PROUDLY SUPPORTING LOCAL INDUSTRY

Lost Threads

The Case for Compliant CTFL Public Procurement

Prepared by **BMA**

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Public Version

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The Localisation Support Fund NPC ("LSF") was established as a non-profit company in 2021, funded by private sector contributors committed to localising manufacturing in South Africa. The LSF is a network orchestrator within the localisation ecosystem facilitating the connection between supply and demand participants, enhancing the value of the interactions by funding industry research and the deployment of technical expert resources to accelerate or unblock opportunities for localisation and growth in the manufacturing sector.

About Service provider

BMA is a leading industrial development consultancy with over 25 years of experience in building competitive manufacturing economies. The firm partners with industry leaders, government, and clusters across South Africa to drive competitiveness, develop industrial policy, and facilitate sustainable growth.

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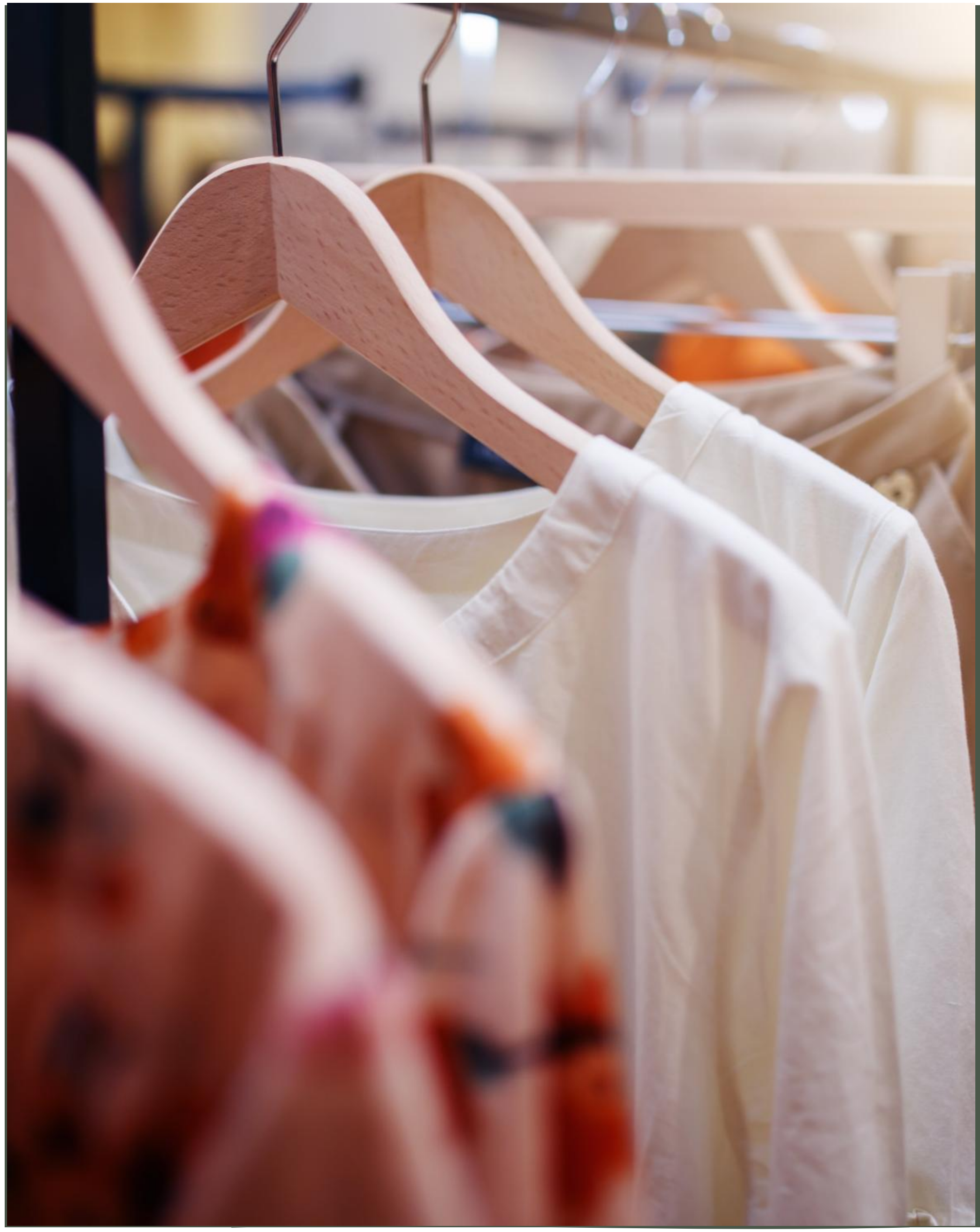

Executive Summary

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Executive Summary

- Government CTFL spend: ~R7.52 billion per annum.
- Localisation gap: Majority of spend bypasses intended local manufacturers.
- Verified local share: Only 32% sourced from local manufacturers/suppliers.
- Leakage impact: 68% flows to unconfirmed or non-local suppliers.
- Economic opportunity: Significant gains foregone for South Africa’s manufacturing sector.

R7.52bn
Estimated annual government CTFL spend (FY25)

32%
Share of spend directed to local suppliers

68%
Procurement leakage to unconfirmed suppliers

R5.11bn
Revenue not earned by SA manufacturers annually

R7.16bn
GDP lost annually due to non-compliant procurement

51 684
Total direct and multiplier jobs foregone per annum

Sources: National Treasury BAS/LOGIS data; NBC, NTBC, DEL, DTIC databases; BMA economic modelling, 2026

Executive Summary
Four key Findings

1

Procurement spend is larger than previously visible

- Using National Treasury BAS and LOGIS datasets combined with SOE and municipal modelling, total annual government CTFL spend is estimated at R7.52 billion per annum.
- This is significantly higher than what raw Treasury datasets alone would suggest, as large spenders like SAPS and SANDF (R415m), and municipalities are not fully captured in standard reporting systems.

2

Local procurement compliance is well below the 100% threshold

- Analysis verified only 32% of sampled BAS spend as directed to local manufacturers and local suppliers. Remaining 68% went to unconfirmed or non-local sources.
- This finding holds across multiple verification databases including the NBC, NTBC, DEL, and DTIC exemption lists, and was triangulated with industry stakeholder interviews.

3

The economic cost of leakage is substantial and recurring

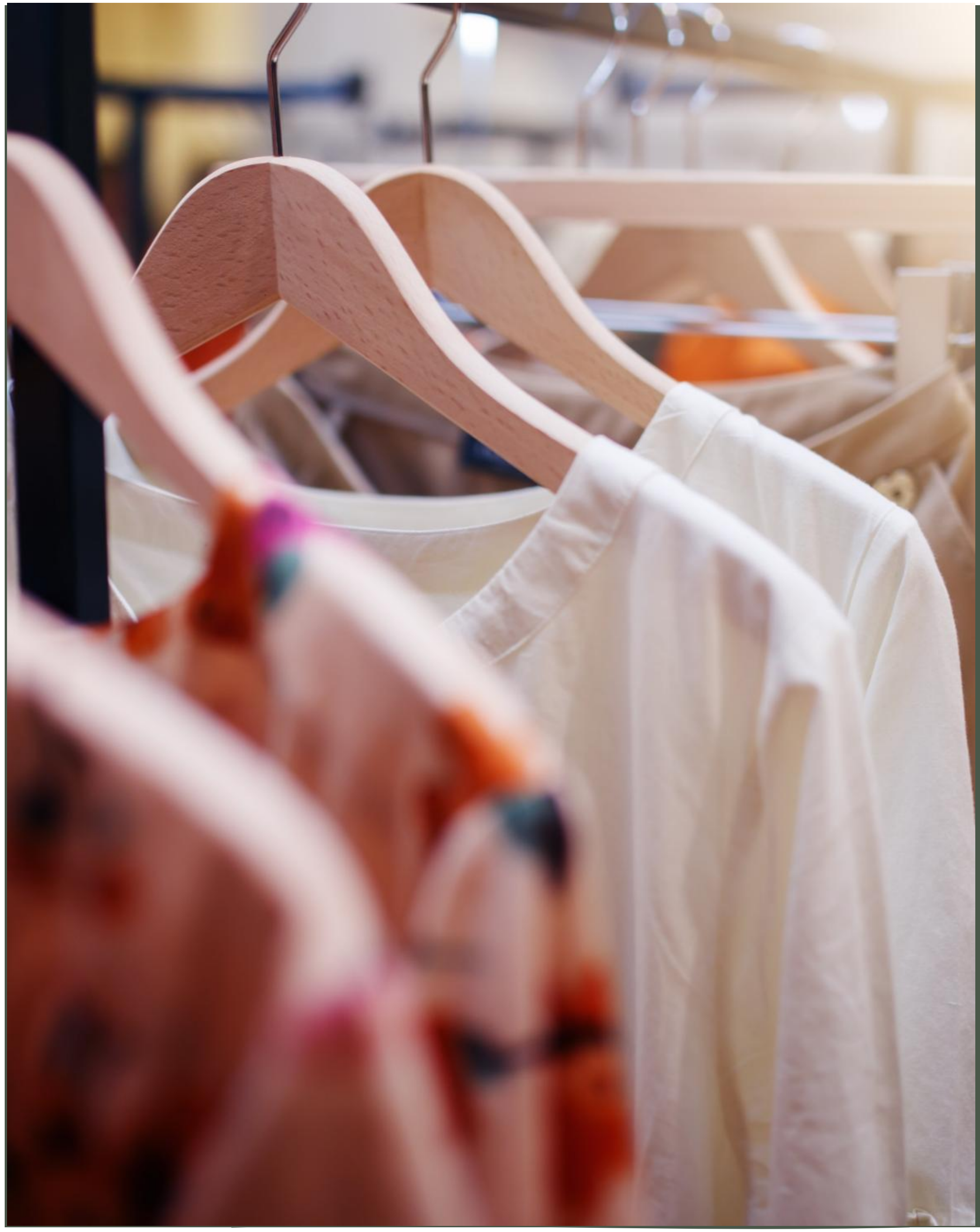
- 68% leakage translates into R5.11 billion in revenue not earned locally each year, R6.92 billion in foregone GDP contribution and ~ 51 684 direct and multiplier jobs not supported.
- Each additional R1 billion redirected to compliant local procurement could support ~ 2,450 direct manufacturing jobs and a further 5,050 indirect jobs across the value chain.

4

The regulatory window to act is now open

- Draft General Public Procurement Regulations were published on 17 April 2026 (Gazette No. 54528) under the 2024 Public Procurement Act. The comment window is open until 15 July 2026.
- If CTFL designation is confirmed under Section 20, it resolves the legal ambiguity created by the 2022 PPPFA Regulation changes and restores a clear exclusionary enforcement mandate.

Source: National Treasury BAS/LOGIS; NBC, NTBC, DEL, DTIC; BMA economic modelling, 2026



Project Overview & Methodology

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Key Deliverables

This study aimed to **quantify** the extent of government procurement bypassing compliant local clothing manufacturers, **assess** the resulting losses in output, GDP and jobs, and **propose measures** to strengthen localisation compliance and verification.

