### LOCAL CONTENT POLICY/DESIGNATION

MEASURES TO ENSURE COMPLIANCE AND THE VERIFICATION



**DATE: 19 JUNE 2020** 





### PRESENTATION OUTLINE

- □ POLICY AND REGULATORY CONTEXTS
- □ LIST OF DESIGNATED PRODUCTS
- □ IMPLEMENTATION OF LOCAL CONTENT IN THE

  PROCUREMENT OF PPE COMMODITIES
- COMPLIANCE WITH LOCAL CONTENT
  REQUIREMENTS
- □ CHALLENGES ON REPORTING AND
  VERIFICATION







# PREFERENTIAL PROCUREMENT REGULATIONS ON LOCAL CONTENT

- Regulation 8 (1): empowers the dti 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 <u>must</u> 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 dti 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.



### PRODUCTS DESIGNATED FOR LOCAL PRODUCTION

#### 2012/13

- Rail Rolling Stock
- Steel Power Pylons and Substation Structures
- Bus Bodies
- Canned/Processed Vegetables
- Textile, Clothing, Leather and Footwear Sector
- Pharmaceuticals
- Solar Water Heater Components
- Set-top Boxes
- Furniture Products

#### 2013/14

- Electrical and Power Cables,
- Valves
   Products and
   Actuators

#### 2014/15

- Working Vessels (Boats)
- Residential Electricity and Water\* Meters

#### 2015/16

- Steel Conveyance Pipes
- Transformers and Shunt Reactors

### 27 designations over 8 years

#### 2016/17

- · Two-way Radios
- Solar
  Photovoltaic
  System
  Components
- Rail-Signalling System and Components
- Wheelie bins
- Fire Engine/Truck
- Steel Products and Components for construction

#### 2017/18

- Rail Perway (Track)
- Pumps & Medium Voltage Motors

#### 2019/20

- Plastic Pipes
- Bulk Material Handling
- Lead Acid Batteries
- MV Switchgear

# MINIMUM LOCAL CONTENT THRESHOLDS FOR DESIGNATED PRODUCTS

		LC
Designated Products LC Threshold Date	Designated Products	Designated Products Threshold
1. Rail Rolling Stock 65% 16-07-2012	16. Two Way Radio Terminals	16. Two Way Radio Terminals 60%
2. Power Pylons 100% 16-07-2012	17. Solar PV Components	17. Solar PV Components 70%
3. Bus Bodies 80% 16-07-2012	18. Rail Signalling System	18. Rail Signalling System 65%
4. Canned/Processed Vegetables 80% 16-07-2012	19. Wheelie Bins	
5. Textile, Clothing, Leather and Footwear Sector 100% 16-07-2012	20. Fire Fighting Vehicles	
6. Solar Water Heaters 70% 19-07-2012		21. Steel Products and Components for
7. Set-top Boxes 30% 26-09-2012	Construction	·
8. Certain Pharmaceutical Products Per Tender 07-11-2012	22. Rail Perway (Track) Infrastructure	22. Rail Perway (Track) Infrastructure 90%
9. Furniture Products 85% 15-11-2012	23. Pumps & Medium Voltage Motors	23. Pumps & Medium Voltage Motors 70%
10. Electrical and Telecom Cables 90% 08-05-2013	24. Plastic Pipes & Fittings	24. Plastic Pipes & Fittings 100%
11. Solar Water Heaters         70%         19-07-2013	- Williams I spee of Fittings	The state of the s
12.Valves Products and Actuators 70% 06-02-2014	25. Air insulated MV Switchgear	25. Air insulated MV Switchgear 50%
13. Working Vessels 60% 01-08-2014	26. Bulk Material Handling	26. Bulk Material Handling 85%
14. Residential Electricity and Water Meters 70% 01-08-2014		
15. Transformers and Shunt Reactors 90% 28-09-2015	27. Industrial Lead Acid Batteries	27. Industrial Lead Acid Batteries 50%

## 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. 5 of 2020/2021 was amended on the 20<sup>th</sup> May 2020 to 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:	EN 14683	100%
3-ply Surgical Masks	SANS 1866	
Clothing and Textiles:	EN 149	100%
Respirators (e.g. FFP2 &		
FFP3; N95)		
Clothing and Textiles:	Department of Health Specifications	100%
Medical Textiles (e.g.		
Linen, Curtains, Gowns,		
Coveralls; overshoes;		
swap suits; etc.)		
Clothing and Textiles: Fabric/Public usage / consumer	Per the guidelines issued by the dtic	100%
face masks		
Leather and Footwear: Hospital cleaners' closed work	South African Military	100%
shoes	Health Service and	
	Department of Health	
	Specifications	
Leather and Footwear: Nurses' shoes	South African Military	100%
	Health Service and	
	Department of Health	
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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 the dtic Cust	Department of Health Specifications	100%

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

Product	Standards	Threshold
Goggles	EN 166 is SANS 1404	70%
Face-shields	EU standard directive	100%
	86/686/EEC (very	
	broad),	
	EN 166/2002 (Eye	
	protection)	
	ANSI/ISEA Z87.1-	
	2010	
Disposable Aprons	Department of	100%
	Health Specifications	
Gloves	Department of	100%
	Health Specifications	
Body Bags	ISO 22609	100%
	ISO 13485: 2016	
Bio hazard bags	ASTM D1922 Tear	100%
	resistance 500g	
	ASTM D1709 Impact	
the dtic Customer	resistance 165g	

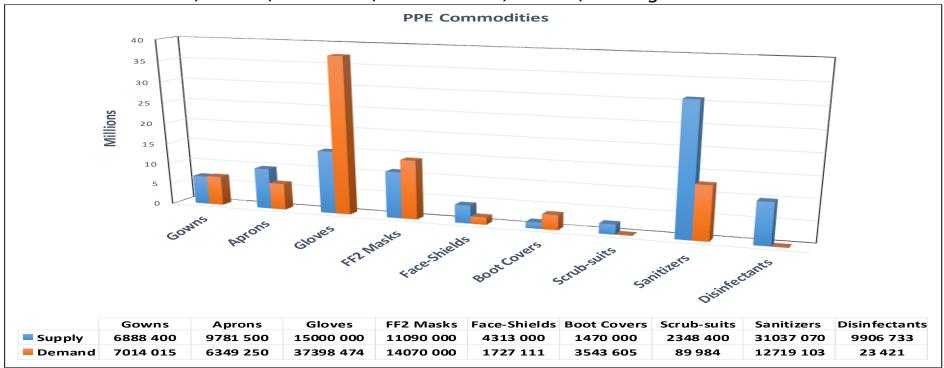


#### CRITICAL AREAS AFFECTING THE LOCAL PROCUREMENT OF PPE

- 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.

### THE ROLE OF THE MEDICAL EQUIPMENT PPE LOCAL MANUFACTURING PARTNERSHIP

- There are Local Manufacturing Workstreams to ensure that manufacturers close gap between supply and demand for Covid-19 related products.
  - Textile PPEs, Masks, Sanitizers, Face-Shields, Gloves, Testing



#### **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.