



# UNIVERSITY OF ZULULAND

## BROAD BASED BLACK ECONOMIC EMPOWERMENT POLICY

<b>POLICY NUMBER</b>	FIN P6	<b>POLICY OWNER</b>	EXECUTIVE DIRECTOR: FINANCE
<b>OVERSEEING COMMITTEE(S)</b>	MANCO/ COUNCIL		
<b>APPROVAL DATE</b>	24 June 2016	<b>REVISION DATE</b>	23 June 2018

### **POLICY STATEMENT**

To encourage and facilitate the implementation of Broad Based Black Economic Empowerment by promoting the procurement of goods and services from "Black Owned" and "Black Empowered" individuals and entities and by creating a conducive environment for Enterprise development and participation in the main stream economy.

## REVISION HISTORY

CURRENT APPROVAL CYCLE			
<b>POLICY NUMBER:</b>	FIN P6	<b>SENATE NUMBER(S):</b>	S697/16
<b>DATE OF APPROVAL BY APPROPRIATE FIRST COMMITTEE:</b>			M135/16
<b>DATE OF SENATE APPROVAL:</b>			23 June 2016
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APPROVAL HISTORY			
<b>DATE OF FIRST APPROVAL:</b>			24 June 2016
POLICY NUMBER	SENATE NUMBER(S)	SENATE / MANCO REVISION DATE	COUNCIL APPROVAL DATE
FIN P6	S697/16		24 June 2016
RELATED POLICIES			
POLICY NUMBER	NAME OF POLICY		
FIN P1	Supply Chain Management Policy		

# CONTENTS

<b>1. PREAMBLE</b> .....	4
<b>2. PURPOSE</b> .....	4
<b>3. OBJECTIVES</b> .....	4
<b>4. SCOPE</b> .....	5
<b>5. APPLICABLE LEGISLATION AND GUIDANCE</b> .....	5
<b>6. DEFINITIONS</b> .....	6
<b>7. BLACK ECONOMIC EMPOWERMENT GUIDELINES</b> .....	7
7.1. Affirmative Procurement Principles .....	7
7.2. BEE imperatives .....	7
7.3. BEE Classification .....	8
7.4. Determination of BEE Ownership .....	8
7.5. Supplier Data Base Accreditation and Registration Process .....	8
<b>8. TARGETTED EMPOWERMENT PROGRAMMES AND TREATMENT OF BEE SUPPLIERS</b> .....	9
8.1. Small Black Supplier procurement .....	9
8.2. Second-tier Black Supplier procurement .....	10
8.3. Joint Venture arrangements .....	10
8.4. Contract Participation Goals.....	11
<b>9. POLICY REVIEW</b> .....	11

## **1. PREAMBLE**

The University of Zululand is a public higher education institution governed in terms of the Higher Education Act 101 of 1997 as amended. It relies primarily on State subsidy, student fees and grants to execute its mandate. It is not one of the public entities listed in schedule 3 of the Public Finance Management Act (PFMA) and is therefore not obliged to comply with the Regulations for Supply Chain Management (SCM) promulgated in terms of the Public Finance Management Act (PFMA).

The University of Zululand (UNIZULU) however has adopted the principles of the SCM framework as set out in the PFMA in the interest of good governance, transparency, fairness, efficiency and cost effectiveness. UNIZULU within the context of SCM, also seeks that the BBBEE Policy serves as a base for advancement of black owned businesses in terms of participation and access to economic opportunities and self-growth to achieve sustainable development and prosperity.

## **2. PURPOSE**

The purpose of the BBBEE Policy is to make provision for a system of acquisition of goods and services that promotes the objectives of Broad-Based Black Economic Empowerment Act by promoting the procurement of goods and services from Black Owned and Black Empowered individuals and entities creating an environment for entrepreneurship, development of partnering suppliers and achievement of meaningful participation in the mainstream of the South African economy by Black people.

## **3. OBJECTIVES**

3.1. The objectives of the SCM policy for the procurement of goods and services required for the proper functioning of the University based on the acquisition of goods and services in an equitable, competitive, cost effective, fair and transparent manner remains unchanged. However this will be done within the UNIZULU business imperatives aimed at the following:

- To facilitate access to UNIZULU's procurement by Historically Disadvantaged Individuals.
- To ensure that Historically Disadvantaged Individuals achieve full participation and involvement in business that supply goods and services to UNIZULU
- To develop and or establish sustainable business owned by black entrepreneurs through the procurement process.
- To encourage and foster strategic Joint Venture and subcontracting partnerships between the established or traditional businesses and emerging BEE Suppliers, thus giving the latter access to technology, skills and knowledge.