- **Inception Report**, detailing the methodology, data sources, validation approach, and work plan
- **Draft Report**, summarising all data collected, analysis performed, preliminary findings on leakage, and early modelling outputs
- **Stakeholder Validation Presentation**, providing an opportunity to test findings and refine assumptions with the LSF, dtic, National Treasury, Proudly SA, NBC, and industry partners
- **Final Report**, incorporating feedback and presenting the definitive analysis, economic impact estimates, systemic findings, and policy recommendations
- **Summary Dataset**, delivered in Excel or compatible format, containing all tenders analysed and the supplier verification results

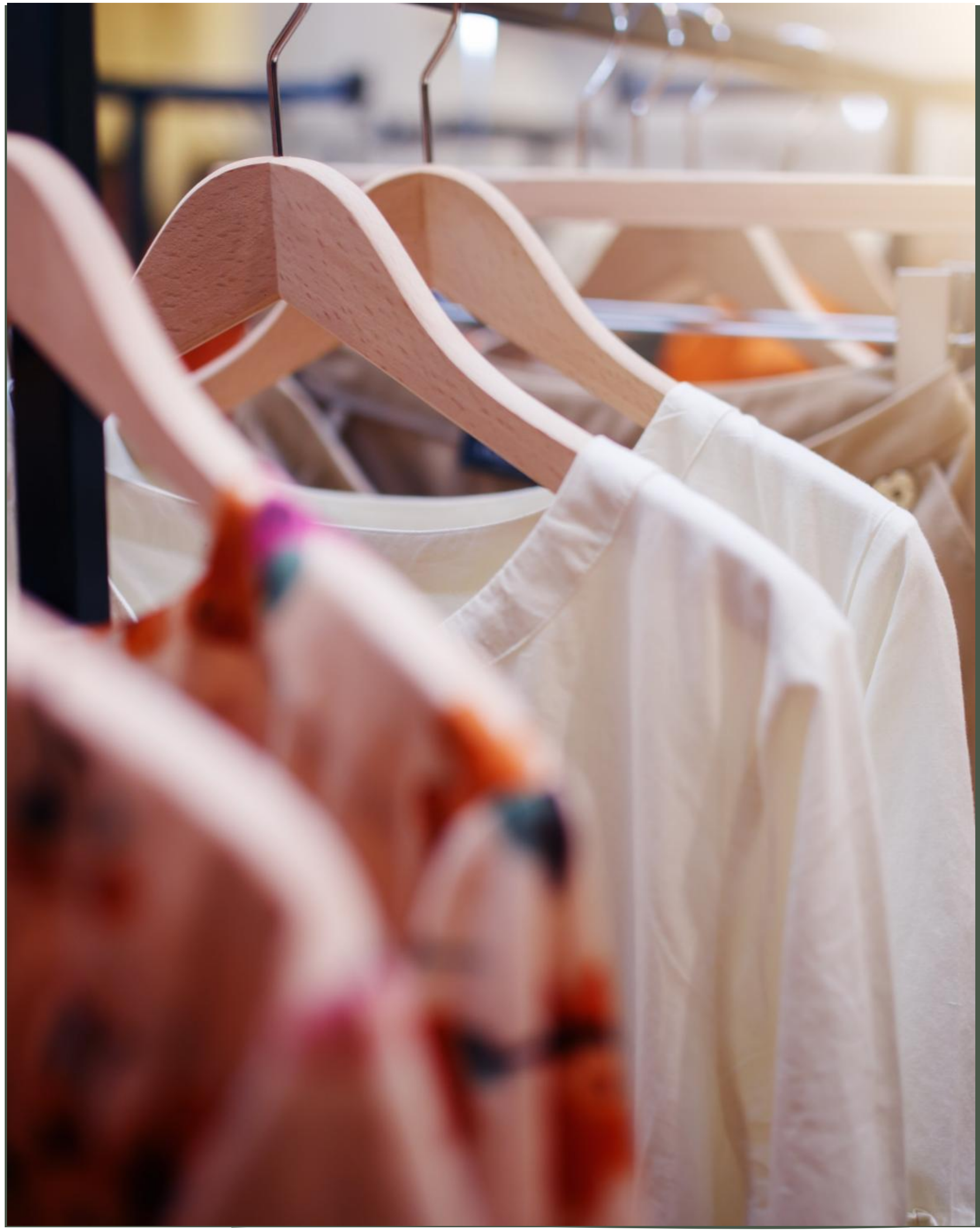
We applied a five-step process to compile, clean, consolidate and model CTFL spend across government levels

Step		Description
1	**Categorisation**	• *Define government levels:* National, Provincial, SOEs, Municipal included in scope. • *Set minimum record standards:* Each entry must capture entity, FY/period, supplier, category, value, and source.
2	**Data Search & Extraction**	• *National Treasury datasets:* Extracted LOGIS + BAS UNSPC transaction-level data. • *Coverage gaps:* Missing SOE, municipal, and some departments (SANDF, SARS, SAPS). • *Supplementary sources:* Filled gaps using eTenders awards, municipal websites, and annual reports.
3	**Data Cleaning**	• *Standardise records:* Unified naming, removed duplicates, aligned FY/periods, consistent numeric formats. • *Keyword screening:* Tagged CTFL-relevant entries using defined keyword list (clothing, textiles, leather, footwear, PPE).Manual checks
4	**Data Consolidation & Analysis**	• *Master dataset:* Combined all sources into one dataset for cross-government comparison. • *CTFL classification + quality flags:* Applied sector tags and flagged issues (missing values, rates-based awards, weak descriptions, incomplete supplier info). • *Baseline summaries:* Produced summaries by level, segment, and year.
5	**Data Cleaning**	• *Model municipal + SOE spend:* Used per-employee benchmark (headcount × uniform spend × assumptions). • *Separate observed vs modelled:* Clear distinction maintained, with documented assumptions for validation and sensitivity.

Public procurement visibility was mixed

Missing | Poor | Good

		Status	Comments
National	National Departments	Good (green)	• LOGIS and BAS transaction datasets obtained from National Treasury (downloadable and structured). • Some exclusions remain (25% of total govt spend; SAPS and SANDF excluded).
National	State owned enterprises	Poor (orange)	• No consolidated dataset; evidence relies on annual reports, financial statements from SOE's (Eskom, Transnet, Telkom, ACSA, PRASA, CEF, SABC, SAFCOL and DBSA) • Reporting is often aggregated and CTFL is rarely disclosed as a standalone line item. • Usable for some entities, but gaps frequently require proxy estimation.
Provincial	Provincial departments	Good (green)	• Included within National Treasury datasets (LOGIS and BAS). • Data is structured and comparable to national datasets after standardisation.
Provincial	Provincial legislatures	Missing (red)	• Not captured in core datasets and limited CTFL relevance expected. • Excluded from baseline modelling.
Local	Metropolitan municipalities	Poor (orange)	• Sourcing of tender award amounts was attempted from municipal portals/eTenders and municipal disclosures for all 8 Metros. • Metro coverage and depth is uneven and in poor in many cases: Joburg and Buffalo report limited CTFL categories, while Tshwane and Ekurhuleni provide tender records without contract values (rates-based awards), constraining spend quantification.
Local	District and local municipalities	Missing (red)	• No consolidated reporting • Severe fragmentation and limited comparability • Proxy modelling required due to data gaps



Analysing The Reported Value of CTFL Government Procurement

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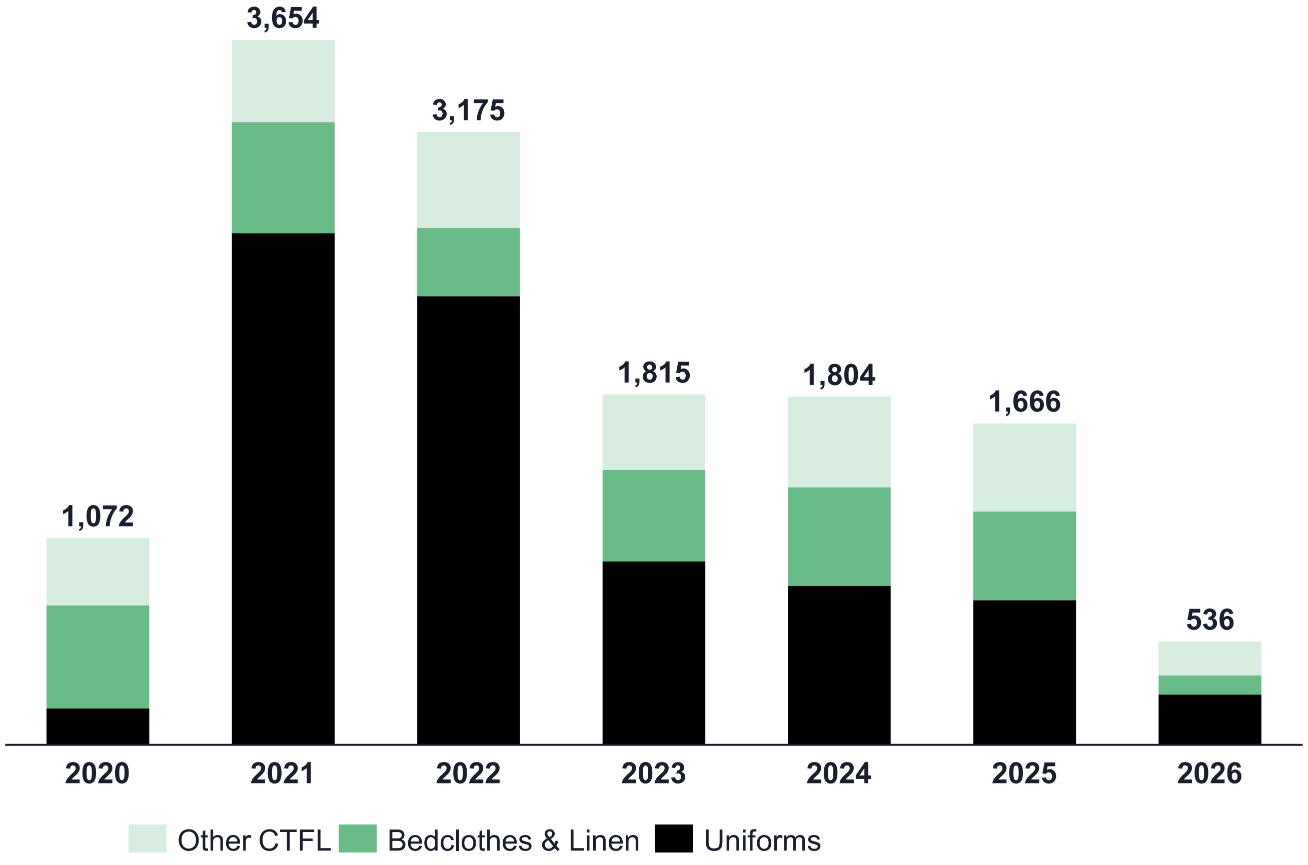
BAS Database Reports an average R2.2bn in CTFL procurement p.a. (FY20-25)

BAS CTFL reported spend FY20-FY26, ZAR millions (rounded)



R2.2bn

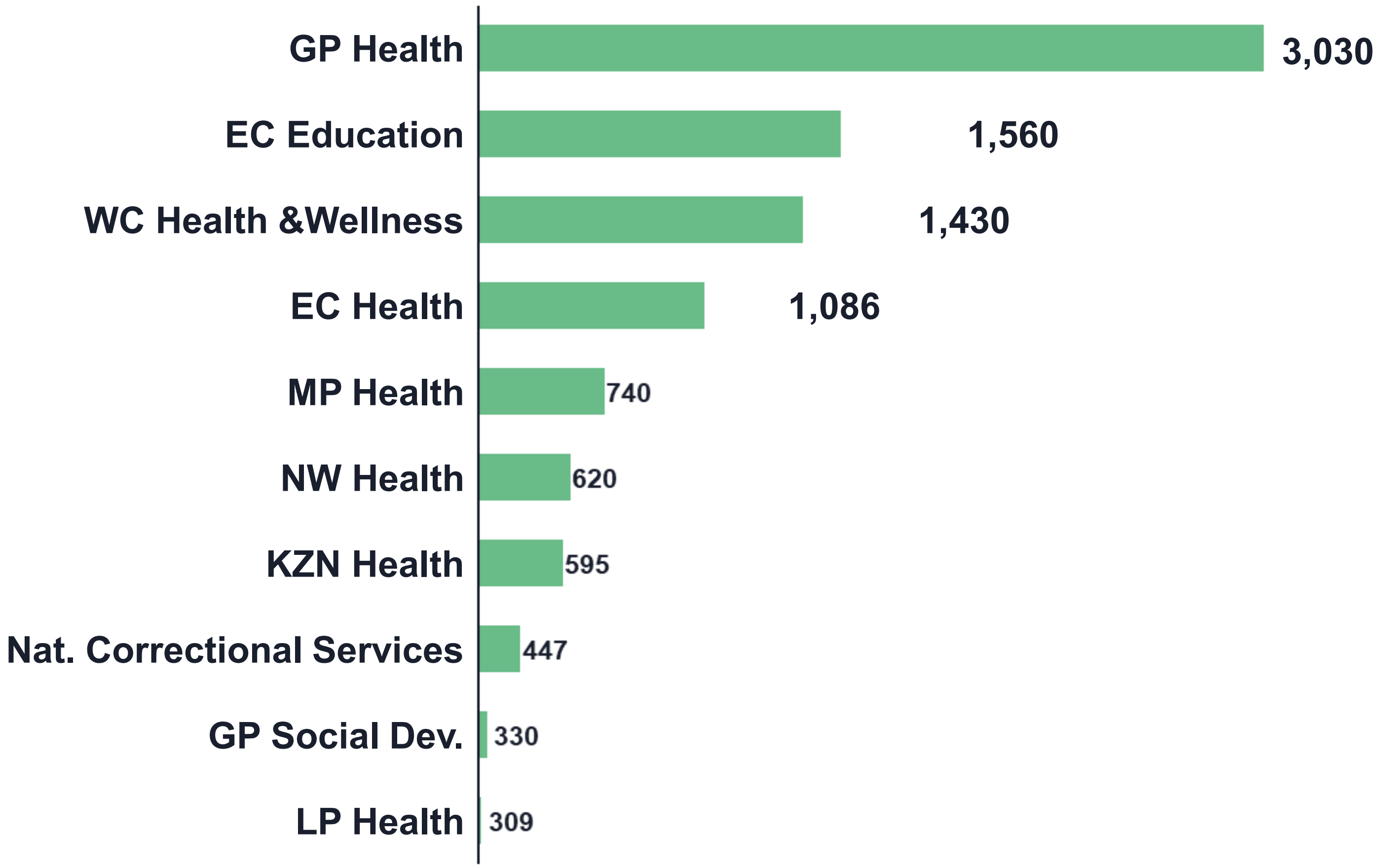
Average annual BAS CTFL spend
FY20-FY25 (FY26 partial excluded)

