



MANUFACTURING CIRCLE

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MANUFACTURING CIRCLE ROUNDTABLE ENGAGEMENTS 2019

TRADE AWARENESS 29 May 2019

Background and Objectives

The Manufacturing Circle, along with XA International Trade Advisors, Stratalyze, and Trade Research Advisory engaged to review how South African manufacturers can successfully navigate the complexities of the regional and international trade arena. The session highlighted the risks and opportunities inherent in this regard and identified opportunities for increased industry input into trade negotiations. Discussion included:

- the trade environment (opportunities and risk arising in the trade environment and an understanding of value chains);
- trade agreements, tariffs and non-tariff barriers to trade, and the impact on regional trade or regional value chain development;
- government's programme of designation;
- the implication of the increased protectionism on SA manufacturing industry; and
- creating an effective designation process.

Next Steps

The Manufacturing Circle undertook to pursue two actions:

Designation

Regulation 8 of the Preferential Procurement Policy Framework on Designation

Formulation and presentation of a position paper on what needs to be done to improve the designation process.

Trade Agreements

Trade Agreement Platform

Development of an IT platform to ensure better access to trade related information required in the trade negotiation process, and more efficient flows of information between industry and policy makers.

BLACK INDUSTRIALIST SCHEME 21 June 2019

Background and Objectives

This engagement was held by the Manufacturing Circle and the Black Business Council together with Cova Advisory on

the Black Industrialist Scheme (BIS) to discuss the benefits and identify areas for improvement. It brought together industry decision makers, existing and aspirant black industrialists as well as large-scale companies exploring empowerment transactions.

Recommendations

BIS Design

- The private sector needs to be more involved in the scheme during all phases including formulation, review and implementation.
- From a government point of view, there is a need for greater consistency in the project team working on an application from start to finish.
- The dti needs to emphasise the importance of community engagement and the impact this will have on project implementation.

BIS Legislation, Policy and Guidelines

- Define financial closure and specify a realistic time frame to achieve this.

Implementation of BIS Projects

- The local economic departments within the municipalities should play a liaison role throughout the implementation of a project.

Administration of the BIS

- Closer alignment and streamlined communication between the dti and IDC (and other DFIs) is required to avoid information asymmetry; reducing the chances of an application being rejected by one government entity and approved by another.
- Better communication is required to highlight how the dti and the IDC align objectives and collaborate on project funding.
- There needs to be a technical committee to assess applications before these are presented to the dti and the IDC (one suggestion was to include a project preparation phase prior to application for funding submission, driven by the IDC).

Next Steps

- The Manufacturing Circle and the Black Business Council to collaborate on supporting aspirant and emerging industrialist with identifying opportunities.
- The Manufacturing Circle and the Black Business Council to facilitate an engagement between Black Industrialists, the dti and the IDC to discuss recommendations.

RETAIL LOCALISATION CONSULTATION 15 July 2019

Background and Objectives

The Manufacturing Circle, Proudly South African (Proudly SA), the Consumer Goods Council of South Africa (CGCSA) and the dti engaged in a discussion with retailers to better understand drivers behind increasing the amount of locally manufactured goods sold in stores.

Key Insights

- The retail value chain is complex and extensive and represents hundreds of thousands of jobs.
- Without supporting local producers, the potential for job losses increases, and impoverished consumers do not make good customers. Ultimately, the imperative to buy from local farmers, textile factories are in retailers' own self-interest.
- The first step is to understand the challenges that retailers face (to include consumer choice based on cost and quality of product) and cost of operations (retail stores and distribution) and the basis upon which purchasing decisions are made.
- This will assist in identifying opportunities to approach solutions differently, with the support of consumer advocacy campaign work from Proudly SA, consideration of policy frameworks by the dti and achieving economies of scale in the manufacturing supply chain supported by the Manufacturing Circle.

Next Steps

- It was agreed to engage the retailers in one-on-one sessions where confidentiality can be protected and challenges or impediments faced to implement localisation for different categories of products with a focus on import replacement and inclusivity programmes.
- Part of this process will involve identifying the top 10 or so selling items that retailers are importing and identify those with a local alternative, at a price that suits the retailer and ultimately the consumer.

DESIGNATION 16 October 2019

Background and 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 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.

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 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.
- The Manufacturing Circle to facilitate a working session on the South African Bureau of Standards (SABS) regarding local content verification.
- The Manufacturing Circle to facilitate a working session on monitoring of illegal and substandard imports and enforcing measures to manage non-compliance.



Dr Tebogo Malume (Chief Director: Industrial Procurement, the dti) outlining the government's commitment towards local manufacturing through leveraging public procurement