

ANNEXURE 6: PREFERENCING SCHEDULE

This document outlines the specifications for contracts with an estimated value greater than R500 000.

1. eTHEKWINI DEFINITIONS

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.

Contract: A legally binding agreement between the Employer and the Contractor for the latter to provide Goods, Services, Engineering and Construction Works, or Professional Services in return payment by the former.

Contract Participation Goal (CPG): The value of work contracted to BEE enterprises or businesses as specified in 2 above

Contractor: Any person, body, or legal entity who is under contract to the Employer for the performance of the Contract. A Tenderer whose tender has been accepted becomes a Contractor.

Control: The possession and exercise of legal authority and power to manage the assets, goodwill and daily operations of a business and the active and continuous exercise of appropriate managerial authority and power in determining the policies and directing the operations of the business.

Disabled: Persons with 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.

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.

Employer: The person or body entering into a Contract for the supply of Goods, Services, Engineering and Construction Works, or Professional Services.

Empowered Enterprise: 'Empowered' in a category is when ownership in that particular category is between **51 and 75 percent**, with corresponding management representation at Board, Executive and Operational levels.

Executive Director: A partner in a partnership, a director of a company established in terms of the Companies Act, 1973 (Act 61 of 1973) or a member of a close corporation registered in terms of the Close Corporation Act, who, jointly and severally with their other partners, co-directors or co-members, as the case may be, bears the risk of business and takes responsibility for the management and liabilities of the partnership, company, or close corporation.

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.

Influenced Enterprise: 'Influenced' in a category is when ownership in that particular category is between **26 and 50 percent**, with corresponding management representation at Board, Executive and Operational levels.

Owned: Having all the customary incidents of ownership, including the right of disposition, and sharing all the risks and profits. Commensurate with the degree of ownership interests as demonstrated by an examination of the substance, rather than the form of ownership arrangements.

Preferential Procurement Policy: A procurement policy which uses procurement as an instrument of social policy in South Africa to affirm the changed environment, government's socio-economic objectives and the principals of the Preferential Procurement Policy Framework Act (2000).

Prime Contractor: A contractor who contracts with an employer as the principal or main contractor or as a joint venture partner to such contractors, to provide goods, services and works.

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.

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.

SMMEs: Small, Medium and Micro Enterprises.

Substantially Owned Enterprise: 'Substantially owned' in a category is when ownership in that particular category is between **76 and 100 percent**, with corresponding management representation at Board, Executive and Operational levels.

Supplier: A firm that:

- Owns, operates or maintains a store, warehouse or other establishment in which materials or supplies are bought, kept in stock and regularly sold to the public in the usual course of business and
- Engages as its principal business, and in its own name, in the purchase and sale of the products.

Targeted Procurement: A system of procurement which provides employment and business opportunities for marginalised individuals and communities, enables procurement to be used as an instrument of social policy in a fair, equitable, competitive, transparent and cost-effective manner, and permits and social objectives to be quantified, measured, verified and audited.

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.

Youth: A South African citizen who is between the ages of 18 and 35 at the time that tenders close.

2. BEE SCORECARD & PREFERENCING SCHEDULE

The Tenderer may attain a maximum of 10 preference points, based on a combination of the following three methods:-

- a) Method 1: The BEE status of the Tenderer at time of tender. (BEE contributions of members of a Joint Venture will be calculated in proportion to their individual contributions to the JV). **(4 points)**.
- b) Method 2: The composition of the team who will be undertaking the work. (Based on estimated manhours of participation for each team member) **(5 points)**
- c) Method 3: The location of the Tenderer's Head Office. (Points for location of members of a Joint Venture will be calculated in proportion to their individual contributions). **(1 points)**

2.1 Conditions associated with the granting of preferences

The tenderer who claims a preference, undertakes to:

- 1) Accept the sanctions set out below.
- 2) Provide the employer with proof of the participation of the various members, in a format acceptable to the employer, prior to the making of a claim for the final payment due.

