

LOCAL CONTENT WORKSHOP BOOKLET



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



OUTLINE:

Section 1 : Introduction to Local Content in Public Procurement Environment

Unit 1 : Policies and Legislation

Unit 2 : Introduction to Local Content

Section 2 : Local Content Calculation

Unit 1 : Relevant Documentation

- SATS 1286:2011
- Guidance Document for Calculation
- SBD/MBD 6.2
- Annexure (C, D & E)

Section 3 : Evaluation Process

Unit 1 : Evaluation and Comparison of Bids

Unit 2 : After Award

Addendums:

- 1 : Preferential Procurement Policy Framework Act (PPPFA)
- 2 : Preferential Procurement Regulations, 2017
- 3 : SATS 1286:2011
- 4 : Guidance Document for Calculating Local content

- 5 :SBD 6.2
- 6 :Annexures C, D and E
- 7 Textiles, Clothing, Leather and Footwear Instruction Note
- 8 Furniture Products Instruction Note

OUTCOMES OF THE WORKSHOP:

- ✦ By the end of this workshop you should have a clear understanding of the designations, local content requirements in the public procurement environment and the objectives of local content policy.
- ✦ You should be able to incorporate the local content requirements as part of the tender/bid.
- ✦ You need to familiarise yourself with the relevant documentation provided in the manual to know how to implement local content.
- ✦ You should be able to assist bidders to complete the SBD/MBD 6.2 and relevant annexes for local content declaration.
- ✦ You should be able to evaluate and verify local content claims by bidders during the bid evaluation committee (BEC) meeting.

***SECTION 1: INTRODUCTION TO LOCAL
CONTENT IN PUBLIC
PROCUREMENT ENVIRONMENT***

UNIT 1: POLICIES AND LEGISLATION

- 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:
 - Regulation 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.
 - Regulation 8 (2): organs of state must include local content in their bid invites.
 - Regulation 8 (3): National Treasury must inform organs of state via circular.
 - Regulation 8 (4): allows organs of state to “self designate” provided they consult with **the dti** and National Treasury.
 - Regulation 8 (5): bid that fails to meet the required local content is unacceptable.

Repeal of Regulations and saving

- Regulation 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.

UNIT 2: INTRODUCTION TO LOCAL CONTENT

Major objectives of the local content policy (designation)

- Using public procurement strategically to leverage industrial development
- Using public procurement to support industrial policy
- Stimulating and encouraging the growth and development of local industries through the optimal usage of local resources and materials
- Expanding and stimulating the local industrial sectors by means of transfer of technology and expertise to suit the nation's needs
- Provide an instrument for increasing the purchase of domestic products
- Revamp the local manufacturing industry
- Promoting job creation and skills development in the country

Conditions of Bid

AOs/AAs are required to include a specific condition in their bid documents prescribing that only locally manufactured products/items with a specified minimum threshold for local content will be considered.

AOs/AAs must indicate in the local content declaration form (SBD/MBD 6.2) under paragraph 2 the stipulated minimum threshold for their specific requirements as per the instruction note for the particular sector/product.

***SECTION 2: LOCAL CONTENT DECLARATION
DOCUMENTS***

UNIT 1: THE RELEVANT DOCUMENTS

Local content documents are to ensure uniformity and promote consistency in the calculation of local content so as to avoid uncertainties and inefficiencies on the part of both bidders and procurement practitioners. The documents can be downloaded from **the dti** website:

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

1. SATS 1286:2011

- Formula

$$LC = \left(1 - \frac{X}{Y}\right) \times 100$$

Where:

X is the imported content in Rand (ZAR)

Y is the tender price in Rand (ZAR)

- Definition

“Local Content” means that portion of the tender price which is not included in the imported content, provided that local manufacture does take place.

- Annex A: for purchasing institutions (the rate of exchange and local content percentage requirement for various items)
- Annex B: declaration certificate for bidders

2. The dti's Guidance Document for Calculation of Local Content

- Guideline document on how to calculate local content and complete the three declarations (Annexure C, D & E).

3. SBD/MBD 6.2

The standard bidding document is designed for declaration purposes and to address the requirements of SATS 1286:2011, Annex A & B.

