

OBJECTION IN TERMS OF REGULATION 49 OF THE LOCAL GOVERNMENT MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) (56 OF 2003):MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS AND PARAGRAPH 19.15 OF THE SUPPLY CHAIN MANAGEMENT POLICY OF THE KNYSNA MUNICIPALITY TO THE AWARD OF TENDER T20/2014 TO BENER CIVILS.

SUBMITTED BY:

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SUBMITTED IN MY PERSONAL CAPACITY AND ON BEHALF OF THE FOLLOWING ASSOCIATIONS, BEING DULY AUTHORISED THERETO:

KNYSNA RATEPAYERS ASSOCIATION

1. AWARD OF TENDER

On the 21st of July 2014 tender T20/2014 was awarded to Benver Civils and Plant Hire. Benver, a company based in Knysna, was the second highest scoring bidder and was awarded the tender in terms of the Preferential Procurement Policy of the Knysna Municipality (KM). The highest scoring bidder is Seven Sirs, a Cape Town based company. The budget for the tender was R15, 200, 000.00.

2. PRICE AND PREFERENCE POINTS

2.1 PRICE

Seven Sirs had the lowest price, namely R14, 736, 223.00.

Benver's price was second lowest and amounted to R15, 839, 882.19.

The price difference was R 1, 103, 659.19.

Benver's price was 7.49% higher than the price of Seven Sirs.

2.2 PREFERENCE POINTS

Seven Sirs scored 99 preference points out of 100.

Benver scored 92.26 preference points out of 100.

Seven Sirs therefore was the highest scoring bidder.

3 THE BID EVALUATION COMMITTEE (BEC) RECOMMENDATION

The BEC found that all 13 bidders, including Seven Sirs had submitted responsive tenders.

The 90/10 preference system was used and Seven Sirs had the most competitive price and scored the highest points.

The municipal account of Seven Sirs was in order and Seven Sirs and/or any of their Directors do not appear on National Treasury's database of restricted suppliers and in the National Treasury Register for Tender Defaulters.

As a local supplier, Benver Civils, had scored the second highest points and "their price falls within the maximum 11.11%, the maximum premium for local suppliers", the BEC considered recommending Benver in terms of the Preferential Procurement Policy.

However, the "procuring department" advised the BEC that they did not have the budget to pay the premium for the local supplier as the price exceeded the budget by R639, 882.19.

The BEC therefore recommended that the tender be awarded to Seven Sirs who provided the most competitive price and achieved the highest score.

It is noteworthy that paragraph 15 of the BEC checklist deals with the “preferencing schedule” relating to HDI Equity.

Benver Civils is listed as 0% Black Owned. Seven Sirs is listed as 100% Black Owned.

4. THE BID ADJUDICATION COMMITTEE (BAC)

4.1 THE BAC MEETING AND DECISION

The BAC awarded the tender to Benver Civils on the 21st of July 2014.

According to paragraph 6.2 of the BAC Minutes, the BAC discussed the tender at a previous meeting and referred the matter back to Sintec to re-evaluate the references of Seven Sirs and Benver. The reason for the referral was;

... as the references of Seven Sirs was of great concern to the BAC.

It is not clear from the BAC minutes why the references of Seven Sirs were a cause of concern and the reason is not apparent from the BEC report either.

Four references were received for each bidder (par 6.2 of BAC report).

Benver Civils received two negative and two positive references.

Adriaan van Mollendorf of Aurecon stated that;

Concrete work was not good at all, Admin was terrible, late on delivery and they struggled a lot.

Seven Sirs received four mostly positive references.

One of these references was from D. Kruse from **Theewaterskloof Municipality**. This reference was detailed and overwhelmingly positive and reference is made to and award being won on completion of a project in Grabouw.

According to the BAC minutes, Mr. Adonis, who chaired the meeting, also contacted some references. He spoke to the Municipal Manager of **Theewaterskloof Municipality**, who indicated that he would not recommend Seven Sirs as they were involved in litigation against the company. This was due to non-payment of subcontractors who worked on a project in Villiersdorp. The contract was cancelled. The BAC then awarded the contract to Benver Civils, the contractor who scored the second highest points. According to paragraph 6.3 of the BAC minutes;

This is a local company and in terms of Council's Preferential Procurement Policy, Council gives preference to local companies. The budgeted amount for the tender is limited to R15 200 000.00.

