PREFERENTIAL PROCUREMENT POLICY FRAMEWORK

2026-27 FINANCIAL YEAR

PROCUREMENT POLICY adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential P

rocurement Regulations, 2022.

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1. Definitions

In this Policy, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Act must bear the meaning so assigned

1.1. **"Act"**	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
1.2. **"Black people"**	has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act
1.3. **"Designated group"**	1.8.1 black designated groups; 1.8.2 black people; 1.8.3 women; 1.8.4 people with disabilities; 1.8.5 Youth 1.8.6 small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996); or 1.8.7 emerging enterprises which are enterprises, owned, managed and controlled by people listed in 1.8.1 to 1.8.4, persons and which is overcoming business impediments arising from the legacy of apartheid;
1.4. **"Designated sector**	means a sector, sub-sector or industry or product designated by the Department of Trade and Industry

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 **"Locality"**	means local suppliers and/or service providers that resides within the Metsimaholo Municipal area, Fezile Dabi District, Free State and Provinces within Republic of South Africa
1.7 **"Lowest acceptable tender"**	means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;
1.8 **"People with disabilities"**	has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998)
1.9. **"Price"**	includes all applicable taxes less all unconditional discounts
1.10 **"Proof of locality**	**Means:** ▪ Municipal account in the name of the bidder not older than 90 days or ▪ A valid copy of lease agreement signed by both parties, where the bidder is the lessee, or ▪ SARS tax pin document ▪ an official letter from the bank or bank statement indicating the registered business address of the bidder Bidders from rural area a letter from the municipality that the area is not liable to pay municipal rates and taxes OR a signed letter from the chief indicating that the bidder is from that particular rural/tribal area.

1.11. **"Rand value"**	means the total estimated value of a contract in Rand, calculated at the time of the tender invitation
1.12. **"Rural area"**	means- 1.22.1 a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or 1.22.2 an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system
1.13 **"Specific goals"**	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;
1.14 **"Tender"**	mean any written offer in the form determined by an organ of state in response to an invitation to provide goods and services through price quotations, competitive tendering process or any other envisaged in legislation.
1.15. **"Tender for income-generating contracts"**	means a written offer in the form determined by the municipality 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 municipality and a third party that produces revenue for the municipality, 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;
1.16. **"The municipality"**	refer to Metsimaholo Local Municipality
1.17. **"Youth"**	has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No.54 of 2008)

2. Introduction

2.1. The Constitution provides in Section 217 that an organ of state must contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive, and cost effective and to implement a policy to grant preferences within a framework prescribed by National Legislation.

2.2. Sub-section (1) does not prevent the organs of state referred to in that sub-section 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 2 .4 (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;

2.8. The Minister Finance has, in terms of section 5, read with section 2(1)(b)(i) and (ii) and 2(1)(c), of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), issued the preferential Procurement Regulation, 2022.This come into effect from 16 January 2023.

3. Purpose and Objectives

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, 2003, the Preferential Procurement Policy Framework Act, 2000 and other provincial and national supply chain management prescripts shall be implemented in the Metsimaholo Local Municipality to ensure a consistent approach to Supply Chain Management.

3.2. To Promote equity and create economic growth and employment within Metsimaholo Local Municipality, by

3.1.1 increasing participation of Historically Disadvantaged Individuals in the municipal procurement opportunities.
3.1.2 increasing participation by SMMEs.
3.1.3 creating new jobs for local labour; and
3.1.4 supporting local products.
3.1.5 Create opportunities for local small, medium and micro enterprises.
3.1.6 Enhance quality of services.
3.1.7 Stimulate socio-economic development.

3.1.8 Contribute towards reduction of unemployment through targeting companies owned by women and youth
3.1.9 Protect local industry against unfair competition.
3.1.10 Promote enterprises located within rural areas in and around the Free State Province
3.1.11 Promote SMME's, Joint Ventures, Co-operatives and partnerships, especially within the Metsimaholo Municipal area
3.1.12 Encourage connection between small and large enterprises (promote Consortiums and Joint Ventures)

4. Application of Preference Point System

4.1. The Municipality will, in the tender documents, stipulate —
(a) the preference point system applicable;
(b) and the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal as per the recommendation of the bid specification committee.

4.2. 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. 80/20 preference point system for acquisition of goods or services with a Rand value above R 2,000.00 up to a Rand value equal to R50 million

5.1. The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value above R 2,000.00 up to a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$Ps = 80 \left(1 - \frac{Pt - P\,min}{P\,min}\right)$$

Where –
Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmin = Price of lowest acceptable tender.

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

5.4. A bidder must submit, if, required proof of shareholder certificate / declaration that woman shareholding is and above, proof of shareholder certificate / declaration that youth shareholding and above, and declaration that person with disability holding share in the company,
5.5. Failure to submit proof of shareholder certificate / declaration confirming women, youth and disability, will lead to a score of zero (0) and not a disqualification
5.6. Proof of locality must be submitted, if, required in order to claim point(s) for locality
5.7. Failure to submit proof of locality with quotation/tender, will lead to a score of zero (0) and not a disqualification
5.8. Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

6. 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

6.1. The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$Ps = 90 \left(1 - \frac{Pt - P\,min}{P\,min}\right)$$

Where –

Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmin = Price of lowest acceptable tender.