#### **4. SCOPE**

This policy applies to all elements of SCM and includes capital expenditure and consultant services. It covers all BEE initiatives targeted at

- Affirmative Procurement
- Enterprise and Supplier Development
- Advancement of Black Women Owned businesses
- Advancement of disabled people in business

#### **5. APPLICABLE LEGISLATION AND GUIDANCE**

This policy is based on the requirements contained and provided for in the following legislations and regulations:

- a) The Constitution of the Republic of South Africa, Act 108 of 1996;
- b) Public Finance Management Act, Act 1 1999 as amended by Act 29 of 1999;
- c) Preferential Procurement Policy Framework Act, No 5 of 2000;
- d) Broad Based Black Economic Act, No 53 of 20;
- e) Treasury Regulations for departments, constitutional institutions and public entities issued in terms of the provisions of the PFMA;
- f) Preferential Procurement Regulations, 2001;
- g) Construction Industry Development Board Act No 38 of 2000; and

- h) The State Information Technology Agency (SITA) Act, No 88 of 1998, as amended by Act 38 of 2002 (where applicable)
- i) University Delegation of Authority

## 6. DEFINITIONS

**“B-BBEE”** means Broad-Based Black Economic Empowerment as defined in the Broad-Based Black Economic Empowerment Act 53 of 2003 and the Codes of Good Practice.

**“Black South Africans”** means Africans, Coloureds and Indians but South African citizens by birth or that have obtained citizenship prior to 27 April 1994.

**“Black Economic Enterprises (BEE)”** are those enterprises in which black people enjoy majority ownership in terms of voting rights and control, and where they participate in the day to day decision making and management of such enterprises.

**“Affirmative Procurement”** a procurement policy which uses procurement to target companies owned by previously disadvantaged individuals to enable their participation in the provision of goods and services.

**“Contract Participation Goals (CPG)”** refers to the value of goods, services and works paid to targeted supplier.

**“Supplier Database”** is a list of accredited suppliers who have formally registered with UNIZULU and have been linked to certain areas of supply.

**“Contract”** means the agreement which results from the acceptance of a tender.

**“Sub-Contract”** means the primary contractor's assigning or leasing or employing another legal person to support such primary contractor in the execution part of a project in terms of the contract.

**“Tender”** means a written offer on the official tender document forming part of an invitation to tender where the invitation has been dealt with in accordance with the requirements of the general conditions and procedures contained in the procurement procedure.

**“Fronting”** A supplier is termed a front if:

- Black partners are given shares without any payment or arrangement thereof.
- The "Black" company uses the non-Black surrogate company's

infrastructure without making any payment or arrangement thereof.

- The Black partner makes no meaningful contribution to the day to day running of the business.

**“Disability”** means people who have long term or recurring physical or mental impairment that substantially limits their prospects of entering into advancement in business.

**“Joint Venture (JV)”** refers to the structured partnership between the established firm and BEE Supplier where primary contractor will transfer skills and knowledge

## **7. BLACK ECONOMIC EMPOWERMENT GUIDELINES**

Black Economic empowerment is an integral part of UNIZULU’s enterprise and supplier development programme. Targeted suppliers will only be fully empowered when they have ownership and control of the means of production, equipment, service delivery and capital. The following guidelines are aimed at that empowerment and development:

### **7.1. Affirmative Procurement Principles**

UNIZULU’s support for the utilisation of existing and new BEE suppliers is founded upon an aggressive procurement policy modelled on the following fundamental BEE principles:

- To give preference to new and existing BEE suppliers for the procurement of goods and services as per SCM policy and
- Where applicable the procurement of certain goods and services will be obtained from BEE suppliers only

### **7.2. BEE imperatives**

UNIZULU’s procurement processes will give preference to black economic empowerment considerations amongst its suppliers and will ensure adherence and compliance to the following:

- Effective Black ownership and equity
- Representation at equity and management level
- Transfer of skills, development and mentorship
- Targeted subcontracting and outsourcing
- Black women and disabled people participation through ownership.

