

LOCAL CONTENT REQUIREMENTS IN THE PROCUREMENT OF PERSONAL PROTECTIVE EQUIPMENT & NIPP

DATE: 13 OCTOBER 2020
PRESENTATION TO THE PROVINCIAL HEALTH DEPARTMENTS



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



PRESENTATION OUTLINE

- ❑ POLICY AND REGULATORY CONTEXTS
- ❑ IMPLEMENTATION OF LOCAL CONTENT IN THE PROCUREMENT OF PPE COMMODITIES
- ❑ COMPLIANCE WITH LOCAL CONTENT REQUIREMENTS
- ❑ CHALLENGES ON REPORTING AND VERIFICATION
- ❑ PURPOSE OF NIPP
- ❑ BACKGROUND
- ❑ OFFSET FLOW CHART
- ❑ BUSINESS CONCEPT PROPOSALS
- ❑ SPREAD OF OBLIGORS



PROCUREMENT LEVERS IN SOUTH AFRICA

- **Government purchasing power** through public procurement contributes between 15% and 25% to GDP (value that is extracted from large scale procurements)
- **National Industrial Participation Programme (NIPP): Imported Content => US\$10 million**
- **Defence Industrial Participation (DIP):** managed by Armscor and applicable to all defence procurement. **Imported Content => US\$2 million**
- **Competitive Supplier Development Programme (CSDP):** managed by DPE in conjunction with State Owned Companies (SOCs) .
- **Designation & Local Production**
- **The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)**
- **The Local Procurement Accord**

PREFERENTIAL PROCUREMENT REGULATIONS ON LOCAL CONTENT

- **Regulation 8 (1):** empowers **the dtic** to designate specific industries/sectors, where only locally manufactured products that meet the stipulated minimum threshold for local content will be considered.
- **Regulation 8 (2):** organs of state **must** include local content in their bid invites
- **Regulation 8 (3):** National Treasury must inform organs of state **via circular**.
- **Regulation 8 (4):** allows organs of state to “**self designate**” provided they consult with the dtic and National Treasury as per Standard for implementation of Regulation 8.4
- **Regulation 8 (5):** bid that fails to meet the required local content is unacceptable



LOCAL CONTENT REQUIREMENTS AND THE EXEMPTION PROCESS

- Bidders must clearly indicate in their bids, the quantity to be supplied and the level of local content for each product in line with the instruction notes/circulars
- If the quantity of materials and/or products cannot be wholly manufactured in South Africa, **the dtic**, in consultation with the procuring entity, will grant exemption on a case-by-case basis
 - ***Specifications, designs, standards, material availability, technological choices and volumes are the main causes of exemptions***
- **the dtic** will revert back to the bidder within 48 hours either with a response or an acknowledgment that the request is being considered.
- If an exemption is requested on the product that has already being exempted, then **the dtic** takes 48 hours to process the request.
- In certain instances, **the dtic** consults with the industry, especially if the exemption is volume-based and/or based on the particular type of material. That can take up to a week to revert back to the bidder with an answer.

THE IMPLEMENTATION OF LOCAL CONTENT IN THE PROCUREMENT OF PERSONAL PROTECTIVE EQUIPMENT (PPE)

- The National Treasury in support of **the dtic** has called on ***all compliant, particularly local suppliers*** providing personal protective equipment (PPE) commodities to direct their offers to the Project Management Office (PMO) set up for this purpose .
- Any procurement of PPE which includes designated products should be subjected to the local content requirements in line with Regulation 8(2) of the 2017 Preferential Procurement Regulations.
- Where a product is not designated for local content, Regulation 8.4 allows for an organ of state to self-designate the product where there is local capability to manufacture it in South Africa
- The National Treasury's ***Instruction Note No. 11 of 2020/2021: PROCUREMENT IN RESPONSE TO COVID-19 dated 25 August 2020 AND REPEAL OF INSTRUCTION NO. 5 2020/2021 dated 20th May 2020*** include local content requirements and the list of local manufacturers and suppliers.