Susan Campbell has been informed by Fredri Kruger, the Manager, Expenditure, in the Supply Chain Management Department of KM that the scope of the contract work will be reduced by an amount equal to the budget shortfall of R639, 882.19.

The result is that KM will spend R463, 777.00 more for less value and that some of the poor residents of Knysna will have to wait longer for low cost houses.

In addition to this a 100% black owned company (HDI), that scored the highest points and had a tendered R1, 103, 659.19 lower than a 100% white owned company, has not been awarded the tender.

The motivation advanced for this decision is the implementation of the Preferential Procurement Policy of KM. The decision appears to be irrational and unlawful, as this policy was adopted in terms of legislation aimed at advancing the interests of persons disadvantaged by unfair discrimination.

The complete lack of concern with the negative references received by Benver, is in stark contrast to the extraordinary situation, where the Chairman of The BAC personally obtained additional references for Seven Sirs.

A number of irregularities are apparent from the BAC minutes read with the BEC report.

4.2 BAC MEETING- IRREGULARITIES.

4.2.1 The conduct of the BAC Chairman

The BAC was chaired by Mr. Adonis in the absence of the Chief Financial Officer (CFO), Mr. Easton.

Members of the BAC must consider reports and recommendations of the BEC and in so doing, must take into consideration all relevant factors to ensure that the recommendation represents a reasonable and justifiable conclusion, based on all the relevant information at the BECs disposal.

The BAC may obtain clarity from the BEC or refer the matter back to the BEC if it does not agree with the recommendation in order to resolve differences (par10.7.1 (iv) and (v) of the SCM Policy).

Members of the BAC must be impartial and may not enter the arena and conduct their own investigations, as was the case with the Chairman. In the event that a member of the BAC has information relating to a bidder that may affect the award of the tender, such member should withdraw from the BAC. A member of the BAC may not be investigator and adjudicator at the same time.

The award of the tender should therefore be set aside due to a material irregularity resulting from the conduct of the Chairman.

4.2.2 The award of the tender in the case of a dispute between the BAC and BEC.

In the event that the BAC disagrees with the BEC recommendation, the BAC may not award the tender.

The BAC may make a recommendation together with its comments and reasons and refer it to the Accounting Officer (AO), who has the sole authority to make the final award within 10 days (par 10.7.1 (vi) and par 10.11(iii) of the SCM Policy).

In awarding the tender, the BAC exceeded its mandate. Such award was *ultra vires* and should therefore be set aside.

4.2.3 The award of a tender for an amount exceeding R10 Million.

The tender amount exceeded R10 Million.

The BAC must consider and make a recommendation to the AO, who makes the final award, in the case of all bids above the monetary value of R10 Million (par16.2(ii) of the SCM Policy).

The BAC erred in awarding the bid, thereby exceeding its mandate. The award therefore should be set aside.

5 LAWS, REGULATIONS, GUIDELINES AND POLICIES GOVERNING SCM PROCUREMENT.

5.1 THE CONSTITUTION

Section 217(1) of the Constitution provides that organs of state must ensure that all contracts for goods or services are concluded in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

In terms of subsection (2) organs of state may implement 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.

In terms of subsection (3) national legislation must prescribe a framework within which the procurement policy must be implemented.

5.2 PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT NO 5 OF 2000 (PPPFA)

The PPPFA was enacted to give effect to the provisions of the Constitution. The relevant provisions are set out hereunder.

2. Framework for implementation of preferential procurement policy.

(1) An organ of state must determine its preferential procurement policy and implement it within the following framework:

(a) A preference point system must be followed;

(i) for contracts with a Rand value above a prescribed amount a maximum of 10 points may be allocated for specific goals as contemplated in paragraph (d) provided that the lowest acceptable tender scores 90 points for price;

(ii) for contracts with a Rand value equal to or below a prescribed amount a maximum of 20 points may be allocated for specific goals as contemplated in paragraph (d) provided that the lowest acceptable tender scores 80 points for price;

(d) the specific goals may include

(i) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability;

(ii) implementing the programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;

(e) any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender;

(f) the contract must be awarded to the tenderer who scores the highest points, unless objective criteria **in addition to those contemplated in paragraphs (d) and (e)** justify the award to another tenderer;

5.3 PREFERENTIAL PROCUREMENT REGULATIONS , 2001 (2001 REGS).

In terms of regulation 13(1) preference points stipulated in respect of a tender **must** include preference points for equity ownership by HDIs. All tenders therefore **had to** include preference points for HDIs

Regulation 17(1) provided that tendering conditions **may** stipulate that specific goals, as contemplated in section 2(1)(d)(ii) of the Act, be attained. From the extract below it is clear that in addition to the compulsory points for HDIs, organs of state had the discretion to include points for achieving specified goals. One such goal was the promotion of enterprises located within a specific municipal area.