- Annex A: Procuring entities are required to inform bidders upfront of the local content percentage requirements by populating section 2 of the form with a list of the required items and to specify under section 3.1 the rate of exchange to be used in calculating local content.
- Annex B: Bidders in response are expected to complete the form in full and declare their local content percentage for each of the items they are responding to. Annex B must be completed together with:

3.1 Annex C – Local Content Declaration (Summary Schedule)

3.2 Annex D – Imported Content Declaration (Supporting Schedule to Annex C)

3.3 Annex E – Local Content Declaration (Supporting Schedule to Annex C)

4. Treasury Instruction Notes

National Treasury issued Instruction Notes to organs of state with detailed directives on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for the designated sectors/products.

4.1 List of Currently Designated Sectors

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 Vess els/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%

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:	
Fire Fighting Vehicle	
<ul style="list-style-type: none"> • Crew Cabin • Super Structure • Assembly 	<ul style="list-style-type: none"> 100% 30% • 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 & lauders 	<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%

***SECTION 3: EVALUATION AND VERIFICATION
OF LOCAL CONTENT***

UNIT1: EVALUATION AND COMPARISON OF BIDS

The two stage evaluation process must be applied. Evaluation must be in terms of local content requirements and the preference point system. The first phase of evaluation should be on local content to check if bidders meet the minimum threshold of local content required for the various items and to eliminate those who do not meet the stipulated requirements. For the purpose of this stage of evaluation, the following should be submitted as part of the documentation for the bid response at the closing date and time of the bid:

- A completed and duly signed SBD/MBD 6.2
- A completed and signed Annex C
 - Annex D & E (only if required by procuring entity)
- Authorisation/ Exemption letter by **the dti** (where applicable)

Bid(s) must be disqualified if local content declaration documents are not completed or included in the bid response.

Evaluation process

- ✓ An evaluation sheet can be developed for the BEC indicating all responsive bids/bidders and a list of designated items as well as the local content percentage required for each of the items.
- ✓ First it should be checked if the SBD/MBD 6.2 is completed and duly signed

- ✓ If the bid is for more than one product/item, the local content percentages for each product/item contained in Annex C shall be used.
- ✓ BEC will then indicate on the evaluation sheet if a particular bidder complies or does not comply with the required local content percentage for a specific product/item.
- ✓ In instances where the bidder is found not to comply, BEC should check if there is an authorisation/ exemption letter issued by **the dti** to that particular bidder allowing them to use imported input materials, products or items.
- ✓ Where authorisation/exemption letters are applicable, bidders are expected to factor the authorisation/exemptions in their calculation.
- ✓ BEC is advised to conduct site visits with shortlisted bidders prior to the adjudication.

Important aspects to note

Evaluation of local content is on an item level and not on the overall bid. No points are to be allocated for local content; this is a pre-qualification criterion to allow bidders to proceed to the next stage of evaluation. The minimum threshold for local content published by the National Treasury cannot be changed by the procuring entity.

If all bids are found not to meet the required minimum threshold, the procuring entity will have to reject all the bids and inform **the dti** for further investigations before inviting new bids.

UNIT 2: POST AWARD

Once bids are awarded, **the dti** must be:

- notified of all the successful bidders and the value of the contracts; and
- provided with copies of the SBD/MBD 6.2 together with the Declaration C (Annex C) and/or Annex D & E submitted by successful bidders at the closing date and time of the bid.

The purpose of this is for **the dti** together with SABS to conduct local content verification with a view to monitor the implementation of the industrial development strategies.

