



KZN PROVINCIAL TREASURY

- TO ALL** : ACCOUNTING OFFICERS OF DEPARTMENTS
: ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES
: CHIEF FINANCIAL OFFICERS
: HEADS OF SUPPLY CHAIN MANAGEMENT

KWAZULU-NATAL PROVINCIAL TREASURY SCM CIRCULAR NO.6 OF 2020/2021: CHECKLIST FOR LOCAL PRODUCTION AND CONTENT- DEPARTMENTS AND PUBLIC ENTITIES

1. PURPOSE

The purpose of this Circular is to assist Provincial Departments and Public Entities in enhancing compliance with Regulation 8 of the Preferential Procurement Regulations 2017 issued in terms of the Preferential Procurement Policy Framework Act (PPPFA), Act 5 of 2000.

2. BACKGROUND

- 2.1 In terms of Section 38(1)(c)(ii) and 51(1)(b)(ii) of the Public Finance Management Act (PFMA), the Accounting Officers and Accounting Authorities respectively have a duty to prevent irregular expenditure.
- 2.2 Regulation 8(1) (a) of the Preferential Procurement Regulations 2017 empowers the Department of Trade and Industry (DTI), in consultation with the National Treasury, to designate specific industries/ sectors/ products where only locally produced services or goods or locally manufactured goods that meet stipulated minimum threshold for local production and content, taking into account economic and other relevant factors.
- 2.3 Non-compliance to local production and content regulations has a notable contribution towards irregular expenditure incurred by the province and it is for this reason that Provincial Treasury is issuing this circular with the attached checklist which will assist institutions in ensuring compliance.

3. APPLICABILITY

This circular applies to all departments, and public entities within the province of KwaZulu-Natal.

4. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

Accounting Officers and Accounting Authorities must bring the contents of this circular to the attention of all Supply Chain Management practitioners and members of the bid committees.

5. EFFECTIVE DATE

This Circular will be effective from **the date of the signature** and the checklist will be a working document which will be amended as and when there are changes from DTI.

6. CONTACT INFORMATION

Any enquiries in respect of this circular must be directed to: Ms Nomzamo Kubheka on (033) 897 4407 or nomzamo.kubheka@kzntreasury.gov.za.



Mr S. Moodley

Provincial Accountant General

Date: 05/11/2020.

LOCAL PRODUCTION AND CONTENT CHECKLIST

FOR DEPARTMENTS AND PUBLIC ENTITIES

(OCTOBER 2020)

DEMAND MANAGEMENT:

ACTIVITY	YES	NO	N/A
1. Keep a file with all instruction notes/circulars issued since 16 July 2012 by NT for designated sectors. IT may be able to load an item list electronically for SCM, end users and bid committee members for ease of reference.			
2. Log on to NT website once a week (PFMA) to download any new circulars issued for designated sectors. (www.treasury.gov.za , Divisions, OCPO, Buyers Area, Legislations, Instruction Notes).			
3. Update the annual procurement plan and identify all procurements where Local Production and Content is applicable, add a column and tick if applicable.			
4. Verify all other procurements {below R500 000- (VAT incl.)} for Local Production and Content.			
ACTIVITIES WHEN LOCAL PRODUCTION AND CONTENT IS APPLICABLE:			
1. Add the following documents to the quotation/bid pack: <ul style="list-style-type: none"> - SBD 6.2: Declaration certificate for Local Production and Content for designated sectors. Complete paragraph 2: Description of services, works or goods and the stipulated minimum threshold that is copied from the applicable NT Instruction Note/ Circular. If there is imported content, (the minimum threshold is Less than 100%) then SCM should complete paragraph 3.1: Rates of exchange on the day of advertisement of quotation/ bid, that is available from the SARB website (www.resbank.co.za) at noon(12h00). - Annexure C: Local content declaration-summary schedule. - Annexure D: Imported content declaration- summary Schedule to annexure C. - Annexure E: Local content declaration -supporting schedule to annexure C. 			
2. The DEPARTMENT/ENTITY MUST in the case of a designated sector ADVERTISE the invitation for a quotation/ bid with a specific condition that only locally produced/			

manufactured goods or services meeting the minimum threshold for local production and content will be considered.			
3. Local Production and Content is applicable to all procurements irrespective of the method of procurement and the value. The only exception is: Instruction 10: Solar water Heater Components where the applicability starts from R 30 000-00 (VAT incl.).			
4. Consideration must be given to the advertising period. If suppliers need to request an exemption from DTI and it takes at least 5 working days from receiving of request, then sufficient time must be allowed for quotations to close, and 21 days advertising period for bids.			
5. Advertisement of quotations on departments/entity's website. Bids on e-Tender portal, local newspaper, website. For construction works related bids on i-Tender portal of CIDB as well.			

