



ETHEKWINI MUNICIPALITY

Revised Document

TARGETED PROCUREMENT POLICY

FEBRUARY 2003

Revision 1: May/June 2003

FINAL VERSION : July 2003

Please Note:

- 1. The Procurement Policy Document is meant to be a 'Living' Document and will be subject to Regular Reviews***
- 2. It is intended to phase in this new Policy from 1 July 2003***

Introduction

The eThekwini Municipality has committed itself to the following key **priorities** with respect to **all procurement dealings**:

- Increased Usage of Local Resources
- Redressing of Skewed Employment and Ownership Patterns through Black Economic Empowerment
- Creation of Opportunities for Job Creation and Poverty Alleviation
- Stimulation of Skills Development and Transfer
- Fast tracking the Growth and Ensuring Sustainability of SMME's

The planned **objectives** are:

- To have preference for employment and economic empowerment beyond just ABE status as is the case with the current policy;
- The inclusion of priority groups that have not benefited from the implementation of the current policy;
- To have a significant contribution towards job creation, poverty alleviation and economic growth;
- To have a procurement policy that links with the IDP and LTDF;
- The procurement policy that enables eThekwini Municipality to impact significantly in improving the quality of life of the majority of its citizens/customers, by optimising Employment and Economic Empowerment in all its dealings; resulting in the annual procurement spend generally reflecting eThekwini's Demographics.

The intended **outcomes** of the policy review are to ensure that:

1. The policy is **simple** so that it can be understood by everyone and easy to apply.
2. It meets all the **legal requirements** including provision of the constitution to avoid or minimize any possible legal challenges.
3. The policy is as **flexible** as possible to allow creativity in the implementation of targeting strategies
4. It sets **targets** to be achieved so that performance can be measured through reliable monitoring mechanisms.
5. The policy is **all encompassing** in that it covers everything that is procured and/or disposed by the City and embraces all its citizens.

1. How is Procurement Defined in eThekwini?

Procurement is a process of acquiring and administering goods and services as required by Council in the course of normal business. It also incorporates the disposal of movable assets.

2. What Activities does Procurement include/cover within eThekwini?

- Goods
- Services
- Engineering and Construction Works
- Professional Services
- Disposal of movable assets
- Hiring or renting of goods other than immovable property
- Acquiring or granting of rights as applicable to procurement
- Management of stock

Where it is practicable Procurement will be actively involved in the receipting process.

3. What are the procurement methods/models to be used by eThekwini?

General

A Preference Points System which awards tenders on the basis of points for price and/or the procurement priorities/developmental objectives of the eThekwini Municipality.

Specific

- a) **Set asides** (a specific market segment or sub-segment is set aside for particular enterprises);
 - b) **Step-in mechanisms** (certain enterprises are granted the opportunity to step in once the cheapest bid has been established provided that they match the terms and conditions of this bidder); or t
 - c) he prescribing of fixed **contract participation goals** (a fixed percentage of the contract price, wherever possible, must, in terms of the contract, be contracted out to specified enterprises).
 - d) The prescribing of the amount of the contract price which is to be spent on **labour** (a fixed percentage of the contract amount, must, in terms of the contract, be spent on labour); or
 - e) the prescribing of specific **employment-intensive technologies** and methods of construction/ manufacture (contractors are, in terms of the contract, restricted in terms of their use of plant and equipment and/ or are compelled to employ specific technologies/ construction/ manufacturing methods in order to maximise the use of relatively unskilled local labour);
- b) Panel contracts;** or
- c) Any combination of the above methods, noting that the **general methods** are as outlined in the tables below and any amendments thereto are to be discussed with the duly authorised Procurement Unit Official at project conceptualisation/ feasibility stage.**

4. Which are the Target Groups?

The target groups throughout all procurement activities are as follows:

Historically Disadvantaged Individual (HDI)

The definition includes Black, Women, and Disabled Individuals and preference has been given to all these target groups who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act no 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (the Interim Constitution). Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI.

Priority Population Group (PPG):

Black Individuals who fall into population groups that were not offered a franchise in the national elections before or after the introduction of the 1984 tri-cameral parliamentary system and only received a franchise during 1994. That exclusion had a major negative bearing on their lives therefore, resulting in them being worse affected in terms of poverty levels, unemployment and/or unfulfilled basic needs (Water, Electricity, Housing & Sanitation)

Black Business Enterprise (BBE):

At least 26% Black Owned in terms of equity and voting rights/powers, with a corresponding management representation at all levels. See below, for various categories of ownership and management.

Priority Business Enterprise (PBE):

At least 26% Owned by individuals which are from the Priority Population Group in terms of equity and voting rights/powers, with a corresponding management representation at all levels. See below, for various categories of ownership and management.