PPE COMMODITIES REQUIRING ADHERENCE TO THE LOCAL CONTENT REQUIREMENTS

Product	Standards	Threshold
Clothing and Textiles: 3-ply Surgical Masks	EN 14683 SANS 1866	100%
Clothing and Textiles: Respirators (e.g. FFP2 & FFP3; N95)	EN 149	100%
Clothing and Textiles: Medical Textiles (e.g. Linen, Curtains, Gowns, Coveralls; overshoes; swap suits; etc.)	Department of Health Specifications	100%
Clothing and Textiles: Fabric/Public usage / consumer face masks	Per the guidelines issued by the dtic	100%
Leather and Footwear: Hospital cleaners' closed work shoes	South African Military Health Service and Department of Health Specifications	100%
Leather and Footwear: Nurses' shoes	South African Military Health Service and Department of Health Specifications	100%
Leather and Footwear: Patient shower slippers / sandals	Department of Health Specifications	100%
Leather and Footwear: Service footwear	South African Police, SANDF	100%
Furniture: Beds and Mattresses	Department of Health Specifications	100%

NON-DESIGNATED PPE COMMODITIES WHICH CAN BE LOCALLY PROCURED USING REGULATION 8.4 OF 2017 PREFERENTIAL PROCUREMENT REGULATIONS

Products	Standards	Threshold
Goggles	EN 166 is SANS 1404	80%
Face shield	EU standard directive 86/686/EEC (very broad), EN 166/2002 (Eye protection) ANSI/ISEA Z87.1-2010	100%
Disposable Aprons	Department of Health Specifications	100%
Gloves: Surgical Examination	Department of Health Specifications	100% 100%
Body Bags	ISO 22609 ISO 13485: 2016	100%
Bio hazard bags	ASTM D1922 Tear resistance 500g ASTM D1709 Impact resistance 165g	100%
Ventilators: CPAP BiPAP	Department of Health Specifications	90% 80%
Diagnostics: Molecular Serological	Department of Health Specifications	60% 70%
Sanitisers	SANS 490: 2013 SANS 1853	90%
Disinfectants	SANS 490: 2013	

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THE ROLE OF THE MEDICAL EQUIPMENT PPE LOCAL MANUFACTURING PARTNERSHIP

- There are work-streams in the PPE Local Manufacturing Partnership aimed at ensuring that SA based manufacturers are able to manufacture and supply PPE products in the country as well as export

Production and Demand of PPE Products, September 2020

	Production	Demand	Balance
Disposable/Reusable Gowns	3 500 000	4 500 000	- 1 000 000
Aprons	1 600 000	5 900 000	- 4 300 000
Gloves	40 500 000	44 475 885	- 3 975 885
FF2 Respirators	14 900 000	12 200 000	2 700 000
Surgical Masks	20 700 000	17 300 000	3 400 000
Sanitizers (medical & non-medical)	93 978 070	7 043 186	86 934 884
Disinfectants	17 248 428	74 969	17 173 459

CRITICAL AREAS AFFECTING THE LOCAL PROCUREMENT OF PPE

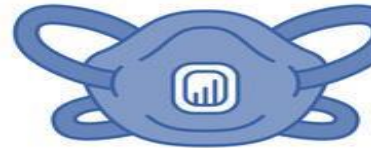
- Availability of raw material in South Africa
- Testing, certification & standards
- Expansion of production
- Matching of demand and supply
- Visibility of tenders and awards, especially from provincial and local governments is a major problem
- Adherence to procurement regulations and the issuing of timely orders by the organs of state
- Reporting on contract awards and expenditure