(2) The stipulation contemplated in sub-regulations (1) **must include the method to be used to calculate the points scored for achieving specific goals.**

(3) Over and above the awarding of preference points in favour of HDIs, the following activities **may** be regarded as a contribution towards achieving the goals of the RDP (published in Government Gazette No. 16085 dated 23 November 1994):

- (a) The promotion of South African owned enterprises;
 - (b) The promotion of export orientated production to create jobs;
 - (c) The promotion of SMMEs;
 - (d) The creation of new jobs or the intensification of labour absorption;
 - (e) The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
 - (f) The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
 - (g) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area;**
 - (h) The promotion of enterprises located in rural areas;
 - (i) The empowerment of the work force by standardising the level of skill and knowledge of workers;
 - (j) The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
 - (k) The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.
- (4) Specific goals must be measurable and quantifiable and organs of state must monitor the execution of the contract for compliance with such goals.

In terms of the 2001 REGS the KM would have been allowed to include some preference points towards achieving the goal in subsection (3)(g) above, but would have had to include the goal in the tender document and stipulate the points allocated for achieving the goal as well as the method of calculation. A portion of the points would have had to be allocated for businesses owned by HDIs.

5.4 SUPPLY CHAIN MANAGEMENT A GUIDE FOR ACCOUNTING OFFICERS

National Treasury issued guidelines to the 2001 REGS in February 2004. The guidelines relating to a preferential procurement strategy are set out hereunder;

3.3 Preferential procurement strategy

3.3.1 As each accounting officer/authority should determine a strategy for the institution to achieve government's broader policy goals through the SCM process, aspects such as enhancing BEE and promoting HDIs as required in the Preferential Procurement Regulations, 2001, should be taken into account. Goals to be attained should be identified for each contract individually after the relevant industry and community have been consulted. **It should also be borne in mind that adherence to these requirements might lead to a premium being paid by the institution. The maximum premium for the application of the 80/20 preference point system (for contracts equal to or less than R 500 000) amounts to 25%, while the maximum for the 90/10 preference point system (for contracts exceeding R500 000) amounts to 11,11%.**

The above portion, highlighted in red, appears to have been misinterpreted by KM, contributing to the motivation for awarding the tender to a local contractor who did not score the highest points.

KM appears to interpret the guideline as allowing the municipality to award a tender to a local Knysna contractor, who has not scored the highest points, as long as the price is within 25% (in a 80/20 tender) and 11% (in a 90/10 tender), of the highest scoring tender.

This interpretation is clearly incorrect as the purpose of the guideline was to inform the accounting officer that the application of the formulas may lead to a premium (which presumably has to be budgeted for) and that the maximum premium cannot exceed 25% and 11.11% respectively. This is determined by a mathematical calculation of the maximum premium that can be paid.

The interpretation by the KM amounts to double scoring as the formula is first applied to determine the highest scoring tender. Thereafter the KM adds another premium of 25% or 11.11% to award the tender to a local contactor.

5.5 DRAFT PREFERENTIAL PROCUREMENT REGULATIONS, 2009 (Draft REGS).

In the **Explanatory Memorandum** to the Draft Regulations the following is stated (p4);

2(ii) The current Preferential Procurement Regulations determine that the HDI status and certain RDP goals should be used to determine preference points in the awarding of bids.

The new regulations replace the awarding of bids on the basis of HDI status and the promotion of RDP goals with the BEE rating of a bidder.

5.6 PREFERENTIAL PROCUREMENT REGULATIONS, 2011(2011 REGS).

The 2001 REGS were repealed with effect of 7 December 2011, the date the 2011 REGS came into operation (section 15).

The 2011 REGS replaced the awarding of bids on the basis of HDI status and the promotion of RDP goals with the BEE rating of the bidder.

From 7 December 2011 preference points had to be awarded for the B-BBEE status level of contribution according to a prescribed formula set out in the new Regulations.

In addition to this, preference points could no longer be awarded for HDI status and certain RDP goals, regardless of whether the goals were set out in the Preferential Procurement Policy of an organ of state.