Women Business Enterprise (WBE):

At least 26% Women Owned in terms of equity and voting rights/powers, with a corresponding management representation at all levels. See below, for various categories of ownership and management.

Disabled Persons Business Enterprise (DPBE):

At least 26% Disabled Owned in terms of equity and voting rights/powers, with a corresponding management representation at all levels. See below, for various categories of ownership and management.

Disability :

A permanent, or prolonged impairment of physical, intellectual, or sensory structure, or 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.

Disabled Person :

An Individual who has a Disability and as a result suffers from loss, or limitation, of opportunity to take part equally with others in the context of any activity relating to the execution of a contract.

SMME Status:

As defined in the table below (Source: Small Business Act no 102 of 1996).

Column 1	Column 2	Column 3	Column 4	
Sector or sub sectors in accordance with the standard industrial classification	Size of class	Total full-time equivalent of paid employees	Total turnover	Total gross asset value (Fixed property excluded)
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very small	10	R0,50m	R0,50m
	Micro	5	R0,20m	R0,10m
Mining and quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very small	20	R4m	R2m
	Micro	5	R0,20m	R0,10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5m	R2m
	Micro	5	R0,20m	R0,10m
Electricity, Gas & Water	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5.10m	R1,90m
	Micro	5	R0,20m	R0,10m
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very small	20	R3m	R0,50m
	Micro	5	R0,20m	R0,10m
Retail & Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very small	20	R4m	R0,60m
	Micro	5	R0,20m	R0,10m
Wholesale Trade, Commercial Agents & Allied Services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very small	20	R6m	R0.60m
	Micro	5	R0.20 m	R0.10m
Catering, Accommodation and other Trade	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very small	20	R5.10m	R1.90m
	Micro	5	R0.20 m	R0.10m
Transport, Storage & Communications	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very small	20	R3m	R0.60m
	Micro	5	R0.20 m	R0.10m
Finance and Business Services	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very small	20	R3m	R50m
	Micro	5	R0.20	R0,10m
Community, Social and Personal Services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very small	20	R1m	R0.60m
	Micro	5	R0,20m	R0,10m

Participation Goals

Participation goals and preferences will be set for companies who meets the minimum requirements in terms of a Balanced Score Card as stipulated in the Department of Trade and Industry's Broad Based Black Economic Empowerment Strategy. This will apply mainly to major contracts and/or engagements.

Payment to SMME`s (EARLY PAYMENT CYCLES)

- SMME`s within the Very Small and Micro categories will be paid within 14 days of receipt of approved invoice.
- All other payments are to be within 60 days from date of delivery or in the case of work completed, the date on which the invoice has been approved or 30 days with a 2,5% settlement discount, unless otherwise agreed.

Local Content/Resources:

Local Resources for the purposes of this policy is EThekwini Municipality Area first, KZN second and SA third and where applicable, Africa fourth.

Life cycle cost:

The aspect of life cycle cost needs to be applied uniformly throughout the EMA and requires coverage in the technical specification of the tender document.

Influenced Company

We call a company 'influenced' in a category when ownership in that particular category is between **26 and 50 percent**, with corresponding management representation at Board, Executive and Operational levels.

Empowered Company

We call a company 'empowered' in a category when ownership in that particular category is between **51 and 75 percent**, with corresponding management representation at Board, Executive and Operational levels.

Substantially Owned Company

We call a company 'substantially owned' in a category when ownership in that particular category is between **76 and 100 percent**, with corresponding management representation at Board, Executive and Operational levels.

5. What Categories of contract are there within eThekwini?

Category	Description
Goods	The supply of raw materials or commodities made available for general use.
Services	The provision of labour and/or work carried out by hand, or with the assistance of equipment and plant and including the input, as necessary, of knowledge-based expertise.
Engineering & Construction Works	The provision of a combination of Goods and Services, arranged for the development and provision of an asset, including building and engineering infrastructure, or the refurbishment of an existing asset.
Professional Services	The provision of Professional Services requiring knowledge based expertise.

