



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

PREFERENTIAL PROCUREMENT POLICY 2025/26

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2. PREAMBLE

WHEREAS the KANNALAND MUNICIPALITY aims to improve the quality of life of the local community and to free the potential of each person within a framework of facilitating service delivery, through effective governance and the Council takes into account the need for transparent procedures that give the effect to the principle of preferential procurement.

AND WHEREAS local economic development plays a crucial role in creating a prosperous, equitable, stable and democratic society and the overall national vision of economic development is one of decent work and living standards for all in the context of qualitative improved equality in ownership, skills and access to opportunities.

NOW THEREFORE the Council, or its delegated authority, of the KANNALAND MUNICIPALITY resolves in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000, that the principles embodied in the Preferential Procurement Regulations, 2022 are herewith integrated into the George Municipality's Preferential Procurement Policy to form the basis of the evaluation criteria for quotations and competitive tenders.

This Policy revokes all previous Preferential Procurement policies.

3. DEFINITIONS

In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act bears the same meaning, so assigned

"Acceptable Tender" means any tender which, in all respects, complies with the specification and conditions of tender as set out in tender document.

"Act" means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

"all applicable taxes" includes Value-Added Tax, Pay-as-you-Earn, Income Tax, Unemployment Insurance Fund Contributions and Skills Development Levies.;

"B-BBEE" means Broad-Based Black Economic Empowerment as defined in Section 1 of the Broad-Based Black Economic Empowerment Act.;

"B-BBEE status level of contributor" means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.

"Broad-Based Black Economic Empowerment Act" means the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003).

"Black people" as defined in the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003),

"Collusion" means an intentional and unlawful agreement by two or more companies/firms which is intended or calculated to misrepresent facts or defraud with the sole purpose of influencing the procurement process thereby prejudicing the interests of the service provider.

"Comparative price" means the price after the factors of a non-firm price and all unconditional discounts that can be utilised have been taken into consideration.

"Consortium or Joint Venture" means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill, and knowledge in an activity for the execution of a contract.

"Contract" means the agreement that results from the acceptance of a tender by an organ of state.

"CFO" means Chief Financial Officer.

"Designated groups" means-

- (a) black designated groups;
- (b) black people;
- (c) women;
- (d) people with disabilities; or
- (e) small enterprises, as defined in section 1 of the National Small Enterprise Act,

1996 (Act No. 102 of 1996).;

“Disability” means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being.

“EME” means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.;

“Firm price” is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, ‘levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract.

“Functionality” means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tenderer;

“Highest acceptable tender” means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;

“Historically disadvantaged individual (HDI)” means a South African citizen –

(1) who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983); and / or

(2) who is a female; and / or

(3) who has a disability:

Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI.

“Individual” an individual shall mean a natural person.

“Indigent” any person who appears on the Municipality's indigent register as of 1 July of the year under consideration.

“Locality” means the local suppliers and/or service providers that operate within the Municipal area, the district boundaries, the Western Cape, and other Provinces within the Republic of South Africa.

“Local Labour” means South African residents who permanently resides in the Kannaland Municipal area.

“Lowest acceptable tender” means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;

“Market Analysis” means a technique used to identify market characteristics for specific goods

or services.

“Municipality” Kannaland Municipality;

“National Treasury” has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

“Non-firm prices” means all prices other than “firm” prices.

“Objective Criteria” for the purpose of section 2(1)f of the procurement Act must be criteria other than the additional to criteria relating to equity ownership by HDI’s or whether or not a bidder was located in a particular province or municipal area;

“Organ of state” The definition of organ of state in section 1 of the Act in paragraph (a) to (e) includes-

- a national or provincial department as defined in the Public Finance Management Act, 1999;
- a municipality as contemplated in the Constitution;
- a constitutional institution as defined in the Public Finance Management Act;
- Parliament;
- a provincial legislature.

Paragraph (f) of the definition of organ of state in section 1 of the Act includes any other institution or category of institutions included in the definition of “organ of state” in section 239 of the Constitution and recognised by the Minister by notice in the Government Gazette as an institution or category of institutions to which the Act applies. Government Notice R. 501 of 8 June 2011 recognises, with effect from 7 December 2011, all public entities listed in Schedules 2 and 3 to the Public Finance Management Act, 1999, as institutions to which the Act applies. Note should be taken of notices issued from time to time in terms of paragraph (f) of this definition. The application of these Regulations is also subject to applicable exemptions approved in terms of section 3 of the Act;

“Person” includes reference to a juristic person.

