

DESIGNATION ROUNDTABLE SUMMARY

16 October 2019

BACKGROUND & OBJECTIVES

The Manufacturing Circle convened a roundtable discussion between key government policymakers from the Department of Trade and Industry (the dti), the International Trade Administration Commission (ITAC), Proudly South African (Proudly SA), and member manufacturers regarding the use of Regulation 8 of the Preferential Procurement Policy Framework Act (PPPFA) as a lever to support local manufacturing.

The roundtable highlighted examples of member manufacturers that have successfully made use of Regulation 8 of the PPPFA as well as avenues for streamlined engagement between the government facilitated by the Manufacturing Circle towards the overall improvement of the designation process.

KEY DISCUSSION POINTS

Government Perspectives

Dr Tebogo Makube, the Chief Director of Industrial Procurement at **the dti**, reaffirmed the government's commitment towards local manufacturing particularly through the leveraging of public procurement of goods and services. Accordingly, Dr Makube informed the participants of the National Master Plans currently being developed for various sectors of the economy to "provide an opportunity for the designation process to reap more significant gain through deepened public-private partnerships".

Kobus de Beer, ITAC Commissioner, spoke of his work in the designation of power lines and structural steelwork at the South African Institute of Steel Construction (SAISC). He highlighted the importance of developing mechanisms to overcome information asymmetries between suppliers, state procurers, and the dti during the designation process. In his view such 'feedback loops' would reduce transaction costs by providing policy makers with information on the technical details.

Jeanine van Straaten of **Proudly SA** highlighted that Proudly SA in collaboration with the dti are addressing requests for exemption on designated products submitted to the dti, by verifying through its database whether a product can be sourced locally or not. Proudly SA is in the process of integrating its member database with the government's Central Supplier Database and is expected to launch in early December 2019.

Industry Experiences

Workshop attendees acknowledged that the PPPFA and its Regulations have been enacted to increase demand for locally manufactured product and commended the dti for active involvement and support in the designation process. The following page provides an overview of challenges identified and discussed during the roundtable.

Legislation

In some instances, products have been procured from Broad Based Black Economic Empowerment (B-BBEE) accredited suppliers, who then import the products in question, while existing manufacturing businesses with a lower accreditation level but higher employment numbers have been compromised.

Instruction notes

The specification of a product followed by the phrase “or similar” in the call for tenders has resulted in locally manufactured product not being sourced. In a similar vein, one participant remarked about the tendency of excluding designated products from the call for tenders. Another remarked that manufacturers who are not involved with the tender process as the primary bidder but rather feed into the supply chain experience difficulties in the monitoring of tender awards in order to ensure that designated products were considered and selected.

Standards

It has been the experience of some members that the South African Bureau of Standards (SABS) is not testing products so either testing needs to be revived or international standards must be enforced. This is particularly problematic when local manufactures adhere to SABS standards whilst importers abide by different standards.

RECOMMENDATIONS

- State Owned Enterprises (SOEs) need to be actively involved in the designation process, particularly towards the wider education of the bid evaluators who are the implementers of the policy;
- Manufacturers must organise to develop a jointly developed position to enable effective engagement with policy makers and also communicate information on designated products to state procurers. For example, the Power Line Association of South Africa (POLASA) developed flyers that were handed to procurers at Eskom informing them of the designation of powerlines;
- Manufacturers must not hesitate to seek out assistance for information from ITAC regarding the monitoring of industry specific imports;
- Imports must be assessed and analysed more aggressively and in order to better identify leakages in the designation process, manufactures with more in-depth knowledge of specific products must be involved in the tracking of imports;
- Manufacturers should identify the correct department to work with within the DTI to ensure the timely resolution of issues.

Participants were made aware of the Trade and Industrial Policy Strategies (TIPS) Import Tracker that evaluates sudden import spikes in order to flag these to relevant authorities.

NEXT STEPS

- Industry to work with Proudly SA on its educational roadshows to present industry perspectives when educating government procurement officials on designation;
- MC to facilitate a working session on the SABS regarding local content verification; and
- MC to facilitate a working session on monitoring of illegal and substandard imports and enforcing measures to manage non-compliance.