



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

**DEPARTMENT OF
TRANSPORT AND COMMUNITY SAFETY**

PREFERENTIAL PROCUREMENT POLICY

DEPARTMENT OF TRANSPORT AND COMMUNITY SAFETY

VERSION 01

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1) PURPOSE 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.

2) 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.

3) 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

4) OBJECTIVES OF THE PREFERENTIAL PROCUREMENT POLICY

- 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 marginalised into the mainstream of the formal economy with a targeted approach.

5) LEGISLATIVE FRAMEWORK

- a) Constitution of the Republic of South Africa, 1996.
- b) Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999);
- c) Preferential Procurement Policy Framework 2022
- d) Preferential Procurement Regulations 2022
- e) Other related SCM prescripts

6) IDENTIFICATION OF PREFERENCE POINT SYSTEM AND OBJECTIVE CRITERIA

The department shall determine and stipulate in the tender documents-

- a. The preference points system applicable to the tender.
- b. 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.
- c. Determine whether objective criteria are applicable to the tender.

7) APPLICATION OF PREFERENCE POINT SYSTEM

7.1 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 thresholds will be as follows:

NO	DESIGNATED GROUP	POINTS
1	Black People	3
2	Youth	5
3	Women	5
4	Persons with Disability	3
5	Small, Medium and Micro Enterprises (SMMEs)	2
6	Enterprises located in rural or underdeveloped areas	2

- 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

7.2 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:

$$P_s = 90 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

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 **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.
- 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.

7.3 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:
- c. Allocation of preference points for quotations thresholds will be as follows:

NO	DESIGNATED GROUP	POINTS
1	Black People	3
2	Youth	5
3	Women	5
4	Persons with Disability	3

5	Small, Medium and Micro Enterprises (SMMEs)	2
6	Enterprises located in rural or underdeveloped areas	2

Means of verification for each specific goal will be done through the Central Supplier Database(CSD)

- d. 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
- e. Subject to section 2(1)(f) of PPPFA of 2000, the contract must be awarded to the tenderer scoring the highest points

7.4 90/10 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 above R50 million:

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

Where:

P_s = Points scored for price of bid under consideration

P_t = Rand value of tender consideration

P_{min} = Rand value of highest 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.

- 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

8) AWARD OF CONTRACTS TO TENDERERS NOT SCORING HIGHEST POINTS.

- a. 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.
- b. 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.

9) BREAKING DEADLOCK IN SCORING.

- 9.1 If two or more tenderers score an equal total number of points, the contract shall be awarded to the tenderer that scored the highest points for specific goals.
- 9.2 If two or more tenderers score equal total points in all respects, the award shall be decided by the drawing of lots by the Bid Evaluation Committee.

10) REMEDIES

10.1 The Department shall, upon detecting that false information regarding specific goals or any other matter required in terms of this policy which will affect or has affected the evaluation of a tender, the Department shall:

- a) Inform the tendered accordingly.
- b) Give the tenderer opportunity to make representation within 14 days as to why the tender submitted should 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.

10.2 After considering the representations referred to in sub regulation (1) the Department shall If it concludes that such information is false,

- (i) disqualify the tenderer or terminate the contract in whole or in part, and if applicable, claim damages from the tenderer

11) SUBSIDISED PUBLIC TRANSPORT SERVICE CONTRACTS

11.1 NEGOTIATED CONTRACTS FOR PUBLIC TRANSPORT SERVICES

The Department may in line with section 41 of National Land Transport Act of 2009, enter negotiated contracts with transport operators in their areas, once only, with a view to:

- a. integrating services forming part of integrated public transport networks in terms of their integrated transport plans;
- b. promoting the economic empowerment of small business or of persons previously disadvantaged by unfair discrimination; or
- c. facilitating the restructuring of a parastatal or municipal transport operator to discourage monopolies.

The negotiations envisaged must where appropriate include operators in the area subject to interim contracts, subsidised service contracts, commercial service contracts, existing negotiated contracts and operators of unscheduled services and non-contracted services.

A negotiated contract contemplated in section 41 (1) or (2) shall be for a period of no longer than 12 years.

The contracts shall not preclude the Department from inviting tenders for services forming part of the relevant network.

The Department must take appropriate steps on a timeous basis before expiry of such negotiated contract to ensure that the services are put out to tender in terms of section 42 of NLTA in such a way as to ensure unbroken service delivery to passengers.

11.2 TENDERED PUBLIC TRANSPORT SERVICE CONTRACTS

The Department may in line with sec 42 of National Land Transport Act of 2009 (NLTA) take steps within the prescribed period and in the prescription manner before expiry of contracts to put arrangements in place for the services to be put out to tender so that the service can continue without interruption.

If after expiry of –

a negotiated contract concluded under section 41;

a subsidised service contract concluded under this section; or

a negotiated contract, interim contract, current tendered contract, or subsidized service contract concluded in terms of the Transition Act, or any extension thereof, the relevant services may continue to be subsidised, this must be done in terms of subsidised services contracts concluded in terms of the Transition Act.

12) POLICY REVIEW

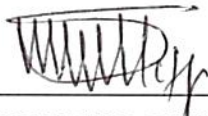
This policy is subject to review when required due to changes in legislation and regulations or when deemed necessary to ensure that it is aligned to prevailing resolutions and regulations.

13) EFFECTIVE DATE

These Preferential Procurement Policy will take effect on the 16 January 2023.

RECOMMENDED/NOT RECOMMENDED

For approval.



ACCOUNTING OFFICER

13/01/2023

DATE

APPROVED/NOT APPROVED



MEMBER OF EXECUTIVE COUNCIL

13/01/2023

DATE