- **FY21–FY22 peaks** driven by elevated Covid-19 PPE and linen procurement
- **Spend stabilisation:** Post-Covid decline has levelled off at ~2% CAGR (FY23–FY25)
- **Uniforms dominance:** Consistently the largest category, accounting for 60%+ of annual spend
- **FY26 partial data:** Current figure (R523m) excluded from average calculations
- **Coverage breadth:** BAS UNSPC spans 155 departments; LOGIS provides item-level detail for 88
- **Spend share:** BAS captures 25% of total government spend

**FY runs 1 April to 31 March. Full FY26 not yet reported; excluded from average. Values in ZAR millions (rounded).*

Gauteng Health, Eastern Cape Education and Western Cape Health account for 45% of the total observed CTFL procurement. The top 10 depts account for 75%.

Top 10 departments by cumulative CTFL spend FY20-FY26, ZAR millions (rounded)



45%

Gauteng Health, EC Education and WC Health alone

Health dominates

- Seven of the top 10 are Health departments.
- Sector's large workforce and clinical linen requirements drive consistent high-volume CTFL procurement.

Education is #2

- Eastern Cape Education (R1.56bn over the period) reflects school uniform procurement at scale, though the school-as-supplier issue required significant data cleaning.

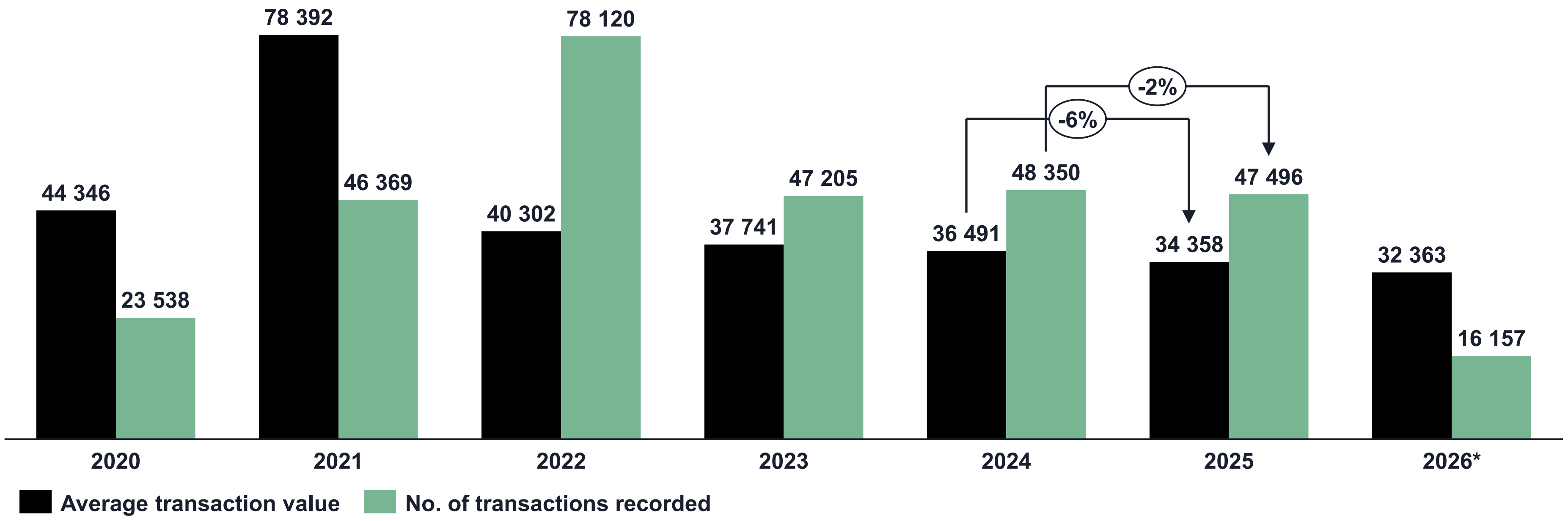
National departments = 2%

- National departments account for only 2% of observed CTFL spend.
- Correctional Services is the largest national buyer at R447m over the full period.

Source: National Treasury Procurement Payments Dashboard, 2026

The observed average procurement transaction value has declined slightly, while the total number of transactions has largely remained the same in the last three years.

Average transaction values per FY, ZAR



6%

- Average transaction value fell 6% from FY24 to FY25.
- This may reflect smaller contract batches or downward price pressure on suppliers.

2%

- Transaction volumes have stabilised at ~ 47,000-48,000 per year from FY23 to FY25, suggesting demand is consistent but being met at lower unit values.

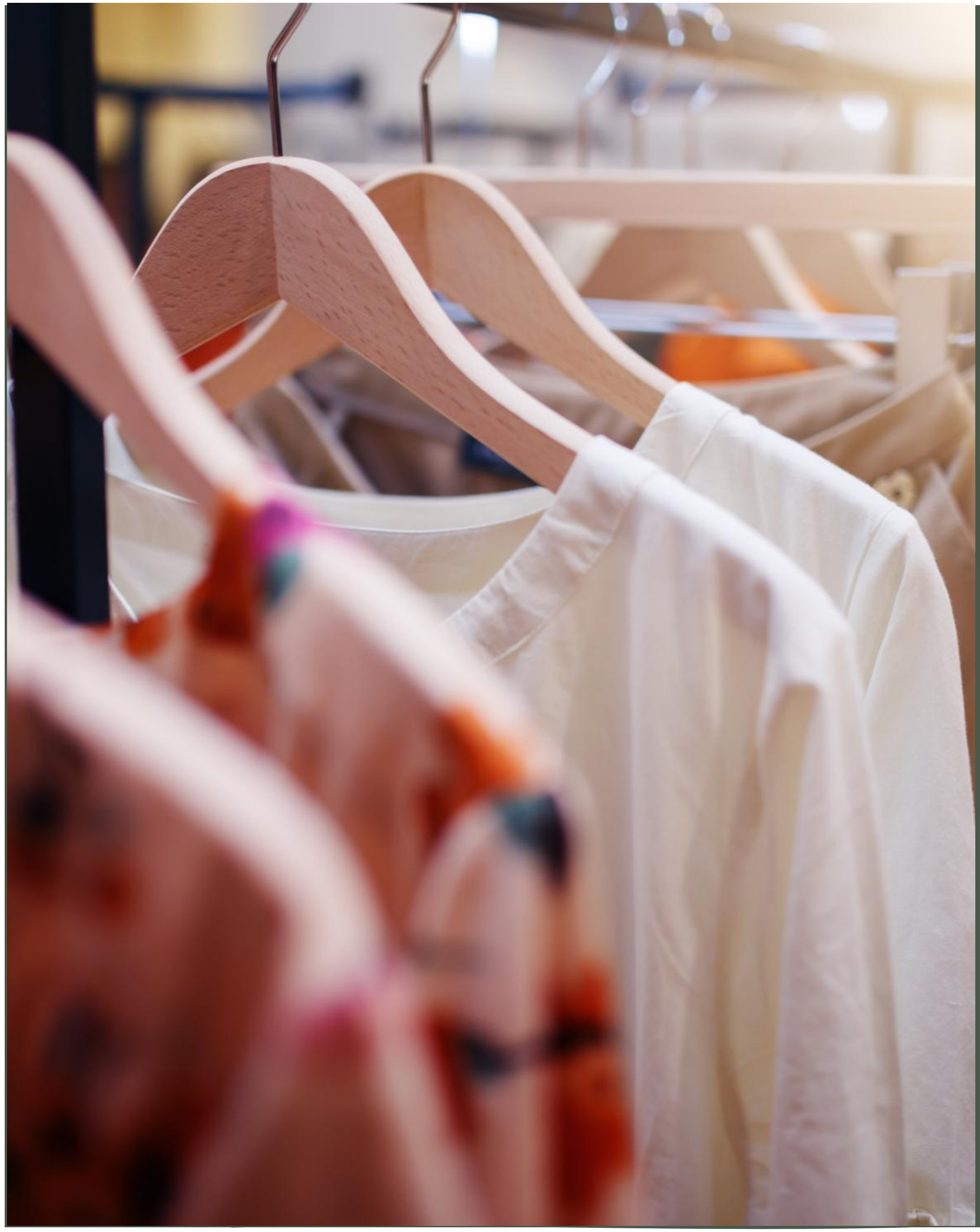
307k

- Over 307,000 transactions recorded across the full review period.
- Uniforms generated most transactions (205,643), while corporate uniforms had highest average transaction value at R62,312.

FY22

- FY21 &FY22 remain outliers due to Covid-19 driven procurement of PPE, patient clothing and linen at elevated volumes and prices - treated as exceptional and excluded from trend analysis.

**FY26 is partial year only (April 2025-January 2026). Source: National Treasury Procurement Payments Dashboard, 2026*



Mapping the Flow of CTFL Procurement Spend

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A funnelling approach was utilised to estimating local procurement spend

Consolidate & Clean Supplier Database	BAS database used as the core sample, as it provides the largest dataset with actual spend per supplier.	• Started with >22 500 suppliers • Removed ~9 600 with incomplete or irrelevant details
Identify Known Local Manufacturers and Suppliers	Cross-referenced the core supplier dataset against key databases listing known local manufacturers and suppliers.	• National Bargaining Council; National Textiles Bargaining Council; dtic Exemption List; Proudly SA Database; DEL* database
Develop Sample of Remaining Suppliers	Established a cut-off point, then sampled and examined suppliers absent from known local databases.	• Applied R5m spend cut-off over 5-year period • Produced a sample of 308 records
Cross-Check CSD/DTIC Databases	CSD and the dtic Industrial Procurement dataset used to confirm the nature and classification of the final sample.	• Classified remaining suppliers
Validate with Industry	Conducted targeted interviews with industry suppliers and stakeholders to validate the categorisation of the final sample.	• Triangulated stakeholder responses to validate categorisation using industry expertise
Quantify Estimate	Estimated the percentage and value of public CTFL procurement spend directed to local suppliers versus importers.	• Findings modelled across the 22 000-supplier dataset, then extrapolated to total procurement spend

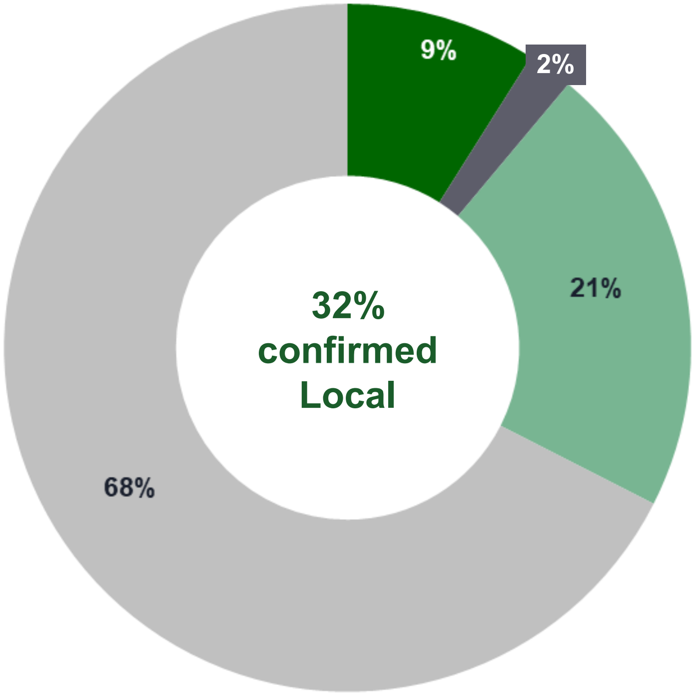
Estimated % and Value of Public Spend on CTFL Importers

PUBLIC VERSION

*Department of Employment and Labour

Using NBC, NTBC, DEL, DTIC Exemption Lists and Cluster databases, approximately 32% of the sampled BAS spend went directly to local suppliers over the last 5 years

BAS CTFL spend by verified supplier type FY20 – 25



NBC Manufacturers 9% | R1,056m

Clothing manufacturers registered with the National Bargaining Council

NTBC Manufacturers 7% | R828m

Textile manufacturers registered with the National Textiles Bargaining Council

Other Verified Local Manufactured 21% | R2,518m

Manufacturers listed by Dept of Employment and Labour with 50+ employees; DTIC exemption list; Industry cluster members not included in NBC or NTBC lists

Unconfirmed Suppliers 68% | R7,950m

No verified evidence of compliant local sourcing. Includes potential importers.