6. What are the Contract Types/Limits within eThekwini?

Lower Limit	Upper Limit	Minimum Procurement Method/Quotes	Tender Charge	Sureties (10%)
□ R0	R10 000.00	◆ 1 Quote	❖ No	No
R10 000.01	R120 000.00	◆ Written Quotes	❖ No	No
R120 000.01	R200 000.00	Public Tender	❖ R50	No
R200 000.01	R1 million	Public Tender	❖ R100	>R500 000
>R1 million	R5 million	Public Tender	❖ R250	Yes
>R5 million	R10 million	Public Tender	❖ R500	Yes
>R10 million		Public Tender	❖ R1000	Yes
<p>◆ A list of centres where these quotations are advertised and/or obtained is to be compiled. These are to be as wide as possible and should include:</p> <ul style="list-style-type: none"> ○ Libraries ○ Regional Centres ○ Wards <p>□ Contracts/Quotations within these limits are to be to BBE's, and preferably PBE's wherever available/possible.</p> <p>❖ For the sale of movable assets a tender charge of R50 will be levied.</p> <p><i>These limits/requirements apply to all procurement activities except the Professional Consulting Services that have been catered for in the Siyakhana Consultants Roster.</i></p>				

7. What are the Contract Classes within eThekwini?

Class	Description	Points for Price/Development Objectives
International	Contracts in which the bulk of the Goods and Services are likely to be provided by foreign contracting entities and the domestic content is likely to be relatively insignificant.	* See note below
Major	Contracts which are of sufficient scope and size to warrant the attainment of socio-economic objectives by means of Resource Specifications (>R500 000)	90/10
Minor	Contracts, which have lower financial value than Major contracts and in which direct preferences are utilised to achieve socio-economic objectives (R10 000.01 to R500 000)	80/20
Micro	A Minor contract of very low value (<R10 000)	Quotations from Target Groups wherever possible
* Note on International Contracts	<i>Although no particular targeting strategy may exist for international contracts, Departments are to ensure that local content/input is maximised. All projects of this nature require detailed discussions with the Procurement Head and agreement must be made prior to project approval on the intended method/s of increasing participation by local/South African/Southern African firms.</i>	

8. What Contract Adjudication Methods are used by eThekwini Municipality?

80/20 (≤R500 000)

Ownership						
% Ownership		Black	PPG	Women	Disabled	Total
26 to 50	Influenced	0.50	1.00	0.75	0.50	
51 to 75	Empowered	1.50	3.00	1.50	1.25	
76 to 100	Substantial	2.50	5.00	2.50	2.00	12.00
Status/Size						
		SMME				Total
General		2.00				
BBE	At least Empowered	1.00				
PBE	At least Empowered	1.00				
WBE	At least Empowered	1.00				
DPBE	At least Empowered	1.00				
	Sub Total	6.00				6.00
Location						
		Local Content				Total
SA		0.50				
KZN		1.00				
EMA		2.00				2.00
<p><i>These categories at present exclude the sale of movable assets which will be subject to further review.</i></p> <p><i>Amendment to the various weightings can be undertaken on specific contracts subject to the approval of the Head: Procurement or his nominee.</i></p>						

90/10 (>R500 000)						
Ownership						
% Ownership		Black	PPG	Women	Disabled	Total
26 to 50	Influenced	0.25	0.50	0.38	0.25	
51 to 75	Empowered	0.75	1.50	0.75	0.68	
76 to 100	Substantial	1.25	2.50	1.25	1.00	6.00
Status/Size						
		SMME				Total
General		1.00				
BBE	At least Empowered	0.50				
PBE	At least Empowered	0.50				
WBE	At least Empowered	0.50				
DPBE	At least Empowered	0.50				
	Sub Total	3.00				3.00
Location						
		Local Content				Total
SA		0.25				
KZN		0.50				
EMA		1.00				1.00
<p><i>These categories at present exclude the sale of movable assets which will be subject to further review.</i></p> <p><i>Amendment to the various weightings can be undertaken on specific contracts subject to the approval of the Head: Procurement or his nominee.</i></p>						

Notwithstanding the preference points system to be followed in terms of this policy, the Municipality may, on the recommendation of the Municipal Manager, acting in terms of section 2(1)(f) of the Preferential Procurement Policy Framework Act 5 of 2000 read with regulation 9 of the regulations

made in terms thereof, on grounds which are reasonable and justifiable in order to achieve and/or maximize the procurement priorities/objectives outlined in this policy document, award the tender to the tenderer other than the tenderer that scored highest points.

For all Professional and Consulting Services, The Siyakhana Consultants Roster will be used in the application of weightings in the calculation of its rotational factor for Routine and Specialist appointments. **Therefore, it is compulsory that all Professional/Consulting Service Providers are registered on The Siyakhana Consultants Roster.**

Conclusion

As a general rule, all Suppliers, Service Providers and Contractors who want to do business with eThekweni Municipality should ensure that they are registered in the eThekweni Municipality's Supplier Register/Database.

- Non-registered Suppliers, Service Providers and Contractors will not be permitted to participate in eThekweni's Procurement activities. **Registration should be subject to the observance of the Procurement Code of Conduct.**

Enterprises and individuals, who meet the requirements for direct preferences as per the table on contract adjudication methods, need to apply for accreditation in order to qualify for additional points.