

***Fridge
Procurement Project
Strategic Recommendations***

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TABLE OF CONTENTS

A	INTRODUCTION.....	1
B	AREAS OF INTERVENTION.....	4
	FUNDAMENTAL REQUIREMENTS.....	4
1	Identification of a driver/champion to co-ordinate activities as well as monitor and evaluate progress of local content procurement	4
2	Information on Government and private sector procurement patterns	5
3	Improved linkages and integration with existing targeted/preferential procurement processes.....	7
	POLICY, LEGISLATION AND BINDING AGREEMENTS	12
4	Effective implementation of relevant provisions within existing legislation and stakeholder agreements	12
5	Legislative and regulatory amendments and further (sectoral) stakeholder agreements	19
	TRADE AND FOREIGN INVESTMENT	22
6	Ensuring future multilateral and bilateral trade negotiations retain sufficient scope to use procurement as a tool for socio-economic development	22
7	Create greater linkages with FDI activities	25
	SUPPLIER DEVELOPMENT	27
8	Prioritised and strategic supplier development and education	27
	ADDRESSING PURCHASER ISSUES	32
9	Increasing awareness of available qualified targeted suppliers.....	32
10	Encouraging a “dynamic” approach to procurement	36
	ENSURING A LEVEL PLAYING FIELD AND ETHICAL PRACTICES.....	38
11	Elimination of exclusionary technical specification and brands in procurement decision-making	38
12	Preventing and redressing procurement-related misrepresentation, abuse and corruption	42
13	Eliminating/reducing unfair competition.....	44
C	THE WAY FORWARD	46

A INTRODUCTION

Purpose of the project

As a declaration that emerged from the 1998 Presidential Job Summit, the “*Buy South Africa*” campaign was created to stimulate economic growth and job creation in South Africa through increased demand for South African goods and services that meet criteria related to local content, quality, labour standards and environmental standards.

Subsequent to the Jobs Summit, numerous sectoral procurement commitments have been made by constituencies, both through sectoral empowerment charters and Sector Summits.

Extensive negotiations and research led to the establishment of the Proudly South African organisation and campaign in the course of 2001. This campaign has both a consumer and business-to-business/business-to-government dimension. As part of this wider commitment, the Nedlac constituencies have agreed to explore the options for incorporating/addressing this and other local content promotion initiatives, into South African local procurement practices.

Of specific interest to the constituencies is how five groups within the private and public sectors (viz. government, parastatals, large locally owned corporations, large foreign owned corporations, and SMMEs) currently procure goods and services and the alternative ways to incentivise/encourage them to procure more local goods and services within the guidelines of national and international legislation pertaining to procurement.

As stated in the ToR, the project objectives are therefore to:

- Provide an insight into current procurement practices and trends
- Explore the opportunities for and constraints on preferential treatment in terms of local content, quality, environmental and labour standards (as embodied in Proudly SA) as contained in WTO agreements, and local procurement regulations and legislation
- Explore and identify current constraints in terms of processes and abuses, and
- Give recommendations on how to curb abuses and improve the processes overall
- Investigate how Proudly South African and other national initiatives can benefit from a preferential treatment system
- Identify areas where existing and pending regulations, laws, and international agreements should be adjusted to support preferential treatment to support the standards of local content, etc embodied in Proudly SA

Motivation for consideration of local content, quality, labour and environment

The Nedlac constituencies prioritised this investigation into further consideration of local content, quality, labour and environment, as they are of the view that greater procurement in line with these principles could contribute significantly to South Africa's socio-economic transformation. Some of the reasons for this view are as follows:

- Consideration of local content in relation to supply chain or value matrix development has the potential to generate employment multiplier effects
- Local content provisions can encourage productive investment, and reduce the potential negative consequences of foreign direct investment related to “warehousing” and reduction of local productive capacity
- Ensuring local content tied to empowerment can encourage broadbased and productive empowerment, rather than a layer of “middle-men” or small elite
- Consideration of quality in procurement is seen as key in order to ensure that South African production becomes increasingly competitive. In addition, where public sector procurement in particular is concerned, there is an obligation to ensure that public funds are spent in a sustainable way and in a manner that does not result in health or safety threats or wastage due to poor quality goods and services.
- Consideration of labour and environment standards can help to ensure that economic growth is not achieved at the cost of the rights of workers or future generations, and meeting sustainable development obligations. A drive towards improved labour and environmental standards may also have the added benefit of enhancing export opportunities, as compliance with fair trade requirements is increasingly becoming a significant factor in gaining market access.

Because of these reasons, these four areas also became the pillars on which Proudly South African membership is based.

Purpose and structure of this document

This strategic recommendation document is built upon the research conducted in the course of the project which can be found in two separate documents, to which references are made: 1) the [Case Studies](#) document containing interviews conducted across government, parastatals, large South African companies, SMMEs, and multinationals operating in South Africa as well as several international benchmarks, and the 2) [Situational Analysis](#) which provides a context for procurement in South Africa in terms of the constraints and opportunities (including potential sectoral impact of shifts in procurement patterns), role players, influences and mechanisms given the policy, legislative, regulatory environment in which it operates, including South Africa’s current and potential future multilateral and bilateral obligations.

The strategic recommendations below present strategic options around identified areas of recommendation including the role of various **role players**, **mechanisms** for effecting change, and the potential **timings** for roll-out and impact to be felt, but they do not touch on any issue of implementation planning and support, such as resource allocation, or prioritisation, etc.

Identified **role players** include the following:

- **Multi-stakeholder structures**, such as:
 - Proudly South African
 - Nedlac
 - Industry Development Boards, Councils, Clusters and Sector Summit teams
- **Government**

- National e.g. National Treasury, the dti, DPSA, Department of Public Works
- Provincial
- Local
- Government-funded support structures e.g. Tender Advice Centres (TACs), Manufacturing Advice Centres (MACs)
- **Organised business**
 - National structures
 - BEE structures
 - Sectoral Industry Associations
 - Corporate Small Business Development Forum
- **Individual businesses**
 - Large South African corporates
 - Multinationals
 - Small businesses
- **Organised labour**
 - National Structures
 - Individual affiliated unions
 - Shopfloor level structures
- Other **civil society** structures and consumers

Identified **mechanisms** include:

- Information gathering and management
- Information communication and awareness raising
- Policy, strategy and regulations
- Guidelines and toolkits
- Agreements
- Training and human resource development
- Advocacy, lobbying and collective/broadbased action
- Co-ordination and networking
- Leadership / championing
- Monitoring and evaluation

Timings include both the likely timeframe required for implementation and the expected time required for the impact of the intervention to be measurable/felt in a widespread manner.

- Short-term is defined as less than 2 years
- Medium-term is defined as between 2 and 5 years
- Long-term is defined as more than 5 years

The strategic recommendations are summarised in the Strategic Recommendations [Matrix](#).

B AREAS OF INTERVENTION

FUNDAMENTAL REQUIREMENTS

1 Identification of a driver/champion to co-ordinate activities as well as monitor and evaluate progress of local content procurement

The first area of intervention is essential in order to efficiently roll-out any of the other strategic options, and that is namely to identify a body as accountable for the strategic and operational roll-out of preferential and targeted procurement in South Africa.

1.1 Problem analysis and current related activities

Limited “dedicated capacity” driving local content procurement

There a wide range of entities that have some role to play in preferential procurement and procurement more widely. However, Proudly South African is the only organisation for which encouraging quality local, social responsible procurement is “core business”. It currently has limited capacity (human resources and financial) to apply to this area, with specific advocacy campaigns to date having required targeted funding. The majority of resources have been going towards membership development and marketing.

The Proudly South African organisation over the past year has developed a membership base of around 1000 members, and has significant visibility amongst consumers (particularly end consumers). This momentum, and the network provided by its membership, could serve as a powerful vehicle to drive increased purchasing of local production, greater competitiveness and thus increased employment.

1.2 Strategic options

1.2.1 Multi-stakeholder structures

The advantage of using a multi-stakeholder structure in driving procurement issues in South Africa, is that it would show a commitment from several stakeholders to the use of preferential procurement as being key to economic development. An organisation such as Nedlac could therefore be a good forum for developing a preferential procurement strategy. Also the fact that one organisation, Proudly South African, has already begun to address procurement issues on an operational level could provide a base for implementation of the strategy.

Disadvantages, however, would be the possible exclusion of companies not within the membership from supplier development activities and other preferential and targeted procurement initiatives, as well as the need for additional resources to expand its role to include a comprehensive targeted procurement roll-out.

1.2.2 Organised Business

Organised business would be an advantageous place from which to drive preferential procurement from an operational level in terms of being able to roll-out strategies easily throughout South African companies. It would not however, necessarily develop strategy in line with South Africa's larger economic development requirements, nor necessarily have the backing of all stakeholders.

1.2.3 Government

Government could take on the role of driver in a variety of ways, from setting up a special directorate dedicated to preferential procurement issues, to establishing a cross-departmental committee on preferential procurement, to setting up a special committee in the President's office charged with setting the national preferential procurement agenda.

With **government** as driver, there are a variety of advantages in terms of fit and linking in with other preferential procurement activities taking place across national, provincial and local governments in terms of setting a local content and BEE procurement agenda,¹ as well as fitting in with existing national goals for economic development. Also, it would "set the scene" in terms of acting as a leader for the economy and stressing the importance of public and private sector uptake of preferential procurement.

The potential drawbacks of using government as the driver could be slow implementation due to planning cycles and levels of approval needed to authorise roll-out of certain activities, incomplete intergovernmental co-ordination etc.