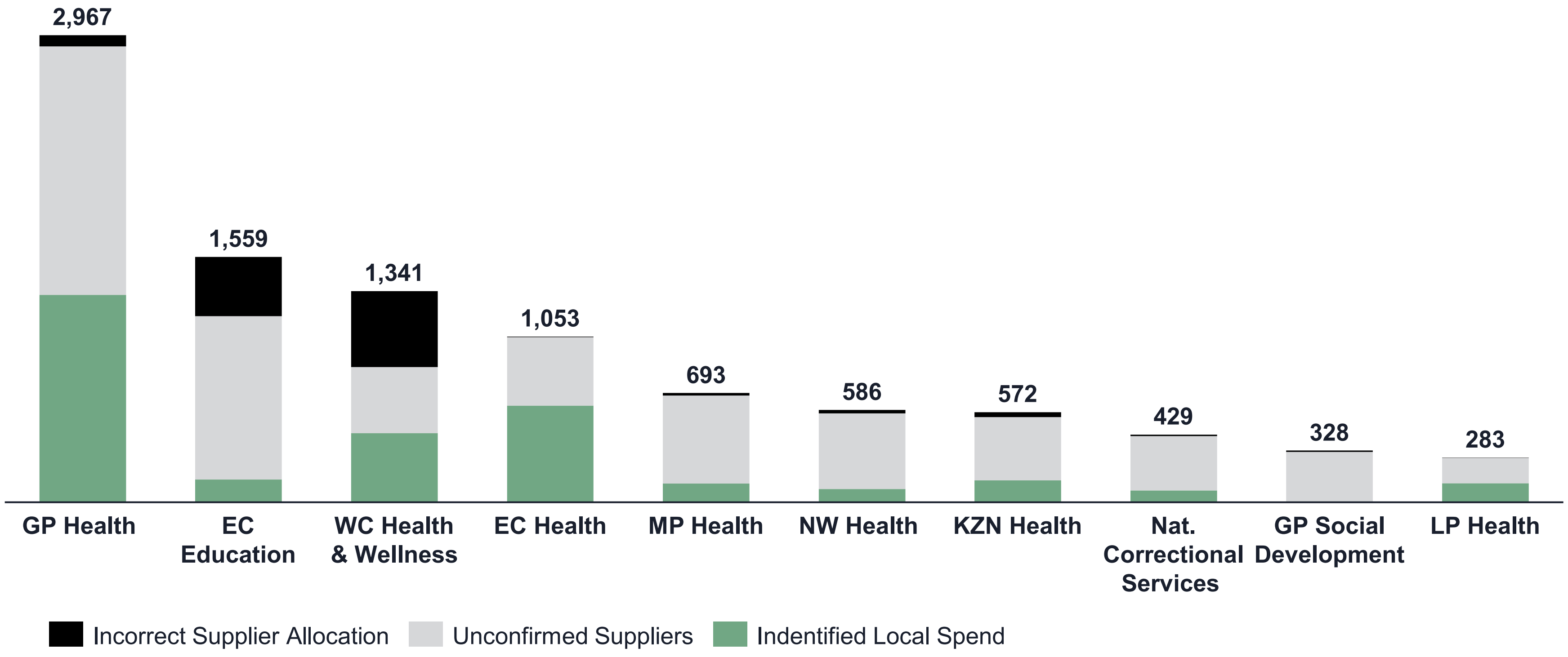
Source: *National Treasury Procurement Payments Dashboard, 2026; NBC; NTBC; Dept of Labour; DTIC; SAFLEC, CCTC, KZNCTC, Own analysis, 2026*

Note: *Supplier verification conducted using National Treasury BAS dataset as it is the only dataset with sufficient supplier detail. Figures differ from total estimated spend which extrapolates across all sources.*
Note: *FY21 saw the highest share of unconfirmed suppliers at 74.19%, versus FY22 where 61.71% suppliers were unconfirmed. The most recent full year, FY25 saw 68.56% of suppliers unconfirmed.*

Significant leakage was identified across provincial health and education departments

Among the top 10 spending departments, the proportion of verified local spend varies considerably. The analysis reveals that in many cases the bulk of procurement is going to unconfirmed suppliers, suggesting systemic non-compliance with localisation requirements across multiple departments and provinces.

Top 10 departments procuring departments ZAR millions (rounded)



Note: Incorrect supplier allocation refers to cases where the supplier is linked to the procuring department or end-use location (e.g. a school name) rather than the contracted entity.
Source: National Treasury Procurement Payments Dashboard, 2026; NBC, NTBC, DEL, DTIC; BMA own analysis, 2026

GP: Health

~44%
Local spend identified

Highest identified localisation rate among top buyers

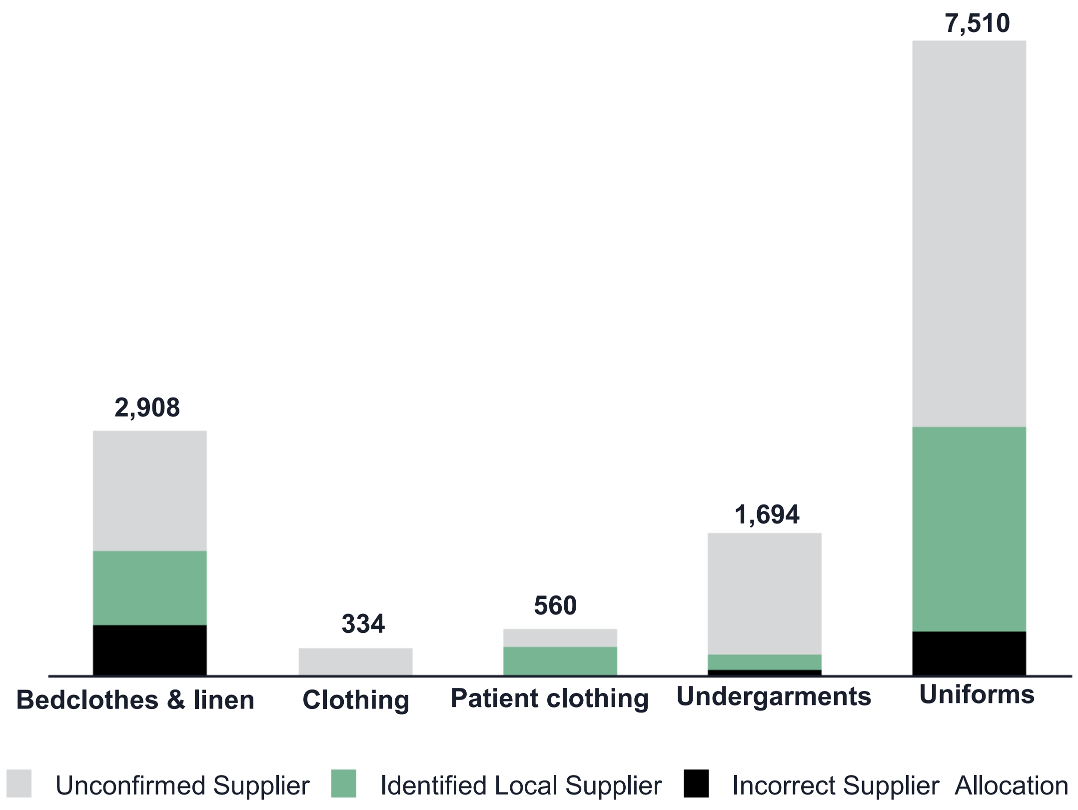
EC: Education

~9%
Local spend identified

- Among the lowest across top 10 buyers.
- 97% of unconfirmed purchases made in FY21

Over R1.2bn in CTFL spend is not tagged to a supplier. Among matched suppliers, local procurement is strongest in uniforms and bedding

Suppliers by Spend Categories, FY20-25 (ZAR mil)



Note: *Incorrect supplier allocation refers to cases where the supplier is linked to the procuring department or end-use location (e.g. a school name) rather than the contracted entity.*
Source: *National Treasury; NBC, NTBC, DEL, DTIC; BMA analysis, 2026*

Bedclothes & Linen: 30% local

- Strong local presence driven by NTBC-registered textile manufacturers.
- Hospital linen is a key procurement item for health departments.
- 21% of entries allocated to an incorrect supplier.

Clothing: 2% local

- Very low local sourcing rate.
- Category is dominated by unconfirmed suppliers with no verified local manufacturing evidence, raising significant compliance concerns.

Patient Clothing: 57% local

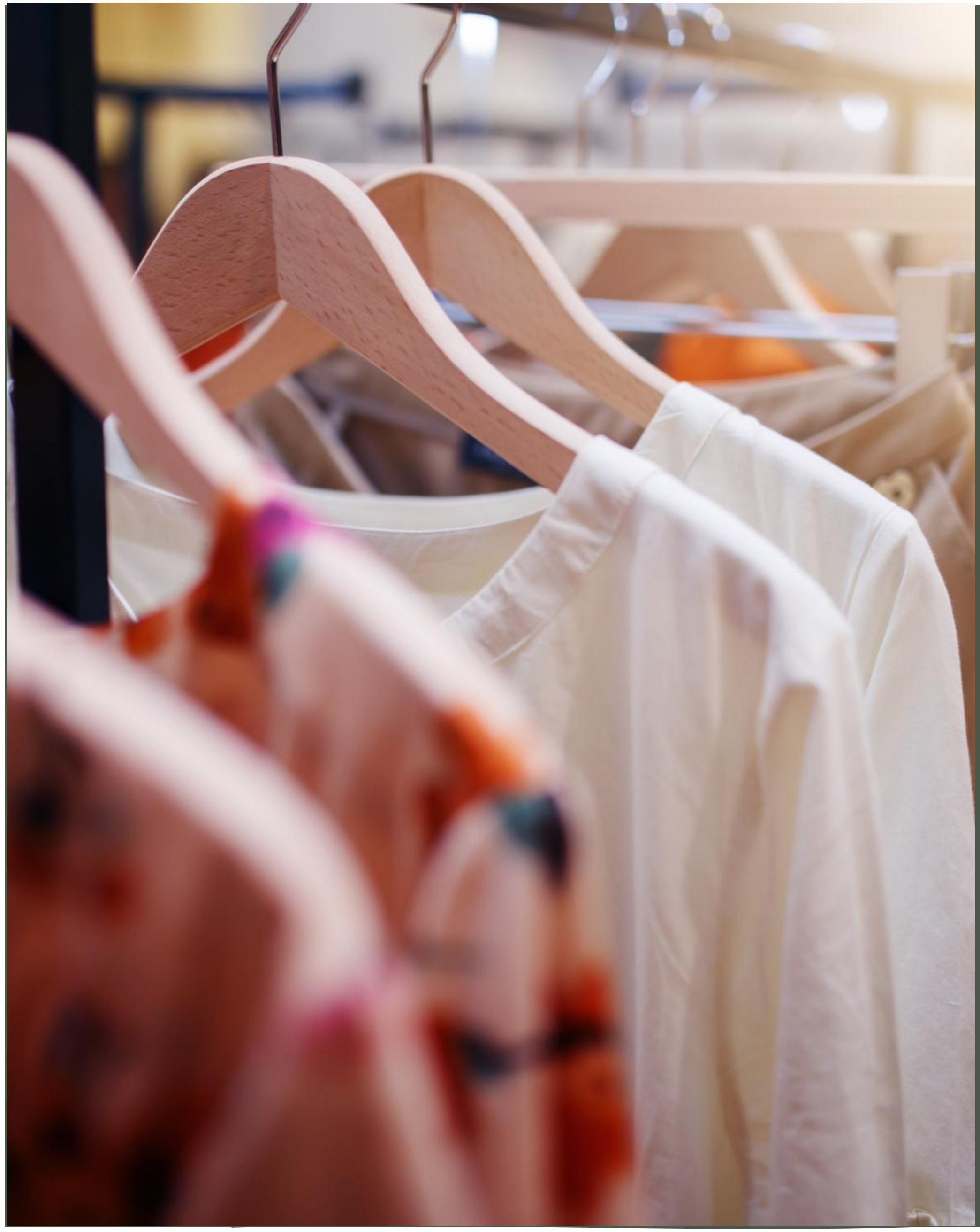
- Strongest segment of adherence in terms of both localisation designation as well as data quality, as 96% of entries allocated correct supplier.

