



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

LOCAL CONTENT AND PRODUCTION

What is Designation?

In 2011, PPPFA regulations were amended and the focus was mainly on the alignment of aims of PPPFA and B-BBEE. Also, a provision was made for promotion of locally produced goods, services and works.

The Regulations were revised beginning of 2017, now called the Preferential Procurement Regulations, 2017. The new Regulations were promulgated on 20 January 2017 with the effective date of 1 April 2017. Local Production and Content still form part of the new Regulations as section 8; With the following sub-sections:

Section 8 (1): *empowers **the dti** to designate specific industries/sectors, where only locally manufactured products that meet the stipulated minimum threshold for local content will be considered.*

Section 8 (2): *organs of state must include local content in their bid invites.*

Section 8 (3): *National Treasury must inform organs of state via circular.*

Section 8 (4): *allows organs of state to “self-designate” provided they consult with **the dti** and National Treasury.*

Section 8 (5): *bid that fails to meet the required local content is unacceptable.*

Repeal of Regulations and saving

Section 16 (2) states that any sector designated and minimum threshold determined for local production and content for purposes of Regulation 9 of the 2011 Regulations are regarded as having been done under Regulation 8(1) of the 2017 Regulations.

The new Regulations allow the National Treasury to issue circulars and guidelines.

This policy strategy is intended to support our domestic market and revamp local manufacturing.

AOs/AAs are obliged to implement the local content requirements for all the designated products in their tenders/bids as per the instruction notes and circulars, published and circulated by the National Treasury.

List of applicable documents

1. SBD/MBD 6.2 downloadable on
<http://www.treasury.gov.za/divisions/ocpo/sc/default.aspx>
2. SATS 1286:2011*
3. Guidance Document for the calculation of Local Content*
4. Annex C*
5. Annex D*
6. Annex E*

*Downloadable from **the dti** website:

http://www.thedti.gov.za/industrial_development/ip.jsp

The following industries, sectors and sub-sectors have so far been designated for local production with minimum local content thresholds.

Industry/sector/sub-sector	Minimum threshold for local content
Buses (Bus Body)	80%
Textile, Clothing, Leather and Footwear	100%
Steel Power Pylons, Monopole Pylons, Steel Substation Structures, Powerline Hardware, Street Light Steel Poles, Steel Lattice Towers	100%
Canned / Processed Vegetables	80%
Pharmaceutical Products:	
<ul style="list-style-type: none"> • OSD Tender • Family Planning Tender 	<ul style="list-style-type: none"> • 70% (volumes) • 50% value
Rail Rolling Stock	65%
Set Top Boxes (STB)	30%
Furniture Products:	
<ul style="list-style-type: none"> • Office Furniture • School Furniture • Base and Mattress 	<ul style="list-style-type: none"> • 85% • 100% • 90%
Solar Water Heater Components	70%
Electrical and telecom cables	90%
Valves products and actuators	70%
Residential Electricity Meter :	
<ul style="list-style-type: none"> • Prepaid Electricity Meters • Post Paid Electricity Meters • SMART Meters 	<ul style="list-style-type: none"> • 70% • 70% • 50%
Working Vessels/Boats (All types):	60%
<ul style="list-style-type: none"> • Components 	<ul style="list-style-type: none"> • 10% - 100%
Conveyance Pipes	80% - 100%
Transformers and Shunt Reactors:	
<ul style="list-style-type: none"> • Class 0 • Class 1 • Class 2 • Class 3 • Class 4 	<ul style="list-style-type: none"> • 90% • 70% • 70% • 45% • 10%
<ul style="list-style-type: none"> • Components and conversion activities 	<ul style="list-style-type: none"> • 50% - 100%

The following industries, sectors and sub-sectors have so far been designated for local production with minimum local content thresholds.

Solar PV Components:	
<ul style="list-style-type: none"> Laminated PV Modules Module Frame DC Combiner Boxes Mounting Structure Inverter 	<ul style="list-style-type: none"> 15% 65% 65% 90% 40%
Two Way Radio Terminals and Associated Equipment:	
<ul style="list-style-type: none"> Portable Radio Mobile Radio Repeater 	<ul style="list-style-type: none"> 60% 60% 60%
<ul style="list-style-type: none"> Components 	<ul style="list-style-type: none"> 20% - 100%
Rail Signaling:	
<ul style="list-style-type: none"> Components 	<ul style="list-style-type: none"> 65% 40% - 100%
Wheely Bins:	100%
Fire Fighting Vehicle	30%
<ul style="list-style-type: none"> Crew Cabin Super Structure Assembly 	<ul style="list-style-type: none"> 100% 100% 100%
Steel Products and Component for Construction	
Steel Value-added Products	
<ul style="list-style-type: none"> Fabricated Structural Steel Joining/Connecting Components Frames Roof and Cladding Fasteners Wire Products Ducting and Structural pipework Gutters, downpipes & launders 	<ul style="list-style-type: none"> 100% 100% 100% 100% 100% 100% 100% 100%
Steel Value-added Products	
<ul style="list-style-type: none"> Plates Sheets Galvanised and Colour Coated Coils Wire Rod and Drawn Wire Sections Reinforcing bars 	<ul style="list-style-type: none"> 100% 100% 100% 100% 100% 100%

