

# **PROCUREMENT BY EKURHULENI METROPOLITAN MUNICIPALITY**

## **PROGRESS ON BLACK ECONOMIC EMPOWERMENT**

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## PROCESS

- **Legislative framework**
  - Preferential Procurement Policy Framework Act 5, 2000
  - Preferential Procurement Regulations, R728 of 10 August 2001. New draft Regulations were published for comments on 14 August 2009.
  - EMM requested government to make provision for “set-asides” to e.g. youth, women and Ekurhuleni based companies, in order to promote Black Economic Empowerment.
  - Purpose of the new regulations is to ensure that Government’s Preferential Procurement procedures are aligned with the aims of the Broad Based Black Economic Empowerment Act.

# OVERVIEW OF SUPPLY CHAIN MANAGEMENT PROCESS (continued)

- Broad Based Black Economic Empowerment Act 53, 2004
- Construction Industry Development Board Act 38, 2000
- Municipal Finance Management Act 56, 2003
- Constitution of Republic of South Africa, 1996 (Act 108 of 1996)

# LEGAL COMPLIANCE OF EMM's SUPPLY CHAIN MANAGEMENT POLICY

- Is in line with legislative framework
- Is based on principles contained in Section 217 of the Constitution, which state that:
  - “ When a local sphere of Government contracts for goods or services, it must do so in accordance with a system which is **fair, equitable, transparent, competitive and cost-effective**”
- Contains Preferential Procurement Policy (PPP) in terms of s2 of the PPP Framework Act and Regulations. Also applies to construction related projects.

# POLICY OBJECTIVES

- Provide clarity on Council's approach to procurement, specifically requirements of preferential procurement
- Provide access to contracts for historically disadvantaged individuals
- Promote SMME participation
- Promote capacity development and skills transfer
- Promote job creation
- Create an enabling contractual environment

# TYPES OF BIDS

- No verbal quotations
- Written quotations
- Formal written quotations (advertised)
- Competitive bids

## WRITTEN QUOTATIONS- Conditions:

- Goods or services up to R30 000,00 (VAT included)
- Obtain in writing from at least three different providers whose names appear on a list of accredited prospective providers
- May obtain from non listed providers if they meet listing criteria in SCM policy
- If not possible to obtain at least 3 quotations, reasons to be recorded and approved by CFO

# FORMAL WRITTEN QUOTATIONS

- **Conditions:**

- Goods or services in excess of R 30 000 (VAT incl.) to be advertised for at least seven (7) calendar days on website and office notice boards
- Accounting Officer to ensure procurement through formal written quotation is not abused

# COMPETITIVE BIDS

- **Conditions:**

- Goods or services above R 200 000 (VAT included) and contracts beyond one (1) year may only be procured through competitive bidding process
- No splitting into parts or items of lesser value to avoid procuring through competitive bidding process

# EVALUATION CRITERIA FOR BIDS

- Compliance with tender conditions
- Meeting technical specifications
- Infrastructure and resources
- Quality
- Size of business and workload
- Staffing profile & Previous experience
- Financial ability to execute the contract

# 7 SPECIFIC GOALS OF PREFERENTIAL PROCUREMENT OF EMM

- Contracting with enterprises wholly or partially owned
  - by previously disadvantaged people
  - by female (disadvantaged previously by gender)
  - by disabled people
- Job creation
- Support for small enterprises
- Promoting enterprises located within the country
- Promoting enterprises located within EMM



# POINTS ALLOCATED FOR SPECIFIC PROCUREMENT GOALS

Specific goals	Points allocated Up to R500 000	Points allocated Above R500 000
1. PDI's	8	4
2. Female	2	1
3. Disabled	1	1
4. Job creation	3	1
5. SMME's	2	1
6. Local content	1	1
7. Ekurhuleni enterprises	3	1
<b>TOTAL POINTS</b>	<b>20</b>	<b>10</b>