“Policy” means the Preferential Procurement Policy of the Kannaland Municipality;

“price” means an amount of money tendered for goods or services and includes all applicable taxes less all unconditional discounts.

“Proof of B-BBEE status level of contributor” means the B-BBEE status level certificate issued by an authorised body or person:

- A sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or
- any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act.

“QSE” means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act.;

“Rand value” means the total estimated value of a contract in Rand denomination which is calculated at the time of tender invitations and includes all applicable taxes and excise duties.

“Region” means the district and/or Garden Route District Municipality.

“Regulations” means the Preferential Procurement Regulations, 2022

“Rural area” means-

- a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or
- an area including a large settlement which depends on migratory labour and remittances and government social grants for survival and may have a traditional land tenure system.;

“Specific goals” means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of 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;

“Sub-Contracting” means the primary contractor’s assigning or leasing or making out work to or employing another person to support such primary contractor in the execution of part of a project in terms of the contract.

“Nominated Sub-contractor” means contractors accredited on the Municipal database for construction related work as contemplated in the CIDBA.

“Tender” means a written offer in the form determined by Kannaland Municipality in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;

“Tender for income-generating contracts” means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions;

“Youth” has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

4. INTRODUCTION

The Constitution of the Republic of South Africa, 1996, provides in sections 152(1)(c) and 152(2) that local government must promote social and economic development, and that the municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1).

The Constitution provides in section 217 that an organ of state must contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive, and cost effective and to implement a policy to grant preferences within a framework prescribed by National Legislation.

The Broad-Based Black Economic Empowerment Act, 2003 provides in section 10 that every organ of state and public entity must apply any relevant code of good practice issued in terms of the Act in (b) developing and implementing a preferential procurement policy.

The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)-[PPPPFA] was promulgated by the Minister in response to the Constitutional provision and allow for a Municipality to develop a preferential procurement policy and to implement such policy within the PPPFA framework.

Section 2 (1) (d) (i) and (ii) of the Preferential Procurement Policy Framework Act, 2000 refers to specific goals which 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 (RDP) as published in Government Gazette 16085 dated 23 November 1994.

The RDP (1994), as basis for development in South Africa, was meant to provide a holistic, integrated, coherent socio-economic policy that is aimed at mobilising people and resources to work towards the upliftment of the material and social conditions of local communities to build sustainable livelihoods for these communities.

In terms of Section 2 (1)(d)(ii), the following activities may be regarded as a contribution towards achieving the goals of the RDP, in addition to the awarding of preference points in favour of HDIs (published in Government Gazette No. 16085 dated 23 November 1994):

- (i) The promotion of South African owned enterprises.
- (ii) The promotion of export orientated production to create jobs.
- (iii) The promotion of SMMEs.
- (iv) The creation of new jobs or the intensification of labour absorption.
- (v) The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province.
- (vi) The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region.

- (vii) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area.
- (viii) The promotion of enterprises located in rural areas.
- (ix) The empowerment of the work force by standardising the level of skill and knowledge of workers.
- (x) 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
- (xi) The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.

5. APPLICATION OF THE POLICY

1. This policy applies to all procurement of goods and services by the municipality with a value above R2 000 (Including VAT).
2. This policy does not apply to public auctions or any other sale or lease of assets where it is not practical to apply a system of preference.
3. This policy must be applied concurrently with other legislative prescripts and other policies that regulates the procurement of goods and services by the municipality.

6. PURPOSE AND OBJECTIVES

- 1) The purpose of this policy is to:
 - a. Provide for categories of preference in awarding of tenders.
 - b. Provide for the advancement of persons or categories of persons disadvantaged by unfair discrimination; and
 - c. Clarify the mechanisms how the above items in paragraph 5 (1)(a) and (b) will be implemented.
- 2) Objectives
 - a. Promote Broad-Based Black Economic Empowerment (B-BBEE) - enterprises providing services and goods.
 - b. Promote Small Medium and Micro Enterprises (SMME's), Joint Ventures, Consortiums, and Partnerships.
 - c. Implement recognised best procurement practices through effective planning, strategic purchasing, and contract management.

The policy rests upon certain core principles of behaviour as set out in the Constitution and ratified by

the Constitutional Certification Judgements. In this context, the policy will be applied in accordance with a system which is fair, equitable, transparent, competitive, and cost-effective in terms of Section 217 of the Constitution.

This policy strives to ensure that the objectives for uniformity in the supply chain management systems between Municipalities/Municipal entities, is not undermined and that consistency with the SCM and LED policies in line with sections 152(1)(c) and 152(2).

