



# B-BBEE Preferential Procurement Policy

[PUR005]

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## Acronyms

<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>CFO</b>	Chief Financial Officer
<b>CoGP</b>	Codes of Good Practice
<b>DTI</b>	Department of Trade and Industry
<b>ED</b>	Enterprise Development
<b>EME</b>	Exempt Micro Enterprise
<b>GDP</b>	Gross Domestic Product
<b>PPPFA</b>	Preferential Procurement Policy Framework Act
<b>PPR</b>	Preferential Procurement Regulations
<b>PPS</b>	Procurement and Payment Services
<b>SMME</b>	Small, Medium and Micro-sized Enterprise
<b>QSE</b>	Qualifying Small Enterprise

# 1. Introduction

Broad-Based Black Economic Empowerment (B-BBEE) is a system aimed at restructuring and transforming the economy to enable meaningful participation of the majority of citizens, particularly black individuals. It is implemented through four pillars in specialised entities, which include management control, skills development, socio-economic development, and enterprise and supplier development, including preferential procurement. B-BBEE should be effectively and sustainably implemented to unlock the full potential of black people and support a pro-employment developmental growth path.

The government has prioritised entrepreneurship and the advancement of SMMEs as a catalyst for economic growth and development. The DTI leads the implementation of SMME-related policies with the help of other government departments, public entities, and institutions. The goal is to prefer procurement from SMMEs and provide financial and non-financial assistance to ensure their long-term success and contribute to the overall prosperity of the country.

UCT supports B-BBEE and the government's objective of SMME development, where specific goals were outlined in the Preferential Procurement Regulations of 2022 (PPR 2022). These goals aim to increase procurement from SMMEs, black-owned businesses, 30% black women-owned businesses, and black designated group suppliers. UCT believes that promoting the participation of black entrepreneurs and SMMEs in the economy will drive GDP growth, create jobs, and foster an inclusive South African economy.

The Preferential Procurement Policy Framework Act (PPPFA) and the PPR 2022 establish a preferential procurement policy. This policy promotes the use of local goods and services and encourages the participation of specific groups, such as SMMEs, black-owned enterprises, and enterprises owned by black women and black designated groups, in procurement processes.

## 2. Definitions

Term	Description
EME	Exempt Micro Enterprise with an annual turnover <R10 million.
QSE	Qualifying Small Enterprise with an annual turnover >R10 million.
Generic	Large Entity/Corporate with an annual turnover >R50 million.
B-BBEE controlled company	Means a juristic person, having shareholding or similar members interest, in which black participants enjoy a right to exercisable voting rights that is at least 51% of the total such rights measured using the Flow Through principle.
B-BBEE owned company	Means juristic person, having shareholding or similar members interest, that is B-BBEE controlled, in which black participants enjoy a right to economic interest that is at least 51% of the total such rights measured using the Flow Through principle.
Flow Through principle	A general principle measuring the rights of ownership of any category of black people in a measured entity, where only rights owned by natural persons are relevant.
Black Designated Group	<ul style="list-style-type: none"> <li>a) Unemployed black people not attending and not required by law to attend an educational institute and not awaiting admission to an institute.</li> <li>b) Black people who are youth as defined in the National Youth Commission Act of 1996.</li> <li>c) Black people who are persons with disabilities as defined in the Codes of Good Practice on employment of people with disabilities issued under the Employment Equity Act.</li> <li>d) Black people living in rural and underdeveloped areas.</li> <li>e) Black military veterans who qualify to be called a military veteran in terms of the Military Veterans Act 18 of 2011.</li> </ul>

Term	Description
Black people	<p>Is a generic term which means African, Coloureds and Indians</p> <p>a) who are citizens of the Republic of South Africa by birth or descent; or</p> <p>b) who became citizens of the Republic of South Africa by naturalisation –</p> <ul style="list-style-type: none"> <li>• before 27 April 1994, or</li> <li>• on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date.</li> </ul>
Specific Goals	<p>Specific goals are as contemplated in section 2 (1)(d) of the B-BBEE Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination based on race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.</p>

### 3. Key Principles

UCT's Preferential Procurement Policy is aligned with the following legislative instruments and aligned with the Preferential Procurement Regulations 2022 effective on 16 January 2023:

- B-BBEE Act 53 of 2003 as amended.
- The DTI's amended B-BBEE generic Codes of Good Practice (CoGP)
- The Preferential Procurement Policy Framework Act, 2000 (PPPFA)
- **Preferential Procurement Regulations 2022 (PPR 2022)**, summarised as follows:
  - **Purpose:** The 2022 Regulations aim to comply with Section 217 of the Constitution, the PPPFA of 2000, and the Constitutional Court judgement of February 2022 on the 2017 Regulations.
  - **Repeal and Effective Date:** The 2022 Regulations replace the 2017 Regulations and come into effect on 16 January 2023. These serve as a temporary measure until the Public Procurement Bill is finalised.
  - **Applicable Preference Point System:** Organs of state must state the applicable preference point system, either the 80/20 system or the 90/10 system, based on the value of the acquisition.

