

# PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY: INQUIRY INTO COMPLIANCE WITH LOCALISATION AND LOCAL PUBLIC PROCUREMENT

Office of the Chief Procurement Officer, National Treasury | March 2019



**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

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 addressed the obligation of providing 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 compliance with localisation and local public procurement policy.

# Circulars being processed in terms of the PPR, 2017 for the 2018/2019 financial year

No.	Instruction	Status / Comments
1.	<b>Revised Circular on Ductile pipes</b>	Awaiting Ministerial approval
2.	<b>Circular on Medium Voltage Switchgear (new)</b>	Awaiting Ministerial approval

# THANK YOU



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