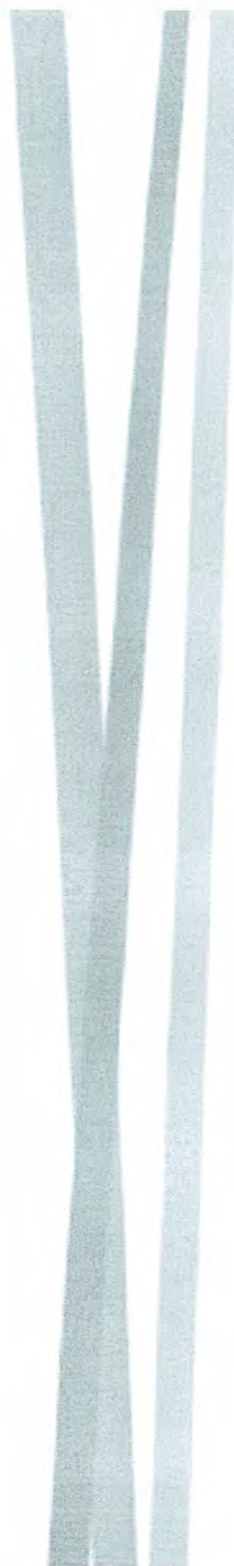
Contractors must not be allowed to sub-contract in such a manner that the local production and content of each of the said items/products is reduced to below the stipulated minimum threshold.



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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:	
• OSD Tender	• 70% (volumes)
• Family Planning Tender	• 50% value
Rail Rolling Stock	65%
Set Top Boxes (STB)	30%
Furniture Products:	
• Office Furniture	• 85%
• School Furniture	• 100%
• Base and Mattress	• 90%
Solar Water Heater Components	70%
Electrical and telecom cables	90%
Valves products and actuators	70%
Residential Electricity Meter :	
• Prepaid Electricity Meters	• 70%
• Post Paid Electricity Meters	• 70%
• SMART Meters	• 50%
Working Vessels/Boats (All types):	60%
• Components	• 10% - 100%
Conveyance Pipes	80% - 100%
Transformers and Shunt Reactors:	
• Class 0	• 90%
• Class 1	• 70%
• Class 2	• 70%
• Class 3	• 45%
• Class 4	• 10%
• Components and conversion activities	• 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:	
• Laminated PV Modules	• 15%
• Module Frame	• 65%
• DC Combiner Boxes	• 65%
• Mounting Structure	• 90%
• Inverter	• 40%
Two Way Radio Terminals and Associated Equipment:	
• Portable Radio	• 60%
• Mobile Radio	• 60%
• Repeater	• 60%
• Components	• 20% - 100%
Rail Signaling:	
• Components	• 65%
Wheely Bins:	100%
Fire Fighting Vehicle	30%
• Crew Cabin	• 100%
• Super Structure	• 100%
• Assembly	• 100%
Steel Products and Component for Construction	
Steel Value-added Products	
• Fabricated Structural Steel	• 100%
• Joining/Connecting Components	• 100%
• Frames	• 100%
• Roof and Cladding	• 100%
• Fasteners	• 100%
• Wire Products	• 100%
• Ducting and Structural pipework	• 100%
• Gutters, downpipes & lauders	• 100%
Steel Value-added Products	
• Plates	• 100%
• Sheets	• 100%
• Galvanised and Colour Coated Coils	• 100%
• Wire Rod and Drawn Wire	• 100%
• Sections	• 100%
• Reinforcing bars	• 100%



Local Content Declaration – Summary Schedule

SAY 1286-2011

Annex C
Local Content Declaration - Summary Schedule

(C1) Tender No. _____

(C2) Tender description: _____

(C3) Designated product(s) _____

(C4) Tender Authority: _____

(C5) Tendering Entity Name: _____

(C6) Tender Exchange Rate: _____

(C7) Specified local content % _____

(C8) Tender item no's: _____

(C9) List of items: _____

(C10) Tender price each (incl VAT): _____

(C11) Exempted imported value: _____

(C12) Tender value net of exempted imported content: _____

(C13) Imported value: _____

(C14) Local value: _____

(C15) Local content % (per item): _____

(C16) Total exempted imported content: _____

(C17) Total tender value: _____

(C18) Total imported content: _____

(C19) Total local content: _____

(C20) Average local content % of tender: _____

(C21) Total tender value: _____

(C22) Total exempted imported content: _____

(C23) Total tender value net of exempted imported content: _____

(C24) Total imported content: _____

(C25) Total local content: _____

(C26) Average local content % of tender: _____

Signature of tenderer from Annex B: _____

Date: _____

(Note: VAT to be excluded from all calculations)