1.3 Assessment of strategic options

Kaiser Associates' recommendation that some form of champion is identified in the **short term** in order to facilitate all further interventions, with the **impact** being felt from the **medium term**. Furthermore, Kaiser recommends that the best place from which to drive the strategy, policy and regulation pertaining to preferential procurement is clearly national government for the reasons stated above. However, it is critical that input is taken from all stakeholders, and that government has an operational partner(s) to assist in the roll-out of the strategy, either through a multi-stakeholder structure (e.g. Proudly South African), or through private sector partners.²

2 Information on Government and private sector procurement patterns

2.1 Problem analysis and current related activities

¹ See Targeted Procurement for Construction and Engineering Projects, Ekurhuleni Metro, Mustek and Pinnacles experience with government tenders, and Albert Carpets and PAWC case studies in the [case studies](#) document for more details

² An example of such a partnership can be found in the Austrian Procurement Service, and Denmark's National Procurement Limited, which offer a commercial service to governmental and municipal authorities who take environmental issues into consideration.

Lack of information on procurement profile

Insufficient information is currently available about the profile of current public and private sector procurement. There is no accurate central record as yet of the pattern of government and parastatal procurement that captures product demand, organisation type, sector and country/place of origin, or a systematic and institutionalised system to gather this information.

There is also no consolidated understanding of the key areas where there is a realistic opportunity to boost SA production capacity and employment through shifts in domestic procurement, i.e. areas where domestic production has the ability to compete, but where local suppliers currently supply a limited proportion of domestic demand. Although the IDC holds some production figures, no detailed gathering of information has been conducted within specific industries.

Current activities that impact on this issue include the following:

- Current DPSA survey, which will provide a survey from 1994 to 2002 of government procurement, and procurement by suppliers to government, with a specific emphasis on the resultant contribution to BEE.
- National Treasury planning around the development of consolidated information management system

2.2 Strategic options

2.2.1 Create a centralised system for gathering and storing procurement statistics

a) Mechanisms

In terms of **gathering and managing information**, this could be done with the establishment of a centralised system wherein one mandated body is ultimately responsible for the collection of all procurement statistics.

b) Lead agents & other role players

In a centralised system, either national government could play the role of central point for statistics information on procurement (e.g. **the dti** and/or Treasury), or it could mandate a third party, such as one of the public entities (e.g. IDC, Stats SA) or a multi-stakeholder organisation (e.g. "Proudly South African") to act as the collector and storage place.

Other role players, including individual businesses, and labour will need to support the system with information, both in terms of population of information, as well as verification of information fed into the system.

c) Timings

Centralisation of existing statistics could be achieved in the **short to medium term**, but collection of more detailed statistics could take longer, as it has not been done comprehensively thus far. Therefore any impact from this approach would only be felt in the medium to long term.

2.2.2 Develop a *decentralised* approach to the gathering and storing of procurement statistics

a) Mechanisms

In this approach, **information gathering and management** rests in more than one location, and will therefore require a high degree of co-ordination across bodies holding information to ensure that either all bodies hold the same information, or that it is clear which body holds which type of information.

b) Lead agents & other role players

Leadership could come from either provincial **government** (fed with information from local governments in their jurisdictions, as well as private sector companies operating therein), **or** from a **combination of parastatals, government, and multi-stakeholder** institutions.

Similar to a centralised system, **other role players** will need to support the system with information, both in terms of population of information, as well as verification of information fed into the system.

c) Timings

As long as a proper co-ordination strategy is developed to determine who will hold what information, then a decentralised approach can be adopted **relatively quickly**. As with a centralised approach, however, collection of more, and more detailed statistics than what is currently held could take longer. Therefore any impact from this approach would also only be felt in the medium to long term.

2.3 Assessment of strategic options

Although it may take longer to establish, **Kaiser recommends** the centralised approach, primarily as it will be the most effective in terms of co-ordination and there will be none of the confusion about where to go for information which occurs when several entities all hold bits and pieces, as well as allowing for the greatest degree of transparency and accountability. Anyone seeking any information on procurement statistics need only go to one place. However, ideally such a centralised system would be integrated and accessible with the all spheres of government.

3 Improved linkages and integration with existing targeted/preferential procurement processes

3.1 Problem analysis and current related activities

Relatively “narrow” empowerment and SMME focus

The relatively “narrow” empowerment and SMME focus, has made it difficult to put local content procurement issues high “on the agenda” with various stakeholders.

Broader productive empowerment and employment throughout the supply-chain to date has had less emphasis (other HDI) with strong drive towards empowerment as ownership and control. This trend may shift with the [new broad-based BEE framework](#) published by the dti providing greater clarity and certainty around empowerment definitions and programmes. It will be critical therefore for the driver(s) of local content, environment, and labour related procurement issues, to liaise with the developers of this BEE framework and other BEE stakeholders to explore the idea of including local content issues within the new definitions. National Treasury is already envisaging amendments to the PPPFA to increase the alignment with the new BEE framework.

The other target objective of preferential procurement has tended to be small business or enterprise development, particularly in services and “non-core” procurement, such as cleaning, catering and security. In some cases in the private and parastatal sectors, this has partially constituted out-placement of retrenched workers, rather than the creation of new employment opportunities. Due to the nature of the outsourced services, local content has not been a significant issue to date. However, as companies shift towards applying preferential procurement to core activities³, there should be an opportunity to integrate local content issues into these new models. Similarly as government continues to refine its support services for SMMEs, there should be an opportunity to engage decision-makers to include local content related procurement issues within their portfolio of wider development.

The various sectoral strategy development processes that are underway, such as sector summits, charters, and dti sector strategy development processes, provide forums through which agreements on procurement can be reached, in a manner which is integrated into the wider vision for a sector and the programmes to achieve that vision.

3.2 Strategic options

3.2.1 Develop an *informal* “co-ordinating mechanism” for various targeted/preferential procurement activities

a) Mechanisms

The mechanism with which to roll-out the above is clearly **information dissemination and awareness-raising**, with possible tools such as the establishment of a targeted/preferential procurement website across the five groups (viz. government, parastatals, large South African owned companies, multinationals and SMMEs). This website could be either free of charge, or charge a fee for usage, or a combination of the two using restricted areas, and would include features such as:

- Aims of targeted/preferential procurement initiatives vis a vis South Africa’s broader economic development goals
- Information about each type of activity and role player involved in targeted/preferential procurement within South Africa (across public and private sectors)

³ See Anglo American and Sasol Oil case studies in [Case Studies](#) document

- Information about accreditation programmes for potential suppliers with regards to particular targeted/preferential criteria, including BEE and local content
- Description of tender or quotation opportunities, or linkages into existing tender notification systems
- Information about how various organisations are addressing targeted/preferential procurement in terms of strategy, policy, and infrastructure
- Chat room/bulletin board or other area within which website users can interact, post questions, etc

New newsletters or a dedicated publication could be another effective way for procurement stakeholders to keep up to date on cross-cutting issues. This could be done monthly or quarterly, and would include input from all stakeholders about the various ongoing initiatives, as well as acting as a receptacle for questions and debate on related issues.

b) **Lead agents & other role players**

The most effective lead agent for the above is most likely to be either **government (the dti)**, the **Proudly South African** organisation on a wider basis, or an **Organised Business** organisation such as the Corporate Small Business Development Forum (CSDF) who can roll-out activities to a narrower membership base, on a test basis.

Other role players will be needed to ensure the effective implementation of the strategic options as participators in debate and discussion as well as providing resources for and participating in a website, and any procurement specific publications, etc.

c) **Timings**

The strategic option above could be rolled-out as soon as the necessary resources in terms of driver, information, funding, etc have been secured. The impact of the above can therefore be realised in a relatively **short term**, 2-3 years after initial implementation.

d) **Examples**

Domestically, **preferential procurement sites** include: <http://www.targetedprocurement.com> (home of Targeted Procurement related information) and <http://www.pwdprocure.gov.za> (Department of Public Works' procurement site).

Proudly South African has established a website that addresses the cornerstone issues of its establishment, namely local content, quality, environmental and labour standards. The website already touches to some degree on procurement issues, and is regularly updated.

Internationally, an example of the use of an internet tool in targeted purchasing decisions has been demonstrated in **Denmark, in its "Green-Net"** containing an introduction to green procurement with advice and guidance on how to structure a green policy, and secondly a

product-oriented section with information about the requirements for specific products.⁴

3.2.2 Establish a *formal* mechanism for all targeted/preferential procurement role players to meet and discuss cross-cutting issues

a) Mechanisms

Networking in a structured way through seminars, workshops and conferences or by establishing a new forum drawing on existing work in the multi-stakeholder structures (e.g. ‘Proudly South African’) and private sector (e.g. Corporate Small Business Development Forum).

Agreements between all stakeholders as to the goals and targets for targeted/preferential procurement overall with regular tracking and monitoring as well as report backs to each other, would be another approach to creating a permanent forum. These agreements are best done on a sectoral level, and should include specific product targets for the sake of effectiveness and accountability as well as including specific reporting milestones.

b) Lead agents & other role players

The above approach could be driven either by **government (dti and Treasury)**, or by a multi-stakeholder organisation such as **Nedlac**, where targeted/preferential procurement could be further debated. Agreements should ideally be sectorally led through industry associations or a combination of stakeholders in each industry.

Other role players will be needed to ensure the effective implementation of the strategic options as participators in debate and discussion as well as providing endorsement for any agreements signed, and encouraging individual groups of businesses as purchasers and suppliers to participate in the forum.

In particular, it is essential to feed into the ongoing sectoral initiatives both in terms of drafting of agreements and the sector summit processes, as well as linking into ongoing research being conducted by the DPSA and BEE structures within **the dti**, in terms of targeted/preferential procurement.

c) Timings

Networking activities, given sufficient resources, can begin almost immediately, and the effects should also be felt quickly thereafter, to some degree although it may take a couple of years to build up a strong and effective participant network.

Agreements, specifically sector agreements can take up to two years to draft and sign (based on case studies conducted), and the impacts will

⁴ See Green Purchasing in Europe’s Public Sector case study for further mechanisms used internationally

only be felt to a large extent two years after that, making this a medium term approach.

d) Examples

The **National Minority Supplier Development Council** in the US hosts several types of formal **networking activities** such as minority supplier trade fairs, conferences and workshops.

