



## GUIDANCE DOCUMENT FOR THE CALCULATION OF LOCAL CONTENT

### 1. DEFINITIONS

Unless explicitly provided in this guideline, the definitions given in SATS 1286:2011 apply

### 2. GENERAL

#### 2.1 Introduction

This guideline provides tenderers with a detailed description of how to calculate local content of products (goods, services and works) by components/material/services and enables them to keep an updated record for verification requirements as per the SATS 1286:2011 Annexure A and B.

The guideline consists of two parts, namely:

- a written guideline; and
- A declaration that must be completed (see annexure D in the Invitation to tender/Request for Proposal:

The guidelines and declaration should be used by tenderers when preparing a tender.

Annexure D must be submitted with the tender by the closing date and time as determined by the Tender Authority.

If the tender is successful, the tenderer must continuously update Annexure D with actual values for the duration of the contract.

#### 2.2 What is local content?

According to SATS 1286:2011, the local content of a product is the tender price less the value of imported content, expressed as a percentage. It is, therefore, necessary to first compute the imported value of a product to determine the local content of a product.

#### 2.3 Categories: Imported and Local Content

- The tenderer must differentiate between imported content and local content.
- Imported content of a product by components/material/services is separated into two categories, namely:
  - products imported directly by the tenderer; and
  - products imported by a third party and supplied to the tenderer.

##### 2.3.1 Imported Content

- Identify the imported content, if any, by value for products by component/material/services. In the case of components/materials/services sourced from a South African manufacturer, agent, supplier or subcontractor (i.e. third party), obtain that information and Annexure D from the third party.
- Calculate the imported content of components/materials/services to be used in the manufacture of the total quantity of the products for which the tender is to be submitted.

- As stated in clause 3.2.4 of SATS 1286:2011: “If information on the origin of components, parts or materials is not available, it will be deemed to be imported content.”

#### 2.3.1.1 Imported directly by the tenderer:

- When the tenderer import products directly, the onus is on the tenderer to provide evidence of any components/materials/services that were procured from a non-domestic source. The evidence should be verifiable and pertain to the tender as a whole. Typical evidence will include commercial invoices, bills of entry, etc.
- When the tenderer procures imported services such as project management, design, testing, marketing, etc and makes royalty and lease payments, such payments relating to the tender must be included when calculating imported content.

#### 2.3.1.2 Imported by a third party and supplied to the tenderer:

- When the tenderer supplies components/material/services that are imported by any third party (for example, a domestic manufacturer, agent, supplier or subcontractor in the supply chain), the onus is on the tenderer to obtain verifiable evidence from the third party.
- The tenderer must obtain Annexure D from all third parties for the related tender. The third party must be requested by the tenderer to continuously update Annexure D. Typical evidence of imported content will include commercial invoices, bills of entry etc.
- When a third party procures imported services such as project management, design, testing, marketing etc. and makes royalty and lease payments, such payments relating to the tender must be included when calculating imported content.

#### 2.3.1.3 Exempt Imported Content:

- Exemptions, if any, are granted by the Department of Trade and Industry (**the dti**). Evidence of the exemptions must be provided and included in Annexure D.

#### 2.3.2 **Local Content**

Identify and calculate the local content, by value for products by components/materials/services to be used in the manufacture of the total quantity of the products.

### 3. GUIDELINES

#### 3.1 Guidelines for completing Annexure D: **DECLARATION CERTIFICATE FOR LOCAL PRODUCTION AND CONTENT.**

*Note: The paragraph numbers correspond to the numbers in Annexure D.*

##### **Number 3**

**The Procurement Practitioner will complete the minimum thresholds for local production and content.**

##### **Number 4**

The tenderer must confirm if any portion of the services, works or goods has an imported content.

4.1 If yes, the rate of exchange to be used in this tender to calculate the local content, as prescribed in paragraph 1.6 of annexure D must be the rates published by SARB for the specific currency at 12:00 on the date one week (7 calendar days) prior to closing date of the tender

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

This declaration must include the signature of the authorised person, as well as the breakdown of the Tender Price into local and imported content.