SPECIFICATIONS COMMITTEE:

ACTIVITY:	YES	NO	N/A
1. The BSC must include a SCM specialist that can provide guidance on the processes to be followed when Local Production and Content is applicable to a procurement.			
2. Demand management must indicate on the procurement request that Local Production and Content is applicable, the designated items, stipulated minimum threshold per item and complete SBD 6.2 paragraph 2 that is submitted to the BSC with: <ul style="list-style-type: none"> - Annexure C, Local content declaration summary schedule, - Annexure D, Imported content declaration supporting schedule to annexure C, - Annexure E, Local content declaration supporting schedule to annexure C. 			
3. The advertising period to be confirmed to ensure there is sufficient time for potential suppliers to request exemption from DTI that will take 5 working days from receiving of exemption request by DTI.			
4. Verify the draft advertisement that must have a specific condition that only locally produced/manufactured goods or services meeting the minimum threshold for local production and content will be considered.			

5. Ensure that the latest SBD 6.2 issued by NT is used and all other SBD forms in the quotation/bid pack is the latest issued by NT.			
--	--	--	--

EVALUATION PROCESSES:

BID EVALUATION COMMITTEE:

ACTIVITY	YES	NO	N/A
A TWO-STAGE EVALUATION PROCESS TO FOLLOW:			
STAGE 1:			
1. Verify all bids received at closing date and time for compliance with the minimum threshold stipulated per item in SBD 6.2, p.2. NOTE all items MUST comply with the relevant minimum local content threshold, unless DTI grants a bidder(s) exemption and the original exemption letter from DTI is appended to SBD 6.2.			
2. Ensure that SBD 6.2 is completed, witnessed, signed and dated. SBD 6.2 MUST be submitted with the bid documents on or before closing date and time.			
3. If imported content is applicable, then the rate of exchange on SBD 6.2 MUST correspond with the rate of exchange on Annexure C, Local content declaration summary schedule. If SCM did not complete SBD 6.2, paragraph 3.1, the rates of exchange of each supplier must be verified to ensure the correct rate of exchange was used, i.e. ON THE DAY OF ADVERTISING OF THE BID , and a printout from the South African Reserve Bank is attached to SBD 6.2 as proof.			
4. Annexure C, Local content declaration summary schedule MUST be submitted with the bid on or before closing date and time. Annexure C must be completed, signed, and dated.			
NOTE: The calculations on Annexure C should not be re calculated by SCM or the bid committees, when DTI conducts compliance checks they will verify all calculations.			
5. The BEC can do site visits at shortlisted suppliers' premises.			
6. If the department/entity wants to verify shortlisted suppliers claims it MUST request DTI to do the verification through an accredited verification agency and will have to carry the cost. The validity period may have to be extended to include the verification process timeframe.			
IMPORTANT: If more than one item is listed on SBD 6.2 paragraph 2 then a supplier MUST comply with the local content stipulated minimum percentage for each and every item to be fully compliant for further evaluation on points for price and B-BBEE status. The evaluation is per item and			

<p>not on the average local content of the quotation/bid. This is important when evaluating works/Infrastructure bids where there can be several items listed on a bill of quantities. Evaluation is on an item level.</p> <p>-SUB-CONTRACTING: verify that bidders who indicate on SBD 6.1 that they are going to sub-contract part of the work does not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced below the stipulated minimum threshold.</p>			
7. The BEC must note if both functionality and Local Content are applicable to a bid.			
8. Only fully compliant bids, taking into consideration exemption letters, will be evaluated during stage on points for price and B-BBEE status level contribution.			
STAGE 2:			
1. Fully compliant bids will be evaluated for points on price and B-BBEE status level contribution.			

