



2026/2027 Preferential Procurement Policy

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1. Definitions

In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act bears the same meaning, and:

“the Act”	means the Preferential Procurement Policy Framework Act 2000 (Act No. 5 of 200)
“the municipality”	refers to Mafube Local Municipality
“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;
“lowest acceptable tender”	means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders
“price”	means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts.
“Rand value”	means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;
“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;
“tender”	means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;
“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 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.
“Black designated groups”	has the meaning assigned to it in the codes of good practice issued in terms of section 9 (1) of the BBEEA.
“Designated group”	means black designated groups, black people, women, people with disabilities; or small enterprises which are enterprises, owned, managed, and controlled by previously disadvantaged persons and which is overcoming business impediments arising from the legacy of apartheid.
“Disability”	means in respect of a person, a permanent 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.
“Locality”/“Local Area”	means the local suppliers and/or service providers that resides within the Mafube Local Municipality area, Fezile Dabi District, Free State Province or any other Province within the Republic of South Africa.
“SMME”	means small, medium and micro enterprises namely Exempted Micro Enterprises and Qualifying Small Enterprises
“Youth”	Those individuals aged between 15 to 35 years. As defined in the National Youth Commission Act of 1996.
“RDP”	The Reconstruction and Development Programme (RDP), Government Gazette 16085 dated 23 November 1994.
“HDI”	Historically disadvantaged individuals.

2. Introduction

2.1 The Constitution of the Republic of South Africa, 1996, provides in sections 152(1)(c) and 152(2) that local government must promote social and economic development and that the municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1).

2.2 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.

2.3 The Broad-Based Black Economic Empowerment Act, 2003 provides in section 10 (b) that every organ of state and public entity must apply any relevant code of good practice issued in terms of the Act in developing and implementing a preferential procurement policy.

2.4 The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)-[PPPFA] was promulgated by the Minister in response to the Constitutional provision and allow for a Municipality to develop a preferential procurement policy and to implement such policy within the PPPFA framework.

2.4.1 Section 2 (1) (d) (i) and (ii) of the Preferential Procurement Policy Framework Act, 2000 refers to specific goals which 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 Programme (RDP) as published in Government Gazette 16085 dated 23 November 1994.

2.4.2 The RDP (1994), as basis for development in South Africa, was meant to provide a holistic, integrated, coherent socio-economic policy that is aimed at mobilizing people and resources to work towards the upliftment of the material and social conditions of local communities to build sustainable livelihoods for these communities.

2.4.3 In terms of Section 2 (1)(d)(ii), the following activities may be regarded as a contribution towards achieving the goals of the RDP, in addition to the awarding of preference points in favour of HDIs (published in Government Gazette No. 16085 dated 23 November 1994):

- (i) The promotion of South African owned enterprises;
- (ii) The promotion of export orientated production to create jobs;
- (iii) The promotion of SMMEs;
- (iv) The creation of new jobs or the intensification of labour absorption;
- (v) The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
- (vi) The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
- (vii) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area;
- (viii) The promotion of enterprises located in rural areas;
- (ix) The empowerment of the work force by standardizing the level of skill and knowledge of workers;
- (x) The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
- (xi) The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organizations.

3. Purpose and Objectives

3.1 The purpose of this policy is to:

- (i) Provide for categories of preference in awarding of tenders;
- (ii) Provide for the advancement of persons or categories of persons disadvantaged by unfair discrimination; and
- (iii) Clarify the mechanisms how the above items in paragraph 3.1 (a) (i) and (ii) will be implemented.

3.2 The objectives to be achieved through this policy is to:

- (i) Promote Black-Based Black Economic Empowerment (B-BBEE) enterprises providing services and goods.
- (ii) Promote local enterprises located in the municipal area.
- (iii) Promote Small Medium and Micro Enterprises (SMME's)

4. Application of the Preference Point System

4.1 The Municipality will, in the tender documents, stipulate —

- (a) the preference point system applicable; and
- (b) the specific goals in the invitation to submit the tender; and
- (c) the number of points that will be awarded for each specific goals; as well as
- (d) the documents to be provided as proof to claim the points for the specific goal.

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 equal to or below 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 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

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 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 a Rand value above R50 million

- 6.1 The following formula must be used to calculate the points out of 90 for price in respect of an invitation for 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.