WAY FORWARD

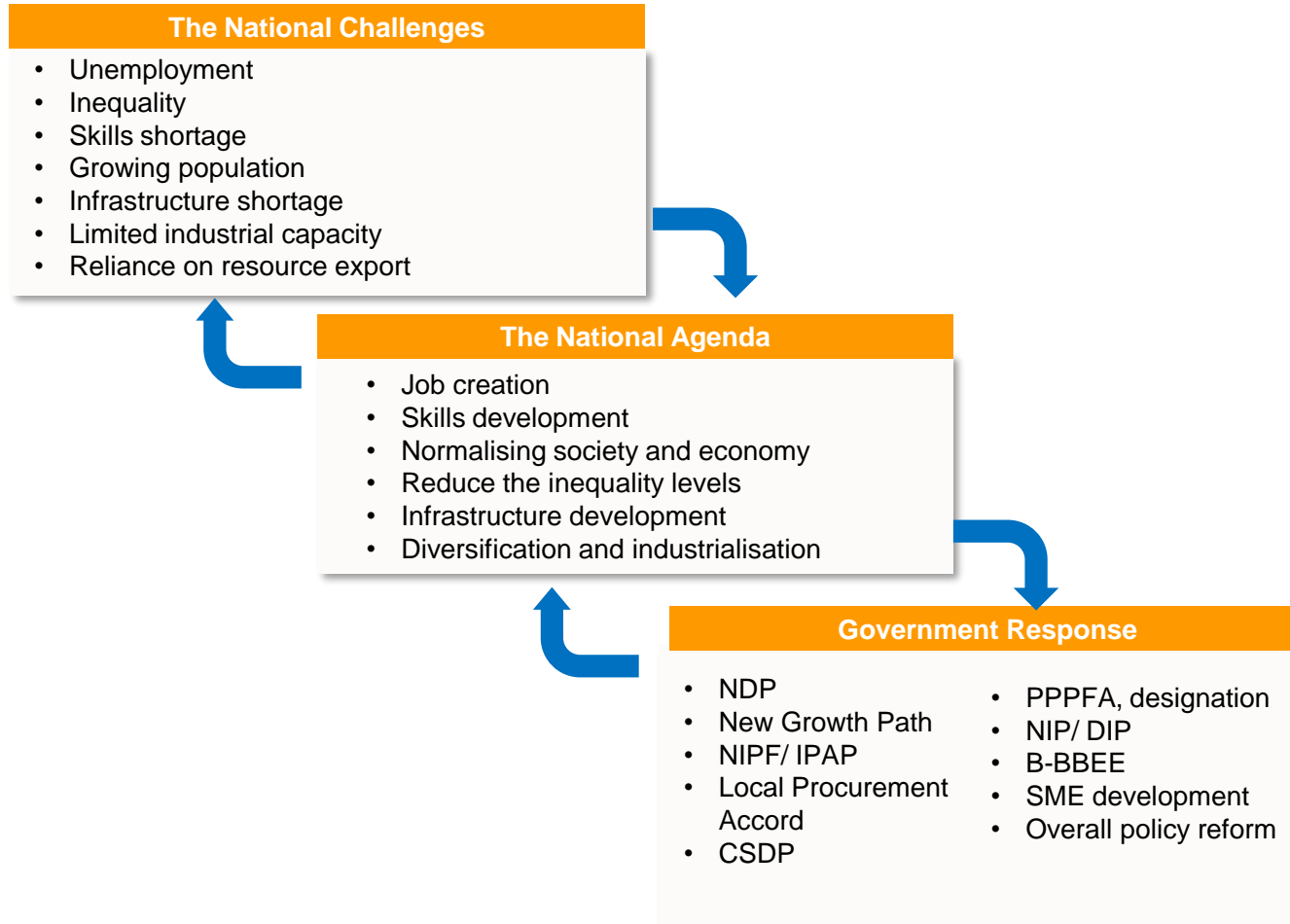
- Strengthening the work of the PPE Local Manufacturing Partnership.
- Working in partnership with the National Treasury, Business and Labour to monitor PPE tenders, contract awards and expenditure.
- Continue efforts to match the supply and demand of PPE.
- Scale up the work by the SABS to test and approve the quality of PPE commodities and report on local content verification.
- Continue to enforce local content requirements.
- Enforce compulsory reporting of tender awards within a scheduled time in the Central Supplier Database (CSD) managed by the National Treasury.