All bidders have to submit BEE rating certificates, issued either by verification agencies accredited by the South African Accreditation System (SANAS) or by registered auditors approved by the Independent Regulatory Board for Auditors (IRBA).

The threshold value for the distinction between the 80/20 and 90/10 preference point system was R500 000. This was increased to R1 million to stimulate the development of small enterprises.

Part three of the 2011 REGS provides for the mandatory inclusion of specific tender conditions in the case of designated sectors where the award of **local production and content** is of critical importance.

In cases where there is no designated sector, organs of state have the discretion to stipulate a minimum threshold in tender documents for local production and content.

It is important to note that "local content" does not relate to a specific geographical area within the Republic of South Africa, but is defined as;

...that portion of the tender price which is not included in the imported content, provided that local manufacture does take place.

Local content therefore relates to manufacture or production within the Republic of South Africa, whereas imported content relates to products produced in another country.

5.7 IMPLEMENTATION GUIDE: PREFERENTIAL PROCUREMENT REGULATIONS 2011

National Treasury published a guide to assist Accounting Officers with the implementation of the 2011 Regs. Paragraph 16 deals with the award of contracts;

16.1 A contract must be awarded to the bidder who scored the highest total number of points in terms of the preference point systems.

16.2 In exceptional circumstances a contract may, on reasonable and justifiable grounds, be awarded to a bidder that did not score the highest number of points. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in a court of law. (own emphasis)

5.8 SUPPLY CHAIN MANAGEMENT POLICY OF THE KNYSNA MUNICIPALITY.

The KM adopted a new Supply Chain Management Policy that came into effect on 1 July 2014.

Paragraph 20 deals with Preferential Procurement. In terms of 20.1(vii)

The contract must be awarded to the bidder who scores the highest points unless objective criteria in **addition to that pertaining to specific goals** justify the award to another bidder (own emphasis).

5.9 KM PREFERENTIAL PROCUREMENT POLICY (PPP)

The document annexed hereto as Annexure "A" provided to us by KM was adopted in May 2012, after the 2011 REGS had come into operation. From the extract below, it would appear that the KM did not fully understand the status of the 2011 REGS, referred to as "revised regulations".

All bids above R30 000 (R and T order types) are presently being given preference on maximum points for price with the balance according to disadvantaged ownership and for promoting specified RDP goals. The National Treasury has also released the revised Preferential Procurement Regulations, which have been aligned with the aims of the Broad – Based Black Economic Empowerment Act and its associated Codes of Good Practice which become effective from 7 December 2011.

From the above it would appear that there is no understanding that preference points can no longer be allocated for HDI ownership and for promoting specified RDP goals. A number of local economic objectives are set out in the document.

The PPP is vague and it is not clear whether the intention is to consider the local economic development priorities as specified goals.

6. GROUNDS FOR THE OBJECTION

6.1 APPLICATION OF 2001 REGS.

KM reached a decision based on an error of law by applying repealed regulations and compounding the error by not complying with the provisions of the repealed regulations.

6.1.1 Failure to take into consideration that the 2001 REGS had been repealed.

The Decision Maker erred in giving preference to a local contractor, to justify the award of the tender to the second highest scoring bidder.

Whereas the 2001 REGS did allow for preference points to be allocated for the achievement of specified goals, such as giving preference to local contractors, such application is erroneous in the light of their repeal.

6.1.2 Incorrect application of repealed 2001 Regs.

In the correct application of the repealed REGS, a bid document had to include the specified goals that were to be achieved, the points allocated to such goals and the method to be used to calculate the points scored for achieving the goals. This was not done and the Decision Maker used the goal as a trump card, once the highest scoring bid had been determined by the application of the 90/10 preference points scoring system. KM used the permissible discretionary criteria in the old regulations (municipal area preference) to override the effect of prescriptive criteria (HDI), thus thwarting both the purpose of the PPPFA, the regulations and the intention of the legislature and its own Supply Chain Management Policy (see par20.1 (vii) above).

6.2 APPLICATION OF 2011 REGS

The 90/10 preference points calculation was correctly applied to determine the highest scoring bidder. In terms of regulation 6(5), KM is obliged to award the tender to the highest scoring bidder, subject to section 2(f) of the PPPFA discussed hereunder. However the KM erred in using its Preferential Procurement Policy to trump the provisions of the PPPFA and

the 2011 REGS by awarding the bid to a local company. This policy included goals that related to repealed regulations and the 2011 REGS do not allow for preference points for any goals other than B-BBEE.

