

**PRESENTATION TO THE PORTFOLIO COMMITTEE ON TRADE
AND INDUSTRY
COLLOQUIUM ON LOCAL PUBLIC PROCUREMENT**

A large, modern brick building with a prominent vertical tower and large windows with vertical blinds. The building is surrounded by greenery and a paved road in the foreground. The SABS logo is visible on the tower.

**LOCAL CONTENT VERIFICATION
18 August 2016**



1. LOCAL CONTENT VERIFICATION TIMELINE

- **2011 (SATS 1286)** - *Local content technical specification published*
- **September 2012** - *SABS appointed as local content verification agency by the dti*
- **July 2013** - *Local Content Verification office established and capacitated*
- **July 2013** – *Letters sent to all CEO,s DG’s and Municipal Managers*
- **November 2014** – *Issued first verification certificate*
- **July 2015** - *National Treasury released Instruction note to re-confirm Local Content Verification to be conducted by SABS*



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2. OBJECTIVES of LOCAL CONTENT WITHIN PPPFA LEGISLATION

- *To grow the economy and create sustainable jobs in South Africa*
- *Stimulating local manufacturing*
- *Technology transfer and commercialisation of local inventions*

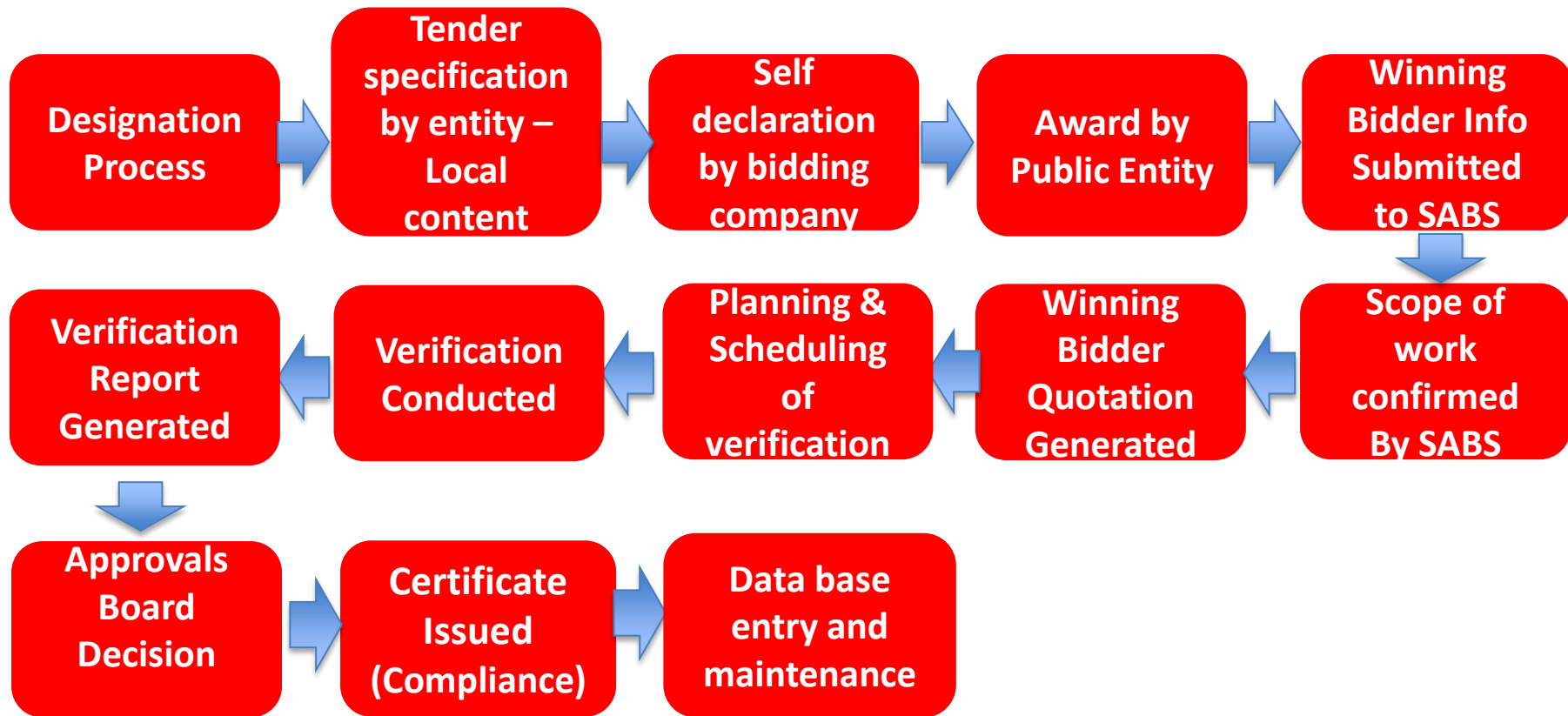
3. DESIGNATED SECTORS

Designated Industry/sector/sub-sector	% Threshold
Buses (Bus Body)	80
Textiles, Clothing, Leather & Footwear	100
Steel Power Pylons	100
Canned/Processed Vegetables	80
Pharmaceutical Products	
○ OSD Tenders [volumes]	70
○ Family Planning Tenders [values]	50
Rail Rolling Stock	65
Set Top Boxes	30
Furniture Products	
○ Office furniture	85
○ School furniture	100
○ Base and mattress	90
Solar Water Heater Components	70
Electrical and Telecommunication Cables	90
Valves products and actuators	70
Electricity meters : Prepaid & Postpaid	70
Electricity meters: SMART	50
Working Vessels (Boats)	60



4. LOCAL CONTENT VERIFICATION PROCESS FLOW

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5. DESIGNATED SECTOR TENDERS FROM MARCH 2015 TO JULY 2016 SUBMITTED TO SABS

SECTORS	Total Number of Tenders per sector	Number of Companies Verified	Value Verified R'000	Total Value of tenders per sector R'000	Verified Percentage (Value verified vs total value per sector)
Textiles	183	2	R 624,417	R 1,136,921	55%
Office furniture	59	0	0	R 220,494	0%
Electrical Cables	18	3	R 588,535	R 1,003,743	59%
Canned Veg	5	0	0	R 2,008	0%
Valves	2	0	0	R701	0%
Rolling Stock	4	0	0	R 49,547,226	0%
Set top boxes	1	3 of 24	R 600,000	R 4,300,000	14%
Power Pylons	3	3	R 740,212	R 740,212	100%
Solar heater	1	3 of 4	*	*	0
Others	10	0	0	R 56,794	0
Total	286	14	R 2,553,164	R 57,008,099	4.5%

* Tender value not known at the time of verification due to a panel appointment

2 verifications conducted out of 176 tenders submitted between 2013-2014



7. CHALLENGES

- Set-up and maintenance cost of the verification office borne by SABS – verification not funded through the fiscus
- The PPPFA as a Policy is silent on who bears the cost of verification
- Divergent views between the dti and NT on the who should bear the cost
- No instruments to deal with non-compliance
- Misconception that SABS verification is to reveal corruption
- Small companies and co-operatives affordability of verification costs is not supported by the state funding agencies



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7. CHALLENGES (Continued)

- Rolling Stock Tenders:

SABS's engagements with Transnet and the four rolling stock OEMs has generated no verification results since the last presentation concerns raised were around who pays for the verification.



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THANK YOU