National Industrial Participation Program

- *Leveraging Industrial Development through the National Industrial Participation Programme & Local Content*



SOCIO-ECONOMIC CHALLENGES FACING SOUTH AFRICA



KEY OPPORTUNITIES IN PUBLIC PROCUREMENT

- ❑ SA is committed to spending more than R800 billion on various infrastructure programmes. Over the medium to long term, this spend is anticipated to grow exponentially.
- ❑ Given this magnitude, public procurement provides opportunities for government to:
 - **Stimulate** domestic **manufacturing capacity**
 - **Attract** foreign direct **investment**
 - **Increase** levels of industry **competitiveness**
 - **Create export markets** for locally produced goods
 - Contribute to **job creation** or **retention**

These signify the key objectives of the NIP programme

NIPP Flow Diagram

NDoH

RFP advertise to include condition that winning bidder signs NIPP agreement before contract

SIGN OBLIGATION AGREEMENT BEFORE CONTRACT

Company to provide a 5%
PERFORMANCE GUARANTEE

M&E

- ENTITY to provide quarterly reports to National Treasury & dtic
- Compliance by dtic

TO BE DISCHARGED OVER 7 YEARS

SUBMIT BUSINESS CONCEPT PROPOSAL

SUPPORTED BY ICC

SUBMIT BUSINESS PLAN AND FINANCIALS

APPROVED BY IPCC

IMPLEMENT PROJECT

SUBMIT CREDIT CLAIMS AGAINST DELIVERY OF PROJECT

APPROVED BY IPCC

DISCHARGE OBLIGATION

Example of NIPP Calculation

NIPP value	Fully imported	With Local content	Specific contract calculation
Contract value	R100 000 000,00	R100 000 000,00	R312 000 000,00
Imported content	R100 000 000,00	R70 000 000,00	R307 000 000,00
Local content		R30 000 000,00	R5 000 000,00
NIPP @30%	R30 000 000,00	R21 000 000,00	R92 100 000,00
performance guarantee @5%	R1 500 000,00	R1 050 000,00	R4 605 000,00
NIPP milestones over discharge period	Years		
M1	30%	3	R27 630 000,00
M2	70%	5	R46 050 000,00
M3	100%	7	R92 100 000,00

Qualifying NIP Projects in supported sectors



Investment



Licensee
Production



Export
promotion



Subcontracting



Technology
Transfer



Research and
Development



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BUSINESS CONCEPT PROPOSAL



PARTNERS & OWNERSHIP SMME



PRODUCTS & SERVICES



MANUFACTURING PROCESS

Local and imported materials
Manufacturing processes



MARKET

Local demand
Export demand
Competition
Market penetration



SKILLS DEVELOPMENT



TECHNOLOGY TRANSFER



FINANCIALS

Investment required
Revenue expected



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PHARMACEUTICALS



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MARINE, DEFENSE & OIL AND GAS



SOUTHERN
AFRICAN
SHIPYARDS



HARDER.
digital



BAKER
HUGHES
a GE company



ThyssenKrupp

Schlumberger

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Mercedes-Benz



Sandown Motors

SIEMENS

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CONCLUSIONS

- SA government is on a mission to creating a vibrant and competitive economy
- The NDP provides the 2030 vision and places significant emphasis on the need to develop a competitive and sustainable manufacturing capacity. Government aims to utilize an integrated approach to fulfilling this objective
- **Leveraging the public procurement is a key pillar of SA industrial policy**
- **Creating key industrial capabilities in SA is viewed as a win-win partnership between the OEMs and local industry, with specific aim of penetrating the African market**
- NIP is one of the instruments to support the development of SA capabilities and capacity and to contribute towards job creation. As such it must not be seen in isolation but reinforcing government's broader policy objectives



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Thank You For Listening

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