



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

**DEPARTMENT OF
TRANSPORT AND COMMUNITY SAFETY**

PREFERENTIAL PROCUREMENT POLICY VERSION 2

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1. ACRONYMS AND ABBREVIATIONS

B-BBEE - Broad-Based Black Economic Empowerment

PFMA - Public Financial Management Act

SCM - Supply Chain Management

SMME - Small Medium and Micro Enterprises

NLTA- National Land Transport Act

2. INTRODUCTION AND BACKGROUND

- a) The Constitution of the Republic of South Africa Act, No.108 of 1996, (section 217 (1) 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.
- b) Section 217(2) of the Constitution permits organs of state and the identified other institutions, to implement a procurement policy providing for categories of preference in the allocation of contracts and the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
- c) Section 2 (a) of The Broad Based Black 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. This Policy gives rise to the National Legislation to advance section 217 of the Constitution.
- d) This policy in its design, development, implementation, and review is guided and underpinned by the Transversal SCM Policy and all applicable legislation. Should any aspect of this policy conflict with the Transversal SCM Policy, any regulations or other applicable legislations, the Constitution of the Republic of South Africa shall take precedence.
- e) This policy applies without exception to all employees of the Department of Transport and Community Safety and all suppliers or service providers that interact with the department when procuring goods and services.

3. PURPOSE AND OBJECTIVES OF THE POLICY

The purpose of this Policy is to:

- i) provide a framework within which the principles of preferential procurement should be implemented within the Department.
- ii) provide for categories of preference in awarding of tenders.
- iii) provide for the advancement of persons or categories of persons disadvantaged by unfair discrimination; and
- iv) enhance the participation of Historically Disadvantaged Individuals (HDIs) and small, medium, and micro enterprises (SMMEs) in the department's procurement system.

The objectives of this Policy is to:

- i. To ensure that procurement of goods and services within the Department is aligned to the Preferential Procurement Policy Framework Act 2000 and its regulations, 2022.
- ii. To give effect to the provisions of the Limpopo Procurement Strategy.
- iii. Provide clarity on the department's approach to procurement, particularly with regards to requirements of preferential procurement.
- iv. Provide access to contracts for historically disadvantaged individuals.
- v. Promote participation by SMME's.
- vi. Promote capacity development and skills transfer of the Historically Disadvantaged Individuals.
- vii. Promote local economic development.
- viii. To redress inequalities of the past and promote broader inclusion of the previously marginalized into the mainstream of the formal economy with a targeted approach.

4. SCOPE OF APPLICATION

This Policy applies to the procurement of all goods and services and sale and letting of assets by the Department of Transport and Community Safety.

5. DEFINITIONS

1.1	"Act"	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
1.2	"Acceptable tender"	Means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document.
1.3	"Contract"	Means the agreement that results from the acceptance of a tender by an organ of state; negotiated contracts or subsidized contracts
1.4	"Department"	Limpopo Department of Transport and Community Safety (LDTCS)
1.5	"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.
1.6	"Lowest acceptable tender"	Means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders.
1.7	"Negotiated contracts"	Means negotiated contract that may be entered into with transport operators in their areas as defined in section 41 (1)(a)(b)(c) of National Land Transport Act of 2009

1.8	“Organ of the state”	Means any department of state or administration in the national, provincial or local sphere of government or any other functionary or institution exercising power or performing a function in terms of the Constitution or a provincial constitution or exercising a public power or performing a public function in terms of any legislation as defined in section 239 of the Constitution of South Africa 1996
1.9	“People with disabilities”	Means people who have a long-term or recurring physical or mental impairment which substantially limits their prospects of entry into, or advancement in, employment as defined in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998)
1.10	“Price”	Means an amount of money tendered for goods or services and includes all applicable taxes less all unconditional discounts.
1.11	“Rand value”	means the total estimated value of a contract in Rand, calculated at the time of the tender invitation.
1.12	“Small, Medium and Micro Enterprises (SMMEs)”	Bears the same meaning assigned to this expression in the National Small Business Act, 1996 (Act No. 102 of 1996);
1.13	“Specific goals”	Means specific goals as contemplated in section 2(1)(d) of PPPFA of 2000 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.

1.14	Subsidised Service Contract	Means subsidised service contract that may be entered into with transport operators in their areas as defined in section 42 of National Land Transport Act of 2009
1.15	“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;
1.16	“Tender for income-generating contracts”	means a written offer in the form determined by an organ of state 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 organ of state and third party that procedures 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

6. POLICY AUTHORITY

The Policy is issued under the authority of the Accounting Officer and the Executive Authority.

7. IDENTIFICATION OF PREFERENCE POINT SYSTEM AND OBJECTIVE CRITERIA

The department shall determine and stipulate in the tender documents-

- 7.1 The preference points system applicable to the tender.
- 7.2 If it is unclear which preference point system will be applicable, 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.
- 7.3 Determine whether objective criteria are applicable to the tender.