2.2 Sanctions relating to breaches of preferencing conditions

In the event that the Contractor fails to substantiate that any failure to achieve the team composition relating to the granting of a preference under Method 2 was due to the elimination of items, or any other reason beyond the Contractor's control which may be acceptable to the Employer, it shall be liable to pay to the Employer a financial penalty calculated in the following manner:

$$P = 0,075 \times (D - Do) \times N_A / 100$$

where D = Points based on tendered team composition (Method 2).

Do = Points based on actual team composition, certified as being achieved upon completion of the Contract.

N_A = Contract Price (excluding VAT)

P = Rand value of penalty payable

2.3 BEE Scorecard

In implementing the scorecard the following key areas will be considered:

Equity Ownership:

The BEE contribution shall be calculated according to the following formula for each of the targeted areas:

$$S = T \times (W - M_{in}) / (100 - M_{in})$$

Where S = the weighted average actual score

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W = the actual percentage contribution
 (calculated in proportion to the contributions
 of each of the members in the case of a joint
 venture)

T = the maximum score in the targeted area

M_{in} = the minimum percentage in the targeted
 area

The totals for each of the target areas will then be added together to give the category Total Score. This Total Score will then be divided by the Maximum Total for the category and multiplied with the category weighting to give the Actual Score for the Category.

NB: Zero preference points will be given below the minimum levels set for each of the targeted areas/groups. Here minimum levels will be:

| | | | |
|-------|-----|-------|----------|
| Black | PPG | Women | Disabled |
| 25% | 15% | 5% | 0% |

Composition of Project Team

For the composition of the Project Team the figures to be used are the actual percentages of the total estimated manhours of work undertaken in the various target categories.

The BEE contribution shall be calculated in respect of participation of the Targeted Individuals at all levels.:

$$S = T \times (W - M_{in}) / (100 - M_{in})$$

Where S = the weighted average actual score

W = the actual percentage contribution

T = the maximum score in the targeted area

M_{in} = the minimum percentage in the targeted
 area

The totals for each of the target areas will then be added together to give the category Total Score. This Total Score will then be divided by the Maximum

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Total for the category and multiplied with the category weighting to give the Actual Score for the Category.

NB: Zero preference points will be given below the minimum levels set for each of the targeted areas/groups. Here minimum levels will be:

| | | | |
|-------|-----|-------|----------|
| Black | PPG | Women | Disabled |
| 75% | 51% | 15% | 10% |

| Empowerment Scorecard | | | | | | | | | | | Weighting | Actual Score |
|---------------------------------|----------------------|-------|----------------------|-------|----------------------|-------|----------------------|-------|----------------------|----------------------|------------------------|--------------|
| Equity Ownership | | | | | | | | | | | | |
| Maximum Score | Black | 1.25 | PPG | 2.5 | Women | 1.25 | Disabled | 1 | Max Total | 6.00 | | |
| Minimum Percentage | 25 | | 15 | | 5 | | 0 | | | | | |
| Maximum Percentage | 100 | | 100 | | 100 | | 100 | | | 4.0 | | |
| Actual Percentage | <input type="text"/> | 0.000 | <input type="text"/> | 0.000 | <input type="text"/> | 0.000 | <input type="text"/> | 0.000 | Total Score | 0.00 | | 0.00 |
| Location of Business | | | | | | | | | | | | |
| International | 0 | | | | | | | | | | | |
| SA | 0.5 | | | | | | | | | | | |
| KZN | 1 | | | | | | | | Score | <input type="text"/> | 1.0 | 0.00 |
| Project Team Composition | | | | | | | | | | | | |
| Maximum Score | Black | 1.25 | PPG | 2.5 | Women | 1.25 | Disabled | 1 | Max Total | 6.00 | | |
| Minimum Percentage | 51 | | 26 | | 5 | | 0 | | | | | |
| Maximum Percentage | 100 | | 100 | | 100 | | 100 | | | 5.0 | | |
| Actual Percentage | <input type="text"/> | 0.000 | <input type="text"/> | 0.000 | <input type="text"/> | 0.000 | <input type="text"/> | 0.000 | Total Score | 0.00 | | 0.00 |
| | | | | | | | | | Max Score : Tenderer | 10.0 | Actual score: Tenderer | 0.00 |