# POINTS FOR PRICE & SPECIFIC GOALS

- **Tenders up to R500 000**

–Price	80
–Specific goals	20
Total	<b>100</b>

- **Tenders above R500 000**

–Price	90
–Specific goals	10
Total	<b>100</b>

# CREATION OF ENABLING ENVIRONMENT

- **PAYMENT PERIODS**

- Normal payment period for creditors  
= **30 days** from the date of receipt of invoice

- For emerging Contractors/Suppliers  
= paid within **14 days**

# CREATION OF ENABLING ENVIRONMENT

To enable SMME's to become part of the supply chain management process, which include the following:

- **Surety Requirements**

The required surety amounts **lowered** to the ff. levels:

<u>Category</u>	<u>Project Value</u>	<u>Surety</u>
A	Up to R500 000	2,5%
B	R500 000 – R1M	5%
C	Above R1M – R2M	7,5
D	Above R2M	10%

- **Access to Bidding Information**

Bidding and related information available in a simplified and uncomplicated format to assist new & emerging enterprises.

# CREATION OF ENABLING ENVIRONMENT (contd.)

- **Bid Advice Centre**

Assistance is provided by the Economic Development Department to increase SMME awareness and share in the supply chain and procurement process. Assistance is provided for new and emerging SMME's.

- **Sub-Contracting**

The procurement of goods and services for any project caters for the engagement of sub-contractors. This provides opportunities for smaller businesses to increase their share in public sector procurement.

- **Early Payment Cycles**

Small enterprises assisted by means of early payment cycles.

# CREATION OF ENABLING ENVIRONMENT(contd.)

- **Simplification of Tender Documentation**

Bid documents have been rationalized & simplified to make it easier for small businesses to deal with .

All bid documents are regularly reviewed & standardized.

- **Retention Deducted**

- **Contracts up to R1m (VAT included):**

5% of the value of the work carried out, up to a limit of 5% of the tender sum, with no reduction for the duration of the maintenance period.

- **Contracts exceeding R1m (VAT included):**

10% of the value of work carried out with no limit, reducing to 5% for the duration of the maintenance period.

# ADVERTISING

- In order to reach the largest number of HDI owned and SMME service providers possible, the municipality advertises invitations to bid through a range of media.
- The municipality provides an appropriate time period within which bidders can request additional clarification and will be sensitive to the issues of language in this regard.

# PROGRESS ON BEE PROCUREMENT SINCE 1 JULY 2007

## Summary Of Bids Awarded During 2007/08 Fin. Year

**Total value of bids awarded**                      **R1,5bn**

### **Bids awarded to HDI's**

0%            HDI Ownership                      R 319m    (20,56%)

01-50% HDI Ownership                      R 305m    (19,63%)

51-75% HDI Ownership                      R 283m    (18,24%)

76-99% HDI Ownership                      R 349m    (22,46%)

100%        HDI Ownership                      R 297m    (19,11%)

# Summary of bids awarded 2007/08 Fy (Contd.)

## BIDS AWARDED TO SMME's

LARGE COMPANIES R 724m (46,61%)

MEDIUM COMPANIES R 334m (21,51%)

SMALL COMPANIES R 295m (19,00%)

VERY SMALL COMPANIES R 169m (10,92%)

MICRO COMPANIES R 30m (1,96%)

**BIDS AWARDED TO EKURHULENI  
BASED COMPANIES R 485m (31,23%)**

BIDS AWARDED TO NON- EKURHULENI  
BASED COMPANIES R1,068m (68,77%)

# Summary Of Bids Awarded During 2008/09 FY

**VALUE OF BIDS AWARDED 2008/09 FY R4,8bn**

## **BIDS AWARDED TO HDI's**

0% HDI OWNERSHIP	R 888m (18,29%)
1-50% HDI OWNERSHIP	R 992m (20,41%)
51-75% HDI OWNERSHIP	R 933m (19,19%)
76-99% HDI OWNERSHIP	R1,098m (22,60%)
100% HDI OWNERSHIP	R 948m (19,51%)