- **Specific Goals:** Organs of state must specify the specific goals in tender invitations for which points may be awarded, such as contracting with historically disadvantaged individuals based on race, gender, and disability.
- **Exclusions:** Matters like evaluation of functionality, pre-qualification criteria, local production, subcontracting, cancellation of tenders, and blacklisting, which were regulated in the 2017 Regulations, have been omitted from the 2022 Regulations.
- **Alignment with B-BBEE Act:** The 2022 Regulations should be read in conjunction with the B-BBEE Act 2003, which requires the application of relevant CoGP for preferential procurement policies.
- **UCT's stance:** UCT supports the proposed amendments and intends to comply with the 2022 Regulations. The points allocated for "**specific goals**" align with the measurement of the Preferential Procurement scorecard in the B-BBEE codes, focusing on contracting with historically disadvantaged individuals based on race, gender, and disability.

#### 4. UCT Preferential Procurement Strategic Vision

- The strategic preferential procurement vision of UCT is:
  - To instil a culture within UCT that encourages sourcing of goods and services from B-BBEE companies and specifically black SMME's for these entities to play a role in the economic market from which they were traditionally excluded.
  - To provide for fair and equitable treatment of suppliers involved in procurement with UCT within the framework of the Preferential Procurement Regulations of 2022 and this policy, unless business dictates otherwise.
  - To provide guidance to UCT's Preferential Procurement strategic vision.
  - To ensure compliance to the DTI's amended B-BBEE Codes of Good Practice and to maximise UCT's B-BBEE score for DTI's B-BBEE certification.
- UCT will aim to achieve the strategic vision by implementing the following actions/objectives:
  - Recording in the UCT B-BBEE Preferential Procurement Guideline process to support and document procurement decisions to ensure implementation of UCT's preferential procurement programme.

- Enhancing UCT's procurement status by encouraging suppliers to become contributors to B-BBEE and to improve their own contribution levels.
- Increasing the Rand value of procurement-spend towards B-BBEE enterprises and specifically SMME, black owned, 30% black women owned and 51% Black Designated Group suppliers.
- Increasing the number of B-BBEE enterprises participating in UCT's procurement activities, specifically SMME, black owned, 30% black women owned and 51% Black Designated Group suppliers.

## 5. Governing Principles

- General
  - UCT shall award all contracts and purchases on a fair and equitable basis in line with this UCT Preferential Procurement policy, as well as the UCT B-BBEE Preferential Procurement Guideline.
  - UCT will give preference to those suppliers that have a valid B-BBEE Certificate or affidavit and meet the Specific Goals identified for the tender but will not exclude non-compliant suppliers of goods and services where it is in the interest of UCT to use such a vendor.
  
- Tenders
  - The UCT B-BBEE Preferential Procurement Guideline provides guidance to Evaluation Team on how to include B-BBEE procurement criteria relating to the B-BBEE status and the Specific Goals, into the evaluation criteria of a tender to ensure that the B-BBEE impact of procurement decisions are taken.
  - The following principles may govern preferential procurement for tenders over R1 million, unless a deviation is required as determined in the Evaluation Criteria of the tender.

<b>Value: R1 million &lt; R5 million</b>		
Open Tender	B-BBEE Scorecard	90/10
Closed Tender (selected bid list)	B-BBEE Scorecard	80/20
<b>Value: R5 million and above</b>		
Open Tender	B-BBEE scorecard	90/10
Closed Tender (selected bid list)	B-BBEE Scorecard	80/20

<b>Adjusted Preference Points System</b>			
	<b>Criteria</b>	<b>No. of Preference Points 90/10</b>	<b>No. of Preference Points 80/20</b>
<b>B-BBEE LEVEL</b>	<b>B-BBEE Status level</b>	<b>Max 7.5 points</b>	<b>Max 15 points</b>
	Level 1	7.5 points	15 points
	Level 2	6.5 points	13 points
	Level 3	5.5 points	11 points
	Level 4	4.5 points	10 points
	Level 5	3.5 points	8 points
	Level 6	3 points	6 points
	Level 7	2 points	4 points
	Level 8	1 point	1 point
<b>SPECIFIC GOALS</b>	QSE/EME supplier	0.5 point	1 point
	Black owned supplier (at least 51% black ownership utilising Flow Through principle)	1 point	2 points
	30% Black women owned supplier (at least 30% Black women ownership)	0.5 point	1 point
	51% Black Designated Group ownership	0.5 point	1 point



- The B-BBEE specialist should be part of the Evaluation Team for all tenders over R1 million.
- Suppliers with higher B-BBEE preference points should enjoy priority over suppliers with lower B-BBEE preference points, unless business dictates otherwise.
- Suppliers who do not submit B-BBEE verification certificates or are non-compliant contributors to B-BBEE, do not qualify for preference points for B-BBEE. However, they should not be disqualified from the bidding process.

## 6. Responsibility, Measurement and Reporting

- The responsibility for the implementation of this policy rests with the Executive Management.
- It is the responsibility of all UCT employees, who engage directly with suppliers, to abide by this policy.
- Each existing supplier and/or potential supplier will be required to submit valid proof of their B-BBEE status, and it is the combined responsibility of the supplier and UCT's procurement research team to ensure that this information is valid and up to date.

## 7. Contact

Senior Contracts Manager: Tenders & B-BBEE

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