Undergarments: 11% local

- Lowest local sourcing rate across all categories.
- Points to either heavy import reliance or a failure of the procurement process to enforce designation requirements.

Uniforms: 32% local

- Largest category by volume (205,643 transactions) and the strongest in local sourcing.
- NBC manufacturers dominate this segment, particularly for security, health and defence uniforms.



Quantifying the Total Value of CTFL Government Procurement

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Significant data gaps required structured modelling approaches to quantify the full value of CTFL procurement by the South Africa public sector

National & Provincial

Coverage

- BAS UNSPC:
    - 155 departments (41 national, 114 provincial)
    - Total spend FY20-FY26: R13.5 trillion
- LOGIS:
    - 88 departments (21 national, 67 provincial)
    - Total spend: R1.4 trillion
- Specificity: BAS provides high-level UNSPC categories; LOGIS provides item-level detail

Implications

- BAS UNSPC selected as primary source due to greater representivity and spend coverage.
- LOGIS used for item-level granularity to compare spend on specific CTFL products.

SOEs & Municipal

Coverage

- Tenders: Limited data at municipal level; none at SOE level
- Financial statements: No standalone CTFL line items (except SAPS and SANDF)
- Employee numbers: Widely available in published annual financial statements

Implications

- Per-employee modelling approach applied.
- Spend per entity estimated using headcount multiplied by benchmark uniform spend, differentiated by operational profile (e.g., SAPS and SANDF require near-universal uniform wearing vs. municipalities where the requirement is significantly lower).

Additional National Exclusions: *SAPS (R336m in FY25), SANDF (R164m in FY25) and SARS (unquantified) sit entirely outside BAS coverage. These are captured separately from departmental annual reports. SARS procurement remains unquantified as their reports do not disclose CTFL spend.*

Source: National Treasury, 2026; Departmental Annual Reports; BMA's own analysis

In the latest full-year analysed, the total estimated public procurement spend on all CTFL goods was calculated to be ~R7.52bn

- FY25 total: Government CTFL procurement ~ R7.52 billion (Combined spend: which includes direct observed + modelled municipal & SOE estimates)
- Treasury baseline: BAS dataset alone shows only R1.63 billion
- Gap drivers: Higher figure reflects inclusion of SAPS, SANDF, SOEs & municipalities outside standard reporting

Why is this higher than BAS data alone?

- National Treasury's BAS database captures ~ 25% of total government spend, with reporting largely from national and provincial departments.
- SAPS and SANDF are excluded from BAS entirely.
- SOE and municipal data requires estimation from employee numbers and benchmark uniform spend rates.

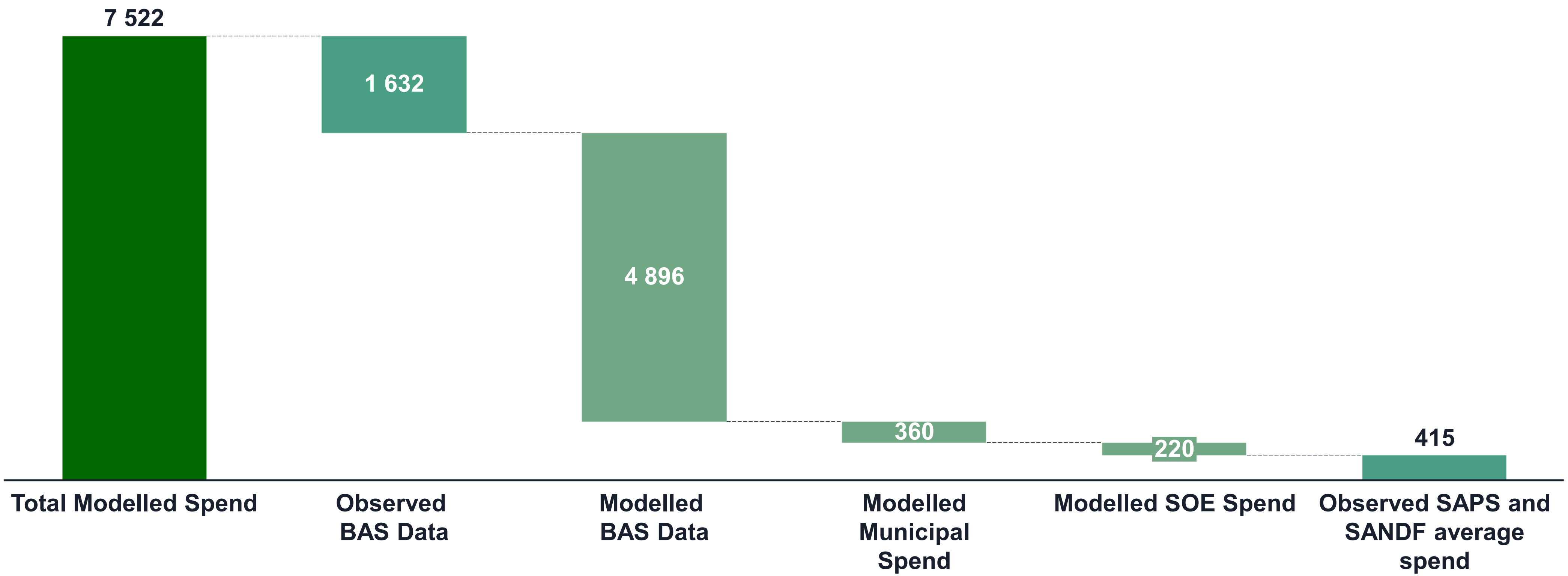
Key modelling assumptions

- SOE spend modelled from employee headcounts and uniform spend benchmarks per employee.
- Municipal spend estimated using total employment levels and CTFL spend ratios from available metro data.
- Observed spend clearly separated from modelled estimates throughout.

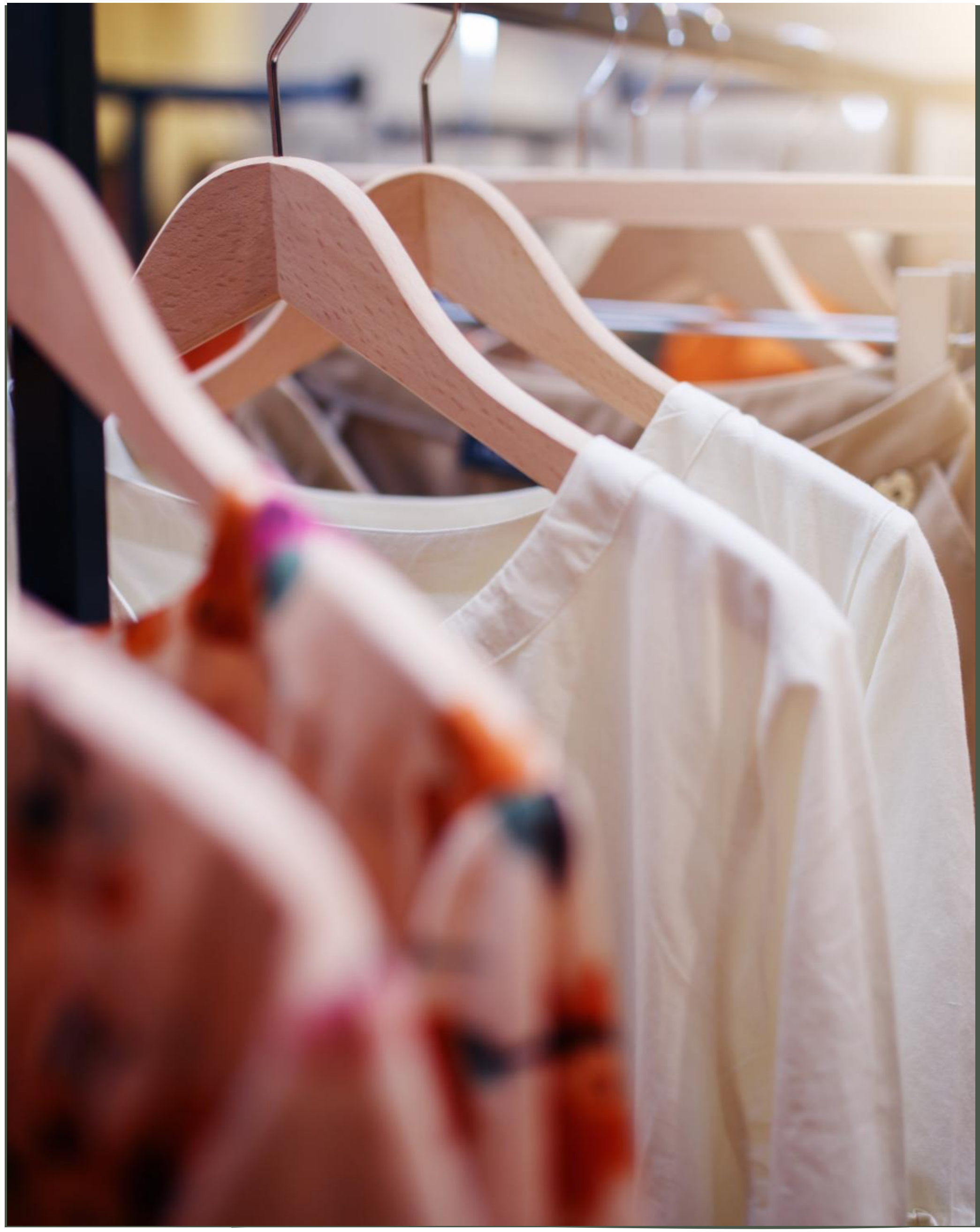
**Note: Based on available + modelled spend. SOEs = top 10 only. Municipal/SOE figures derived from mixed sources and proxy estimates. Source: National Treasury + municipal/SOE disclosures (various) + BMA modelling assumptions, 2026*

Modelled vs Observed Spend in 2025

Modelled vs observed CTFL spend, ZAR mil 2025



BAS captures 25% of total national government spend (self-reported). As such the additional 75% of total national government spend was extrapolated.
Municipal and SOE spend was estimated separately using employee headcount as a proxy for CTFL demand
SAPS and SANDF CTFL procurement was observed through annual reports.
As such 28% of the modelled spend was observed, with 72% modelled.