SATs 1286.2011

Local Content Declaration - Summary Schedule

Note: VAT to be excluded from all calculations

(C/)	Tender No.	
(C/)	Tender description:	
(C/)	Designated product(s)	
(C/)	Tender Authority:	
(C/)	Tendering Entity name:	
(C/)	Tender Exchange Rate:	Pub
(C/)	Specified local content %	EU

[illegible]

Imported Content Declaration – Supporting Schedule to Annex C

Annex D SATS 1286 2013

Imported Content Declaration - Supporting Schedule to Annex C

(D1) Tender No. _____

(D2) Tender description: _____

(D3) Designated Products: _____

(D4) Tendering Authority: _____

(D5) Tendering Entity name: _____

(D6) Tender Exchange Rate: _____ Public _____ B: 9.00 GBP: 11.00

VAT: VAT to be included from all calculations

A. Exempted imported content

Tender Item no's	Description of imported content	Local supplier	Overseas supplier	Calculation of imported content					Summary		
				Foreign currency value as per Commercial Invoice	Tender Exchange Rate	Local value of imports	Freight costs to port of entry	AlI locally incurred landing costs & duties	Total landed cost incl VAT	Tender Qty	Exempted imported value
(B7)	(B8)	(D8)	(D9)	(D11)	(D12)	(D13)	(D14)	(D15)	(D16)	(D17)	(D18)
(D20) Total exempt imported value											

This total must correspond with Annex C - C.21

B. Imported directly by the Tenderer

Tender Item no's	Description of imported content	Unit of measure	Overseas supplier	Calculation of imported content					Summary		
				Foreign currency value as per Commercial Invoice	Tender Rate of Exchange	Local value of imports	Freight costs to port of entry	AlI locally incurred landing costs & duties	Total landed cost incl VAT	Tender Qty	Total imported value
(B29)	(B30)	(B32)	(B33)	(B34)	(B35)	(B36)	(B37)	(B38)	(B39)	(B40)	(B41)
(D32) Total imported value by tenderer											

C. Imported by a 3rd party and supplied to the Tenderer

Description of imported content	Unit of measure	Local supplier	Overseas supplier	Calculation of imported content					Summary		
				Foreign currency value as per Commercial Invoice	Tender Rate of Exchange	Local value of imports	Freight costs to port of entry	AlI locally incurred landing costs & duties	Total landed cost incl VAT	Quantity Imported	Total imported value
(B33)	(B34)	(B35)	(B36)	(B37)	(B38)	(B39)	(B40)	(B41)	(B42)	(B43)	(B44)
(D45) Total imported value by 3rd party											

D. Other foreign currency payments

Type of payment	Local supplier making the payment	Overseas beneficiary	Calculation of foreign currency payments	
			Foreign currency value paid	Tender Rate of Exchange
(D46)	(D47)	(D48)	(D49)	(D50)
(D52) Total of foreign currency payments declared by tenderer and/or 3rd party				

(D53) Total of imported content & foreign currency payments - (D32), (B41) & (D52) above

This total must correspond with Annex C - C.23

Signature of tenderer from Form B _____

Date: _____

Local Content Declaration – Supporting Schedule to Annex C

Annex E
SATS 1286.2011

Local Content Declaration - Supporting Schedule to Annex C

(E1) Tender No.

(E2) Tender description:

(E3) Designated products:

(E4) Tender Authority:

(E5) Tendering Entity name:

Note: VAT to be excluded from all calculations

Local Products (Goods, Services and Works)	Description of items purchased	Local suppliers	Value
	(E6)	(E7)	(E8)
	(E9) Total local products (Goods, Services and Works)		

(E10) **Manpower costs** (Tenderer's manpower cost)

(E11) **Factory overheads** (Rental, depreciation & amortisation, utility costs, consumables etc.)

(E12) **Administration overheads and mark-up** (Marketing, insurance, financing, interest etc.)

(E13) Total local content

This total must correspond with Annex C - C24

Signature of tenderer from Annex B _____

Date: _____



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Frequently Asked Questions:

Some of the questions that suppliers ask when completing SBD/MBD 6.2, Annexes C, D, and E include:

1. What is considered to be local content?

It is that portion of the product whose manufacturing processes take place within South Africa, from input materials, raw materials, and/or components that were sourced in South Africa.

2. What is local manufacturing?

The working and processing, including assembling or specific operation should happen within the borders of South Africa. There must be value addition to the required products.