Imported Content Declaration – Supporting Schedule to Annex C

Annex D

SATS 1285/2012

Imported Content Declaration - Supporting Schedule to Annex C

(20) Tender No. _____
 (21) Tender description _____
 (22) Designated Products _____
 (23) Tender Authority _____
 (24) Tendering entity name _____
 (25) Tender exchange rate: R 1.00 = US\$ _____

(26) VAT to be provided from all calculations

A. Exempted imported content

Tender item no.	Description of imported content	Unit of measure	Overseas supplier	Calculation of imported content					Summary	
				Foreign currency value per commercial invoice	Tender Rate of Exchange	Local value of imports	Freight costs to port of entry	Allocable incurred landing costs & duties	Total landed cost incl VAT	Tender Qty
(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)
(38) Total exempt imported value										

This total must correspond with Annex C - C.25

B. Imported directly by the Tenderer

Tender item no.	Description of imported content	Unit of measure	Overseas supplier	Calculation of imported content					Summary	
				Foreign currency value per commercial invoice	Tender Rate of Exchange	Local value of imports	Freight costs to port of entry	Allocable incurred landing costs & duties	Total landed cost incl VAT	Tender Qty
(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)
(50) 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 per commercial invoice	Tender Rate of Exchange	Local value of imports	Freight costs to port of entry	Allocable incurred landing costs & duties	Total landed cost incl VAT	Quantity imported
(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	(61)
(62) 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		Tender Rate of Exchange	Summary of payments
			Foreign currency value paid	Local value of payments		
(63)	(64)	(65)	(66)	(67)	(68)	(69)
(70) Total of foreign currency payments declared by tenderer and/or 3rd party						

(71) Total of imported content & foreign currency payments - (38), (50), (62) & (70) above

This total must correspond with Annex C - C.26

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
	(E5)	(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: _____



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.

5. 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.

6. What happens if Annex C is signed but not completed?

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

7. 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.



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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.

Notes



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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:

Dr Tebogo Makube

Phone: 012 394 3927

Email: TMakube@thedti.gov.za

Ms Cathrine Matidza

Phone: 012 394 5598

Email: CMatidza@thedti.gov.za



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DECLARATION CERTIFICATE FOR LOCAL PRODUCTION AND CONTENT FOR DESIGNATED SECTORS

This Standard Bidding Document (SBD) must form part of all bids invited. It contains general information and serves as a declaration form for local content (local production and local content are used interchangeably). Before completing this declaration, bidders must study the General Conditions, Definitions, Directives applicable in respect of Local Content as prescribed in the Preferential Procurement Regulations, 2017, the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 (Edition 1) and the Guidance on the Calculation of Local Content together with the Local Content Declaration Templates [Annex C (Local Content Declaration: Summary Schedule), D (Imported Content Declaration: Supporting Schedule to Annex C) and E (Local Content Declaration: Supporting Schedule to Annex C)].

1. General Conditions

- 1.1 Preferential Procurement Regulations, 2017 (Regulation 8) make provision for the promotion of local production and content.
- 1.2 Regulation 8.(2) prescribes that in the case of designated sectors, organs of state must advertise such tenders with the specific bidding condition that only locally produced or manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 1.3 Where necessary, for tenders referred to in paragraph 1.2 above, a two stage bidding process may be followed, where the first stage involves a minimum threshold for local production and content and the second stage price and B-BBEE.
- 1.4 A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- 1.5 The local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the SABS approved technical specification number SATS 1286: 2011 as follows:

$$LC = [1 - x / y] * 100$$

Where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by South African Reserve Bank (SARB) at 12:00 on the date of advertisement of the bid as indicated in paragraph 4.1 below.

The SABS approved technical specification number SATS 1286:2011 is accessible on <http://www.thedti.gov.za/industrial-development/ip.jsp> at no cost.