7. IDENTIFICATION OF PREFERENCE POINT SYSTEM

- 1) The Municipality shall, in the tender documents or quotation invite, stipulate —
 - a. the preference point system applicable; and
 - b. any specific goal as envisaged in section 2(1)(d) and (e) of the Preferential Procurement Act.
- 2) If it is unclear whether the 80/20 or 90/10 preference point system applies—
 - a. an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or;
 - b. any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.
- 3) Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender.
- 4) A tenderer failing to submit proof of required evidence to claim preferences for other specified goals, which is in line with section 2 (1) (d) (ii) of the Act.
 - (i) may only score in terms of the 80/90-point formula for price; and
 - (ii) scores 0 points for the relevant specific goals where the supplier or service provider did not stipulate locality.
- 5) The preference points scored by a tenderer must be added to the points scored for price.
- 6) The points scored must be rounded off to the nearest two decimal places.
- 7) The contract must be awarded to the tenderer scoring the highest preference points.

8. 80/20 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR SERVICES WITH RAND VALUE EQUAL TO OR BELOW R50 MILLION

- 1) The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million inclusive of all applicable taxes:

$$P_s = 80 \left(1 - \frac{(P_t - P_{min})}{P_{min}} \right)$$

Where;

P_s = Points scored for price of tender under consideration.

P_t = Price of tender under consideration; and

P_{min} = Price of lowest acceptable tender.

- 2) A maximum of 20 points may be awarded to a tenderer for the specified goals for the tender.
- 3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

9. 90/10 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR SERVICES WITH RAND VALUE ABOVE R50 MILLION

- 1) The following formula must be used to calculate the points out of 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left(1 - \frac{(P_t - P_{min})}{P_{min}} \right)$$

Where;

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{min} = Price of lowest acceptable tender.

- 2) A maximum of 10 points may be awarded to a tenderer for the specified goals for the tender.
- 3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

10. 80/20 PREFERENCE POINTS SYSTEM FOR TENDERS FOR INCOME-GENERATING CONTRACTS WITH RAND VALUE EQUAL TO OR BELOW R50 MILLION

- 1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left(1 - \frac{(P_t - P_{min})}{P_{min}} \right)$$

Where;

Ps = Points scored for price of tender under consideration.
 Pt = Price of tender under consideration; and
 Pmin = Price of lowest acceptable tender.

- 2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.
- 3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

11. 90/10 PREFERENCE POINT SYSTEM FOR TENDERS FOR INCOME-GENERATING CONTRACTS WITH RAND VALUE ABOVE R50 MILLION

- 1) The following formula must be used to calculate the points out of 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$Ps = 90 \left(1 - \frac{(Pt - Pmin)}{Pmin} \right)$$

Where;

Ps = Points scored for price of tender under consideration;
 Pt = Price of tender under consideration; and
 Pmin = Price of lowest acceptable tender.

- 2) A maximum of 10 points may be awarded to a tenderer for the specified goals for the tender.
- 3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
- 4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

12. POINTS FOR SPECIFIC GOALS TO PROMOTE ECONOMIC DEVELOPMENT

- 1) The tendering conditions will stipulate the specific goals, as contemplated in section 2(1)(d)(ii) of the Preferential Procurement Policy Framework Act, be attained.
- 2) A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), will be allocated for specific goals. These goals are:
 - a. B-BBEE status level of contribution;
 - b. the promotion of enterprises located in the local area, region and specific province.
- 3) Regarding paragraph 12.2 (a) 50% of the 20/10 points will be allocated to promote this goal and points will be allocated in terms of the B-BBEE scorecard as follows.

B-BBEE Status Level of Contributor	Number of Points for Preference (80/20)	Number of Points for Preference (90/10)
1	10	5
2	9	4.5
3	7	3
4	6	2.5
5	4	2
6	3	1.5
7	2	1
8	1	0.5
Non-compliant contributor	0	0

- 4) A tenderer must submit proof of its BBEE status level contributor.
- 5) A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but-
 - a. may only score in terms of the 80/90-point formula for price points; and
 - b. scores 0 points for B-BBEE status level of contributor, which is in line with section 2 (1) (d) (i) of the Act, where the supplier or service provider did not provide proof thereof.
- 6) Points for specific goals to promote suppliers or service providers located in a province, district or municipal area / (hereafter referred to as locality).
- 7) Regarding paragraph 11.2 (b), 50% of the 20/10 points will be allocated to promote this specific goal of locality.
- 8) Formal written price quotations below R30 000 would 100% of the 20 points be allocated to promote the specific goal of locality.
- 9) Only one of the points as set out below that best describes the enterprise's locality may be awarded if applicable. Points will be allocated as follows:

Local area of supplier	Number of Points for Preference		
	80/20 Above R2 000 Below R30 000 (Incl. VAT)	80/20 Above R30 000 below R50 million	90/10 above R50 million
Within the boundaries of the Kannaland municipality	20	10	5
Within the boundaries of Garden Route District	15	6	3
Within the boundaries of the Western Cape Province and other Provinces	10	4	2

- 10) Kannaland Municipality will reserve the right to use any and all available information at its disposal, including conducting site visits and inspections to verify a bidders claim of having a local office within the Kannaland Municipal area.
- 11) Bidders must submit one of the following in order to receive points for the abovementioned criterion.:

- a. Municipal Account of address as indicated in bid document (The same rules as per the SCM Policy would apply),
 - b. If the address as indicated in bid document is not in the name of the bidder, the latest lease agreement for this address or sworn affidavit of the owner stating occupancy (This lease agreement should be in place prior the invite for the specific tender).
 - c. The premises of the bidder as indicated in the MBD6.1 of the bid document as the business address should be established and fully operational prior to the advertisement date.
 - d. In instances below R30 000 the address as specified within the Central Supplier Database will be utilized for identification of the specific goal and the points will automatically be added to the preference point system. The Municipality, however, reserves the right to also request supporting evidence. If the invoice or quotation clearly indicates the address, it will be accepted as proof of address for scoring purposes.
 - e. Only fully operational business premises will be accepted. All vacant erven, storage units, and postal addresses and virtual offices do not qualify as a business premises.
- 12) The principle of substance over legal form, as defined in the Standards of Generally Recognised Accounting Practice (GRAP), will be applied in such assessments. (This means that even though a bidder may present a rental agreement, the claim of having a local office will be assessed in its actual substance and not by just accepting the legal documentation).
- 13) The purpose of the locality points is to promote local economic development within the Kannaland Municipal area and any bidder attempting to circumvent the substance of this initiative through any means, including by means of fronting, will be reported to the National Treasury for blacklisting on the Central Supplier Database (CSD).
- 14) Any specific goal for which a point may be awarded must be clearly specified in the invitation to submit a tender.
- 15) A tenderer failing to submit proof of required evidence to claim preferences for other specified goals, which is in line with section 2 (1) (d) (ii) of the Act.
- a. may only score in terms of the 80/90-point formula for price; and
 - b. scores 0 points out of 10/5 of the relevant specific goals where the supplier or service provider did not stipulate.
- 16) The preference points scored by a tenderer must be added to the points scored for price.
- 17) The points scored must be rounded off to the nearest two decimal places.
- 18) The contract must be awarded to the tenderer scoring the highest points.

13. CRITERIA FOR BREAKING DEADLOCK IN SCORING

- 1) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.
- 2) If two or more tenderers score an equal total number of points, the objective criteria in addition to those contemplated in paragraphs (d) and (e) justify the award to the tenderer that scored the highest points in terms in accordance with section 2(1)(f) of the Act.
- 3) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

14. AWARDS OF CONTRACTS TO TENDERERS NOT SCORING HIGHEST POINTS

A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.

15. REMEDIES

- 1) If a Municipality is of the view that a tenderer submitted false information regarding a specific goal, it must -
 - a. inform the tenderer; accordingly, and
 - b. give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part—
- 2) After considering the representations referred to in paragraph 12 (1)(b), the Municipality may—
 - a. if it concludes that such false information was submitted by the tenderer—
 - i. disqualify the tenderer or terminate the contract in whole or in part; and
 - ii. if applicable, claim damages from the tenderer.

16. PERFORMANCE MANAGEMENT

The specific goals achieved through the application of the Preferential Procurement Framework Act, 2000 will be monitored in terms of the elements embedded in the Supply Chain Management Policy.

17. REPORTING

The Accounting Officer must align its reporting requirements to the Council as per SCM Regulation 6 to also report on progress with the implementation of this Policy.

18. REPEAL OF POLICY

- 1) This Policy repeal all previous preferential procurement policies of the municipality in its entirety.
- 2) Any tender advertised before the date of 1 July 2025 must be dealt with in terms of the Kannaland Municipality Preferential Procurement Policy, 2024/25

19. PREFERENTIAL PROCUREMENT POLICY

This part of the policy is called the Preferential Procurement Policy of the Kannaland Municipality. This policy will come into effect on 1 July 2024 and will be reviewed at least annually.

Municipal Manager

Date

Executive Mayor

Date