rand value of equal to or below R50 000 001

4.4.1 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 above R10 000.00 up to R50 million, inclusive of all applicable:

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

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

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

4.4.3 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.

4.4.4 A bidder must submit proof of its compliant B-BBEE status level of contributor in order to claim points for B-BBEE

4.4.5 Failure to submit proof of B-BBEE or compliant B-BBEE status level of contributor with quotation/tender, will lead to a score of zero (0) and not a disqualification

4.4.6 Proof of Locality must be submitted in order to claim point(s) for Locality

4.4.7 Failure to submit proof of Locality with quotation/tender, will lead to a score of zero (0) and not a disqualification

4.4.8 A bidder that Score 0 points for B-BBEE and/ or 0 points for Locality must be score for price in addition to points for B-BBEE or locality

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

4.5 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 000 001 million

4.5.1 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 of R50 000 001 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.

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

4.5.3 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.

4.5.4 A bidder must submit proof of its compliant B-BBEE status level of contributor in order to claim points for B-BBEE.

4.5.5 Failure to submit proof of B-BBEE or compliant B-BBEE status level of contributor, with quotation/tender, will lead to a score of zero (0) and not a disqualification.

4.5.6 Proof of locality must be submitted in order to claim point(s) for locality.

4.5.7 Failure to submit proof of locality with quotation/tender, will lead to a score of zero (0) and not a disqualification

4.5.8 A bidder that score 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

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

5. Specific Contract Participation Goals

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

5.2 for any 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:

5.2.1 Contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability

5.2.2 Local labour, and/ or promotion of enterprise located in the municipal area.

5.3 50% of the 20/10 points will be allocated to promoting this goal and points will be allocated in terms of the BBEEE scorecard as follows:

Persons historically disadvantaged on the basis of race	ACHIEVEMENT LEVEL	TOTAL NUMBER OF POINTS THAT MAY BE CLAIMED
	100% black ownership	10
	75% - 99% black ownership	9
	60% - 74% black ownership	7
	51% - 59% black ownership	6
	10 % – 50% black ownership	1
	Non-compliant	0

5.4 A bidder must submit proof of its BBEEE status level contributor [scorecard]

5.5 A bidder failing to submit proof of BBEEE status level contributor -

5.5.1 may only score in terms of the 80/90-point formula for price; and

5.5.2 scores 0 points for BBEEE status level contributor, which is in line with section 2 (1) (d) (i) of the Act, where the supplier or service provider did not provide thereof.

5.6 50% of the 20/10 points will be allocated to promote this goal. Points will be allocated as follows:

Local area of supplier	Number of Points for Preference	
	80/20	90/10
Within the boundaries of the Lejweleputswa District Municipality	10	5
Within the boundaries of Free State Province	6	3
Within the boundaries of the South Africa	4	2
Outside of the boundaries of South Africa	0	0

5.7 The policy should not include Pre-qualification goals.

5.8 Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender.

5.9 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.

5.10 The preference points scored by a bidder must be added to the points scored for price.

5.11 The points scored must be rounded off to the nearest two decimal places.

5.12 The contract must be awarded to the tenderer scoring the highest procurement points.

6. Criteria for breaking deadlock in scoring

6.1 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.

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

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

7. Remedies

(i) If a 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—

7.1 After considering the representations referred to in par 11 (1)(b), the Municipality may—

- (a) 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;

8. Repeal of the policy

8.1 This Policy repeal all previous preferential procurement policies of the Lejweleputswa District Municipality and Municipal Entity in its entirety.

9. Short title

9.1 This Policy is called the Lejweleputswa District Municipality Preferential Procurement Policy.