

MEDIA RELEASE

Today the Regulations of the **Preferential Procurement Policy Framework Act, No. 5 of 2000**, have been promulgated in the Government Gazette. These regulations will give substance to the contents of the Preferential Procurement Policy Framework Act which was passed through Parliament at the beginning of last year. The purpose of this act is to enhance the participation of Historically Disadvantaged Individuals (HDIs) and the small, medium and micro enterprises (SMMEs) in the public sector procurement system.

According to the new evaluation system contemplated in the Regulations, preferences will be applicable to all tenders, irrespective of the amount. An 80/20 point system will be applicable for tenders up to R 500 000, while a 90 / 10 point system will be applicable for tenders above R 500 000. For the first system a maximum of 80 points will be allocated to the lowest acceptable tender, while tenderers who tendered higher in price will score a lower number of points. A maximum of 20 points will be awarded to tenderers for contracting or sub-contracting with HDIs and for achieving specified RDP goals. The tender will be awarded to the tenderer who scored the highest number of total points. The goals to be achieved will be clearly specified in the tender documents, must be quantifiable and measurable and monitored for compliance.

For tenders with a value above R 500 000 a similar 90 / 10 point system will be followed during the evaluation process where a maximum of 90 points will be scored by the lowest acceptable tender, and a maximum of 10 points can be scored for contracting or sub-contracting with HDIs and for achieving specified RDP goals.

Since 1996 a maximum of 11,1% preference was allowed for HDIs who tendered for building and construction contracts administered by the Department of Public Works, while a maximum of 13,6% preference was allowed for equity ownership by HDIs and women for contracts with a value up to R 2,0 million. No preferences were allowed for contracts above R2,0 million.

The regulations were published in draft form for comments in the Government and all Provincial Gazettes. Various comments were received and after refining the draft regulations, it was discussed thoroughly between the Minister of Finance and all the MECs: Finance of the Provinces.

The goals to be achieved are detailed in the regulations. Points for achieving these goals must include points for contracting and / or subcontracting with HDIs and may include points for *inter alia* promotion of South African owned enterprises, promotion of export orientated production to create jobs, the promotion of SMMEs, promotion of enterprises located in a specific province, region, municipality or rural areas, the empowerment of the work force by

standardising the level of skill, the development of human resources and the upliftment of communities.

It is envisaged that the implementation of these regulations will enhance the involvement of black businesses in the public tendering system and will contribute to the upliftment of disadvantaged communities. It will further assist in the inclusion of the informal business sector into the main stream of the economy.

The implementation process will be closely monitored and the Minister of Finance will report the effect of these measures to Parliament. The Regulations will be applicable to all national and provincial departments as well as all local authorities.

The Regulations have been published in the Government Gazette No.22549 dated 10 August 2001. It is also available on the internet of National Treasury (www.treasury.gov.za).

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