BID ADJUDICATION COMMITTEE:

ACTIVITY	YES	NO	N/A
<p>1. The BAC must verify that all compliant bidders submitted the required documents:</p> <ul style="list-style-type: none"> -SBD 6.2 fully completed, signed, witnessed, and dated. -Annexure C, fully completed, signed, and dated. -Rate of exchange used is correct and correspond with SBD 6.2 paragraph 3.1 and Annexure C quoted. If the bidder completes paragraph 3.1 a printout from SARB on the day the bid was advertised is appended to SBD 6.2. 			
2. The stipulated minimum threshold for local content for each item listed on SBD 6.2 paragraph 2 has been calculated and complies with the required threshold. If not that an original exemption letter from DTI is appended to Annexure C and the relevant item complies with the revised minimum threshold.			
3. That subcontracting will not be in such a manner that the Local Production and Content of the overall value of the contract is reduced below the stipulated minimum threshold.			

REPORTING AND CONTRACT MANAGEMENT (SCM):

ACTIVITY	YES	NO	N/A
<p>1. Immediately after the final award of a quotation/ bid the department/entity must report the award to DTI: -Provide copies of the bid document of the successful bidder/s, including SBD 6.2 and Annexure C, Include in the covering letter the following information: the total value of the contract, contract number, duration of the contract and the bidder/s contact details. If the bid document is too large to email then only email SBD6.2 and Annexure C to DTI, it must be addressed to: Dr T Makube, TMakube@thedti.gov.za (currently and is subject to change at any time by DTI)</p> <p>KEEP A COPY OF THE EMAIL TO DTI ON THE FILE OF THE SUPPLIER OR BIDDER OR A SEPARATE FILE FOR AUDITING BY THE AUDITOR GENERAL.</p>			
<p>2. The successful bidder must be informed by the department/entity that Annexure C, D and E plus a copy of SBD 6.2 and all invoices used to calculate local content must be kept for a period of 5 years for inspection by DTI. This is applicable to once off deliveries or deliveries over a contract period.</p>			
<p>3. If the contract is for a period of time and include more than one delivery a bidder must continuously update Annexure C, D and E as applicable to ensure that the products/items delivered complies with the stipulated minimum threshold levels for local content. Contract management must ensure that the updated Annexure C is submitted by the bidder and kept on file when DTI conducts compliance inspections.</p>			
<p>4. Risk and performance management will apply to this type of contracts.</p>			
<p>5. The Auditor General will, when auditing bids where local content is applicable, focus on the reporting requirements to DTI, completed, signed and witnessed copies of SBD 6.2 and completed, signed and dated Annexure C.</p>			

IMPORTANT DOCUMENTS:

1. SBD 6.2: DECLARATION CERTIFICATE FOR LOCAL PRODUCTION AND CONTENT FOR DESIGNATED SECTORS.
2. ANNEXURE C: LOCAL CONTENT DECLARATION SUMMARY SCHEDULE.

3. ANNEXURE D: IMPORTED CONTENT DECLARATION, SUPPORTING SCHEDULE TO ANNEXURE C.
4. ANNEXURE E: LOCAL CONTENT DECLARATION, SUPPORTING SCHEDULE TO ANNEXURE C.
5. ALL INSTRUCTION NOTES/CIRCULARS ISSUED BY NATIONAL TREASURY SINCE 16 JULY 2012 TO DESIGNATE SECTORS/PRODUCTS FOR LOCAL PRODUCTION AND CONTENT.
6. OTHER DOCUMENTS THAT ARE USEFULL:
 - STATS 1286:2011 Specification can be downloaded from www.sabs.co.za
 - GUIDANCE DOCUMENT FOR THE CALCULATION OF LOCAL CONTENT CAN BE DOWNLOADED FOR UTILIZATION BY SUPPLIERS FROM <http://www.thedti.gov.za/industrialdevelopment/ip.jsp>

SUPPORTING ANNEXURES TO SBD 6.2:

ANNEXURE C, D and E.

ANNEXURE C: LOCAL CONTENT DECLARATION, SUMMARY SCHEDULE:

Annex C

Local Content Declaration - Summary Schedule

(C1) Tender No.	<input style="width: 100%;" type="text"/>						
(C2) Tender description:	<input style="width: 100%;" type="text"/>						
(C3) Designated product(s)	<input style="width: 100%;" type="text"/>						
(C4) Tender Authority:	<input style="width: 100%;" type="text"/>						
(C5) Tendering Entity name:	<input style="width: 100%;" type="text"/>						
(C6) Tender Exchange Rate:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; text-align: center;">Pula</td> <td style="width: 10%;"><input style="width: 80%;" type="text"/></td> <td style="width: 10%; text-align: center;">EU</td> <td style="width: 10%;"><input style="width: 80%;" type="text"/></td> <td style="width: 10%; text-align: center;">GBP</td> <td style="width: 10%;"><input style="width: 80%;" type="text"/></td> </tr> </table>	Pula	<input style="width: 80%;" type="text"/>	EU	<input style="width: 80%;" type="text"/>	GBP	<input style="width: 80%;" type="text"/>
Pula	<input style="width: 80%;" type="text"/>	EU	<input style="width: 80%;" type="text"/>	GBP	<input style="width: 80%;" type="text"/>		
(C7) Specified local content %	<input style="width: 100%;" type="text"/>						

