

B-BBEE – Procurement

The aim of procurement is to strengthen and increase local procurement. More specifically it aims to support procurement from black and black female owned EME and QSE's to increase their participation in the mainstream economy.

Procurement is also a priority element and therefore the sub minimum principle applies and entities that do not meet the 40% compliance target will be discounted.

Before we look at the scorecard, we need to understand the basic principles.

Let's start with:

Total measured procurement spend is used to calculate the compliance target and the following inclusions and exclusions apply.

Inclusions	Exclusions
Cost of sales	Taxation
Operating expenditure	Salaries, wages, remunerations and emoluments
Capital expenditure	Pass-through third party procurement
Public sector procurement	Empowerment related procurement
Monopolistic procurement	Imports
Thirds part procurement	
Pension and medical aid contributions	
Tade comission's	
Empowerment related expenditure	
Imports	
Intra-group procurement	

Empowering supplier

All entities are currently deemed to be empowering suppliers until such time as a notice is published to confirm otherwise.

Imports can only be deducted in the following instances:

- For value added production
- If there is no local production in terms of brand or technical specifications. In this instance the exclusion is subject to having a development and implemented Supplier and Enterprise Development plan for the imported goods and must include:
 - Clear objectives
 - Priority interventions
 - Key performance indicators
 - Implementation plan with clear milestones

- The DTI will from time to time issue practise notes with regard to the provisions of import exclusions.

Now that we understand the principals lets look at the scorecard:

B-BBEE Elements and Indicators	Generic		QSE		
	Weighting	Target		Weighting	Target
Procurement	29		21		
1 BEE Spent from all empowering suppliers	5	80%	1 BEE Spent from all empowering suppliers	15	60%
2 BEE Spent from QSE Suppliers	3	15%	2 BEE Spent from 51% black owned suppliers	5	15%
3 BEE Spent from EME Suppliers	4	15%			
4 BEE Spent from 51% black owned suppliers	11	50%			
5 BEE Spent from 30% black female owned suppliers	4	12%			
Bonus Points			Bonus Points		
6 BEE Spent from Designated Group Suppliers	2	2%	3 BEE Spent from Designated Group Suppliers	1	1%

The procurement spent in respect of a supplier is calculated by multiplying the spend of that supplier with their BEE recognition level.

The target % under indicator 1 and 4 has increased under the new amendments.

Procurement spent with a supplier that is 51% or more black owned or black female owned in terms of the flow through principle can be multiplied by a factor of 1.2 in addition to their recognition level.

Procurement spent from a Generic supplier who are at least 51% black owned or black female owned in terms of the flow through principle can be recognised under points 2 or 3 if at the first instance of procurement the supplier was an EME or QSE. This will however only be allowed for 5 years from the first time of procuring goods and services from such supplier.

Bonus points are awarded for procurement from designated group suppliers who are 51% or more black owned.

A measured entity received a score for procurement in proportion to the extent that it meets the compliance target. Therefore, a percentage of the total amount recognisable spent divided by the total measured procurement spent for the measurement period.