# SUMMARY OF BIDS AWARDED 2008/09 FY (Contd.)

## **3 BIDS AWARDED TO SMME's ARE AS FOLLOWS:**

LARGE COMPANIES	R2,801m	(57,66%)
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MEDIUM COMPANIES	R1,088m	(22,40%)
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SMALL COMPANIES	R 728m	(14,98%)
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VERY SMALL COMPANIES	R 215m	(4,42%)
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MICRO COMPANIES	R 26m	(0,54%)
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<b>BIDS AWARDED TO EKURHULENI BASED COMPANIES</b>	<b>R1,6bn</b>	<b>(33,90%)</b>
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<b>BIDS AWARDED TO NON-EKURHULENI BASED COMPANIES</b>	<b>R3,2bn</b>	<b>(66,10%)</b>
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# Summary Of Bids Awarded 1 July 2009 to 31 October 2009

**VALUE OF BIDS AWARDED**

R 892m

## **BIDS AWARDED TO HDI's**

0%	HDI OWNERSHIP	R 159m	(17,88%)
1-50%	HDI OWNERSHIP	R 368m	(41,22%)
51-75%	HDI OWNERSHIP	R 36m	(04,07%)
76-99%	HDI OWNERSHIP	R 43m	(4,78%)
100%	HDI OWNERSHIP	R 286m	(32,05%)

# Summary Of Bids Awarded from 1 July 2009 until 31 October 2009 (Continued)

## **BIDS AWARDED TO SMME's**

LARGE COMPANIES	R 497m	(55,73%)
MEDIUM COMPANIES	R 160m	(17,98%)
SMALL COMPANIES	R 57m	(06,44%)
VERY SMALL COMPANIES	R 163m	(18,33%)
MICRO COMPANIES	R 14m	(1,52%)

**BIDS AWARDED TO EKURHULENI-  
BASED COMPANIES** R 490m (54,95%)

**BIDS AWARDED TO NON-EKURHULENI  
BASED COMPANIES** R 402m (45,05%)

# PROGRESS WITH BLACK ECONOMIC EMPOWERMENT

## CONCLUSIONS FROM THE SUMMARY OF BIDS AWARDED SINCE 1 JULY 2007

- ❖ Companies with **0% HDI ownership decreased** from 20,56% to 17,88%
- ❖ Companies with **100% HDI ownership increased** from 19,11% to 32,05%
- ❖ Companies with **1% - 50% HDI ownership increased** from 19,63% to 41,22%

# PROGRESS WITH BLACK ECONOMIC EMPOWERMENT (continued)

- Companies with 51% - 75% HDI ownership decreased from 18,24% to 4,07%
- Companies with 76% - 99% HDI ownership decreased from 22,46% to 4,78%
- Bids awarded to large companies increased from 46,61% to 55,73%
- Bids awarded to SMME's decreased from 53,39% to 44,27%
- Bids awarded to **Ekurhuleni based companies increased** from 31,23% to 54,95%

# The Most Common Reasons Of Bid Disqualifications By SMME's

1. Failure to submit valid Tax Clearance Certificates
2. Failure to complete bid documents correctly
3. Pricing not cost effective
4. Non compliance with CIDB requirements
5. Scratching and writing over rates
6. Failure to attend compulsory briefing sessions
7. Late submission of bids
8. **Failure to perform once awarded**

# The Most Common Reasons Of Bid Disqualifications By SMME's (contd.)

9. Lack of technical knowledge
10. Not able to submit required documents such as SABS certificate, financial statements etc.
11. Pricing schedule not signed by the Authorised Signatory
12. All declarations need to be duly signed by the person having the authority to do so
13. Pages of the bid document have been omitted
14. General criteria in respect of infrastructure and resources available; size of enterprise, staffing profile; previous experience and financial ability – not completed

THANK YOU

QUESTIONS