6.3 The PPPFA

In terms of section 2(f) the contract must be awarded to the tenderer who scores the highest points, unless objective criteria **in addition to** those contemplated in paragraphs (d) and (e) justify the award to another tenderer. Paragraphs (d) and (e) relate to categories of persons or specified goals.

This section therefore does not allow double scoring of preference points. **The tender has to be awarded to the highest scoring bidder and the KM may not consider the goal of supporting local business as “objective criteria” as the subsection specifically excludes this.**

The issue of double counting was considered by Davis J in the recent case of *Rainbow Civils CC v Minister of Transport and Public Works, Western Cape and Others (21158/2012) [2013] ZAWCHC 3 (6 February 2013)*.

[93] It is clear from paragraph 46 of the respondent's answering affidavit (quoted above at paragraph 51) that the Decision Maker placed much store in the fact that Safaz was owned by a black woman. He states in terms that he had regard to the objectives of the B-BBEE Act, which include increasing the access of black women to economic activities.¹⁵ The question is whether it was lawful for him to do so, i.e., whether this was a relevant consideration which could properly be taken into account in the decision to award the Tender.

[94] Mr Rosenberg submitted that it was not. He contended that preference based on gender is already provided for in the 90/10 preference points system which governed the Tender, and that the Decision Maker was effectively 'double counting' by giving additional preference to Safaz based on gender. Mr Jagacountered that the Decision Maker was entitled, in awarding the Tender, to be guided by the objectives in section 2(d) of the B-BBEE Act.

[95] Mr Rosenberg referred me to the decision in *Grinaker LTA Ltd and another v Tender Board (Mpumalanga) and others ('Grinaker')*¹⁶, where the tender had been awarded to someone other than the highest scoring tenderer on the basis of affirmative action and black empowerment considerations, and the question was whether the criteria contemplated in sections 2(d) and (e) of the Procurement Act (which include advancement of persons previously disadvantaged on the basis of race, gender and disability) may be taken into account for purposes of determining, in terms of section 2(f) of the Procurement Act, whether objective criteria exist for the award of the tender to one other than the highest scoring tenderer. De Villiers J held¹⁷ that section 2(f) contemplates objective criteria over and above those contemplated in section 2(d) and (e) of the Procurement Act, and stated the following in this regard:¹⁸

'The criteria contemplated in paragraphs (d) and (e) would, if the specific goal is clearly specified in the invitation to submit a tender, be the basis for the award of a maximum of ten points. To my mind, the legislature therefore envisaged that over and above the objective criteria contemplated in paragraphs (d) and (e), there might be objective criteria justifying the award of the tender to another tenderer other than the tenderer who had scored the highest points. To put it differently, the legislature did not intend that criteria contemplated in paragraphs (d) and (e), should be taken into account twice, firstly in determining what score was achieved out of ten in respect of the criteria contemplated in these paragraphs and, secondly, in taking into account those selfsame criteria to determine whether objective criteria justified the award of the contract to another tenderer than the one who had scored the highest points.'¹⁹(Emphasis added.)

What constitutes objective criteria is not clear, but the Implementation Guide to the 2011 Regs from National Treasury makes it clear that only in exceptional circumstances, on reasonable and justifiable grounds, may a tender be awarded to a bidder other than the highest scoring tenderer. The reasons for such a decision must be approved and recorded for audit purposes and must be defensible in a court of law. Clearly the reasons have to be clear to an objective observer and must be exceptional and compelling.

7. CONCLUSION

The KM erred in awarding the tender to the second highest scoring bidder, a white owned company, whereas it should have awarded the tender to the highest scoring bidder, a black-owned company that had the lowest price and scored the highest combined points.

The decision is irrational and unlawful, as it disregards and undermines the objects of the Constitution, the PPPFA and other relevant laws, to advance the interests of historically disadvantaged persons and to ensure open, transparent and cost- effective procurement of goods and services.

In addition to this, the Decision Maker did not have the authority to award the tender.

The decision exposes KM to the risk of litigation.

If the decision were to stand, the ratepayers of Knysna will pay significantly more and receive less value and many of the poor residents will have to wait longer for houses.

The decision should be set aside and the tender awarded to the highest scoring bidder, Seven Sirs.