The Economic Cost of Leakage

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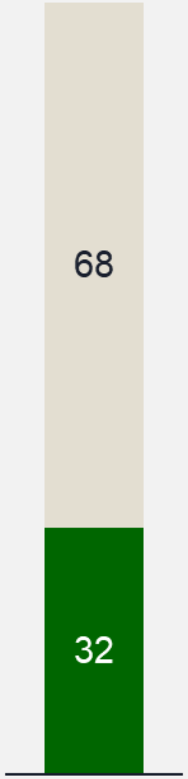
Methodology

	Local Industry Revenue	Direct Employment	GDP & Indirect Employment
Drivers	• Total public procurement spend • Rand spend on local supply	• Rand spend on local supply • Employment intensity	• Rand spend on local supply • Rand spend Multipliers for GDP
Multiplier	• Based on the calculated BAS local spend ratio of 32% observed in phase 1 and 2	• Direct employment - CTFL manufacturing employment based on R-CTFL Masterplan analysis (employment intensity)	• The National Treasury manufacturing GDP multiplier is applied GDP and indirect employment multipliers
Estimation Approach	• Quantified the estimate of Total public procurement spend • Used a sampling approach to estimate the quantum of local spend as a percentage of total spend • Applied the local spend percentage to the total estimated public procurement	• Calculated local output • Research and calculation of local employment intensity multiplier for rand spend, measured as jobs per R1 million • Calculation of jobs per R1 m as per local output spend (divided by R1m)	• Calculated total local output and direct employment • Identification applicable economic fiscal multiplier for GDP impacts • Multiplied total local output by appropriate multiplier
Considerations	• Estimation approaches and assumptions determined in Data Collection and Supplier Verification were applied to quantify a total public procurement estimate • Confirmed in last PSC to be fairly representative	• Employment intensity is derived from analysis of the R-CTFL Masterplan manufacturing targets • This intensity relates to manufacturing and upstream employment, excluding retail • **2.45 manufacturing jobs per R1m spend**	• Broad manufacturing sector multipliers due to limited availability of CTFL sector specific multipliers • Lower end multipliers from National Treasury (2016) used to avoid over estimation of GDP impacts • **GDP 1.4, Employment 2.6**

For a single year the majority of public CTFL procurement is not captured locally, impacting local manufacturing revenue, GDP and jobs, based on 2025 estimated spend of R7,52bn



68% of procurement leaks outside of the domestic CTFL manufacturing

Only **32%** of public procurement is estimated to be localised towards domestic manufacturing

Calculations based on total estimated spend for 2025

Estimated Economic Consequences

R5.11 Bn **Compliant manufacturing revenue not earned locally**

Compliant, local manufacturers miss this revenue annually. This is the direct value of goods purchased from unconfirmed sources.

R7.16 Bn **In GDP lost annually**

Applying National Treasury manufacturing GDP multiplier of 1.4x to the leakage value. Includes indirect and induced effects across the economy.

12 514 **Direct manufacturing jobs foregone**

Based on employment intensity of 2.45 jobs per R1m in local manufacturing spend. These are formal, bargaining council compliant manufacturing roles.

39 170 **Multiplier jobs foregone**

Applying NT employment multiplier of 2.6x to direct jobs. Includes upstream and downstream value chain effects across the broader economy.

68% of unconfirmed or non-local procurement is associated with ~ 41 297 livelihoods unsupported and R1.34bn in annual wages not realised locally

~41 297

Livelihoods Not Supported

- *Potential livelihoods:* ~60 731 could be supported under full local procurement.
- *Leakage impact:* 41 297 livelihoods foregone under current 68% leakage.
- *Current capture:* Only ~19 433 livelihoods supported today.
- *Calculation basis:* Stats SA average household size (3.3 people/job) applied to 12 514 direct manufacturing jobs foregone

Source: Stats SA average household size; BMA modelling, 2026

R1.34bn

In Annual Wages Not Realised Locally

R628.8m	R1.34bn
Currently captured	Lost to non-local or unconfirmed procurement

R240.52m Personal Income Tax lost annually

- *Apparel wages:* Calculated at R8,898 per month (NBC average across all job types)
- *Methodology:* Derived from modelled jobs per R1m spend × average NBC wage
- *Compliance scope:* Represents wages paid under bargaining council-compliant employment only

Non-local procurement foregoes the equivalent of 102 to 250 potential SMME businesses (revenue-based and employment-based definitions, respectively).

Source: NBC average wage data; BMA modelling, 2026

Potential economic gains were modelled using four localisation scenarios to assess how higher domestic capture could affect output, GDP and employment

Scenario Analysis: The Economic Case for Higher Localisation

Base Case 32% Local	Scenario 1 40% Local	Scenario 2 50% Local	Scenario 3 60% Local*
Current modelled level of localisation	*Moderate increase in local compliance*	*Stronger increase in local compliance*	*R-CTFL Masterplan target benchmark*
Local Revenue **R2.41bn**	Local Revenue **R3.01bn**	Local Revenue **R3.76bn**	Local Revenue **R4.51bn**
Direct Jobs **5 889**	Direct Jobs **7 361**	Direct Jobs **9 202**	Direct Jobs **11 042**
GDP Impact **R3.36bn**	GDP Impact **R4.21bn**	GDP Impact **R5.27bn**	GDP Impact **R6.32bn**
Total Jobs* **24 322**	Total Jobs* **30 402**	Total Jobs* **38 004**	Total Jobs* **45 604**

Each additional R1bn redirected to compliant local procurement supports ~ 2,450 direct manufacturing jobs and 5,050 further indirect jobs across the value chain.

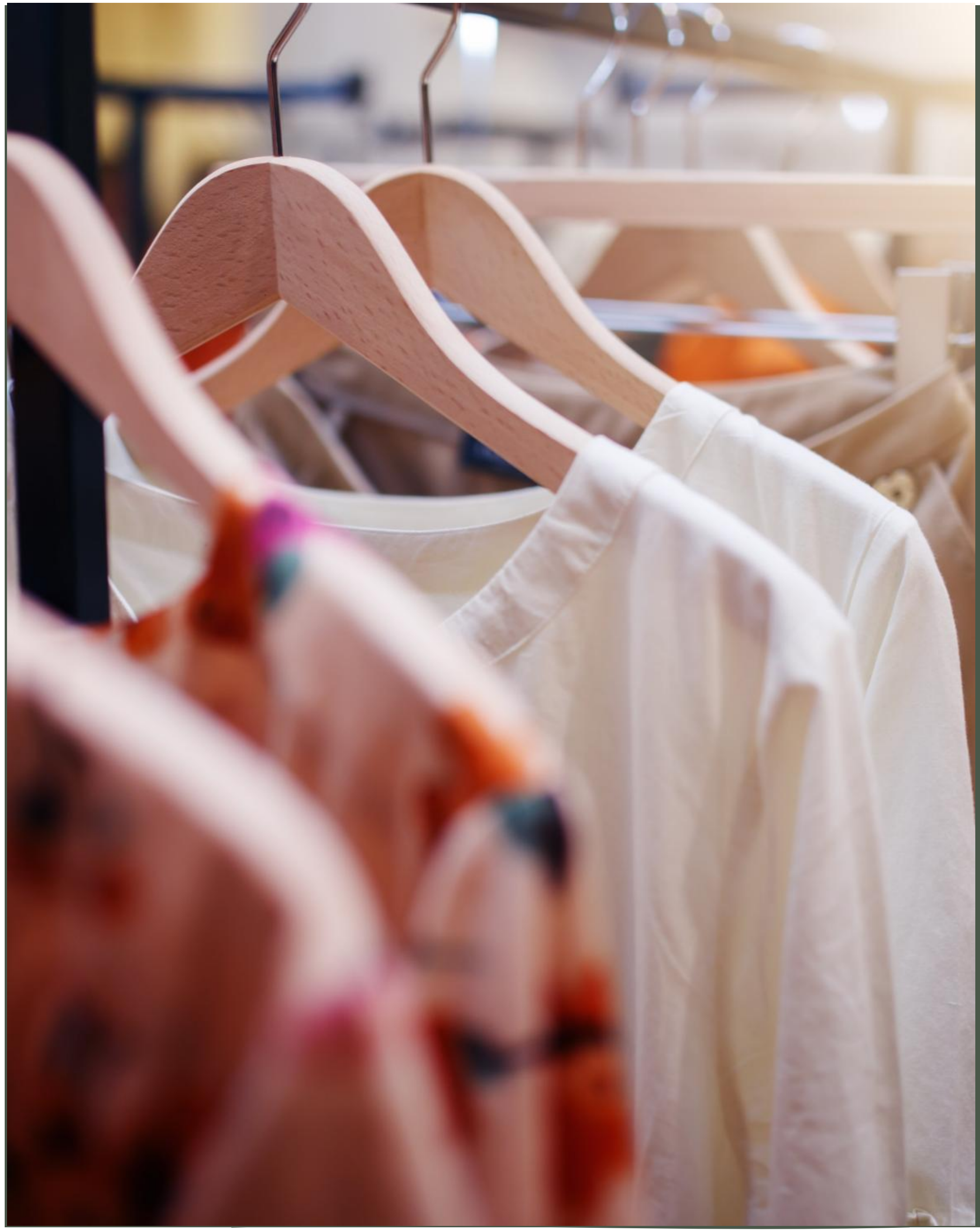
**60% localisation aligns with the R-CTFL Masterplan government procurement targets. **Total jobs = direct + indirect employment via National Treasury multiplier (2.6x). Level of total government spending kept constant. Source: BMA economic modelling, 2026; National Treasury (2016) multipliers; R-CTFL Masterplan*

Realising Gains: Conditions and Constraints for Increased Localisation

- For the modelled economic gains to be realised a combination of supplier capacity, regulatory clarity, enforcement capability and procurement execution quality.
- The following conditions and constraints frame what is required for the scenarios to materialise in practice.

Conditions Supporting Localisation Gains	Factors That May Constrain Increased Localisation
Adequate domestic manufacturing capacity in targeted CTFL segments	2024 Public Procurement Act not yet operationalised; enforcement obligations remain ambiguous
Available fabric and raw material supply (either locally produced or imported under exemption)	Capability deficiencies- quality and scale standards
Competitive cost structures that do not impose excessive price premiums on government	Insufficient domestic textile supply forcing reliance on imported fabrics
Supportive industry structures including functioning bargaining councils and sector bodies	Weak institutional knowledge in government procurement teams regarding local content rules
Supplier capability to meet technical specifications and quality standards	SABS verification is costly, slow and only covers a fraction of contracts
Access to working capital and contract finance for smaller local manufacturers	Accreditation and certification delays create compliance bottlenecks for new entrants
	Import cost advantages make non-local sourcing economically rational where enforcement is weak

Source: BMA stakeholder interviews; industry engagement; policy review, 2026



Key Lessons and Forward-Looking Interventions

PROUDLY SUPPORTING LOCAL INDUSTRY

Legislative Background: From Constitution to Current Legal Limbo

South Africa's localisation policy for CTFL has a solid constitutional foundation under s217, but the regulatory framework governing enforcement has been in a state of flux since 2022. Understanding this legislative history is critical to identifying where advocacy interventions can have the greatest effect.

1996 — Constitution s217

Constitutional basis established. s217(1) requires fair, equitable, transparent, competitive and cost-effective procurement. s217(2) permits transformative measures for disadvantaged persons.

2000 — PPPFA Enacted

Gives effect to s217(3). Establishes local content designation as a mechanism within preferential procurement. Creates the legal power to designate CTFL.

2012 — PPPFA Regulations: CTFL Designated

PPPFA Regulations establish 100% local content threshold for designated CTFL goods via the PPPFA. Strongest enforcement era begins.

2017 — Updated PPPFA Regulations

Updated PPPFA Regulations introduce the SBD 6.2 self-declaration form. Bidders self-certify local content compliance at bid stage.

2022 — Updated PPPFA Regulations

Updated PPPFA Regulations remove local content rules from the regulations explicitly. Local content enforcement now depends on procuring entities incorporating requirements into their own policies. Gap opened.

2024 — Public Procurement Act

Public Procurement Act 28 of 2024 enacted. Section 20 empowers DTIC Minister to designate sectors. Not yet operationalised. 2022 Regulations remain operative.

Apr 2026 — Draft Regulations Published

Draft General Public Procurement Regulations published (Gazette No. 54528). Comment window open until 15 July 2026. Critical advocacy window for CTFL.

Key Implication: CTFL designation remains legally binding under the PPPFA, but enforcement obligations are ambiguous pending the 2026 Draft Regulations. The 15 July 2026 comment window is a critical advocacy opportunity.

Sources: Constitution of South Africa, 1996 (s217); Public Procurement Act 28 of 2024

Tendering process: Weak specifications, false declarations and poor reporting open the door for non-compliance and imports at the point of tendering

1. **CTFL Goods Required** — Department obtains approvals
2. **Tender Requirements Set** — Local Content & Technical Specs
3. **Local Content Self-Declaration** — Bidders complete SBD 6.2 declaring local content
4. **Bidders Provide** — Evaluation with LC scoring
5. **Select Supplier** — Award to qualifying bidder
6. **Reporting** — Procuring entities log awarded bidder on e-tenders

Step 2

Gap 1: Inadequate Tender Specifications

- Tenders with no local content requirements
- Tenders that use a points system for local content
- Technical specifications written incorrectly or biased towards imported good

Step 3

Gap 2: Self-Declaration at Bid Stage

- SBD 6.2 self-declaration often relied upon with no independent check before award
- Potential for large number of falsified self-declarations due to lack of independent verifications in tenders

Step 6

Gap 3: Inconsistent eTenders adherence

- Reporting to eTenders is inconsistently followed and National Treasury cannot currently monitor.
- If not reported, National Treasury does not receive the data and the entire post-award verification chain is hindered.

