



national treasury

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**TO :ACCOUNTING OFFICERS OF ALL NATIONAL DEPARTMENTS
AND CONSTITUTIONAL INSTITUTIONS**

**:ACCOUNTING OFFICERS OF ALL MUNICIPALITIES AND
MUNICIPAL ENTITIES**

**:ACCOUNTING AUTHORITIES OF ALL SCHEDULE 2 AND 3
PUBLIC ENTITIES**

:HEAD OFFICIALS OF ALL PROVINCIAL TREASURIES

SUPPLY CHAIN MANAGEMENT

POSTPONING IMPLEMENTATION OF SPECIFIC PARAGRAPHS THAT RELATE TO LOCAL PRODUCTION AND CONTENT CONTAINED IN THE IMPLEMENTATION GUIDE ON THE PREFERENTIAL PROCUREMENT REGULATIONS, 2011 ISSUED ON 1 DECEMBER 2011

- 1.1 This Circular serves to inform accounting officers (AOs) and accounting authorities (AAs) that specific paragraphs that relate to local production and content in the Implementation Guide on the Preferential Procurement Regulations, 2011 have been postponed for implementation.
- 1.2 This postponement shall be up until such time that the revised Implementation Guide, instructions and circulars are finalized and issued in respect of local production and content.

2. BACKGROUND

- 2.1 The Implementation Guide and supporting bidding documents that was issued as part of Supply Chain Management (SCM) Circular dated 1 December 2011, is aimed at assisting AOs and AAs with the smooth implementation of the Preferential Procurement Regulations, 2011.
- 2.2 In terms of the Preferential Procurement Regulations, 2011 the dti may, where it is of critical importance, designate sectors for local production and content. This designation provides for institutions to advertise bids with a specific bidding condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.

- 2.3 In this regard, it is re-iterated that the National Treasury, in consultation with the dti, is still in the process of developing and issuing instructions, circulars and guidelines on the implementation of the prescripts in respect of such designations. These instructions, circulars and guidelines, which will be issued in due course, will encompass among others, the stipulated minimum thresholds applicable for the various sectors and the criteria that would be used to evaluate and award such bids including the method to be used in the calculation of local production and content.

3. POSTPONEMENT OF IMPLEMENTATION

- 3.1 Taking cognizance of paragraph 2.3 above, the following paragraphs in the Implementation Guide are postponed for implementation up until such time that the revised Guide together with a bidding document and further instructions / circulars are issued:

(i) Paragraph 7

Invitation of Bids: Local production and content.

(ii) Paragraph 12

Evaluation of Bids: Evaluation of bids based on a stipulated minimum threshold for local production and content.

- 3.2 As a consequence thereof, the utilization of bidding document SBD / MBD 6.2 (Declaration Certificate for Local Production and Content) is also postponed until it has been revised and re-issued as part of the revised Guide.

4 DESIGNATED SECTORS

- 4.1 Paragraph 4.3 of SCM Circular dated 1 December 2011 reflects a list of the various sectors that the dti has identified for designation in terms of Regulation 9 (1) of the Preferential Procurement Regulations. The list incorrectly includes “**steel**” as a sector that has been designated.
- 4.2 The dti has since confirmed that “**steel**” has not been designated for local production and content
- 4.3 The sectors that have been designated are, therefore, as follows:

- Textile, clothing, leather and footwear;
- Power pylons;
- Rolling stocks;
- Canned / processed vegetables; and
- Busses (Bus body)

- 4.4 As indicated in paragraph 2.3 above, the National Treasury, in consultation with the dti, is still in the process of developing and issuing instructions, circulars and guidelines on the implementation of the prescripts in respect of sectors that have been designated. These instructions, circulars and guidelines will be issued in due course.

4. STATUS OF SCM CIRCULAR DATED 1 DECEMBER 2011

With the exception of the paragraphs 7 and 12 of the Implementation Guide issued as part of SCM Circular dated 1 December 2011 and the Declaration Certificate for Local Production and Content (bidding document SBD / MBD 6.2), all other paragraphs of the Implementation Guide and supporting bidding documents (SBDs / MBDs) are effective.

5 APPLICABILITY

- 5.1 This circular applies to all national and provincial departments, constitutional institutions, public entities listed in schedules 2 and 3 to the PFMA and municipalities and municipal entities to which the MFMA apply.

6. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

- 6.1 Heads of provincial treasuries are requested to bring the contents of this circular to the attention of accounting officers and supply chain management officials of their respective provincial departments.
- 6.2 Accounting officers of national and provincial departments are requested to bring the contents of this circular to the attention of accounting authorities and the supply chain management officials of Schedule 3A and 3C public entities reporting to their respective executive authorities.
- 6.3 Accounting officers of municipalities and municipal entities are requested to bring the contents of this circular to the attention of the supply chain management officials of their municipalities and municipal entities.

- 6.4 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this circular to the attention of the supply chain management officials of their public entities.

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