The 2003 Conference and Business Opportunity Trade Fair, has a theme of “Minority Businesses and Corporate America: Leveraging Alliances to Energize the Global Economy” and will feature over 600 corporate booths, an awards banquet, as well as nationally recognised speakers such as: Corporate CEOs, purchasing Executives, Minority Entrepreneurs, and government decision-makers.

In terms of **agreements**, **South Africa** demonstrates through **several examples**⁵, the need to develop specific product targets, rally significant resources committed to the implementation of the clauses in the agreement, and include a measurable, tangible mechanism for reporting and accountability for each of the parties signing the agreement.

3.2.3 Create a formalised structure for the integration of all targeted/preferential procurement initiatives

a) Mechanisms

Key mechanisms within this approach would include:

- **Policy, strategy, and regulation** – the **creation of a new structure** within government dedicated to the direction of all types of targeted/preferential procurement (e.g. Central Purchasing Office), with close ties to private sector initiatives, and the mandate to not only set out a clear and consistent strategy for targeted/preferential procurement in South Africa, but also to regulate if necessary, private sector compliance with targeted/preferential procurement goals. Such a structure would also require co-ordination and “feeding in” from any local, and provincial government initiatives concerned with targeted/preferential procurement at that level.
- **The expansion** of the Department of Treasury’s **Supply Chain Management Office** to take on the powers outlined above
- **Cross-stakeholder structure** that provided leadership to both public and private sector procurement

b) Lead agents & other role players

As the stakeholder most empowered to lead the economy as a whole (through regulation if necessary), **government** is best suited to drive the integration process. The most effective drive would come from a **joint dti-Treasury** approach, though with this option as well, it would be

⁵ See Sun International-SACTWU and ICT Sector Agreement case studies in [Case Studies](#) document

critical to include the work currently being conducted by the DPSA on BEE procurement.

Other role players to engage in implementation of the above are needed as participants in debate and discussion as well as providing resources for an integrated approach (including dedicated targeted/preferential purchasing staff within the organisations), and a regular reporting mechanism feeding into the centralised structure. They are also needed in terms of bringing companies on board voluntarily, as well as advising on any policy amendments in this area and in terms of monitoring compliance/progress within companies.

Multi-stakeholder structures, in particular, would play critical roles as participators in debate and discussion, in terms of bringing all stakeholders on board. Multi-stakeholder structures may also be able to contribute information and human resources for co-ordinating the effort with the Central Office.

c) **Timings**

The above option is a **medium to long term** one, both in terms of implementation, due to some degree of legislative reform needed for changes to be enacted, as well as in terms of impact, which would only start to be measurable several years after roll-out.

3.3 Assessment of strategic options

Kaiser Associates recommends the adoption of an approach that incorporates both the informal and formal co-ordination mechanisms described above, as both are needed in order to properly engage all stakeholders and keep procurement as relevant and current as possible in terms of daily interactions between purchasers and targeted suppliers.

Integration is not recommended as it will undoubtedly be a wieldy process, and does not leave scope for any nuances and less flexibility in changes of emphasis between targeted criteria around local content versus BEE versus environmental factors, etc.

POLICY, LEGISLATION AND BINDING AGREEMENTS

4 Effective implementation of relevant provisions within existing legislation and stakeholder agreements

4.1 Problem analysis and current related activities

Existing preferential procurement legislation is not being used to its full effect in relation to local content, industry development and employment, and is not being implemented consistently across all organisations within the public sector. In particular, the following areas are not being fully implemented:

- Local content (Section 12 (1)) and specific goals tied to related RDP socio-economic objectives (12(3)) in terms of the [Preferential Procurement Policy Framework Act regulations](#). Utilisation of **the dti's** power to designate sectors for exclusive local procurement in terms of (Section 12 (1), currently only used to temporarily designate clothing, textiles, leather and footwear)
- Provisions in terms of Targeted Procurement Framework to consider local content/use of local resources ([TP \(APP4\)](#))

In addition, some current practices fall outside of the legislative framework:

- Some parastatals and government structures are practicing set asides or step-in mechanisms, with the development of some practices pre-dating the PPPFA
- In some cases (e.g. Eskom), they have received exemption from National Treasury, but this may be reviewed as entities are expected to fall in with the Supply Chain Management Framework Guidelines

This situation may be related to a range of issues, including:

- Significant changes in the procurement policy landscape since 1994, with a period of limited guidance prior to the enactment of the PPPFA in 2000
- Uncertainty around the timing of the shift away from the Tender Board system
- Primary focus on BEE ownership (and in some cases small business development) as defining preference, and confusion about the relative priority of other socio-economic objectives tied to procurement
- While government resources have been invested in training procurement officials, it appears that the results of these efforts have been inconsistent (possibly due to turnover of officials in some cases) and where awareness does exist, it is sometimes superficial
- Lack of coherence and co-ordination in the actual procurement practices of public entities; many have not gone beyond a commitment to implementing the relevant legislation to develop their own coherent procurement cycle/procedure in line with the legislation and their specific mandate

At a sectoral level, numerous binding agreements have been reached that relate to preferential procurement, which have not been fully implemented as yet, including the following sectors:

- Clothing and Textiles ([sector summit agreement](#))
- Information and Communication Technologies ([sector summit agreement](#))
- Liquid Fuels ([charter](#))
- Mining ([charter](#))
- Construction Industry (targets and guidelines [6](#) and [10](#))

Current activities that may impact on these issues include:

- Implementation of [Supply Chain Management Framework](#), which may improve awareness and planning to some degree by improving overall process management
- Review of Targeted Procurement, and likely response to findings emerging from the review⁶
- Planning for further sector summits, such as the Metals and Engineering Sector Summit

⁶ More details can be found in the Targeted Procurement case study

As private sector preferential procurement has, to some degree, followed government leadership, this has also shifted slowly but inconsistently, with an emphasis on BEE ownership and small business development, rather than local content procurement, labour and environment.

4.2 Strategic options

4.2.1 Enhance communication of legislative and regulatory requirements

a) Mechanisms

Information dissemination through:

- Wider and more regular circulation of explanatory notes on PPPFA and regulations, Supply Chain Management Guidelines and policy, etc.
- Communication with both government and (where applicable) parastatal procurement officials and those involved in the entire procurement cycle
- Regular forums for information-sharing with purchasers

b) Lead agents and other role players

Government (National Treasury), as the department with overall responsibility for procurement, would need to coordinate and drive the communication effort.

However, **the dti** would need to be involved in developing the core message around value matrix development and empowerment that would be conveyed through the communication.

In addition, **Provincial Treasuries and Municipal Finance Departments** would need to roll out communications at provincial and local levels respectively

Other role players, such as organised business, labour and Proudly South African could play a role in passing on information to their members and providing input into the key areas where communication is required.

c) Timings

This initiative could begin almost immediately through existing channels, and would need to be ongoing due to the turnover of officials and the need to disseminate information on new issues.

The impact might be felt from the short to medium term.

d) Relevant examples

The European Green Purchasing case study provides some examples of new letters, internet tools, catalogues and purchaser networks and workshops as tools to increase understanding of procurement.

4.2.2 Develop and disseminate strategy development and process guidelines to improve understanding, consistency and planning

a) Mechanisms

Guidelines and toolkits-

It is not sufficient for those involved in procurement decision-making to understand the legislation as it stands. They also need to be able to interpret what the implications are for their procurement strategy and day-to-day processes, and implement these changes in a fair, competitive, transparent and equitable way.

While some organisations may have sufficient internal capacity to manage this process, others may require further assistance in the form of guidelines that drill down on the decision-making process to establish and organisational preferential procurement systems that are aligned with the relevant legislation, while taking into account the specific mandate and context of that organisation.

These **guidelines** need to be written in a style and language that is accessible to all those involved in the procurement cycle i.e. those that identify a need, those that interpret the need into a tender specification, those that manage the invitation to suppliers, those that select the supplier, those that manage contract execution, and those that monitor and evaluate the direct and indirect impact of procurement. These different audiences may be addressed in one guideline, or a modular “manual” with sections that relate to each stage of the cycle.

b) Lead agents and other role players

Government (National Treasury) would need to drive this process, with input from **the dti** by provincial treasuries and municipal finance departments, with rollout across all government entities

Other role players, such as departments, parastatals or other government structures, as well as leading South African corporates that have already developed procurement guidelines, could provide input on the lessons they have learned through those processes.

c) Timings

This initiative could be implemented in the **short to medium term**, as negotiation around the content of the guidelines would be required, and time would be required for drafting.

The impact would probably begin to be felt in the medium to long term.

d) Examples

The experience provided with the implementation of **Targeted Procurement**, which includes process guidelines, could be valuable in avoiding potential pitfalls (see [Targeted Procurement Review](#)).

Furthermore, the preferential procurement guidelines developed by the **Construction Industry Development Board**, while developed for sectoral use, serve as an example of what could be included in guidelines, perhaps in a simplified format.

Existing procurement policies developed by government structures such as [Potchefstroom](#) and the **City of Cape Town**, provide some indication of what such guidelines might include.⁷

4.2.3 Train procurement officials on the benefits of consideration of socio-economic issues in procurement decision-making

a) Mechanisms

Training and human resource development is needed such as:

- **Workshops** (in-house or outsourced), possibly part of wider Supply Chain Management training
- **Formalised induction of new officials**, with inclusion of the role of procurement as a policy tool for socio-economic development in terms of both broad-based empowerment and local content

b) Lead agents and other role players

Government (National Treasury and the dti) would need to develop the training content and coordinate interventions across the whole of government

Other role players would include provincial and municipal finance structures, training service providers and unions that organise amongst procurement officials (e.g. SAMWU, SASAWU, NEHAWU)

c) Timings

This training could begin in the **short-term**, ideally tied to training about the Supply Chain Management Framework, and would need to be ongoing, with the impact potentially felt quite soon after the training.