Source: National Treasury SCM Guidelines; PPPFA Regulations 2022; Stakeholder interviews

Verification process: Two control points which could reduce non-compliance are inadequately implemented

In-tender local content verification at point of payment

SUPPLIER MAKES/SOURCES CTFL GOODS

Submits SBD 6.2 self-declaration at bid stage

Extensive local verification with verification agency

OR

Entity requires supplier invoice as pre-requisite for payment

OR

No further verification; completely reliant on SBD 6.2

PROCURING ENTITY PAYS SUPPLIER

Releases payment on receipt of invoice and receives goods

Key Leakage Points

Many entities don't verify local content due to:

- Not formally required by current regulations
- Lack of awareness/knowledge
- Costly and time consuming
- Insufficient communication between SCM and Finance and/or receiver of goods
- Poor internal controls and corrupt officials

Post-tender local content verification

National Treasury

Manages & publishes eTender database

SABS

Physical audit of the local content; issues a certificate

Key Leakage Points

- National Treasury has no way of monitoring eTender submission compliance leading to incomplete and uncertain dataset
- Verification takes place long after tender completion
- SABS verifications are costly and complex, limiting their capacity
- SABS only verifies a fraction of CTFL procurement, making this a poor control mechanism
- Net effect is poor consequence management

Source: National Treasury SCM Guidelines; PPPFA Regulations 2022; Stakeholder interviews, BMA 2026

Control Point 1: **At the Point of Tender**

The Problem

- **Inconsistent requirements:** Lack of uniform local content rules undermines enforcement.
- **Unchecked declarations:** Self-declaration at bid stage allows non-compliance in.
- **Opaque intermediaries:** Supplier layers obscure origin, risk of imports misrepresented as local.
- **Aggregation benefit:** Intermediaries can consolidate small producers to meet order sizes.
- **Weak reporting:** Poor eTenders enforcement leaves Treasury uncertain on actual procurement.

Rec 1 | **Standardise & Mandate CTFL Tender Requirements**

- **Local content threshold:** Make compliance exclusionary; disqualify bidders below the bar.
- **Standard bid template:** Use auditable, pre-approved specs aligned with local capacity.
- **Verification upgrade:** Replace self-declaration with exemption letters or Labour compliance certificates.
- **Early compliance checks:** Verify at tender stage for high-value procurement.
- **Ban off-contract buys:** Formal prohibition except documented exceptions.
- **Written justification:** Departments must explain exceptions to Treasury and dtic.

Owner: The dtic + National Treasury / OCPO

Rec 2 | **Standardise & Mandate CTFL Tender Requirements**

- **Proactive quarterly workshops:** Replace ad hoc, request-based training with regular online sessions for all procuring entities.
- **Multilingual materials:** Address language barriers for rural and non-English speaking procurement officers.
- **Practical toolkit:** Publish applied guidance alongside regulations, not just legal text.
- **Clarify supplier vs manufacturer:** Close critical knowledge gap among procurement officials.

Owner: The dtic + all organs of state procurement officials

Control Point 2: **At the Point of Payment**

The Problem

- **Premature payments:** Funds released before local content is confirmed.
- **Unchecked invoices:** Source of goods not verified against local content requirements.
- **Late detection:** By delivery stage, window to prevent non-compliance has closed.

Rec 3 | Make Verification a Condition of Payment in a Tiered Model

Develop guidelines that outlines the following best practice for SCM officials to include in their procurement policies and contracting processes:

- **Confirm before payment:** Release funds only once local content is verified.
- **SABS verification for large tenders:** Mandatory checks for red-flagged cases and contracts ≥3 years.
- **Simplified proof for RFQs:** Require invoice-based evidence of local manufacture before payment.
- Finance informed upfront: SCM must notify Finance of verification requirements at payment stage.

Owner: DTIC + all organs of state procurement officials

Control Point 3: **Post-Tender Verification/Audit**

The Problem

- **Costly, slow SABS checks:** Too expensive, selective, and delayed to serve as reliable control.
- **No clear case owner:** Complaints fall between dtic and Treasury without resolution.
- **No complaint channel:** Suppliers face no deterrent; importing continues unchecked.

Rec 4 | Simplify SABS Post-Tender Verification

- **Prioritise high-value contracts:** Focus SABS checks on high-risk, high-value CTFL tenders, not universal coverage.
- **Document-based default:** Use paperwork checks as standard; reserve site visits for flagged suppliers.

Owner: The dtic + SABS

Rec 5 | Enhance Private Sector Monitoring and Reporting

- **Proactive eTenders monitoring:** Proudly SA shares monthly CTFL award tracking with Bargaining Councils to flag reputable suppliers early.
- **Structured feedback loop:** Formal channel between industry, Proudly SA, dtic and Treasury strengthens enforcement intelligence.

Owner: NBC, NTBC and Proudly SA

Summary of Five Policy and Process Recommendations

#	Control Point	Recommendation	Owner	Impact	Timing
1	Tender	**Standardise & Mandate CTFL Tender Requirements** Exclusionary local content threshold in all tenders; standardised bid template; replace SBD 6.2 sole reliance; mandatory exemption letters	DTIC + National Treasury / OCPO	High	Immediate: comment on Draft Regulations by 15 July 2026
2	Tender	**Provide Ongoing DTIC Capacity & Guidance** Quarterly online workshops; multilingual training materials; practical toolkit; clarify local supplier vs local manufacturer distinction	DTIC + all organs of state procurement officials	High	Short-term: within 6 months
3	Paymen	**Make Verification a Condition of Payment** Tiered verification model; large tenders require SABS verification; smaller tenders require invoice-based proof; SCM to inform Finance	DTIC + all organs of state SCM and Finance	Very High	Short-term: guidance within 6 months
4	Post-Tender	**Simplify SABS Post-Tender Verification** Prioritise high-value and high-risk contracts; document-based default checks; formal complaint intake; consequence management protocols	DTIC + SABS	Medium	Medium-term: within 12 months
5	Post-Tender	**Enhance Private Sector Monitoring and Reporting** Monthly eTenders monitoring; structured feedback loop; public register of verified manufacturers; industry watchlist of non-compliant suppliers	NBC, NTBC, Proudly SA, LSF	High	Short-term: within 3-6 months

Source: BMA analysis and stakeholder interviews, 2026

R7.52bn

Annual CTFL procurement

68%

Leakage to unconfirmed sources

51 684

Jobs not supported

15 July

2026 Comment deadline

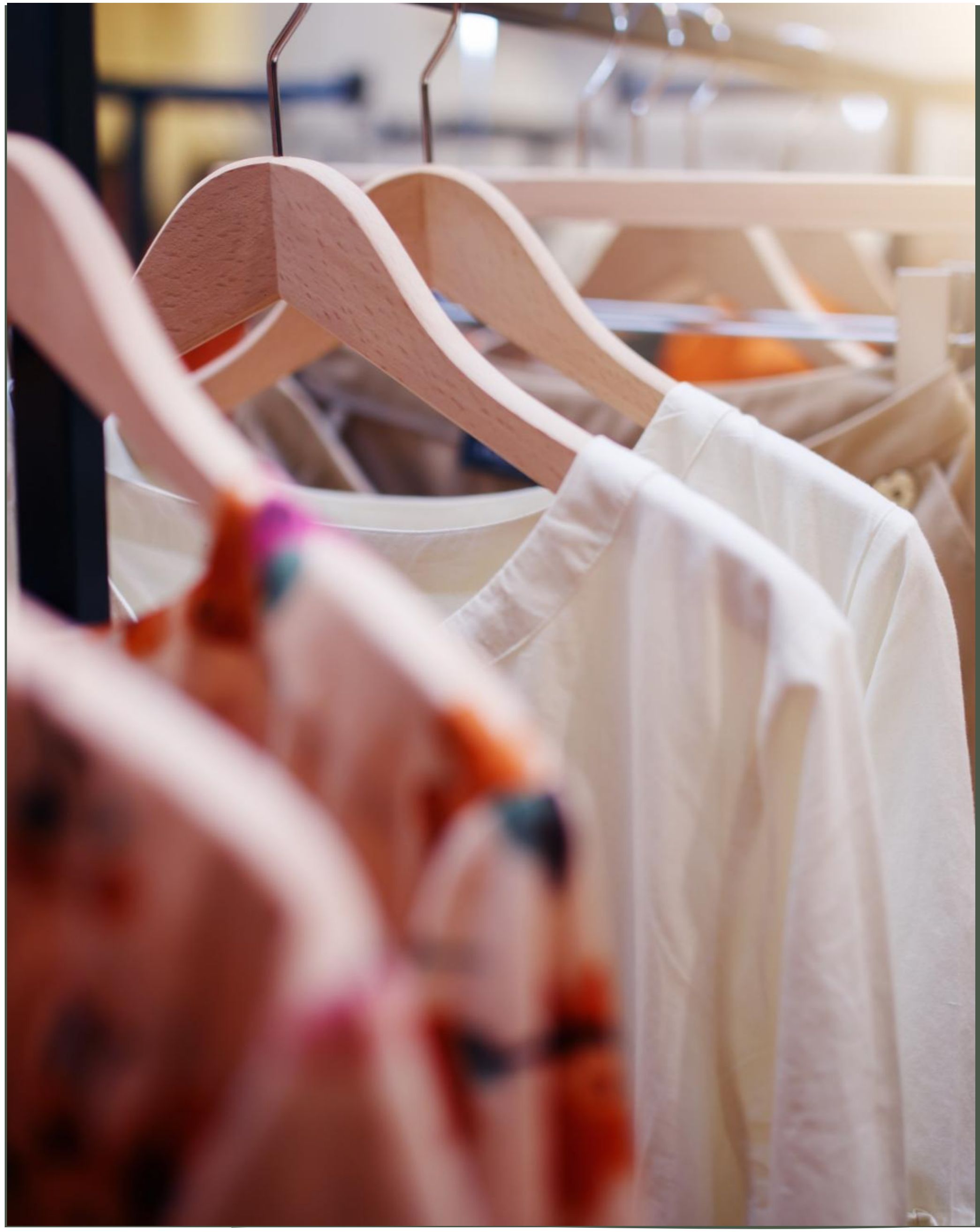
Conclusion

The Case for Action Is Clear

South Africa's government spends ~R7.52 billion per year on CTFL goods. By any measure, this is a significant economic lever to support local industrialisation. The evidence from this study is unambiguous: for every rand spent on CTFL procurement, only 32 cents can be tracked to local manufacturers and suppliers. The remaining 68 cents is flowing to unconfirmed or non-local sources.

This is not a marginal issue. The economic consequences are substantial and recurring: R5.11 billion in revenue not earned locally each year, R7.16 billion in foregone GDP, and close to 52 000 direct and multiplier jobs not supported. Behind those numbers are families and communities that could be benefiting from formal manufacturing employment.

The regulatory environment is at a critical juncture. The 2026 Draft Regulations published under the 2024 Public Procurement Act represent a genuine opportunity to restore clear, enforceable localisation requirements for CTFL. This would give tangible effect to the commitment made in 2019 by national government as a co-signatory to the R-CTFL Masterplan. The comment window closes 15 July 2026.



