GREATER TZANEEN MUNICIPALITY

PREFERENTIAL PROCUREMENT POLICY

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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	By year 2011 the market share of black business
skewed business	is to be at least 50% of all municipal
ownership patterns along	procurement.
racial and gender lines	By year 2011 the market share of women
	businesses is to be at least 20% of all municipal
	procurements.
The market share of	By year 2011 the market share of small
small businesses	businesses is to be at least 30% of all municipal
	procurements.
Businesses located	By year 2011 the market share of local
within the jurisdiction of	businesses is to be at least 30% of all municipal
the Municipality	procurements.
Employment of relatively	At least 30% of the total construction cost of
unskilled workers	contracts, excluding design and supervision fees
residing within the area	and VAT should represent the payment of wages
under the jurisdiction of	and allowances to local labour.
the Municipality	
Empowerment of former	By year 2011 at least 10% of all municipal
liberation struggle	procurement is to be from business with at least
combatants	25% shareholding in the hands of former
	liberation struggle combatants.

Empowerment of	By year 2011 at least 25% of all municipal
registered indigents	procurement is to be from business with
Ensuring that all	at least 25% shareholding by targeted
residents and, in	groups or from cooperatives formed for
particular, business	the purpose of empowering indigents.
registered on the	 Encourage rotation of suppliers for all
Municipality's database,	procurement below R 200 000 and for
benefit equitably from	procurement above R 200 000 offer no
municipal procurement	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.

Target groups

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

Target group	Definition
Black Business	Enterprise which is in the control of one or more black
Enterprise	persons and is at least fifty one percent owned by one
	or more black persons who are principals.
Local Business	Enterprise which has its sole office or head office
Enterprise	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 which satisfies the definition for a micro or
Enterprise	small business in terms of the Small Business Act (Act
	102 of 1996).
Woman Business	Enterprise which is in the control of one or more
Enterprise	women and is at least fifty one percent owned by one
	or more women who are principals.
Former liberation	Former members of the previous liberation struggle
struggle combatants	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 greater 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.