4.2.4 Extend and refine implementation of Targeted Procurement and other preferential procurement tied to contract execution

a) Mechanisms

Co-ordination - The piloting of the implementation of Targeted Procurement by the Department of Public Works has led to a review of Targeted Procurement. The issues emerging from this review should be considered and addressed in relation to Targeted Procurement.

In addition, insights can be drawn from this process for the wider inclusion of contractual conditions in the implementation of preferential

⁷ See Potchefstroom case study for more details on that case. Copies of the City of Cape Town [draft policy documents](#) are on the CD-ROM, but the final policy may be obtained from the City of Cape Town

procurement. Of particular relevance to this study, is the wider implementation of contractual conditions similar to the TP (APP4) resource specification for the targeting of local resources.

b) Lead agents and other role players

Government, and specifically, the National Treasury, Department of Public Works and Cabinet would need to drive the response to the review and subsequent amendments.

NB: The officials dealing with these processes would need to be made aware of the findings of the FRIDGE procurement study.

Other role players, such as the construction industry and other entities that have piloted Targeted Procurement and the use of conditions of contract, could provide input on lessons learned, required changes, and the implications of extending a system such as Targeted Procurement beyond construction and engineering contracts. In addition, Organised business and labour could be involved in the consultative process.

c) Timings

Action will be required in the **short term** in order to influence the response to the Targeted Procurement Review. The **impact** might be achieved in the **medium-term**.

d) Examples

The process undertaken by the **Construction Industry Development Board** to improve the effectiveness of preferential procurement in the sector provides an example of a process towards refining the application of targeted procurement.

4.2.5 Clarify “local content” definitions and relationship to economic development, and relative importance of various preferential procurement objectives

a) Mechanisms

- **Regulation** on the potential definitions of “local” and preferred definition (materials and labour content, value add, rather than enterprise location)
- **Guidelines/toolkit** on the hierarchy of content preference, depending on availability of suppliers and strategic focus areas:
 - i. Geographical local content
 1. Municipal
 2. Provincial
 3. National
 4. SADC
 5. Africa
 6. Other
 - ii. Product/service cluster

1. High priority product/service cluster with existing competitive capacity
2. Product/service cluster targeted for development (potential for competitive capacity)
3. Product cluster not viewed as competitive or priority

b) Lead agents and other role players

If a formal regulatory approach were taken, then **the dti with National Treasury** would need to be the lead agents. Alternatively, if an informal, guideline-oriented approach were taken, **Proudly South African** might drive the process in partnership with sectoral structures and associations.

c) Timings

This initiative could be implemented in the **short-term**, and could feed into an impact on procurement practice from the short to medium-term.

d) Examples⁸

- **Potchefstroom Municipality** - integration of local content into points preference
- **Ekurhuleni Metro** - definition of local content tied to LED, but with acknowledgement of hierarchy of definitions
- **Eskom** - hierarchy of preference of enterprise types, with primary focus on finding productive capacity

4.2.6 Strengthen implementation capacity for legislation and sectoral agreements

a) Mechanisms

- **Appointment of additional skilled supply chain management and procurement officials** (over and above training of existing officials)
- Ensuring sufficient monitoring and evaluation capacity
- **Co-ordination and networking partnerships with private sector** to enhance public sector capacity (e.g. technical assistance, mentorship programmes, secondments)
- **Allocation of appropriate implementation capacity by all constituencies** to procurement aspects of sectoral agreements

b) Lead agents and other role players

Lead agents should be **government (DPSA)** with all spheres of government to strategically build government procurement capacity. **Organised business, labour and government** (within sectoral processes) would be needed to boost their implementation and co-ordination capacity.

⁸ See [Case Studies](#) document for further details

Other role players would be required to facilitate the design and implementation of sectoral agreements, including Nedlac, sectoral industry structures and Proudly South African.

c) **Timings**

This intervention could be rolled out in the **short to medium term**, and its **impact** could be felt in the **medium term**.

4.2.7 **Support by high-level leadership, encouraging implementation of preferential procurement policy and legislation**

a) **Mechanisms**

The case studies have indicated that **active support and championing by leadership** are key to the effectiveness of preferential procurement, particularly in the rollout across an institution. Statements and actions by key leaders leadership in the public and private sector on the value of preferential procurement and appropriate localisation of supply chains in meeting socio-economic [RDP] objectives could therefore be a powerful tool for change.

b) **Lead agents and other role players**

Nedlac and Proudly South African would need to serve as catalysts by raising awareness amongst key leadership figures around the importance of visible support for preferential procurement in its various forms. Once this awareness had been raised, **government, business (organised and key corporates) and labour leadership figures** would need to drive change within their structures.

c) **Timings**

Implementation could begin immediately, but the impact of the intervention would depend on the level of buy-in achieved, and might only be felt in the medium term.

4.3 **Assessment of strategic options**

Kaiser Associates' recommendation is that, subject to resource availability, a combination of the various options is implemented. In the short-term, change can be affected by improving communication and training around existing legislation. In parallel, work can be done to develop and disseminate guidelines, extend the use of contractual conditions and strengthen implementation capacity.

5 **Legislative and regulatory amendments and further (sectoral) stakeholder agreements**

5.1 **Problem analysis and current related activities**

While much can be done to improve the socio-economic impact and quality of procurement within the current framework, further legislative changes might extend this potential. In particular, the following issues have been identified:

- **Need for alignment of the PPPFA and regulations** with the principles of the [broad-based BEE strategy](#), including wider definition of empowerment, as well as clarification of local content preference, employment and industry development objectives
- **Taking up some of the debates that were reflected in the [Green Paper](#)** on Transforming Public Sector Procurement that have not been fully carried through into subsequent policy and legislation, including the approach to foreign suppliers and environmental requirements.
- Absence of **country of origin labelling** requirements/legislation.

Current activities in this area that may have an impact include the following:

- The [Supply Chain Management Framework](#) aims to address, amongst other areas, life cycle costing and consideration of labour standards compliance by suppliers.
- The dti is in discussions with Treasury about proposed amendments to the PPFMA to increase the impact on BEE and further address local content
- Continued lobbying by social partners for country of origin legislation⁹
- The various sectoral strategy development processes that are underway, such as sector summits, charters, and dti sector strategy development processes, provide forums through which agreements on procurement can be reached, in a manner which is integrated into the wider vision for a sector and the programmes to achieve that vision.

5.2 Strategic options

5.2.1 Amend the Preferential Procurement Policy Framework Act and/or regulations

a) Mechanisms

Policy, strategy, and regulation including:

- Legislative amendments in line with new BEE framework, incorporating “productive empowerment” and the “balanced scorecard”
- Regulatory amendments or practice notes under the Supply Chain Management Framework to provide greater clarity on the process implications of these amendments

b) Lead agents and other role players

National Treasury would need to lead this change, with input from **the dti** and the Nedlac constituencies.

c) Timings

⁹The Clothing and Textiles Sector Summit reached [agreement](#) on the establishment of country of origin labelling for all products within the sector by March 2001, but this has not been implemented as yet.

Legislative amendments might be possible in the **short to medium term**, with their impact being felt in the medium-term.

5.2.2 Country of Origin Labelling

a) Mechanisms

Policy, strategy, and legislation - for the past few years, country of origin labelling legislation has been under discussion. This could be effected through amendment of Merchandise Marks Act, or alternatively through a separate piece of legislation.

b) Lead agents and other role players

The dti would need to lead this process, as it falls within its area of legislative authority.

Other role players, such as organised business and labour, would need to continue to **lobby** for such changes and provide **technical input** where necessary.

c) Timings

Legislative changes might be implemented in the **short to medium term**, depending on the selected vehicle for these changes. The **impact** of such an intervention might be felt from the **medium term**.

5.2.3 Consider “productive” empowerment in BEE Act and/or related regulations

a) Mechanisms

Legislative, regulatory, or less formalised clarification of the need to ensure that empowerment does not just build a layer of middle-men distributors, but contributes to wider value matrix growth and employment, **possibly through integration into understanding of “indirect empowerment” in “balanced scorecard”**.

b) Lead agents and other role players

The dti would need to drive this process, with input from organised BEE structures, organised business more widely, organised labour and Proudly South African.

c) Timings

Given the likelihood that the BEE Act and associated regulations will be published in the **short term**, rapid action will be required to impact on this process. The impact could be felt in the medium term.

d) Examples

Eskom's preference for productive suppliers, and their hierarchy of preferred suppliers serves as an example of an approach to productive empowerment.

5.2.4 Further legislation or regulation to carry forward those aspects of the Green Paper on the Transformation of Public Sector Procurement that have not yet been addressed

a) Mechanisms

Proposals made in the Green Paper that have not been fully carried through that might merit further investigation:

- **Ensuring greater economic benefits from tenders that go to foreign contractors** e.g. skills transfer, capacity building and the benefit of local industry are taken into consideration
- **Consideration of quality** (full and proper specification of requirements, prequalification where required, quality register, consignment inspection)
- Consideration of **environmental standards**

b) Lead agents and other role players

Government would need to be the lead agent in any **legislative changes (National Treasury**, with input from **the dti** and DEAT on foreign suppliers and environmental issues respectively).

Other role players, such as **organised labour, business and Proudly South African**, would need to **lobby** and provide **technical input**.

c) Timings

It is likely that these legislative changes would only be implemented in the **medium to long term**, although lobbying and drafting could begin immediately. The impact would only be felt in the long term.

5.3 Assessment of strategic options

Kaiser Associates' recommendation is to initially focus on influencing legislative processes that are already under consideration, such as possible amendments to the PPPFA that are already under discussion, the BEE Act and regulations, along with practice notes that will be issued in terms of the Supply Chain Management Framework. If sufficient resources are available and the requisite buy-in can be developed, a longer-term process of wider legislative amendments could be considered.

