

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:	
• OSD Tender • Family Planning Tender	• 70% (volumes) • 50% value
Rail Rolling Stock	65%
Set Top Boxes (STB)	30%
Furniture Products:	
• Office Furniture • School Furniture • Base and Mattress	• 85% • 100% • 90%
Solar Water Heater Components	70%
Electrical and telecom cables	90%
Valves products and actuators	70%
Residential Electricity Meter :	
• Prepaid Electricity Meters • Post Paid Electricity Meters • SMART Meters	• 70% • 70% • 50%
Working Vess els /Boats (All types):	60%
• Components	• 10% - 100%
Conveyance Pipes	80% - 100%
Transformers and Shunt Reactors:	
• Class 0 • Class 1 • Class 2 • Class 3 • Class 4	• 90% • 70% • 70% • 45% • 10%
• Components and conversion activities	• 50% - 100%

Solar PV Components:	
• Laminated PV Modules • Module Frame • DC Combiner Boxes • Mounting Structure • Inverter	• 15 % • 65 % • 65 % • 90 % • 40 %
Two Way Radio Terminals and Associated Equipment:	
• Portable Radio • Mobile Radio • Repeater	• 60 % • 60 % • 60 %
• Components	• 20% - 100%
Rail Signaling:	
• Components	• 65 % • 40% - 100%
Wheely Bins:	100%
Fire Fighting Vehicle	30%
• Crew Cabin • Super Structure • Assembly	• 100% • 100% • 100%
Steel Products and Component for Construction	
Steel Value-added Products	
• Fabricated Structural Steel • Joining/Connecting Components • Frames • Roof and Cladding • Fasteners • Wire Products • Ducting and Structural pipework • Gutters, downpipes & lauders	• 100% • 100% • 100% • 100% • 100% • 100% • 100% • 100%
Steel Value-added Products	
• Plates • Sheets • Galvanised and Colour Coated Coils • Wire Rod and Drawn Wire • Sections • Reinforcing bars	• 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.