

Local Content Verification



**Briefing to the Portfolio Committee on Trade and Industry
02 March 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*
- **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

- *Supporting economic growth and job creation*
- *Stimulating local manufacturing*
- *Attracting new investments, foreign direct investment in particular*
- *Leveraging public expenditure*

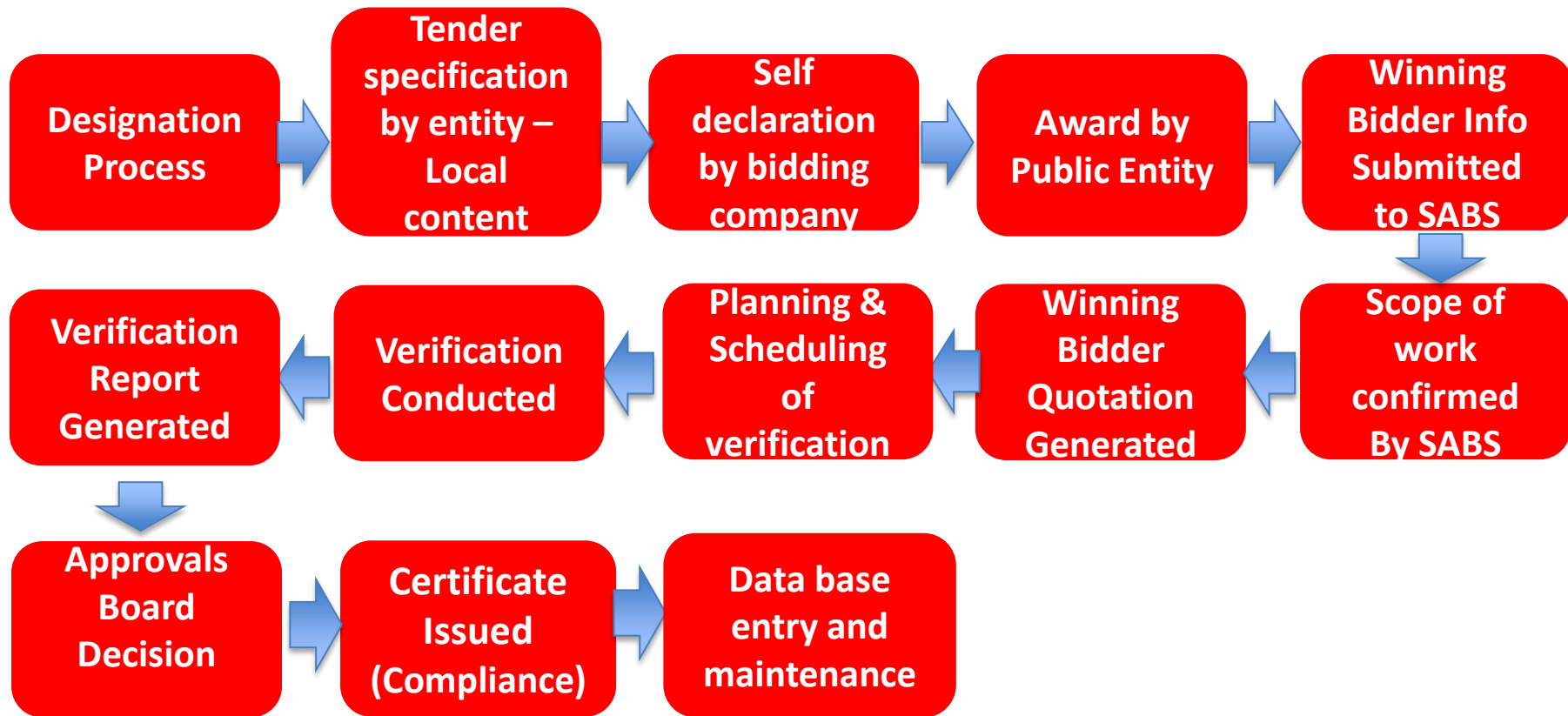
3. DESIGNATED SECTORS

| 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 JANUARY 2016 SUBMITTED TO SABS

| SECTORS | No of tenders | Value |
|-------------------|---------------|----------------------------|
| Textiles | 99 | R 190 381 614.80 |
| Office Furniture | 34 | R 27 427 754.23 |
| Electrical Cables | 15 | R 39 911 207.93 |
| Canned Veg. | 5 | R 2 008 551.21 |
| Valves | 2 | R 701 449.59 |
| Rolling stock | 4 | R 49 547 226 730.00 |
| Set Top Boxes | 1 | R 4 300 000 000.00 |
| Non-designated | 5 | R 34 054 503.26 |
| TOTAL | 165 | R 54 141 711 811.02 |

Note:

Only one Local Content Verification was conducted on electrical cables to date from the 165 tenders

2 conducted out of 176 tenders submitted between 2013-2014



6. CHALLENGES

- No funding allocation for implementation office - Set-up and maintenance cost borne by SABS
- The PPPFA as a Policy is silent on who bears the cost of verification
- Divergent views between the dti and NT on the who bears the cost
- Bidding documents do not clearly stipulate that the bidder will incur Local Content Verification costs – Reluctance from NT to amend
- Lack of buy –in from most procuring organs of state
- No instruments to deal with non-compliance
- Misconception that policy objective is to reveal corruption
- Small companies and co-operatives affordability of verification costs



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THANK YOU