TRADE AND FOREIGN INVESTMENT

6 Ensuring future multilateral and bilateral trade negotiations retain sufficient scope to use procurement as a tool for socio-economic development

6.1 Problem analysis and current related activities

Numerous WTO issues relate to preferential procurement, including the following:

- South Africa has chosen to date not to become a member of the WTO's plurilateral [Government Procurement Agreement](#). While South Africa has no intention to become a signatory to the plurilateral Government Procurement Agreement, a “restrictive” version of the potential Multilateral Agreement on Transparency in Government Procurement might in practice extend beyond transparency to increasing the accessibility of government procurement to international suppliers and restricting government's ability to use procurement as a tool for socio-economic transformation and industrial development. It is possible that current members of the plurilateral Government Procurement Agreement may try to work aspects of the plurilateral agenda in the multilateral agreement; countries of the South are expected to counter this tendency by seeking to limit the powers of any such agreement.
- There is pressure by some WTO members to extend the scope of the General Agreement on Trade in Services (GATS) to include government procurement.
- The agreement on Technical Barriers to Trade ([TBTs](#)) requires that standards and technical regulations should not be used as a disguised barrier to trade or to discriminate on the basis of country of origin.
- The agreement on Trade Related Investment Measures ([TRIMS](#)) currently places some restrictions on offset programmes and local content obligations, but there is significant debate within the WTO around these issues, with some countries of the South arguing for the right to continue to use certain investment measures to contribute to industrial development

The outcome of the upcoming WTO negotiations is unclear despite the commitments emerging from the [Doha Ministerial](#) declaration ([explanation](#)), given the current international political and economic context.

In addition, the potential exists for restrictions to be placed on procurement policy and practices through bilateral trade and economic cooperation agreements. For example, the US has indicated its intention to place government procurement on the agenda of US -SACU Free Trade Agreement negotiations. This is a trend which is emerging in other bilateral agreements, as is demonstrated by the EU's recent bilateral trade agreements with Chile and Mercosur. There is also some expectation in terms of the SA-EU Trade Development and Cooperation Agreement that government procurement will be discussed in future.

6.2 Strategic options

6.2.1 Retain non-member status of plurilateral Government Procurement Agreement (GPA)

a) Mechanisms

Agreement could be reached between constituencies on a position of not acceding to the GPA.

b) Lead agents and other role players

Government (lead by **the dti**) would need to drive this initiative, with input from business, labour and community. This might be facilitated by Nedlac.

c) **Timings**

This intervention could be implemented in the **short term**, and appropriate preparations should be made for Cancun and future WTO negotiations. The **impact** in this case will be felt if implementation does not take place, and would be felt from the **medium to long term**.

6.2.2 Work (in alliance with like-minded WTO members) to retain policy scope in a multilateral agreement on Transparency in Government Procurement

a) **Mechanisms**

Development of appropriate **agreed negotiating position** for the September 2003 WTO meeting in Cancun, Mexico, as well as for future negotiations.

b) **Lead agents and other role players**

Government, more specifically **the dti**, would be required to lead this intervention.

Other role players could contribute through advocacy and technical input.

c) **Timings**

This intervention could be implemented in the **short to medium term**, and appropriate preparations should be made for Cancun and future WTO negotiations. The **impact** in this case will be felt if implementation does not take place, and would be felt from the **medium to long term**.

6.2.3 Ensure that USA-SACU trade agreement negotiations (and any future trade negotiations) take into consideration the role of procurement in socio-economic development

a) **Mechanisms**

Constituency **agreement** is needed on the development of a negotiating position that retains the right to use procurement as a tool for socio-economic development (in particular empowerment, small business development and regional/local development, potential also development of priority sectors) in a manner that is fair, equitable, transparent and competitive.

b) **Lead agents and other role players**

Government, more specifically **the dti**, would be required to lead this intervention, with organised business and labour providing input and negotiating through Nedlac structures.

Other role players could contribute through advocacy and technical input.

c) Timings

It is vital that the opportunity to influence the US-SACU negotiations is not missed, and action will therefore need to be taken in the **short term**. In this case, the impact is likely to be most felt if action is **not** taken, in the medium to long term.

d) Examples

The Declaration by the Labour Movement of Central America concerning the United States-Central America Free Trade Agreement provides an interesting example of a position in relation to maintaining the scope to utilised procurement as a tool to “pursue legitimate social goals”.

6.3 Assessment of strategic options

Kaiser Associates recommends that all these options are implemented, as a failure to implement any one of them might have significant consequences by restricting procurement policy scope, as well as setting a precedent for future negotiations.

7 Create greater linkages with FDI activities

7.1 Problem analysis and current related activities

Although **the dti’s** Industrial Participation Programme requires participating companies to invest a proportion of the value of their trade deal in South Africa, up to now, specific investments in terms of developing targeted suppliers in priority sectors, or procuring from targeted suppliers, has not yet played a major role in these types of deals.

Investment in localisation of supply chains is taking place in certain sectors, when multinationals are able to put together a cost savings argument to do so.¹⁰ There are also cases where investment by multinationals appears to be done with a view to reducing or eliminating local production capacity and only retaining warehousing, repackaging and distribution facilities, which is obviously detrimental to employment, growth and value matrix integration.

7.2 Strategic options

7.2.1 Link local content and other targeted procurement into the Industrial Participation Programme (IPP) for current investments

a) Mechanisms

Using **policy, strategy and regulation** would be an effective way in which to build targeted procurement into overall economic development activities in South Africa, and specifically build a link into investment and knowledge coming into the country.

¹⁰ See Toyota [case study](#) as an example

Discussions should take place about the way in which procurement and/or supplier development within priority sectors can be built into the current credits system for companies trading with South Africa who have an investment requirement to meet, with the view that targeted procurement is a key tool in economic development.

b) Lead agents & other role players

Obviously, **government (the dti)** would be the ultimate implementer of this approach and as such may also play the lead agent role in this integration. It could however, also be engaged in discussion through a third party, such as a **multi-stakeholder structure** or one of the **parastatals (e.g. IDC.)**

Other role players can support this initiative by engaging in debate and discussion through various forums. **Organised business** and **labour** can also play an advocacy and lobbying role in terms of putting pressure on government to examine the idea of integration of targeted procurement into the IPP.

c) Timings

Given the existing structure of the IPP, once an appropriate driver has been identified, discussion with the IPP (if instigated by a third party) can begin almost immediately. The impact of any supplier development activities may only be felt in the medium term, but straight procurement from targeted suppliers can have a tangible impact in the short term.

7.2.2 Extend Industrial Participation Principles to other FDI

a) Mechanisms

The possibility of extended the principles applied in [Industrial Participation](#) to investments below the current threshold could be explored, in a less onerous and administratively intensive form. In addition, requirements around not using investment as a vehicle to close down South African productive capacity could be explored. Care would need to be taken to avoid a mechanism that placed very different obligations on foreign investors than those placed on local investors.

This could initially be implemented through communication and networking with multinationals thinking of investing in South Africa, as well as existing players in the market.

Should it prove to be a feasible option, it would then require policy, strategy and regulation. In cases where there is not a strong cost or profit argument for the multinationals, there may be other methods of incentivisation that needs to happen in priority sectors where investment in local content is necessary for increased competitiveness of South African suppliers and or employment issues, etc.

b) Lead agents & other role players

Government (the dti, TISA) should initiate this strategic option by engaging in discussions with multinationals.

Other role players can support this approach as participants in debate and discussion, by putting pressure on both government and multinationals to address this issue, as well as by providing information on investment opportunities in particular sectors.

c) Timings

The discussions within multinationals can begin in the **short to medium term**, as soon as the necessary research has been conducted to be able to put a strong economic case forward. The impact could be felt from the medium term.

d) Examples

Lessons could be drawn from the experience of current IPP participants, such as BAE-SAAB¹¹.

7.3 Assessment of strategic options

In order to comprehensively address some of South Africa's economic development needs around competitiveness in priority sectors, **Kaiser Associates recommends** the implementation of the first option, with tentative exploration of the possibilities for expansion of IPP principles to wider foreign investment.

SUPPLIER DEVELOPMENT

8 Prioritised and strategic supplier development and education

8.1 Problem analysis and current related activities

Lack of suppliers understanding of purchaser's needs and process

The case studies, and input from the Tender Advice Centres reveal that there are numerous instances where suppliers, particularly small businesses, have unrealistic or ill-informed understanding of the key purchasing criteria and purchasing process for each type of purchaser.

In some cases, there may be a failure to recognise that they cannot realistically (or not ready as yet to) compete in terms of product quality or service levels, or have been slow to transform in terms of BEE. Some may consciously or unconsciously be using the local content argument to compensate as a vehicle to pressurise purchasers.

Complete information on the potentially cost and quality competitive domestic supplier base is not available. However, it is evident that there are not as many

¹¹ See the [Case Studies](#) document for further details

competitive suppliers as there might be with further targeted interventions, and the sustainability and extension of the impact of preferential procurement is dependent on the growth of this supplier base. However, there is recognition by most role players that there are insufficient resources to grow all potential supplier areas, and that prioritisation will need to take place.

Some significant efforts have been made in this area, including:

- Tender Advice Centres
- Supplier development programmes by individual purchasers, particularly parastatals and large corporates
- Proudly South African workshops on understanding tenders

Nevertheless, many supply-side interventions have been uncoordinated, lacked focus, or had ambiguous objectives (e.g. poverty alleviations vs. development of competitive suppliers). They were seldom successfully linked into a wider vision for a sector.

8.2 Strategic options

8.2.1 Integrate with sector strategies and existing government procurement-related supplier development programmes

a) Mechanisms

Co-ordination with sector summit, charter and dti sector strategy processes. It will be important to see supplier development within the wider context of both domestic and export market development, as the feasibility of developing particular product or service clusters will depend on the effect of both these markets, in terms of both potential volumes and potential competitiveness.