### 7.3. BEE Classification

The primary criteria will be based on ownership and control of the enterprise and all the other BEE pillars will earn the supplier added points over and above its BEE classification criteria according to ownership

BEE OWNERSHIP	BEE RATING	BEE SCORE*
50.1% Black owned	Black companies	125% of Rand spend
30.1% Black Women owned	Black women empowered	125% of Rand spend
25.1% Black owned	Black empowered companies	100% of Rand spend
5% Black owned	Black influenced companies	50% of Rand spend

*\*The BEE score refers to the % Rand spend that will be recorded as money spent on BEE.*

### 7.4. Determination of BEE Ownership

Regardless of the size of organisation ownership may be determined as follows

- **Close Corporations:** In addition to black ownership it must be supported by direct participation in day to day management of the corporation as well as the sharing of profit and risks.
- **Listed companies:** ownership may be replaced by the number of black executive directors
- **Other Companies:** Black owned % shareholding
- **Trusts:** BEE status is determined by the beneficiaries of the Trust

### 7.5. Supplier Data Base Accreditation and Registration Process

7.5.1 UNIZULU shall ensure that it does business with suppliers that comply with legislation in particular laws relating to Taxation, Labour such as the Basic Conditions of Employment Act, Employment Equity Act and the Occupation and Health and Safety Act.

7.5.2 All suppliers will undergo an accreditation process to validate BEE status and legislative compliance in order to be accorded the BEE data base codes.



7.5.3 The accreditation process will require the submission of the portfolio of evidence and to a certain extent it will warrant a visit to the premises of the applying supplier.

7.5.4 The accredited suppliers must form part of UNIZULU's database and National Treasury Central Supplier Database (expected to become effective July 2016).

7.5.5 BEE Rating Status Codes: All suppliers will be allocated upon registration with one or more codes relating to their verified BEE status. The codes indicating the BEE status are listed in the table below. The codes only relate to BEE status and in no way imply capability or capacity to do the work to a required standard.

DATA BASE CODE	BEE OWNERSHIP
BLC	Black Owned Companies
BWO	Black Woman Owned
BEC	Black Empowered Companies
BIF	Black Influenced Companies

7.5.4 In addition to the BEE status suppliers will be defined on whether they meet the SMME definition as determined by DTI guidelines or the particular sector

## **8. TARGETTED EMPOWERMENT PROGRAMMES AND TREATMENT OF BEE SUPPLIERS**

BEE suppliers will not be treated differently from the norm with regard to quality, service delivery requirements and technical requirements. The following mechanisms may be engaged in order to achieve the objectives of this policy:

### **8.1. Small Black Supplier procurement**

A Small Black Supplier (SBS) is one with less than R15million turnover

These SBS' will be supported by

- the setting aside of certain contracts
- exclusion of CPGs
- the award, where relevant, of a three year contract to ensure their sustainability and viability.
- Favourable payment terms

The SBS support programme will not be continued after three years.

## **8.2. Second-tier Black Supplier procurement**

Primary contractors /suppliers may be required to contract for or procure a stated percentage or CPG of the contract value from the BEE suppliers registered in UNIZULU data base by the various methods listed below:

- Sub-contracting portions of the contract
- Procurement of manufactured components
- Procurement of consumables
- Procurement of services
- Procurement of professional services

The tender documents will specify the required percentage that should be subcontracted .The percentage targeted will vary from contract to contract depending on the characteristics of each tender. The required percentage can be known as Contract Participation Goals.

Suppliers unwilling to comply with the tender requirement will be automatically disqualified.

## **8.3. Joint Venture arrangements**

UNIZULU encourages strategic alliances between suppliers and joint venture arrangements involve initiatives that seek to partner BEE suppliers with established companies.

Joint Ventures conforming to the following requirements may be formed with Black Owned Suppliers:

- An approved contractual relationship is established
- The BEE Supplier executes work with its own resources and management, proportional to their participation in the Joint Venture.
- BEE Supplier shares the potential risk and profit inherent to their proportional participation in the Joint Venture.

#### **8.4. Contract Participation Goals.**

Contract participation goals (CPG) refers to the portion of the work that will be procured from designated sub-contractors/joint ventures who are more than 50.1% Black Owned. CPG are as follows:

- General goods & services 30%
- Professional Services minimum 30%
- Construction contracts 35%

#### **9. POLICY REVIEW**

This policy will be reviewed every two years or sooner to give effect to changes in legislation