- 1.6 A bid may be disqualified if this Declaration Certificate and the Annex C (Local Content Declaration: Summary Schedule) are not submitted as part of the bid documentation;

2. The stipulated minimum threshold(s) for local production and content (refer to Annex A of SATS 1286:2011) for this bid is/are as follows:

Item no	Description	Quantity	Stipulated minimum threshold %
1			
2			
3			

3. Does any portion of the goods or services offered have any imported content?

(Tick applicable box)

YES

NO

☐
☐

- 3.1 If yes, the rate(s) of exchange to be used in this bid to calculate the local content as prescribed in paragraph 1.5 of the general conditions must be the rate(s) published by SARB for the specific currency at 12:00 on the date of advertisement of the bid.

The relevant rates of exchange information is accessible on www.reservebank.co.za

Indicate the rate(s) of exchange against the appropriate currency in the table below (refer to Annex A of SATS 1286:2011):

Currency	Rates of exchange
US Dollar	
Pound Sterling	
Euro	
US Dollar	
Pound Sterling	
Yen	
Other	

NB: Bidders must submit proof of the SARB rate (s) of exchange used.

4. Where, after the award of a bid, challenges are experienced in meeting the stipulated minimum threshold for local content the dti must be informed accordingly in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.

LOCAL CONTENT DECLARATION
(REFER TO ANNEX B OF SATS 1286:2011)

LOCAL CONTENT DECLARATION BY CHIEF FINANCIAL OFFICER OR OTHER LEGALLY RESPONSIBLE PERSON
NOMINATED IN WRITING BY THE CHIEF EXECUTIVE OR SENIOR MEMBER/PERSON WITH MANAGEMENT
RESPONSIBILITY (CLOSE CORPORATION, PARTNERSHIP OR INDIVIDUAL)

IN RESPECT OF BID NO.

ISSUED BY: (Procurement Authority / Name of Institution):

NB

1. The obligation to complete, duly sign and submit this declaration cannot be transferred to an external authorized representative, auditor or any other third party acting on behalf of the bidder.
2. Guidance on the Calculation of Local Content together with Local Content Declaration Templates (Annex C, D and E) is accessible on [http://www.thdti.gov.za/industrial development/ip.jsp](http://www.thdti.gov.za/industrial%20development/ip.jsp). Bidders should first complete Declaration D. After completing Declaration D, bidders should complete Declaration E and then consolidate the information on Declaration C. **Declaration C should be submitted with the bid documentation at the closing date and time of the bid in order to substantiate the declaration made in paragraph (c) below.** Declarations D and E should be kept by the bidders for verification purposes for a period of at least 5 years. The successful bidder is required to continuously update Declarations C, D and E with the actual values for the duration of the contract.

I, the undersigned, (full names),

do hereby declare, in my capacity as

of(name of bidder entity), the following:

- a) The facts contained herein are within my own personal knowledge.
- b) I have satisfied myself that:
 - i. the goods/services/works to be delivered in terms of the above-specified bid comply with the minimum local content requirements as specified in the bid, and as measured in terms of SATS 1286:2011; and
- c) The local content percentage (%) indicated below has been calculated using the formula given in clause 3 of SATS 1286:2011, the rates of exchange indicated in paragraph 4.1 above and the information contained in Declaration D and E which has been consolidated in Declaration C:

Imported content (x), as calculated in terms of SATS 1286:2011	R
Stipulated minimum threshold for local content (paragraph 3 above)	100%
Local content %, as calculated in terms of SATS 1286:2011	

If the bid is for more than one product, the local content percentages for each product contained in Declaration C shall be used instead of the table above.

The local content percentages for each product has been calculated using the formula given in clause 3 of SATS 1286:2011, the rates of exchange indicated in paragraph 4.1 above and the information contained in Declaration D and E.

- d) I accept that the Procurement Authority / Institution has the right to request that the local content be verified in terms of the requirements of SATS 1286:2011.
- e) I understand that the awarding of the bid is dependent on the accuracy of the information furnished in this application. I also understand that the submission of incorrect data, or data that are not verifiable as described in SATS 1286:2011, may result in the Procurement Authority / Institution imposing any or all of the remedies as provided for in Regulation 14 of the Preferential Procurement Regulations, 2017 promulgated under the Preferential Policy Framework Act (PPPFA), 2000 (Act No. 5 of 2000).

SIGNATURE: _____

DATE: _____

WITNESS No. 1 _____

DATE: _____

WITNESS No. 2 _____

DATE: _____