



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

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**TO ALL :ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS
:HEAD OFFICIALS OF PROVINCIAL TREASURIES
:ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES LISTED IN SCHEDULES 3A & 3C TO
THE PFMA**

**SUPPLY CHAIN MANAGEMENT: ALIGNMENT OF PREFERENTIAL PROCUREMENT WITH THE AIMS OF
THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT (BBBEEA) AND ITS RELATED
STRATEGY**

1 PURPOSE

The purpose of this circular is to inform accounting officers and accounting authorities on the latest developments regarding the alignment of preferential procurement with the aims of the BBBEEA and its related strategy.

2 CURRENT LEGISLATION

2.1 The Preferential Procurement Policy Framework Act, Act No. 5 of 2000 (PPPFA) was enacted by Parliament on 2 February 2000. This Act provides a framework for the implementation of a procurement policy, providing for categories of preference in the allocation of contracts and the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination, as contemplated in section 217 of the Constitution.

2.2 In August 2001, the Minister of Finance promulgated the Preferential Procurement Regulations in order to give effect to the objectives of the PPPFA.

2.3 Since the 2004/2005 financial year, the National Treasury commenced with the monitoring of the measured procurement policy outcomes contemplated in the PPPFA and its associated Regulations.

3 REVISION OF LEGISLATION

3.1 On 13 February 2007, a report containing information regarding measured procurement policy outcomes was submitted to Cabinet for consideration.

3.2 Cabinet resolved, among others, that:

- The National Treasury and the Department of Trade and Industry (DTI) collaborate to refine and simplify the Codes of Good Practice and that the preferential procurement procedures be amended to ensure that Government's BBBEE objectives are achieved; and
- The revised PPPFA be finalized and that the relevant Bill be submitted to Parliament for consideration by June 2007.

3.3 These resolutions are currently in the process of being implemented by the National Treasury in collaboration with the DTI.

3.4 The revision of the legislation will include broadening the basis of evaluation to beyond only equity ownership and the promotion of the non-quantifiable RDP goals. Bidders will also be able to earn preferences for other elements such as the number of black people in management, transfer of skills, equity employment, indirect empowerment by procuring goods and services from black enterprises and socio-economic development initiatives in terms of the BBBEE scorecard.

4 STATUS QUO FOR APPLICATION OF PREFERENTIAL PROCUREMENT

4.1 Accounting officers and accounting authorities are required to apply the current Preferential Procurement Policy Framework Act, Act No. 5 of 2000 and the Preferential Procurement Regulations, 2001 until such time that the revised Act is officially enacted by Parliament and the revised Regulations pertaining thereto are formally promulgated by the Minister of Finance.

4.2 The National Treasury will convene various workshops and training initiatives to support accounting officers and accounting authorities in the implementation of the new preferential procurement policy procedures as soon as the Act and its Regulations are amended.


5 DISSEMINATION OF INFORMATION

5.1 Heads of Provincial Treasuries are requested to please bring the contents of this circular to the attention of accounting officers of their provincial departments.

5.2 Accounting officers of national and provincial departments are requested to please bring the contents of this circular to the attention of accounting authorities of Schedule 3A and 3C public entities reporting to their respective executive authorities.

6 CONTACT

Any enquiries on this circular may be directed to JAN Breytenbach or Jeyrel Soobramanian of the National Treasury on telephone (012) 315 5342 or (012) 315 5336 respectively.


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