

# PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY: MEASURES TO ENSURE COMPLIANCE WITH LOCAL CONTENT REQUIREMENTS AND THE VERIFICATION THEREOF

Office of the Chief Procurement Officer, National Treasury | March 2020



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Legislation as an enabler for Local Content

- ❑ The Constitution in section 217, provides procurement principles to guide all processes related to public procurement.
- ❑ The PPPFA and its regulations sought to level the playing field by tipping the scale in favour of the previously marginalised and small and medium enterprises.
- ❑ Regulation 8 of the Preferential Procurement Regulations, 2017 (PPR, 2017), issued in terms of PPPFA, provides for the Department of Trade and Industry (**the dti**) to, in consultation with the National Treasury (NT), designate a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content.

# Public Procurement and Transformation of the Economy

- ❑ Public procurement plays a strategic role in economic development and transformation.
- ❑ In terms of Regulation 8 (3), the role of National Treasury is to inform organs of state through a circular of any designation made in terms of regulation 8 (1).
- ❑ Working together with the DTI, National Treasury has issued a number of instructions (prior to 2017) and now circulars (subsequent to March 2017) to designate sectors for local production and content, the aim is to stimulate local industrial development, skills development and employment creation.

# Stakeholders within the local content arena and their roles and responsibilities

❑ Current instructions / circulars on designated sectors require Accounting Officers (AO) / Accounting Authorities (AA) to provide to **the dti** information on procurement involving designated sectors Such information includes:

❑ Copies of the contract

❑ Standard bidding documents / municipal bidding documents 6.2 certificates together with Annex C, which are submitted by the successful bidder.

This requirement is for **the dti** to, amongst others, conduct compliance audits with a view to monitor the implementation of the industrial development strategies.

❑ Furthermore, service providers that experience challenges in meeting the stipulated minimum threshold for local content are required to inform **the dti** in order to verify and, in consultation with the AO/AA, provide further directives.

# Stakeholders within the local content arena and their roles and responsibilities continued...

STAKEHOLDER	RESPONSIBILITY / ROLE
<b>NATIONAL TREASURY</b>	Development and administration of public procurement prescripts
<b>the dti</b>	Implementation and monitoring of Industrial Policy, including conducting studies on local production and content and monitoring the implementation of designated sectors instructions / circulars
<b>Economic Development Department</b>	Implementation and administration of Industrial Policy Action Plan
<b>Department of Public Enterprises</b>	Representative of State Owned Companies
<b>AO / AA of procuring institutions</b>	Implementing of instructions / circulars on designated sectors and reporting
<b>Bidders / Contractors / Suppliers</b>	Compliance with instructions / circulars on designated sectors

# Stakeholders within the local content arena and their roles and responsibilities continued...

- ❑ Therefore, in terms of the requirements of national legislation, NT has discharged its duty to provide the policy platform for designations.
- ❑ Notwithstanding the aforesaid, NT is also in the process of developing a reporting framework for purposes of gleaning information from organs of state relating to the implementation of the requirements of the regulations.
- ❑ However, currently, we respectfully submit that **the dti** is the correct institution to provide this Portfolio Committee with information regarding local content requirements and the verification thereof.
- ❑ The NT SCM: GMC unit does also support the dti when requested to review specific tenders where local content requirements were not complied with.

# Circulars issued in terms of the PPR, 2017 for the 2019/2020 financial year

- ❑ National Treasury Circular No 1 of 2019/2020 - Invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for Plastic Pipes
- ❑ National Treasury Designated Sectors Circular No 2 of 2019-2020-Bulk Material Handling
- ❑ National Treasury Designated Sectors Circular No 3 of 2019-2020-Steel Conveyance Pipes
- ❑ National Treasury Designated Sectors Circular No 4 of 2019-2020- Air Insulated MV Switchgear
- ❑ National Treasury Designated Sectors Circular No 5 of 2019-2020-Industrial Lead Acid Batteries
- ❑ National Treasury Designated Sectors Circular No 6 of 2019-2020-Canned or Processed Vegetables
- ❑ National Treasury Designated Sectors Circular No 7 of 2019-2020-Furniture Products
- ❑ National Treasury Designated Sectors Circular No 8 of 2019-2020-Bus Sector
- ❑ National Treasury Designated Sectors Circular No 9 of 2019-2020-Set Top Boxes Sector
- ❑ National Treasury Designated Sectors Circular No 10 of 2019-2020-Electrical Cable Products
- ❑ National Treasury Designated Sectors Circular No 11 of 2019-2020-Standard for implementation of Regulation 8(4)

# THANK YOU



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