Note: VAT to be excluded from all calculations

Calculation of local content							Tender summary				
Tender item no's	List of items	Tender price - each (excl VAT)	Exempted imported value	Tender value net of exempted imported content	Imported value	Local value	Local content % (per item)	Tender Qty	Total tender value	Total exempted imported content	Total imported content
(C8)	(C9)	(C10)	(C11)	(C12)	(C13)	(C14)	(C15)	(C16)	(C17)	(C18)	(C19)

Signature of tenderer from Annex B

Date: _____

(C20) Total tender value	<input style="width: 100%;" type="text"/>
(C21) Total Exempt imported content	<input style="width: 100%;" type="text"/>
(C22) Total Tender value net of exempt imported content	<input style="width: 100%;" type="text"/>
(C23) Total Imported content	<input style="width: 100%;" type="text"/>
(C24) Total local content	<input style="width: 100%;" type="text"/>
(C25) Average local content % of tender	<input style="width: 100%;" type="text"/>

ANNEXURE D: IMPORTED CONTENT DECLARATION, SUPPORTING SCHEDULE TO ANNEXURE C

SATS 1286.2013

Annex D
Imported Content Declaration - Supporting Schedule to Annex C

(D1) Tender No. _____
 (D2) Tender description: _____
 (D3) Designated Products: _____
 (D4) Tender Authority: _____
 (D5) Tendering Entity name: _____
 (D6) Tender Exchange Rate: _____

Notes: VAT to be excluded from all calculations

EU R 9.00 GBP R 12.00

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	All locally incurred landing costs & duties	Total landed cost excl VAT	Tender Qty	Exempted Imported value
(D7)	(D8)	(D9)	(D10)	(D11)	(D12)	(D13)	(D14)	(D15)	(D16)	(D17)	(D18)
(D19) Total exempt imported value											

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	All locally incurred landing costs & duties	Total landed cost excl VAT	Tender Qty	Total Imported value
(D20)	(D21)	(D22)	(D23)	(D24)	(D25)	(D26)	(D27)	(D28)	(D29)	(D30)	(D31)
(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	All locally incurred landing costs & duties	Total landed cost excl VAT	Quantity Imported	Total Imported value
(D33)	(D34)	(D35)	(D36)	(D37)	(D38)	(D39)	(D40)	(D41)	(D42)	(D43)	(D44)
(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)
(D51) Local value of payments				
(D52) Total of foreign currency payments declared by tenderer and/or 3rd party				
(D53) Total of Imported content & foreign currency payments - (D32), (D45) & (D52) above				

Signature of tenderer from Annex B _____
 Date: _____

The total value imported with Annex C - L11

ANNEXURE E: LOCAL CONTENT DECLARATION, SUPPORTING SCHEDULE TO ANNEXURE C:

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 (E6)	Local suppliers (E7)	Value (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 - C2.1

Signature of tenderer from Annex B _____

Date: _____

DESIGNATED SECTORS ESTABLISHED BY DTI:

DESIGNATED SECTOR	PERCENTAGE OF LOCAL CONTENT	INSTRUCTION NOTE ISSUED BY NATIONAL TREASURY	EFFECTIVE DATE
1 Bus Sector (New add to CD)	70% - 80%	16 July 2012/ 20 Dec. 2019	16 July 2012/ 20 Dec. 2019
2 Rail Rolling stock	55% to 100%	30 June 2016	27 July 2016
3. Textiles, Clothing, Leather and Footwear	100%%	16 July 2012	16 July 2012
4. Processed Vegetables (New add to CD)	80%	16 July 2012/ 19 Dec. 2019	16 July 2012/ 19 Dec. 2019
5 Set Top Boxes (New add to CD)	30%	26 September 2012/ 19 Dec 2019	26 September 2012/ 19 Dec. 2019
6 Two-Way Radio Terminals and Associated Equipment	20% - 100%	30 June 2016	01 January 2018
7 Solar Photovoltaic system and Components	15% - 90%	30 June 2016	15 July 2016
8 Furniture Products. Replaced by circular 7 of 20 Dec. 2019	65% - 100%	30 June 2016 /20 Dec. 2019	27 July 2016 / 20 Dec.2019
9. Electrical and Telkom Cable Products {Applicable from R30 000.00(VAT incl.)} Replaced by circular 10 Of 2019/2020, no value applicable.	90%	30 June 2016/ 19 Dec. 2019	27 July 2016/ 19 Dec. 2019
10. Solar Water Heater Components {Applicable from R30 000.00 (VAT Incl.)}	70%	30 June 2016	27 July 2016

