An EMPOWERDEX Guide

The Codes of Good Practice

Scorecard Essentials

PREFERENTIAL PROCUREMENT

Code 500 – **Preferential Procurement**

Statement 500 – Measurement of Preferential Procurement

Preferential Procurement

Preferential Procurement
Code Series 500
Measurement of the Preferential Procurement Element of B-BBEE

Statement 500
The General Principles for Measuring Preferential Procurement

What you can expect:

- Preferential Procurement scorecard
- Key measurement principles
- Black Owned Professional Service Providers and Entrepreneurs
- Total Measured Procurement Spend
- Exclusions from Total Measured Procurement Spend
- Measurement of B-BBEE Procurement Spend
- The calculation of Preferential Procurement contributions to B-BBEE

The Essence of Statement 500:

The Preferential Procurement scorecard allocates points for:

- BEE Procurement from all Suppliers
- BEE Procurement from Qualifying Small Enterprises or from Exempted Micro-Enterprises
- BEE Procurement from any of the following Suppliers as a percentage of Total Measured Procurement Spend:
    - Suppliers that are more than 50% black owned
    - Suppliers that are more than 30% black women owned.

Enhanced recognition

- Companies that can show that they also procure goods and services from **a supplier it supports through Enterprise Development contributions** may multiply the spend attributable to that supplier by **a factor of 1.2**; and
- Companies that can show that they also procure goods and services from **a Value-Adding Supplier** can multiply the spend attributable to that supplier by **a factor of 1.25**.

Black Owned Professional Service Providers and Entrepreneurs

A **key intention** of Statement 500 is to **encourage Measured Entities to use black owned professional service providers and entrepreneurs as suppliers**. Black owned professional service providers and entrepreneurs that comply with all elements of the codes:

- **qualify for recognition in all three criteria** measured by the Preferential Procurement scorecard
- **qualify as Value-Adding Suppliers** and therefore attract enhanced recognition. Companies that can show that they also procure goods and services from a Value-Adding Supplier can multiply the spend attributable to that supplier by a factor of 1.25.

Total Measured Procurement Spend includes:

- Cost of sales
- Operational expenditure
- Capital expenditure
- Public sector procurement
- Monopolistic procurement
- Third-party procurement
- Labour brokers and independent contractors
- Pension and medical aid contributions (but not any portions of such payments which are a contribution to a capital investment of the employee)
- Trade commissions
- Empowerment related expenditure
- Imports
- Intra-group procurement

Exclusions from Total Measured Procurement Spend:

The only permissible exclusions from Total Measured Procurement Spend are:

- Taxation
- Public sector procurement
- Salaries, wages and emoluments
- Pass-through third-party procurement
- Empowerment related procurement associated with investments, loans or donations
- Imports including:
  a. imported capital goods or components for value-added production in South Africa provided that:
    - there is no existing local production of such capital goods or components
    - importing such capital goods or components promotes further value-added production within South Africa

  b. imported goods and services if there is no local production of such goods or services including instances where:
    - the imported goods or services carry a brand different to the locally produced goods or services
    - where the imported goods or services have different technical specifications to those produced locally.