

NATIONAL ASSEMBLY

QUESTIONS FOR WRITTEN REPLY

QUESTION NUMBER: 989 [NW1225E]

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989. Dr M Q Ndlozi (EFF) to ask the Minister of Finance:

In what way has he found that the procurement capability of the State contributed to (a) transformation in the economy and (b) industrialisation in any sector?

NW1225E

REPLY:

1. Section 2(1) of the Preferential Procurement Policy Framework Act (PPPFA) stipulates that “an organ of state must determine its preferential procurement policy and implement it within the following framework”, which means that it is a requirement for the organs of state to have a preferential procurement policy and give effect to it in accordance with the framework stipulated in the Act. Therefore, organs of state have been applying the preference points system as a strategic lever for the transformation of the South African economy and for advancing government’s transformation agenda when contracting for goods and services.
2. This is achieved by tenders gaining preference points for having specific goals as contemplated in section 2(1)(d) of the PPPFA, which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability, including the implementation of programmes of the Reconstruction and Development Programme (RDP).
3. The Broad-Based Black Economic Empowerment Act No. 53 of 2003, as amended by Act 46 of 2013 has as part of its objectives the need to promote economic transformation in order to enable meaningful participation of black people in the economy. One way of achieving this objective is through preferential procurement in both the private and public sector.
4. Section 10(1)(b) of the B-BBEE Act prescribes that organs of state and public entities must apply relevant Codes of Good Practice when developing and implementing a preferential procurement policy. To date, the Department of Trade, Industry, and Competition (**the dtic**) has gazetted 12 Codes of Good Practice, which is the Generic Codes and 11 sector specific Codes for ICT, Tourism, Construction, Integrated Transport, Property, Forestry, Financial Services, Agri-BEE, Marketing, Advertising and Communication, Defence and Legal sector.
5. Statement 004 of the Codes of Good Practice (also known as the specialised scorecard) which guide how organs of state and public entities are to implement B-BBEE has under the Enterprise and Supplier Development element outlined how the Preferential Procurement spend must be initiated and implemented to foster transformation.
6. According to the 2022 National Status and Trends on B-BBEE Transformation report released by the Broad-Based Black Economic Empowerment Commission, performance or implementation of the Enterprise and Supplier Development which includes preferential procurement is on average of 70% of the target (2021: 46.466%) as a result of organs of

state and public entities contributing 71% (2021: 60%), while JSE listed entities achieved 83% of the target (2021:73.75%).

7. Local content and production

As at December 2021, 28 products were designated for local content and production, firstly under both 2011 and 2017 Preferential Procurement Regulations (PPRs).

Designated Products	LC Threshold	Date
1. Rail Rolling Stock	65%	16-07-12
2. Power Pylons	100%	16-07-12
3. Bus Bodies	80%	16-07-12
4. Canned/Processed Vegetables	80%	16-07-12
5. Textile, Clothing, Leather and Footwear Sector	100%	16-07-12
6. Solar Water Heaters	70%	19-07-12
7. Certain Pharmaceutical Products	Per Tender	07-12-11
8. Set-top Boxes	30%	26-09-12
9. Furniture Products	85%	15-11-12
10. Electrical and Telecom Cables	90%	08-05-13
11. Valves Products and Actuators	70%	06-02-14
12. Working Vessels (Boats)	60%	01-08-14
13. Residential Electricity & Water Meters	70%	01-08-14
14. Steel Conveyance Pipes	80%	28-09-15
15. Transformers and Shunt Reactors	90%	28-09-15
16. Solar PV Components	70%	30-06-16
17. Two Way Radio Terminals	60%	30-06-16
18. Rail Signalling System	65%	30-06-16
19. Wheelie Bins	100%	18-08-16
20. Fire Fighting Vehicles	30%	21-11-16
21. Steel Products and Components for Construction	100%	13-01-17
22. Rail Perway (Track) Infrastructure	90%	13-11-17
23. Pumps & Medium Voltage Motors	70%	12-12-17
24. Plastic Pipes & Fittings	100%	16-08-19
25. Air Insulated MV Switchgear	50%	20-12-19
26. Bulk Material Handling	85%	20-12-19
27. Industrial Lead Acid Batteries	50%	20-12-19
28. Cement	100%	04-11-21

- Local content is measured on the products, which are manufactured and/or assembled in South Africa at a specified minimum threshold. All bidders are required to source and supply locally manufactured designated products. Since the implementation of 2022 Preferential Procurement Regulations, local content and production is no longer provided for in the preferential procurement regulations because the framework, in section 2(1) of the Act, does not provide for local production and content *per se*, but refers to implementing the programmes of the RDP, however, organs of state may identify within the RDP document where there are goals that support local manufacturing or industrialization in order to cater for those goals as part of their preferential procurement policies and specific goals in the tender documents.
- Slightly over R88 billion has been spent on products designated for local production between March 2015 and December 2021. This government expenditure has supported local manufacturers in the value chains spanning from rail rolling stock, clothing and textiles, furniture, boats & working vessels, electric transformers and valves.
- On the 23 July 2024, President Cyril Ramaphosa signed the Public Procurement Bill into law. The Act includes a national framework for preferential procurement, which makes it compulsory for organs of state to procure locally manufactured designated products in accordance with the provisions outlined in the framework, amongst other things.