11. Working Vessels (Boats) All Types	10% - 100%	16 May 2018	11 June 2018
12. Residential Electricity Meters: Prepaid Meters, Post Paid Meters and Smart Meters.	50% - 70%	26 May 2017	22 June 2017
13. Transformers, Shunt Reactors and Associated Equipment	10% - 100%	29 July 2016	25 August 2016
14. Steel Power Pylons, Monopole pylons, Steel Substation Structures, Powerline Hardware, Street Lightning, Steel Poles and Steel Lattice, Towers and Masts	100%	30 June 2016	27 July 2016
15. Large Bore Spiral Submerge, Arc Welded Steel Conveyance Pipes: 500mm to 3500mm (Conveyance Pipes)	80% - 100%	30 June 2016	27 July 2016
16. Valves Products and Actuators	70%	12 July 2016	12 July 2016
17. Rail Signing System, Associated Components	40% - 100%	30 June 2016	27 July 2016
18. Plastic Wheelie Bins	100%	18 August 2016	19 September 2016
19. Fire fighting vehicles	30% to 100%	21 November 2016	15 December 2016
20. Steel Products and Components for	100%	13 January 2017	01 February 2017

Construction			
21. Pumps, Medium Medium voltage (MV), Motor and Associated Accessories.	70% - 100%	12 December 2017	10 January 2018
22. Rail Permanent Way Sector.	90%	13 November 2017	02 December 2017
Plastic Pipes	100%	16 August 2019	16 September 2019
Bulk Material Handling (Conveyor System equipment).	70 -100%	19 December 2019	19 December 2019
Steel conveyance pipes.	80 – 100%	19 December 2019	19 December 2019
Air insulated MV Switchgear.	5 – 25%	20 December 2019	20 January 2020
Industrial lead acid battery's	50%	20 December 2019	20 January 2020

This means that above percentages must be locally manufactured

EXAMPLE OF HOW TO COMPLETE SBD 6.2, PARAGRAPH 2 AND PARAGRAPH 3 AND 3.1:

STEP 1:

SCM receive a requisition to procure 4 pairs of men's dark brown leather boots that lace up and cover the ankle.

The soles must be 3cm. thick, of non-slippery rubber material and the toe cap reinforced. A warranty on the material and workmanship of 3 months.

Sizes needed: 2 size 6 pairs, 1 size 8 pair and 1 size 10 pair.

Delivery at our depot in Umgeni, address: 10 Umbilo Road.

Delivery period 4 weeks from receiving of order.

STEP 2:

SCM must verify the goods against all the Instructions/Circulars for Local Production and content.

To assist with the verification process

Use the CD but remember to add any instruction/circular that was issued since January 2019. The CD is up to date with all instructions/circulars issued up to 31/12/2018.

One of the Instructions have the heading **INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR TEXTILE, CLOTHING, LEATHER AND FOOTWEAR SECTOR. (It is appended).**

- **Paragraph 3: SECTOR DESIGNATION** read as follows:
 - Paragraph 3.1 “The stipulated minimum threshold percentages for Local Production and Content for textiles, clothing, leather and footwear sector is 100%”.
 - Paragraph 3.2 SIC CODE 31700 Description is footwear.

SCM now knows that the boots requested is subjected to local production and content, and the stipulated minimum threshold is 100%. If a product(s)/item(s) is 100% local then there is no imported content and therefore no exchange rate will be applicable, so paragraph 3 and 3.1 of SBD 6.2 will be **ticked off** and **completed** as follows:

- Paragraph 3 will have a **NO tick** and paragraph 3.1 rate of exchange, **will not be completed.**

STEP 3:

SCM must complete SBD 6.2 paragraph 2 as follows:

Description of services, works or goods

Stipulated minimum threshold

Footwear, Boots

100%

SCM will in the quotation/bid document provide the description and other specifications as per requisition.