ANNEXURE "A"

Finance and Governance Committee Meeting

8 February 2012

SUPPLY CHAIN MANAGEMENT STRATEGY DOCUMENT

REPORT FROM DIRECTOR FINANCIAL SERVICES

PURPOSE OF THE REPORT

The purpose is to inform Council on what and how we procure goods and services and at the same time enabling the setting of targets to achieve predetermined strategic outcomes.

BACKGROUND / DISCUSSION

All bids above R30 000 (R and T order types) are presently being given preference on maximum points for price with the balance according to disadvantaged ownership and for promoting specified RDP goals. The National Treasury has also released the revised Preferential Procurement Regulations, which have been aligned with the aims of the Broad – Based Black Economic Empowerment Act and its associated Codes of Good Practice which become effective from 7 December 2011. The main changes contained in the revised regulations are as follows:

Previously bidders scored maximum 80 or 90 points for price, and 20 or 10 for disadvantaged ownership and for promoting specified RDP goals. The points for price will remain unchanged, while bidders will now score up to 20 or 10 points for their B-BBEE status level of contribution.

All bidders will have to submit B-BBEE rating certificates, issued by either verification agencies accredited by the South African Accreditation System (SANAS) or by registered auditors approved by the independent Regulatory Board for Auditors (IRBA) to qualify for preference points.

Previously, the threshold value for the distinction between 80/20 and 90/10 preference point system was R500 000. This has now increased to R1 million to stimulate the development of small enterprises. In terms of the regulations functionality may be included on the basis that it must be objective.

One of the objects of local government in terms of the constitution of South Africa is to promote social and economic development. Local government in terms of this developmental duty is required to structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social economic development of the communities which they serve. (Strategic Procurement Systems, 1998).

Local economic development in the current South African context generally entails the addressing of the imbalances of the past, empowering previously disadvantaged communities; income generation; education of the illiterate and provision of basic shelter for the homeless. The key elements of the local economic development within the boundaries of the local authority include:

- The creation of employment and business opportunities for persons living within a defined geographical area;
- The mobilizing of resources to promote skills development, sustainable employment, creation of entrepreneurship and small scale enterprises within a predetermined geographical area;
- The development of and support of small scale enterprises within local authorities' area of jurisdiction;
- The improvement of local authorities capacity to provide services;
- The enhancement and broadening of the local tax/economic (financial) base;
- The provision of the safe and healthy environment where communities can work, live and raise their children;
- The development of a stable economy which is investor friendly;
- Focused and appropriate local government budgeting and expenditure;
- A process of planned social change designed to promote the well being of the population as a whole in conjunction with dynamic process of economic development;

Many of the above mentioned factors have forward and backward linkages and in some instances are highly dependent upon each other. They also encompass many disciplines. Consequently it is desirable to have a phased approach to policy development and the implementation of local economic development. The first phase of the policy development should focus on what can be achieved within relatively short time frames. Accordingly the first phase should focus on that which is within the direct control of local authority viz, the creation and maintenance of public assets and the provision of municipal services. A suitable and comprehensive set of socio economic objectives for policy on the realization of socio economic deliverables through the creation and maintenance of public assets and the provision of municipal services includes:

- To stimulate and develop local economic growth in a targeted and focused manner;
- To create employment and business opportunities for previously disadvantaged persons within the local authority area of jurisdiction in order to reduce inequalities in income distribution;
- To improve living standards of residents in a sustainable way;
- To promote the competitiveness of local businesses;

This can be achieved by encouraging the substitution of labour for capital, promoting use of labour friendly technologies, stimulating and developing small scale local enterprises, targeting of local resources and prompting social development.

The logic thereof is that every additional rand that circulates in a given community induces demand for goods and services same as of which can be provided directly by locally based entrepreneurs or enterprises. This is known as the “multiplier effect”.

FINANCIAL IMPLICATIONS

n/a

RELEVANT LEGISLATION

n/a

RECOMMENDED

- [a] That Council adopts this strategy as its Preferential Procurement Policy in terms of Section 2 of the Preferential Procurement Policy Framework Act 5 of 2000 with effect from 1 July 2012 for a period of 3 years;
- [b] That actual spend recognition for 2011/2012 be reviewed during July 2012 to enable the setting of targets for 2012/2013;
- [c] That the draft procurement plan be submitted in March 2012 cycle;
- [d] That end users must encourage the suppliers they use outside of bid processes to submit BBBEE certificates.