

## Why the B-BBEE level of your sub-contractor is important

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Tenders and subcontracting go hand in hand. In fact, subcontracting part of a tender is so commonly placed that in South Africa there are specific rules regulating subcontracting in executing tenders. This is especially true for South African Government tenders.

According to Investopedia subcontracting is the practice of assigning part of the obligations and tasks under a contract to another party known as a subcontractor. Subcontracting is especially prevalent in areas where complex projects are the norm, such as construction and information technology. Subcontractors are hired by the project's general contractor, who continues to have overall responsibility for project completion and execution within its stipulated parameters and deadlines.

It is very important to know that in South Africa there is one major rule when it comes to subcontracting if awarded a Government tender. According to the Preferential Procurement Regulations, 2017:

***Section 6(5) states that a person must not be awarded points for B-BBEE status level if it is indicated in the tender documents that such a bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a tenderer qualifies for, unless the intended subcontractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract.***

This sub-section of the Preferential Procurement Regulations, 2017, clearly indicate that you cannot subcontract more than 25% of the contract value to another party if that party does not have at least the same B-BBEE Status Level as you or a better B-BBEE Status Level than you. The Office of the Chief Procurement Officer is on the lookout for discrepancies like this. If you are in contravention of these regulations, you stand the change that the contract may not be awarded to you or that your existing contract can be cancelled. You can also be liable for costs incurred by the Government Entity in executing the contract.

If you are going to subcontract less than 25% of the value of the contract you are save and you do not have to worry about the B-BBEE Status Level of the subcontractor.

Subcontracting do not need to be difficult but if you want to know more about subcontracting and other important tender response information, we suggest you attend our How-to-Tender workshops that we present Country wide.

To learn more about this and many other tender conditions attend our "Become a Tender Expert" 2-Day workshops presented in Johannesburg, Pretoria, Durban, Port Elizabeth, and Cape Town. Book and pay online at <https://howtotender.co.za/tender-expert-form/>

Contact us at [estelle@howtotender.co.za](mailto:estelle@howtotender.co.za) should you require more information.

You can also purchase a Tender Manual (Handbook) on our website <https://howtotender.co.za/> which is a step by step guide how to respond to a South African Tender. It includes examples of completed SBD forms.