



MINISTER: FINANCE
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001, Tel: +27 12 323 8911, Fax: +27 12 323 3262
PO Box 29, Cape Town, 8000, Tel: +27 21 464 6100, Fax: +27 21 461 2934

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Ms H Zille
Premier
Provincial Government of the Western Cape
Private Bag X9043
CAPE TOWN
8000

Dear Honourable Premier

PROMULGATION OF THE REVISED PREFERENTIAL PROCUREMENT POLICY FRAMEWORK REGULATIONS

I would like to inform you that the National Treasury (NT) has promulgated the revised Preferential Procurement Regulations, 2017, on 20 January 2017. These Regulations will come into effect on 1 April 2017.

The implementation process has commenced to all Provincial Treasuries who would in turn implement to Provincial Departments, Public Entities and Municipalities in each province. This implementation would be extended to National Departments, State-Owned Enterprises and Constitutional Institutions. It is envisaged that the entire process should be finalised during March 2017 for implementation in April 2017.

The process to revise Regulations commenced in 2015 in response to the President's announcement in the State of the Nation Address that Government would set-aside 30% of appropriate categories of state procurement for purchasing from Small, Medium and Micro-sized Enterprises (SMMEs), Cooperatives, as well as Township and Rural Enterprises. These Regulations provide a uniform legal instrument through which the 30% requirement would be applied to achieve inclusive growth and job creation.

The key changes in the revised Regulations are as follows:

- Provision for pre-qualification criteria based on B-BBEE level status and promotion of SMMEs also classified as Exempted Micro Enterprises (EMEs) or Qualifying Small Enterprises (QSEs), Cooperatives, Township and Rural Enterprises that are owned by black people, women, youth, people living with disabilities, people from rural areas and military veterans;

- Compulsory sub-contracting, where feasible, to black-owned SMMEs, EMEs, QSEs, Co-operatives, Townships and Rural Enterprises 30% of every contract above R30 million to advance designated groups;
- A provision for negotiations with preferred bidders to achieve value for money and ensure that government pays market related prices; and
- The threshold for application of 80/20 and 90/10 preference system has been raised from R1 million to R50 million. This means that tenders below R50 million would be evaluated in terms of 80/20 preference system and tenders above R50 million would be evaluated in terms of 90/10 preference system.

The Office of the Chief Procurement Officer will engage with Organs of State and the details of the implementation of the new Regulations will be conveyed to Heads of Departments and supply chain management officials. A copy of the gazetted Revised Preferential Regulations 2017, Implementation Guide and Frequently Asked Questions is attached for your information.

Kind regards



PRAVIN J GORDHAN, MP
MINISTER OF FINANCE

Date: 7-2-2017