Further encouragement of targeted **extension from non-core to core procurement areas** is also required in order to increase the opportunities for suppliers and transform manufacturing.

b) Lead agents and other role players

The dti and relevant Cotii structures, including MACs, Ntsika and Tender Advice Centres, SABS training should lead this initiative.

c) Timings

These changes could be rollout out in the **short to medium term**, with the impact being realised in the medium to long term.

d) Examples

The Malaysian government's vendor development programme and the Australian Industry Supplies Office analysis process to identify focus areas for supplier development, provide some interesting insights.¹²

8.2.2 Extend key purchaser's supplier development initiatives

a) Mechanisms

¹² See Malaysian and "Fair Go for Queensland" [case studies](#) for more detail

Awareness raising about the requirements of purchasers can be done in a variety of ways, including:

- workshops and seminars led by purchasers,
- mentoring programmes
- publications outlining what is required to supply a particular industry or major player within an industry

Training may include **training on both business and technical areas**.

Greater **information exchange** and **networking** could take place between the various supplier development programmes, in order to share best practice and improve consistency. Additional resources might also be secured to feed into these programmes.

b) Lead agents & other role players

Organised business and **individual companies** should take the lead on this. Existing initiatives, such as the Corporate Supplier Development Forum (CSDF) could play a powerful role through expanding their existing service.

However, in order for it to be as widespread in application as possible, **government (the dti)** should also offer support in helping purchasers to initiate or improve their supplier development programmes. **Other role players**, including labour and multi-stakeholder structures can support this option by encouraging members of its constituencies to acknowledge and contribute as much as possible to targeted supplier development as a tool in building the economy overall.

c) Timings

If proper resources are put in place, including sufficient backing from business leadership, then supplier development activities could begin quickly, although the impact may only be felt a couple of years after implementation. Once again, building on or modelling on current activities taking place in the private sector will make roll-out more efficient.

d) Examples

Domestically, companies such as **Anglo American** are developing suppliers, either through training programmes or through joint-ventures, and along with companies such as **Sasol Oil**, are looking at ways to increase preferential procurement in core, as well as non-core, areas.¹³ Numerous parastatals have also initiated supplier development programmes, from which lessons can be learned.

Internationally, **National Minority Supplier Development Council's** (NMSDC) members (in the US) engage in a variety of supplier awareness and development initiatives including: mentoring, training/education initiatives (either in-house or supplying 3rd parties who

¹³ See Corporate and Parastatal sections of the [Case Studies](#) document for more details

train suppliers with textbooks and training manuals used within the company), support with financing, and even entering into strategic alliances, etc for further supplier development.¹⁴

8.2.3 Extend role of Tender Advice Centres (TACs)

a) Mechanisms

In order to make the Tender Advice Centres more effective, their role needs to be extended to include **training** of potential suppliers on the requirements of purchasers and what it takes to be able to deliver an order in terms of planning as well as delivery.

b) Lead agents & other role players

Government (the dti), as the key partner for TACs must be prepared to assist with the necessary resources in terms of funding in order to transform them from bodies that intervene only at the last stage of the tendering process, and help fill in documentation.

Individual businesses would also need to be involved in terms of giving input on their requirements, and perhaps spending time in discussions with potential suppliers going through training.

c) Timings

Although putting the resources in place may take some time given government planning cycles, once necessary funds are committed and staff members at TACs are trained, training for suppliers can begin in a few months. The impact of this training will start to be felt immediately on a case by case basis as tenders are won, but in terms of monitoring and evaluating the impact for the sector overall, this will only be seen in the medium term.

d) Examples

TAC training could be modelled on training done by corporates in the private and parastatal sectors, as discussed above.

8.2.4 Develop additional supply-side measures and incentives

a) Mechanisms

Further incentives (e.g. bridging finance, technical support) could be designed to support qualifying suppliers, in line with new Black Supplier Development Programme

b) Lead agents and other role players

The dti would need to lead this initiative.

c) Timings

The implementation of this initiative could take place in the short to medium term. The impact would mainly be felt from the medium term.

¹⁴ See NMSDC [case study](#) for more details

8.2.5 Work with multinationals operating within South Africa on targeted supplier development

a) Mechanisms

Through **policy, strategy and regulation**, it should be possible to engage multinationals operating within priority sectors in South Africa about using procurement and supplier development to localise more of the supply chain, resulting in positive economic benefits for the multinationals as well as for South Africa.

One method for achieving this may be to develop **supply-side measures** which incentivise multinationals that would otherwise not necessarily look at localisation, to re-examine their supply chain and the economic arguments for manufacturing more locally, and/or procure more locally from targeted suppliers.

b) Lead agents & other role players

Government (the dti, TISA) could initiate this strategic option by engaging in discussions with multinationals about the potential areas of localisation of supply chains and key areas of required support.

Other role players can support this approach as participators in debate and discussion, and by putting pressure on both government and multinationals to address this issue.

c) Timings

Although creating the proper supply side measures is a **medium term** goal, the discussions about the shape of these measures and the types of development activities that could take place in targeted procurement within priority sectors can begin quickly. The impact of this type of intervention can only begin to be felt in a significant way in the medium to long term.

d) Examples

In South Africa, Toyota SA has expanded its localisation of production for cost efficiency reasons, after realising that on one product alone, Toyota SA is saving R160m p.a. on components compared to landed costs of Japanese-sourced components (after its costs in investing in new tooling capacity etc.)¹⁵ Toyota is closely involved in supplier development activities with its existing supplier base to be able to achieve further localisation in the products it has identified as cost effective.

8.3 Assessment of strategic options

¹⁵ While there are some aspects of the economic argument for localisation that may relate to the particular structure of the automotive industry and international tariff structure for automotive products, there are nevertheless likely to be some cases where it would be appropriate for multinationals to localise aspects of their supply chain

Kaiser Associates recommends a combined approach of all strategic options, beginning with trying to coordinate and maximise the impact of existing systems, which identifying the gaps and providing additional supply-side support to fill these gaps in the medium-term.

ADDRESSING PURCHASER ISSUES

9 Increasing awareness of available qualified targeted suppliers

9.1 Problem analysis and current related activities

Lack of awareness by purchasers of competitive local suppliers

Many purchasers appear to be unaware that a quality local supplier exists that can meet their quality, technical and price requirements. This may be for one of the following reasons:

- New local supplier
- Local supplier has only recently become competitive in supplying that product
- Local supplier is small to medium and/or has limited resources to market to and communicate with potential purchasers, and cannot compete with large (international) companies' client "winning and dining" budgets.

Proudly South African has started to address this issue within its membership through the creation of a "buyer's guide" giving a comprehensive listing of the products and services available from its members, to use in raising awareness and encouraging the private and public sectors to "buy South African." At least 3000 copies of the guide will be distributed to buyers and procurement officers around the country and listing will be free to Proudly South African members. Members will also be able to buy multiple copies for their customers, at cost price¹⁶.

9.2 Strategic options

9.2.1 Create a central point for information on suppliers

a) Mechanisms

The primary mechanisms for developing the above are:

- **Information gathering and management, and**
- **Information dissemination and awareness-raising**

A central contact point can only be as effective as the information it contains, and therefore it is critical to collect information from as many points within the stakeholder framework, including information from: government (e.g. dti BEE structures, National Treasury, ITAC/BTT¹⁷),

¹⁶ <http://www.proudlysa.co.za>

¹⁷ Source for information on applications made for 470.03 and 521 rebates, allow South African companies to import certain products duty-free since they cannot be sourced locally.

multi-stakeholder structures (e.g. Proudly South African), parastatals, organised business (e.g. CSDF, and sectoral associations) and individual companies themselves, in order to understand procurement patterns overall, as well as purchasing needs and resources available from the supply-side on a case by case, continual basis.

It will also be critical that the sources of information are regarded as credible, and therefore, some type of confirmation of details or screening will need to be conducted on information submitted voluntarily from companies directly or via established databases, etc. Information also needs to be updated on a regular basis, so that new suppliers can be added in, if need be, as well as making sure that purchasing requirements are also kept up to date.

In terms of dissemination and awareness-raising, there are several forms that the central point can take in order to effectively achieve this:

- **Buyer's Guides** – containing information on South African suppliers by product category, as well as details of any accreditation, etc designating the supplier as a “targeted/preferential supplier” (e.g. BEE, local content, environment, etc)
- **“Help desk”** – A contact point for both purchasers and suppliers to be able to retrieve information about opportunities, as well as accreditation options, tender processes, etc
- **Database** – a web-based, flexible and interactive database, which could be accessed on a subscription basis
- **Focused purchaser-supplier forums and exhibitions**

b) **Lead agents & other role players**

The lead agent for the above depends on which approaches are chosen. A multi-stakeholder structure such as **Proudly South African** can do all of the above given the resources and mandate, but it will be limited to companies within its membership, which may not necessarily have the desired profiles in terms of targeted/preferential criteria outside local content, environment, labour (e.g. BEE). **Government (the dti)** is another possible lead agent, but only if a central procurement team or department is created with sufficient resources to publish a buyer's guide, or staff a help desk effectively.

Other role players can support this approach by: sharing information about purchasing patterns, tender opportunities, generic specifications, and as active users of the tools created (e.g. database, buyer's guide, etc).

c) **Timings**

Establishment of a central point for information is certainly achievable in the **short term**, of 1-2 years. The timing will depend primarily on how efficiently the driver/owner of the process taps into existing networks of

A link to ITAC/BTT, would allow local suppliers in a particular product area to be aware of opportunities to introduce local products to these purchasers, allowing them to purchase local, rather than import in certain cases.

information, and on the degree to which the data collected needs to be validated. In terms of the impact, this will be felt immediately in terms of suppliers and purchasers being effectively linked, but the take up and monitoring and evaluation of the new resource will most likely only start becoming evident after the second year of operation.

d) Examples

Information dissemination tools have been developed for **Green Purchasing in Europe's Public Sector**, including:

- In Austria, the "Vienna Climate Protection Programme", which coordinated the development of a criteria catalogue for green purchasing. Fourteen working groups were developed to address all the needed products and services for the city, divided by topic: building construction, car pooling, civil engineering, interior equipment, electrical devices, water, office, printing, disinfectants, lighting, food, cleaning, procurement law, public relations, etc. All procurement officials in city government use the catalogue as a guide in making purchasing decisions
- E.g. Sweden's County of Vasternorrland manual, which specifies three levels of product: products that will not be bought under any circumstances, products to be bought in exceptional cases, and preferred products

Furthermore, the **National Minority Supplier Development Council (NMSDC)** has developed a flexible and interactive database, it calls **MY SIS** which stores information on suppliers' profiles and even runs tailored reports based on a purchaser's specific need, which has been invaluable to companies searching for targeted suppliers.¹⁸

9.2.2 Develop a targeted/preferential procurement accreditation service/mark

a) Mechanisms

In order to develop an accreditation system, one would need to create **Guidelines and Tools** outlining the goals and therefore the criteria and processes involved in accreditation. These could be in the form of a handbook, made available to companies for a "self-certification" route, or it could be held by one agency appointed as the official accreditation body.

b) Lead agents & other role players

Likely lead agents for this type of accreditation system are **government** (outsourced by **the dti**), or **Proudly South African**, who given additional resources and mandate, could expand the membership certification process to include other areas such as balanced scorecard empowerment status questions, and confirm the status of members as qualified targeted/preferential companies.