- 6.2 A maximum of 10 points may be awarded to a tenderer for the specified goals 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 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 Rand value equal to or below 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, 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

- 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** 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 a Rand value above R50 million

8.1 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:

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

Where;

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender

- 8.2** A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.
- 8.3** 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.
- 8.4** Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

9. Identification and Application of Points for Specific Goals

- 9.1** The tendering conditions will stipulate the specific goals, as contemplated in section 2(1)(d)(ii) of the Preferential Procurement Policy Framework Act, be attained.
- 9.2** Specific goals that are applicable to the municipality are categorized as follows:

9.2.1 Locality of supplier

A portion of the 20/10 points is allocated to promote this goal, the following location categories should be used. **The points per level will be determined in the tender specification document.**

Locality of Supplier (Tick One)	Points
Within the boundaries of Mafube Local Municipality	10
Within the boundaries of Fezile Dabi District	8
Within the boundaries of the Free State	5
Outside of the boundaries of the Free State	2

- 9.2.1.1** (i) A bidder must submit their Municipal rates and taxes statement, which is not older than three (3) months (90 days);
- (ii) **or** valid (not expired at closing date) lease agreement which is in the name of the company and signed.
- (iii) **or** an official letter from the bank confirming the registered business address of the bidder.
- (iv) With regard to bidders from rural areas, a letter from the municipality confirming that specific area is not liable to pay municipal rates and taxes OR a signed letter from the chief confirming that the bidder is from that particular rural/tribal area.

9.2.1.2 Youth ownership

Youth Ownership of the company/enterprise, if a portion of the 20/10 points is allocated to promote this goal, the following ownership percentage categories should be used. **The points per percentage category will be determined in the tender specification document.**

Youth Ownership of Company (Youth is 35 years and younger)	Points
81 – 100% Youth Owned	
61 – 80% Youth Owned	
1- 60% Youth Owned	
0% Youth Owned	

- 9.2.2.1**(i) A tenderer must submit a copy of their company registration and /or shareholder certificate as proof; and
- (ii) A Copy of Identity Document (ID) as proof of being youth.

9.2.2 Women owned enterprises.

Women Ownership of the company/enterprise, if a portion of the 20/10 points is allocated to promote this goal, the following ownership percentage categories should be used. **The points per percentage category will be determined in the tender specification document.**

Women Owned Enterprises	Points
81% – 100% Women Owned	
51%– 80% women Owned	
1- 50% Women Owned	
0% Women Owned	

9.2.2.1 (i) A tenderer must submit a copy of their company registration and /or shareholder certificate as proof; and

9.2.2.2 (ii) A Copy of Identity Document (ID) to claim points for being a woman.

9.2.3 Enterprises owned by Disabled individuals.

Enterprises owned by disabled individuals, if a portion of the 20/10 points is allocated to promote this goal, the following ownership percentage categories should be used. **The points per percentage category) be determined in the tender specification document.**

Disabled individual Owned Enterprises	Points
81-100% Owned by people living with disabilities	
51-80% Owned by people living with disabilities	
1- 50% Owned by people living with disabilities	
0% Owned by people living with disabilities	

9.2.3.1(i) A tenderer must submit a medical certificate from a professional medical practitioner as proof to be able to claim the points for being disabled and a copy of Identity Document (ID).

(ii) A tenderer must submit a copy of their company registration and /or shareholder certificate as proof

9.2.3 Any other specific goals for which categories are not expressly provided for in this policy, including the applicable points and supporting documentation, will be determined in the tender specification document.

9.2.4 A bidder 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.

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

- scores 0 points for specific goal(s) where no supporting document has been provided.

Women Ownership of the company/enterprise, if a portion of the 20/10 points is allocated to promote this goal, the following ownership percentage categories should be used. **The points per percentage category will be determined in the tender specification document.**

Women Owned Enterprises	Points
81% – 100% Women Owned	
51%– 80% women Owned	
1- 50% Women Owned	
0% Women Owned	

9.2.2.1 (i) A tenderer must submit a copy of their company registration and /or shareholder certificate as proof; and

9.2.4.2 (ii) A Copy of Identity Document (ID) to claim points for being a woman.

9.2.5 Enterprises owned by Disabled individuals.

Enterprises owned by disabled individuals, if a portion of the 20/10 points is allocated to promote this goal, the following ownership percentage categories should be used. **The points per percentage category) be determined in the tender specification document.**

Disabled individual Owned Enterprises	Points
81-100% Owned by people living with disabilities	
51-80% Owned by people living with disabilities	
1- 50% Owned by people living with disabilities	
0% Owned by people living with disabilities	

9.2.5.1(i) A tenderer must submit a medical certificate from a professional medical practitioner as proof to be able to claim the points for being disabled and a copy of Identity Document (ID).

(ii) A tenderer must submit a copy of their company registration and /or shareholder certificate as proof

9.2.6. Any other specific goals for which categories are not expressly provided for in this policy, including the applicable points and supporting documentation, will be determined in the tender specification document.

9.2.7 A tenderer who fails to submit the required supporting evidence to claim preference points for other specified goals, in accordance with section 2(1)(d)(ii) of the Act, will not be considered for such preference points and;

- may only score in terms of the 80/90-point formula for price
- scores 0 points for specific goal(s) where no supporting document has been provided.

9.2.6 The preference points scored by a tenderer on specific goals must be added to the points scored for price.

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

10 Criteria for breaking deadlock in scoring

10.2 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.

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

11 Remedies

11.2 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, the contract should not be terminated in whole or in part.

11.3 After considering the representations referred to in sub regulation (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.