Appendix

PROUDLY SUPPORTING LOCAL INDUSTRY

Methodology notes

1. Scope

- Period: FY20–FY25 (six fiscal years); single-year economic impact based on FY25
- Levels: National, Provincial, SOEs, Municipalities
- Categories: Clothing, textiles, footwear, leather (CTFL), including uniforms, workwear, PPE, bedding and linen
- Required record fields: entity, FY/period, supplier, description/category, value, source

2. Primary data sources

- **BAS UNSPC** (primary): 155 departments (41 national, 114 provincial); high-level category coverage
- **LOGIS** : 88 departments; item-level granularity for product-mix analysis
- **Tender disclosures** (eTenders, municipal portals, annual reports): used to fill SOE, municipal and SAPS/SANDF/SARS gaps
- **Annual financial statements**: employee headcount inputs for per-employee modelling
- National Treasury access granted 17 February 2026

3. Cleaning & classification

- Standardised entity and supplier naming, removed duplicates, aligned FY/periods, converted to consistent numeric formats
- CTFL tagging via defined keyword list (clothing/uniform/PPE/workwear, textile/linen, leather, footwear), followed by manual review of ambiguous records
- Quality flags applied: missing values, rates-based awards, weak descriptions, incomplete supplier info

4. Localisation assessment

- Funnelling approach applied to the BAS-matched supplier base to estimate the share of spend directed to local suppliers
- **Local-compliance signals:** NBC and NTBC member lists, DEL UIF registers, dtic Exemption letters, and industry cluster databases
- dtic exemption letters treated as a directional signal of intent to source locally, not as post-award verification
- Suppliers not appearing on any source classified as unconfirmed (treated as non-local for the base case)
- Untagged supplier records (≈R1.2bn) excluded from the localisation share calculation

5. Modelling for data gaps

- Applied where direct spend was incomplete (SOEs, municipalities)
- **Per-employee approach:** headcount × benchmark uniform spend, calibrated to each entity's operational profile
- Higher coefficients applied for SAPS and SANDF (near-universal uniform wearing); lower coefficients for municipalities (limited uniformed workforce)
- Observed and modelled spend reported separately throughout to preserve transparency

6. Economic impact

- Base year: FY25 estimated CTFL public spend of ~R7.52bn
- Output, GDP and employment impacts derived using sector-specific CTFL multipliers
- Localisation gains modelled across four scenarios reflecting incremental capture of currently non-local spend
- Livelihoods estimated using average CTFL wages and sector productivity ratios

Validation: *Findings were validated through four multi-stakeholder Project Steering Committee meetings and direct engagement with select industry players to assess data quality and triangulate localisation signals.* ***Key limitations:*** *(i) BAS records exclude SOEs and some departments (SANDF, SAPS, SARS); (ii) ~R1.2bn of CTFL spend is untagged at supplier level, limiting attribution; (iii) local-source registers confirm intent but not post-award compliance; (iv) per-employee modelling depends on benchmark assumptions documented separately.* ***Sources****: National Treasury (BAS UNSPC, LOGIS); eTenders; NBC, NTBC, DEL, dtic registers; SAFLEC, CCTC, KZNCTC, BMA analysis, 2026*

Data Cleaning Steps

BAS Dataset Cleaning: From 22,566 to 12,956 Suppliers

A step-wise cleaning approach removed obvious errors, ensuring that schools, banks, universities and non-CTFL entities did not skew the analysis. The resulting cleaned dataset represents ~ R11.77bn in spend across the FY20-FY25 period.

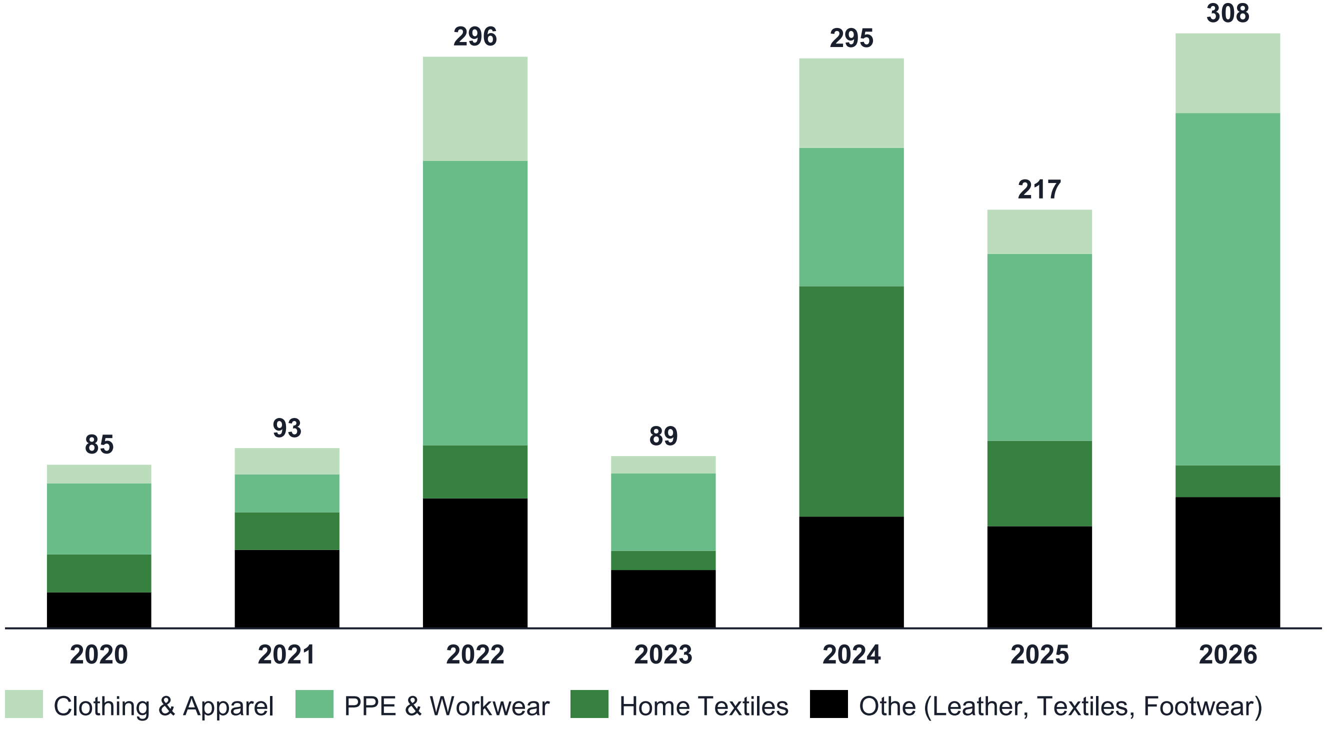
Step	Description	Rationale	Suppliers	Spend Impact
0	**STARTING POINT: Full BAS dataset**	**Broadest dataset available; eTenders had limited to no supplier info**	**22,566**	**R13,527,790,508**
1	Removed FY26 from dataset	Uneven time period relative to previous full financial years	-1,430	-R522,881,382
2	Removed 'Service products' and 'Null' lines	Term is unclear or used by National Treasury when no service provider is listed	-3	-R850,619,337
3	Removed suppliers with word 'school'	Schools listed as suppliers (likely NT accounting approach). More than 90% from FY22.	-6,978	-R312,477,219
4	Removed suppliers with 'scho'	Captured schools not spelled in full	-668	-R32,725,842
5	Removed suppliers with 'secondary'	Captured secondary schools not containing 'school'	-415	-R23,112,118
6-9	Removed 'high', 'primary sch', 'primary s', 'edu'	Captured remaining educational institutions across naming variations	-114	-R3,086,854
10	Removed 'Standard Bank' and 'North-West University'	Clearly not clothing suppliers; no way to verify source of CTFL goods	-2	-R10,854,370
Remaining Data After Cleaning			**12,956**	**R11,771,033,386**

LOGIS Dataset Summary

LOGIS Dataset: Item-Level Detail at Smaller Scale (Avg. R179m per Annum)

The LOGIS dataset differs substantially from BAS. It represents a smaller sample of procurement spend (covering 88 departments versus 155 in BAS) but provides item-level granularity that enables detailed comparison of spend on specific CTFL products. The two datasets are complementary: BAS for market sizing; LOGIS for product-level analysis.

National Treasury LOGIS database, in ZAR mils (rounded)



**FY26 is partial year*

Complementary use case

LOGIS is used alongside BAS rather than as a replacement. Its item-level detail allows verification of what specific product types are being bought, at what prices, from which suppliers.

PPE and workwear dominant

PPE and workwear is the largest LOGIS category, reflecting safety equipment procurement across departments. Clothing and apparel, home textiles and leather complete the picture.

Scale difference

LOGIS reports an average of R179m per annum versus R2.2bn in BAS. This large difference reflects the datasets covering different sets of departments and different levels of spend detail.

Growing FY24-FY26 trend

Unlike BAS which shows stabilisation post-Covid, LOGIS data shows an upward trend from FY24, driven by increased clothing and PPE procurement in the departments captured by this dataset.

A note on dtic Exemption letters

Context

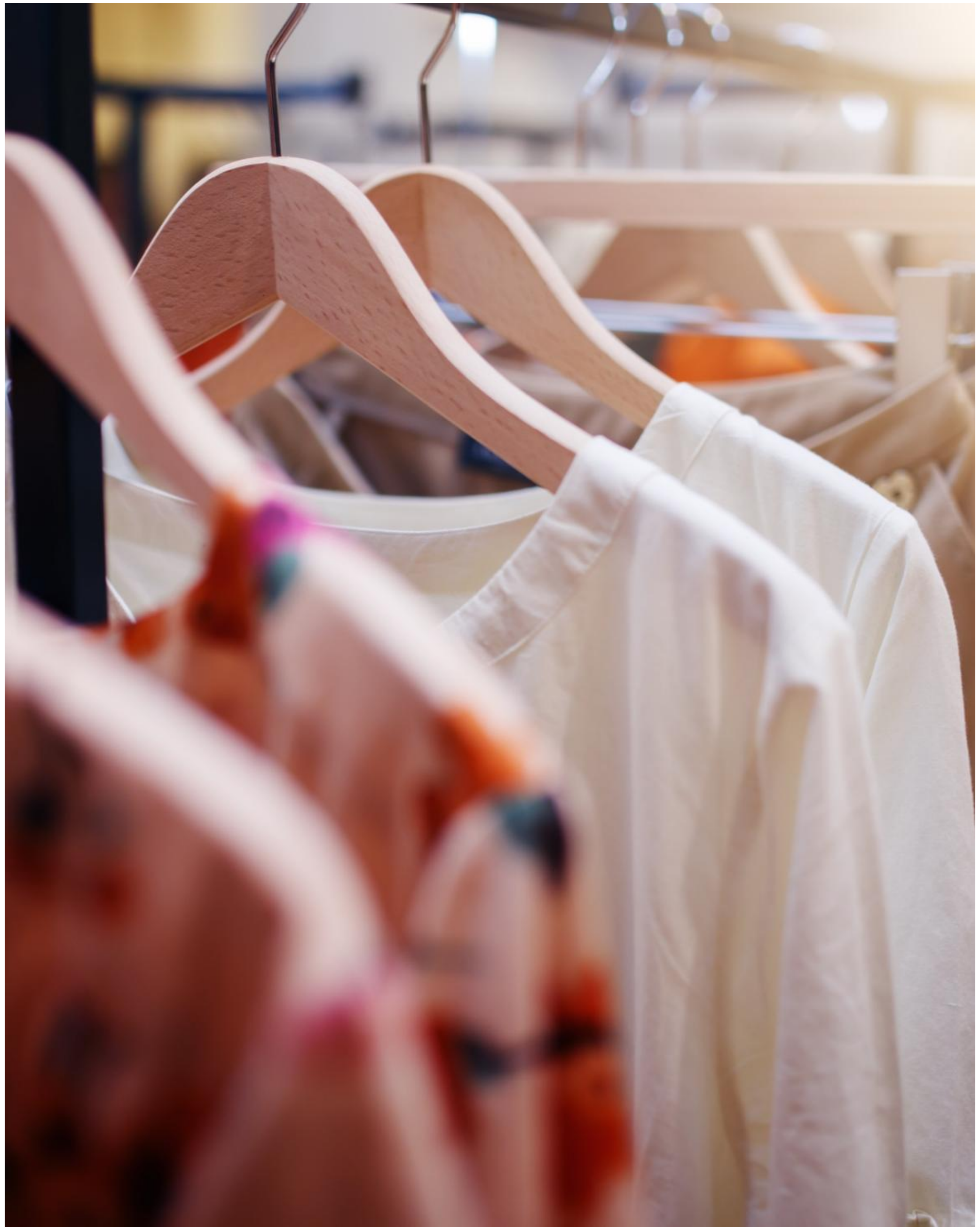
Exemption letters are issued by the **Department of Trade, Industry and Competition (the dtic)** in cases where applicants have indicated that they are unable to meet the full local designation requirements of a tender, but are still able to manufacture the garment within South Africa's borders. As part of the application, firms are required to submit the manufacturers they intend to utilise, who must be SARS and National Bargaining Council compliant.

Interpretation

Exemption letters do **not** guarantee that local sourcing was fulfilled post-award; they confirm *intent* and order mechanisms rather than verify actual compliance.

Why we include it

Obtaining an exemption letter is nonetheless a significant procedural step a firm must take to engage with the dtic. On that basis, we treat it as a directional **signal of local-sourcing intent** and have incorporated it as a proxy indicator of local compliance, alongside other evidence.



LSF

PROUDLY SUPPORTING LOCAL INDUSTRY

Prepared by BMA