¹⁸ See NMSDC [case study](#) for more details

Other role players can support the initiative through providing input into the development of the system (e.g. SANAS), networking and sharing best practices in terms of similar already established systems, and as users of the service developed.

Individual businesses, organised business and labour can play additional roles in terms of supporting the credibility of such a system and referring colleagues to companies using the system as being appropriate targeted suppliers with which to do business.

c) Timings

The establishment of a new accreditation system or mark is a **medium to long term** initiative, therefore a quicker way to enact this option may be to extend an established system to include targeted/preferential criteria in terms of local content, environment, and labour standards. The impact is most likely to be felt in the medium to long term, depending on the approach taken.

d) Examples

On the BEE side, several **accreditation companies** have been established within the private sector,¹⁹ to lift the burden of confirmation of supplier profile details (as requested by potential purchasers) off of the purchasing organisation. Similarly, SABS has a commercial service for accreditation of quality for companies operating within South Africa²⁰.

Proudly South African also provides accreditation in terms of the companies it allows to use its brand. These companies become 'accredited' as having high quality, locally produced products, which are made in a socially responsible manner and comply with South Africa's environmental standards.

9.3 Assessment of strategic options

Kaiser Associates recommends that the development of a central point for supplier information take precedence over the development of an accreditation mark, as the former is a relatively short-term option both in terms of ability to implement and impact. That said, the verification of information within the central point in terms of supplier profiles will be a critical element in making it successful and widely used, and as such may slow down the roll-out if not the compilation of the information. The verification process may also serve as a strong basis for a later developed accreditation system/mark.

¹⁹ Including companies such as Empowerdex, as mentioned in the Megaphase Trading (and Nedcor) SMME case study, available in the [Case Studies](#) document

²⁰ See [Situational Analysis](#) document for more details on SABS activities

10 Encouraging a “dynamic” approach to procurement

10.1 Problem analysis and current related activities

Inertia in established supplier relationships

Many purchasers prefer to stay with suppliers that they perceive as reliable and tested. In some cases, purchasers automatically renew contracts rather than seeking new suppliers. This can be a problem both for procurement change agents within that organisation, and for new suppliers seeking access. Many of these organisational change agents have been involved in activities to try to shift this inertia, particularly in relation to empowerment and small business development.

Many purchasers are also pressed for time to proactively seek new suppliers, or meet with potential suppliers who request meetings, and will limit the amount of risk they are willing to take with suppliers that do not have an established reputation. This constraint is exacerbated by the lack of visibility outlined elsewhere in this document, as greater effort is required to find “reliable” new suppliers.

10.2 Strategic options

10.2.1 Increase awareness and communication about the benefits of procuring from targeted/preferential suppliers

a) Mechanisms

The most important element for the acceptance by role players of the need to actively develop relationships with targeted/preferential suppliers is **lobbying and advocacy**, through which the benefits of developing these relationships can be conveyed. The more unified and consistent the messages, the more effective this will be as a mechanism for achieving support for targeted/preferential procurement issues.

It will be essential to secure buy-in and a leadership drive amongst constituencies in order to successfully implement targeted/preferential procurement across South Africa. **Championing/drive by leadership** by business leaders in particular, will be critical for the widespread adoption of preferential procurement in South Africa.

Alternatively, **information dissemination and awareness raising** can be accomplished through the publication of pamphlets or publications, through email updates or a website as discussed in the strategic option relating to “Increasing the awareness of suppliers meeting targeted/preferential/preferential criteria.”

b) Lead agents & other role players

Advocacy and lobbying could be conducted by a **multi-stakeholder organisation** (e.g. Proudly South African) in a dedicated and formalised way, but it will only be successful if all stakeholders within the structure (in this case, government, Organised Business, and Labour) are

committed to driving the case for targeted/preferential procurement through their constituencies as well.

Individual business leaders will play a critical role here, in terms of communication and roll-out of preferential procurement throughout their organisations, as evidenced by the fact that companies have been most effective in this arena, when the effort has been endorsed and lead from the top of the organisation, and therefore rolled out in a consistent manner across the organisation in question.²¹

c) Timings

As long as the effort is co-ordinated efficiently, both advocacy and dissemination activities in general, can begin in a relatively short time (approx 3-6 months), particularly if they build on already existing activities in this area. The impact too, is something that can be felt from the short term.

d) Examples

The best example of a local content targeted advocacy and lobbying programme within South Africa is the current initiative between Proudly South African and the Association of Electrical Cable Manufacturers (AECM) wherein they have developed a tailored approach to meeting purchasers, primarily within the public sector, and discussing the merits of buying from local suppliers, as well as discussing the buyer requirements of the various purchasing organisations.²²

10.2.2 Reduce the (perceived and actual) risk for companies of building a relationship with targeted suppliers

a) Mechanisms

By using both **guidelines and tools** (e.g. company handbooks) and **information dissemination and awareness-raising** mechanisms (e.g. Buyer's guides) as well as **accreditation**, companies can be convinced of the relative merits of targeted suppliers, as well as becoming comfortable that switching or starting new relationships is not necessarily a high risk option.

Importantly, any activities related to targeted supplier procurement should be tied into or within the framework of existing procurement processes.

b) Lead agents & other role players

Depending on which overall driver/champion is selected, this initiative could be led by either **Organised Business** (e.g. industry associations or CSDF), **government (the dti, Treasury)** or one of the multi-stakeholder structures (**Proudly South African, Nedlac**).

²¹ See Sun International, Anglo American, Sasol Oil, and National Minority Supplier Development case studies in the [Case Studies](#) document for more details.

²² See Proudly South African – AECM case study for more details

In terms of **other role players**, individual businesses will be critical to the success of the roll-out of preferential procurement (particularly in non-regulated areas) and must therefore be involved in the development of risk-reducing activities as much as possible.

c) Timings

The timings should be in line with other awareness-raising activities to also be set up in the short term, but the impacts may only be felt in the medium term.

d) Examples

The National Minority Supplier Development Council (NMSDC)²³ in the US, works with companies on the steps required to build capacity and understanding within companies about building relationships with minority suppliers. It has helped many companies reduce the risk by increased understanding and the establishment of successful in-house programmes built on six primary elements:

- Corporate minority business development policy statement
- Chief Executive Officer commitment
- Director of Minority Business Development
- Minority Business Development team
- Minority Business Development goals
- Minority Business Development strategies

10.3 Assessment of strategic options

Kaiser Associates recommends that the above strategic options be implemented simultaneously, as they are complementary options that will only serve to reinforce each other and increase the likelihood of widespread adoption (by purchasers) of preferential **procurement** initiatives.

ENSURING A LEVEL PLAYING FIELD AND ETHICAL PRACTICES

11 Elimination of exclusionary technical specification and brands in procurement decision-making

11.1 Problem analysis and current related activities

The case studies have revealed numerous cases of technical specifications or brands in public sector tenders that exclude all South African suppliers²⁴, and in

²³ See NMSDC case study for more details on the above

²⁴ This phenomenon is demonstrated most strongly in the Pinnacle/Mustek and Albert Carpet and PAWC case studies, details of which can be seen in the [Case Studies](#) document

some cases *de facto* define another country of origin. This practice runs counter to both local and international best practice.

SABS, as well as some industry players, believe that in many cases this may be related to commercial self-interest or established relationships with suppliers, rather than a real ignorance about the availability of non-exclusionary standards. This may range from choosing to define the specifications in line with the specifications or brands of an existing supplier, through to material benefits to purchasers, such as entertainment, travel or financial rewards.

However, SABS also acknowledges that more could be done to keep procurement and purchasing officials up to date on standards and quality developments, as currently purchasing officials need to proactively register with the Standards notification service.

11.2 Strategic options

11.2.1 Raise awareness around available “generic” standards

a) Mechanisms

- **Information dissemination** through initiatives such as:
 - Extended **website** accessibility of standards could be developed
 - An **Information/help desk** for purchasers (and suppliers) could be established
 - **Newsletters (hard copy/electronic)** to purchasing and procurement officials could be developed and circulated
- **Training and human resource development** activities need to take place such as:
 - **Training** for officials involved in the procurement cycle, particularly those responsible for defining the technical specifications

b) Lead agents and other role player

If this intervention were implemented in a **centralised** way, the lead agent would need to be **the dti**, with input from SABS (Non-Commercial and Regulatory Divisions Standards Information Centre), Proudly South African, and sectoral industry associations, and rolled out to departments and sectors. The advantage of centralised implementation would be greater consistency in communication.

If the intervention were implemented primarily at a **decentralised and/or sectoral level**, the dti or Proudly South African would need to provide guidance to individual government entities and sectoral industry associations that could drive the process. The advantage of decentralised implementation would be more rapid implementation in those areas that were ready or supportive of the intervention.

c) **Timings**

This intervention could be implemented in the **short to medium term**, and its impact could be felt relatively rapidly. The impact could be felt from the short term.

d) **Examples**

The experience of the **SABS WTO standards notification desk** and system could assist in developing the detailed implementation plan in this area.

