

SHAREHOLDER INSTRUCTION: SUPPORT TO LOCAL INDUSTRY AND THE PRODUCTIVE SECTORS OF THE ECONOMY

The Department of Trade and Industry (**the dti**) and its agencies are required to adhere to the principles, policies and strategies of Government as a whole. In particular, the National Industrial Policy Framework (NIPF) and the annual Industrial Policy Action Plans (IPAP) provide a coherent and consistent foundation upon which **the dti** and its agencies can build their work programmes and operations.

Both the NIPF and the IPAP place significant emphasis on the need to ensure that the substantial procurement power of the State is leveraged in order to support deepening industrialisation, value-addition and job creation in South Africa. Moreover, creating a more inclusive economy, which draws in labour at a range of skills levels, requires a clear focus on the development of the *productive* sectors of the economy so as to develop a resilient and diversified domestic economy not unduly dependent on factors over which we have little control.

Consequently our efforts and resources must be directed to, and aligned with, supporting core policy objectives - building local productive capacity, supporting local value-addition, promoting entrepreneurship and empowerment that equips our people to become real players in the productive economy, and job creation. A first presumption arising therefrom is that our resources and incentives ought not to be deployed to support the import of finished products, as distinct from capital equipment or intermediate goods that will be used in value-added productive activities in South Africa.

Where we face complex transactions in which imports of finished goods are an integral part of a business plan that nonetheless includes elements that do support core objectives, the presumption ought to be that we decline to deploy our resources to purchase imported finished goods. In the case that officials responsible for disbursement of our support measures or incentives feel that there is a compelling case to deviate from this principle, they must obtain the concurrence of **the dti's** Accounting Officer and Executive Authority.

Government has deployed a range of interlocking instruments - Designations, the Competitive Supplier Development Programme, local content requirements in the Renewable Energy Independent Power Producer Programme (REIPP), amongst others to support localisation and supplier development. Clause 9(3) of the amended Regulations of the PPPFA enables and supports all government institutions to design tender specifications in support of local manufacturers. Proudly South Africa which is funded by **the dti** is responsible for a national buy local campaign and the Procurement Accord commits government, business and labour to a set of programmes and interventions to support local manufacture. These interventions

provide a comprehensive set of both demand and supply-side levers to support local industries.

the dti agencies are therefore directed to, with immediate effect, ensure that all transactions including procurement, lending and developmental activities relevant to the agency comply with both the spirit and the letter of the following requirements:

- I. Government funds may not be used to support the importation of finished goods and services. Where local suppliers do not exist, the agency must obtain the concurrence of the dti's Accounting Officer and Executive Authority to deviate from this instruction.
- II. Agencies should make every effort to find local suppliers of finished, intermediate and capital goods.
- III. Where agencies provide support directly to private enterprises, agencies should actively encourage these enterprises to procure locally. Enterprises may also be referred to the Industrial Procurement Unit at **the dti** for assistance in finding local suppliers.
- IV. Government funds are to be prioritized to supporting the productive sectors of the economy, namely Agriculture, Mining, Manufacturing and Value-added Services such as Tourism, Business Process Services and the Creative industries.