6.2. A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.
6.3. 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.
6.4. A bidder must, if, required submit proof of shareholder certificate / declaration that woman shareholding , proof of shareholder certificate / declaration that youth shareholding , and declaration that person with disability holding share in the company,
6.5. Failure to submit proof of shareholder certificate / declaration confirming women, youth and disability, will lead to a score of zero (0) and not a disqualification

6.6. Proof of locality must be submitted, if, required in order to claim point(s) for locality
6.7. Failure to submit proof of locality with quotation/tender, will lead to a score of zero (0) and not a disqualification
6.8. Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

7. 80/20 preference points system for tenders for income-generating contracts with a Rand value above R2,000.00 up to a Rand value equal to R50 million

7.1. The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts up to a Rand value equal to R50 million, inclusive of all applicable taxes:

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

Where –

Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmax = Price of highest acceptable tender.

7.2. A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.
7.3. 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.
7.4. Proof of locality must be submitted, if, required in order to claim point(s) for locality
7.5. Failure to submit proof of locality with quotation/tender, will lead to a score of zero (0) and not a disqualification
7.6. Subject to section *2(1)(f)* of the Act, the contract must be awarded to the tenderer scoring the highest points.

8. 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

Where –

Ps = Points scored for price of tender under consideration;
Pt = Price of tender under consideration; and
Pmax = Price of highest acceptable tender.

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

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

8.2 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.

8.3 Proof of locality must be submitted, if, required in order to claim point(s) for locality

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

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

9. Specific Contract Participation Goals

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

9.2. Tenders for income-generating contracts points will be allocated in terms of locality as follows:

Locality of supplier
Within the boundaries of South Africa

9.2 .1 Number of points for allocation will be determined by Bid Specification Committee

9.3. for any tenders relating to acquisition of goods or services 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:

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

9.3.2. and/ or promotion of enterprise located in the municipal area

10. Preferential points allocation

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

Categories of person	**Proof to be submitted**
Woman	1. Attach a copy of ID 2. Shareholding certificate

	must be attached
Youth	1. The youth owner should be younger than 35 years old at the time of submission 2. Shareholding certificate must be attached
Disability	1. Signed Medical certificate from the doctor declaring disability. 2. Shareholding certificate 3. must be attached
Black people	1. Attach a copy of an ID and sign declaration form
Locality	• Municipal account in the name of the bidder not older than 90 days, or • Valid Lease agreement where the bidder is the lessee, or • An official letter from the bank or bank statement confirming the registered business address of the bidder if the bank letter does include the address of the bidder the bidder's bank statement can be submitted or • SARS tax pin confirmation document

Percentage holding can be used as follows

Percentage holding	**Points to be determined by Bid specification**
81-100%	
61-80%	
41-60%	
21-40%	
1-20%	
0%	

10.1.1. Number of points for preference will be determined by Bid Specification Committee

10.1.2. A bidder must submit proof of shareholder certificate / declaration that woman shareholding is and above, proof of

shareholder certificate / declaration that youth shareholding is and above, and declaration that person with disability holding share in the company

or

10.2. Promotion of enterprise located in the municipal area,

Local area of supplier
Within the boundaries of the Metsimaholo Local Municipality
Within the boundaries of Fezile Dabi District Municipality
Within the boundaries of the Free State Province
Outside of the boundaries of the Free State

10.2.1. Number of preference points to be allocated by Bid Specification Committee

10.2.2. Proof of locality must be submitted, if, required in order to claim point(s) for locality

The following must be submitted for proof of locality (MBD6.1):

- Municipal account in the name of the bidder not older than 90 days, or
- Valid Lease agreement where the bidder is the lessee, or
- An official letter from the bank or bank statement confirming the registered business address of the bidder if the bank letter does include the address of the bidder the bidders bank statement can be submitted or
- SARS tax pin confirmation document

10.3. The policy should not include Pre-qualification goals.

10.4. The municipality may add one or more of the specific goals and may be determined during the bid specification committee.

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

10.6. 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.

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

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

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

11. Criteria for breaking deadlock in scoring

11.1. 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,

11.2. 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 terms in accordance with section 2(1)(f) of the Act.

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

12. Remedies

12.1. If the 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, why the contract should not be terminated in whole or in part.

12.2. After considering the representations referred to in subparagraph (10.1)(b), the municipality may, if it concludes that such information is false—
(a) disqualify the tenderer or terminate the contract in whole or in part; and
(b) if applicable, claim damages from the tenderer.

13. Short title

13.1. This policy is called the Preferential Procurement Policy of Metsimaholo Local Municipality

14. Review and Approval

14.1 Review this policy and underlying strategies at least annually, or as necessary, to ensure its continued application and relevance, effective for implementation from 01 July each year.

Signed by the **Speaker of Metsimaholo Local Municipality** _____on behalf

of **Metsimaholo council** on this date_____

Signed by the **Municipal Manager of Metsimaholo Local Municipality** for **implementation** _____on behalf of **Metsimaholo council** on this date_____