11.2.2 Prohibit exclusionary technical specifications and/or specify acceptable technical specifications

a) **Mechanisms**

Compulsory regulations could be issued in terms of Supply Chain Management Framework or Preferential Procurement Policy Framework Act that prohibited the use of exclusionary technical specifications or brands, with a requirement that, at the very least, any potentially exclusionary specification included “or equivalent” in the specification.

Codes, guidelines or protocols at the departmental, provincial, municipal or sectoral level with details on acceptable specifications for use in contracts. Such guidelines could either be disseminated to the public sector alone, or could be collaboratively developed as sectoral industry standards.

A **regulatory mark system** (over and above commercial mark schemes) could be instituted to require or encourage marking and certification of compliance with compulsory standards.

Collaboration and networking with commercial mark schemes and their clients could assist in aligning commercial mark schemes and those companies that are already committed to high quality standards with wider efforts to consider quality. In particular, these role players might have a significant contribution through technical assistance.

b) **Lead agents and other role players**

An “**in principle**” decision would be required as to **whether government, the private sector or sectoral partnerships led this initiative**. A regulation-focused approach would clearly need to be driven by government, whereas a guidelines-oriented approach could be driven by a range of potential role-players.

Irrespective of this decision, **technical input** on appropriate standards would be required from experts in standards at a sub-sectoral level.

c) **Timings**

Depending on the willingness of key role players, this initiative could be implemented in the **short to medium term**. The impact could be felt soon after the regulations, guidelines or protocols were in place, as subsequent tenders would hopefully take such guidance or regulation

into consideration (assuming other interventions around training and communication were effective).

d) **Examples**

The development of **generic guidelines by PAWC** (Provincial Administration of the Western Cape) **for hospitals and other healthcare facilities** provides an example of such standards guidelines.²⁵

11.2.3 Establish complaints mechanism for inappropriate use of technical specifications or brands

a) **Mechanisms**

Currently sectoral associations and Proudly South African are dealing with complaints on an ad hoc basis. Numerous potential mechanisms could be instituted to streamline this process, including:

- Establishment of tender specifications **hotline/s**
- **Complaints desk/s** (possibly linked to the standards information or help desk/s proposed above)
- **Agreement** between involved parties on streamlined dispute resolution process and/or enforceable code of conduct

b) **Lead agents and other role players**

An “**in principle**” decision would be required as to **whether this initiative was centralised or sectoral**. A centralised mechanism could be tied to Proudly South African, organised business structures or the dti, while a sectoral approach could be tied to industry associations or development boards, with Proudly South African and/or the dti playing a facilitation role. Tender Advice Centres (TACs) might also play a role where SMMEs were involved.

c) **Timings**

This initiative could be implemented in the **short to medium term**, depending on available resources and buy-in, with agreement on streamlined dispute resolution mechanisms possibly taking the longest to implement. The impact could flow quite rapidly on implementation.

11.3 Assessment of strategic options

In Kaiser Associates’ view, the most effective mechanism will be to develop sectoral or product cluster protocols, as this will influence a large proportion of procurement. However, as an interim measure, agreements could be reached around streamlining complaints and dispute resolution mechanisms with key purchasers, particularly those that are Proudly South African members.

²⁵ See [Case Studies](#) document for detailed example

12 Preventing and redressing procurement-related misrepresentation, abuse and corruption

12.1 Problem analysis and current related activities

A range of reports, as well as the case studies conducted as part of the FRIDGE study have shown that both purchasers and suppliers have concerns about mismanagement and corruption in various forms.

For **purchasers**, issues about the behaviour of suppliers include:

- “Fronting”, i.e. misrepresentation of empowerment status
- Misrepresentation of capacity (e.g. applying for tenders for which they have no or insufficient capacity to deliver)
- Mismanagement of subcontractor and joint venture relationships

In the past, government in particular has struggled to address these abuses by suppliers, with poor supplier database maintenance and incomplete supplier screening, profiling and blacklisting.

Suppliers have raised the following issues with respect to purchasers:

- Poor planning resulting in badly constructed contract/tender specifications and unrealistic timeframes (particularly in the public sector)
- Commercial interest in a particular supplier securing the contract (either explicitly in the form of bribes, or less directly in terms of “winning and dining”).

Current activities that aim to address these issues include the following:

- Implementation of Supply Chain Management Framework Guidelines
- General improvements in public sector financial accountability through PFMA implementation

12.2 Strategic options

12.2.1 Increased transparency in public and private sector procurement

a) Mechanisms

- **Reporting hotline** for colleagues, suppliers, customers, wider civil society to report abuses by purchasers and suppliers
- Inclusion in **corporate governance** “agenda”
- **Strengthened oversight** mechanisms e.g. procurement ombudsman
- Firm **disciplinary action** in known cases of abuse
- Clear **guidelines on declarations of interest** and all disclosure of all forms of contact with potential suppliers that involve tangible or intangible benefits (such as gifts, entertainment, travel)

b) Lead agents and other role players

With respect to public sector procurement, **government (National Treasury)** would need to drive this initiative, possibly through the newly established Supply Chain Management Office.

In relation to the private sector, **organised business** (potentially through an expanded mechanism like CSDF) would need to drive the initiative, with encouragement from other constituencies and Proudly South African.

c) Timings

It is likely that a comprehensive intervention could only be implemented in the **medium term**, with the impact being felt in the medium to long term.

d) Examples

Sasol Oil's consideration of targeted procurement processes and targets as an essential part of good corporate governance serves as an example of how this can be achieved.

12.2.2 Improved screening of suppliers**a) Mechanisms**

- Coordinated **supplier database development**, possibly feeding into central database
- Efficient and regular **supplier screening** through e.g. site visits / inspections
- Building up dynamic profile for each supplier (contracts awarded, quality of implementation etc), integrated into database system
- **Prequalification or formal accreditation** processes where appropriate
- Black-listing of non-preferred suppliers and individuals (experience by purchasers is that often individuals re-register under different company names if they are blacklisted)

b) Lead agents and other role players

Separate **government, parastatal and private sector systems** could be instituted. However, it would probably be more effective for database systems to be compatible and for information exchange to take place on a regular basis, as a large proportion of the supplier base is likely to overlap.

Other role players, such as labour and civil society, could provide further information on suppliers.

c) Timings

Implementation could begin the **short-term**, with the impact primarily felt from the medium term.

d) Examples

Insights can be gained from the experiences of some of the large parastatals, such as **Eskom and Telkom**, in their supplier development, screening and abuse management systems.

12.3 Assessment of strategic options

Kaiser Associates recommends implementation of a combination of these two strategic options, as addressing all aspects of mismanagement, corruption and abuse will be critical in encouraging more ethical practices.

13 Eliminating/reducing unfair competition**13.1 Problem analysis and current related activities**

Some suppliers have raised concerns about being forced to compete on unfair terms, in particular because of dumping practices by foreign suppliers. As demonstrated in some of the case studies, suppliers have experienced insufficient or late redress in cases where dumping is suspected. This is particularly problematic in contexts where price is the dominant purchasing criterion, and/or where price-matching options are provided to local suppliers²⁶.

Current initiatives that may impact on this area include the following:

- Expected improved efficiencies in trade administration feeding through into anti-dumping administration
- More transparent approach to information dissemination around 470.03 and 521.00 rebate systems²⁷ may assist the local industry to identify areas where they could supply an input or component that purchasers claim cannot be competitively sourced locally
- Consideration by government (National Treasury) of the establishment of pricing benchmarks to facilitate the identification of unrealistic pricing

13.2 Strategic options**13.2.1 Further streamlining of trade administration, particularly anti-dumping action****a) Mechanisms**

- Improvement of efficiency of anti-dumping process
- Development of guidelines for procurement-related trade administration

b) Lead agents and other role players

²⁶ This is the case in the Association of Electrical Cable Manufacturers – Proudly South African [case study](#)

²⁷ The 470.03 application is made by local manufacturers who claim that they cannot source an item locally which is being used in a product that will be re-exported, and are therefore enabled to import duty free. Similarly, the 521.00 drawback of duty provision is similar, but allows for a rebate of duties on re-export of the product.

The dti would need to drive this initiative through the International Trade Administration Commission (ITAC, formerly BTT).

Other role players such as organised business and labour would need to continue to advocate these changes, possibly with facilitation through Proudly South African.

c) Timings

These changes could be effected in the **short to medium term**. The impact of such changes would primarily be felt in the medium to long term.

13.2.2 Co-ordination with activities of Competition Authorities

a) Mechanisms

While unfair competition from other domestic suppliers did not emerge as a primary concern through the research, it might be beneficial to develop **networks** with the Competition Authorities to identify ways to create a more level playing field in procurement.

b) Lead agents and other role players

The dti, through its Council of Trade and Industry Institutions (Cotii) could facilitate this communication and networking.

c) Timings

This intervention could be implemented from the **short term**, and would need to be ongoing, with the impact primarily being felt in the medium to long term.

13.3 Assessment of strategic options

Kaiser Associates recommends that the initial focus should be on improved trade administration, as suppliers have identified this as the more pressing problem.

C THE WAY FORWARD

The strategic options and recommendations set out in this document provide a range of options that the constituencies and other role players involved in procurement can consider. Constituencies will now need to go through a process of assessing the various options and prioritising areas of intervention and specific actions. Subsequent to this decision-making, an implementation plan will need to be developed, taking into consideration the available resources (financial and human), and the ability and willingness of each required role player to increase their capacity.

The timing of the FRIDGE project creates an opportunity for the findings to be fed into a range of wider processes that could assist in driving the transformation of procurement. These include the Growth and Development Summit, the alignment of a range of legislation and practice with the broad-based BEE strategy, the implementation of the Supply Chain Management Framework and the roll out of sector summits (such as the metals and engineering sector summit).