8. APPLICATION OF PREFERENCE POINT SYSTEM

8.1 80/20 PREFERENCE POINT SYSTEM

- a. The following formula shall be used to calculate the points for price of tenders/procurement with the rand value equal to or below R50 million:

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

Where:

P_s = Points scored for price of bid under consideration

P_t = Rand value of tender consideration

P_{min} = Rand value of lowest acceptable tender

- b. A maximum of **20 points** will be awarded to the designated groups indicated in the table below. The Accounting Officer or delegated official shall determine the specific goals when specifications are drawn

Allocation of preference points for quotations/bids thresholds will be as follows:

No	Designated Group	Points	Means of Verification
1.	Enterprises owned by at least 51% black people	2	Central Supplier Database (CSD)
2.	Enterprises owned by at least 51% women	4	Central Supplier Database (CSD)
3.	Enterprises owned by at least 51% youth	4	Central Supplier Database (CSD)
4.	Enterprises owned by at least 51% persons with disability	2	Disability certificate issued by health professionals
5.	Enterprises owned by at least 51% military veterans	2	Confirmation letter issued by Department of Military Veterans

6.	Small, Medium and Micro Enterprises (SMMEs)	1	Central Supplier Database (CSD)
7.	Enterprises located in rural areas or townships	2	Municipality Utility Bills or Lease Agreements or Proof of Residence from Tribal Authority or Municipality/ Municipal Council
8.	Enterprises located in Limpopo Province	3	Municipality Utility Bills or Lease Agreements or Proof of Residence from Tribal Authority or Municipality/ Municipal Council

- c. The points scored by a tenderer in respect of the specific goals above shall be added to the points scored for price and the total shall be rounded off to the nearest two decimal places
- d. Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points

8.2 90/10 PREFERENCE POINT SYSTEM

- a. The following formula shall be used to calculate points for price in respect of tenders/procurement with a Rand value equal to or above R50 million:

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

Where:

Ps = Points scored for price of bid under consideration

Pt = Rand value of tender consideration

Pmin = Rand value of lowest acceptable tender

- b. A maximum of **10 points** will be awarded in accordance with the specific goals which the Department would like to achieve and therefore the preference points will be decided and allocated per tender.

No	Designated Group	Means of Verification
1	Enterprises owned by at least 51% black people	Central Supplier Database (CSD)
2	Enterprises owned by at least 51% women	Central Supplier Database (CSD)
3	Enterprises owned by at least 51% youth	Central Supplier Database (CSD)
4	Enterprises owned by at least 51% persons with disability	Disability certificate issued by health professionals
5	Enterprises owned by at least 51% military veterans	Confirmation letter issued by Department of Military Veterans
6	Small, Medium and Micro Enterprises (SMMEs)	Central Supplier Database (CSD)
7	Enterprises located in rural areas or townships	Municipality Utility Bills or Lease Agreements or Proof of Residence from Tribal Authority or Municipality/ Municipal Council
8	Enterprises located in Limpopo Province	Municipality Utility Bills or Lease Agreements or Proof of Residence from Tribal Authority or Municipality/ Municipal Council

- c. The points scored by a tenderer in respect of the specific goals above shall be added to the points scored for price and the total shall be rounded off to the nearest two decimal places
- d. Subject to section 2(1)(f) of PPPFA of 2000, the contract shall be awarded to the tenderer scoring the highest points.

8.3 80/20 PREFERENCE POINT SYSTEM FOR INCOME-GENERATING CONTRACTS

- a. The following formula shall be used to calculate points for price in respect of tenders for income-generating contracts with a rand value equal to or below R50 million:

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

Where:

P_s = Points scored for price of bid under consideration

P_t = Rand value of tender consideration

P_{max} = Rand value of highest acceptable tender

- b. A maximum of **20 points** shall be awarded in accordance with the designated groups indicated in the table stated below: The Accounting Officer or delegated official shall determine the specific goals when specifications are drawn:
Allocation of preference points for quotations thresholds will be as follows:

No	Designated Group	Points	Means of Verification
1	Enterprises owned by at least 51% black people	2	Central Supplier Database (CSD)
2	Enterprises owned by at least 51% women	4	Central Supplier Database (CSD)

3	Enterprises owned by at least 51% youth	4	Central Supplier Database (CSD)
4	Enterprises owned by at least 51% persons with disability	2	Disability certificate issued by health professionals
5	Enterprises owned by at least 51% military veterans	2	Confirmation letter issued by Department of Military Veterans
6	Small, Medium and Micro Enterprises (SMMEs)	1	Central Supplier Database (CSD)
7	Enterprises located in rural areas or townships	2	Municipality Utility Bills or Lease Agreements or Proof of Residence from Tribal Authority or Municipality/ Municipal Council
8	Enterprises located in Limpopo Province	3	Municipality Utility Bills or Lease Agreements or Proof of Residence from Tribal Authority or Municipality/ Municipal Council

- c. The points scored by a tenderer in respect of the specific goals above shall be added to the points scored for price and the total shall be rounded off to the nearest two decimal places
- d. Subject to section 2(1)(f) of PPPFA of 2000, the contract must be awarded to the tenderer scoring the highest points

5	Enterprises owned by at least 51% military veterans	Confirmation letter issued by Department of Military Veterans
6	Small, Medium and Micro Enterprises (SMMEs)	Central Supplier Database (CSD)
7	Enterprises located in rural areas or townships	Municipality Utility Bills or Lease Agreements or Proof of Residence from Tribal Authority or Municipality/ Municipal Council
8	Enterprises located in Limpopo Province	Municipality Utility Bills or Lease Agreements or Proof of Residence from Tribal Authority or Municipality/ Municipal Council

- c. The points scored by a tenderer in respect of the specific goals above shall be added to the points scored for price and the total shall be rounded off to the nearest two decimal places
- d. Subject to section 2(1)(f) of the Act, the contract shall be awarded to the tenderer scoring the highest points

9 AWARD OF CONTRACTS TO TENDERERS NOT SCORING HIGHEST POINTS.

- 9.1** A contract may be awarded to a tenderer that did not score the highest points only in accordance with Section 2(1)(f) of the Act.
- 9.2** If the department intends to apply objective criteria in terms of Section 2(1)(f) of the Act, the department shall stipulate in the tender documents.

APPROVED ~~NOT APPROVED~~

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MEMBER OF EXECUTIVE COUNCIL

15/02/2025
DATE

