

# Govt to tighten legislations on procuring locally produced products

Work is underway to tighten the legislation on public procurement to ensure the mandatory procurement of locally produced and manufactured products in some sectors of the economy, as part of government's effort to address unemployment.



Image source: Mathias Rosenthal – [123RF.com](https://123RF.com)

This comes as the latest regulations on public procurement do not make mandatory provisions for local content but specify that the procuring organs of state should determine their own preferential procurement policies.

“Government spends over R500bn [a year] on procurement of goods, services and works so we want to leverage that expenditure to assist us in mitigating some of the socio economic challenges we are faced with. Government is the biggest buyer and has strong financial muscle.

“We believe that if we support the local manufacturing of products in the country, the manufacturing sector has a broad based capacity to absorb people in terms of labour,” Department of Trade, Industry and Competition (the dtic) Director for Procurement, Cathrine Matidza, said on Thursday.

Addressing a webinar on Improving the Localisation of Digital Products in South Africa, Matidza said government has identified public procurement as a lever for industrial development. The webinar was hosted by the department, in partnership with Proudly South African, which is set to host the 11th Buy Local Summit and Expo later this month.



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The revised Preferential Procurement Policy Framework Act (PPPFA) regulations, which came into effect on 7 December 2011, empower the dtic to designate industries, sectors and sub-sectors for local production at a specified level of local

content.

She said the regulations are about giving preference to products that are manufactured within the borders of South Africa the public procurement system.

However, the 2022 preferential procurement regulations do not make provisions for local content but provide for the procuring organs of state to determine their own preferential procurement policies.

They came about due to the judgment by the Constitutional Court, which declared the 2017 regulations to be invalid in their entirety.

“In the 2017 preferential procurement regulations, local content was mandatory. The current regulations are silent with regard to local content but that is not to say local content has been scrapped off in the public procurement system.

“Local content can be included in the preferential procurement regulations or when organs of state invite tenders which stipulate such requirements. Previously it used to be mandatory but now it is upon the organ of state to stipulate such requirements,” Matidza said.

She said the 2022 regulations are for the interim and they are going to be implemented for a limited time whilst government finalising the Public Procurement Bill.



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“Local content is going to be mandatory again. The objective of localization, the intention is to reduce import leakage in government spending. We want to leverage public expenditure to support local manufacturing or products.

“It is used to protect local industry against imports and in some instances it is aimed at reviving threatened manufacturing capabilities and to scale up utilization of existing capacity. It is all about jobs. South Africa is faced with the challenge of unemployment,” Matidza said.

She said all the products are designated at a particular threshold and depending on the capacity and the level of content in the product itself, some are designated at 100% where no imports are allowed at all.

Others are designated at below 100%, meaning manufacturers are allowed to source some of the components from somewhere else but the production must happen locally.

The designation is informed by the research that is conducted by the dtic.

Matidza emphasised that local content is still government policy as organs of state are empowered to continue implementing the designations.

“As we are finalizing the Public procurement Bill, designation is going to be part of the new public procurement act. Once it is enacted, it is going to be compulsory,” she said.