3. Provide clarity on the statement *“Contractors may not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the minimum threshold as stipulated in regulation 9 of the Preferential Procurement Regulations, 2011.”*

This means that contractors are to subcontract in such a way that their subcontractors also meet the stipulated minimum threshold and do not reduce it in their manufacturing processes.

4. With reference to LOCAL CONTENT DECLARATION form SBD/MBD 6.2, in particularly the table after C. Please advise whether it is correct to provide the averages of all requested items in the table.

LOCAL CONTENT DECLARATION

(AS PER ANNEX B OF SATS 1286:2011)

Bid price, excluding VAT (y)	Bidders to insert C20 value here as found on Annex C.
Imported content (x), as calculated in terms of SATS 1286:2011	Bidders to insert C19 value here as found on Annex C.
Stipulated minimum threshold for local content (paragraph 3 above)	Bidders to refer to paragraph 3 of SBD/MBD 6.2 as provided by the procuring entity.
Local content %, as calculated in terms of SATS 1286:2011	Bidders to refer to C25 as per their calculation for the average of all requested items.

Please note: *Averages are to be provided in the table above if the procuring entity requested more than one item. If only one item is requested, bidders are to populate as per SBD/MBD 6.2 requirements.*

- Must Annexes D and E also be submitted at the closing date and time of the bid?

It is not compulsory or a requirement at the time of bidding but the Annexes may be requested at any point. One cannot complete Annex C before completing Annexes D and E. However, procuring entities may reserve the right to request that all Annexes be submitted at the closing date and time of bid.

- What happens if Annex C is signed but not completed?

The local content percentages would not be declared, therefore making the bid non-responsive.

- What is the turnaround time for authorization letters to be issued out?

Authorisation letters are issued out within 48 hours for the Textiles, Clothing, Leather and Footwear Sector; and must be attached to the bid document, where applicable, otherwise the bid will be deemed non-responsive.

8. Is an authorization letter the same as an exemption letter?

Authorisation letters are issued out in the Textile, Clothing, Leather and Footwear Sector only, and will be reflected under (C13) of Annex C.

Exemption letters may be issued out in the other designated sectors. Exempted imported value would be reflected under (C11) of Annex C.

9. What is the process followed for requesting an exemption letter/authorization letter?

The following information should be provided on the bidder's company letterhead when requesting an authorization letter:

Authorisation letter:

- Tendering Authority.
- Tender No.
- Tender Item specification and quantity.
- Closing date.
- Company Name.
- Company physical address.
- Full name of company representative.
- List of items/components for import authorization.
- Supporting letters from local sub-suppliers and manufacturers.

Forward the information to Mrs Patricia Khumalo and you may contact her on 012 394 1390, **Email:** KhumaloP@thedti.gov.za.

Exemption letter:

- In your request state the following information:
- Procuring entity/government department,
- Bid number,
- Closing date,
- Item(s) for which the exemption is being requested for,
- Description of the goods, services or works for which the requested exemption item will be used for (kindly attach specification for item),
- Reason for the request.

Attention to:

Dr Tebogo Makube

Chief Director: Industrial Procurement Unit

The Department of Trade and Industry

Private Bag X84, Pretoria, Gauteng, 0001

Email: TMakube@thedti.gov.za

10. How old must the supporting documents be?

Not older than 6 months, **subject to review.**

11. What is the validity period of the exemption letter and authorisation Letter?

The authorization letter and exemption letter are valid for the duration of the tender or quotation, as each letter is bid specific.

12. Who completes SBD/MBD 6.2 Annex C bidding company or sub-contractor?

It is the responsibility of the bidder to complete the Declaration Certificate for Local Production and Content SBD/MBD 6.2 together with the Annex C (Local Content Declaration: Summary Schedule), duly sign and submit at the closing date and time of this bid.

13. If all items have the same stipulated minimum thresholds, must they be completed for each item?

Each item must have its own local content percentage calculated as per the local content formula and each percentage must be completed for each item under **C15** of Annex C as the evaluation is on an item basis.

14. Where do bidders get the stipulated minimum thresholds to complete Annex C?

The procuring entities should provide a list of all required items and their respective stipulated minimum thresholds under paragraph 3 of the SBD/MBD 6.2 document.

15. What process is followed to ensure compliance to the local content and production policy?

The SABS handles the post award verification stage to ensure compliance by suppliers and the Auditor General is to audit the 2014/15 expenditure within the designated sectors.

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Contact Us

The Industrial Procurement Unit is a unit within **the dti** that is responsible for the implementation and monitoring of the local content policy.

Helpline: **012 394 1435**

For complaints and assistance, Please send an email to:

Email: localcontent@thedti.gov.za

For more information, please go to web link:

http://www.thedti.gov.za/industrial_development/ip.jsp

To get in contact with the Industrial Procurement team for enquiries contact:

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Ms Cathrine Matidza

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