SBD 6.2 is not for detailed specifications it is to indicate that goods/services or works is subjected to local production and content prescripts and to indicate the minimum threshold applicable.

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) on the date of advertisement of the bid as indicated in paragraph 3.1 below.

The SABS approved technical specification number SATS 1286:2011 is accessible on [http://www.thedti.gov.za/industrial development/ip.jsp](http://www.thedti.gov.za/industrial%20development/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:

<u>Description of services, works or goods</u>	<u>Stipulated minimum threshold</u>
--	-------------------------------------

Footwear, Boots

100%

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

(Tick applicable box)

YES		NO	X
-----	--	----	---

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 on the date of advertisement of the bid.

The relevant rates of exchange information is accessible on www.resbank.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	
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.thedti.gov.za/industrial_development/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 3.1 above and the information contained in Declaration D and E which has been consolidated in Declaration C:

Bid price, excluding VAT (y)	R
Imported content (x), as calculated in terms of SATS 1286:2011	R
Stipulated minimum threshold for local content (paragraph 3 above)	
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 3.1 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: _____

WITNESS No. 1 _____

WITNESS No. 2 _____

DATE: _____

DATE: _____

THE RELEVANT NATIONAL TREASURY INSTRUCTION NOTE:



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001

Enquiries: Jeyrel Soobramanian Tel: (012) 315 5336 Fax: (012) 315 5343
E-mail: jeyrel.soobramanian@treasury.gov.za

**TO: ACCOUNTING OFFICERS OF ALL NATIONAL DEPARTMENTS AND
CONSTITUTIONAL INSTITUTIONS**

**ACCOUNTING OFFICERS OF ALL MUNICIPALITIES AND MUNICIPAL
ENTITIES**

ACCOUNTING AUTHORITIES OF ALL SCHEDULE 2 AND 3 PUBLIC ENTITIES

HEAD OFFICIALS OF PROVINCIAL TREASURIES

**INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM
THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR THE TEXTILE, CLOTHING,
LEATHER AND FOOTWEAR SECTOR**

1. PURPOSE

- 1.1 The purpose of this instruction note is to regulate the environment within which accounting officers (AOs) and accounting authorities (AAs) may procure Textiles, Clothing, Leather and Footwear which have been designated as a sector for local production and content.

2. BACKGROUND

- 2.1 The Preferential Procurement Regulations, 2011 pertaining to the Preferential Procurement Policy Framework Act, Act No 5 of 2000 which came into effect on 7 December 2011 make provision for the dti to designate sectors in line with national development and industrial policies for local production.
- 2.2 Regulation 9(1) of the Regulations prescribes that in the case of designated sectors, where in the award of bids local production and content is of critical importance, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 2.3 To this end, the dti has designated and determined the stipulated minimum threshold for the Textiles, Clothing, Leather and Footwear sector for local production and content.

3. SECTOR DESIGNATION

- 3.1 The stipulated minimum threshold percentages for local production and content for the Textiles, Clothing, Leather and Footwear sector is 100%.

I

3.2. The Designation constitutes sub-sectors from the following (Standardised Industry Classifications) SIC Codes:

SIC CODE	DESCRIPTION
31111	Preparatory activities in respect of animal fibres, including washing, combing and carding of wool.
31112	Prep activities for vegetable fibres
31113	Spin, weave and finishing of yarns and fabrics of wool
31114	Spin, weave and finishing of yarns and fabrics of vegetable fibres
31120	Finishing of textiles.
31210	Manufacture of made-up textiles articles, except apparel.
31211	Manufacture of blankets etc
31212	Manufacture of tents, tarpaulins, etc
31213	Manufacture of automotive textile goods
31214	Manufacture of made-up textiles articles and fibres except apparel.
31219	Manufacture of other textile articles
31220	Manufacture of carpets, rugs and mats.
31230	Manufacture of cordage, rope, twine and netting.
31231	Curtaining excluding where the core business of an enterprise is upholstery or furniture.
31290	Manufacture of other textiles.
31291	Manufacture of textiles, clothing, leather goods and other textiles.
31292	Fashion clothing, textiles and footwear manufacture and design.
31300	Manufacture of knitted and crocheted fabrics and articles.
31301	Garment & hosiery knitting mills
31309	Other knitting mills
31400	Manufacture of wearing apparel, except fur apparel.
31401	Manufacture of men's & boys' clothing
31402	Manufacture of women's & girls' clothing
31403	Bespoke tailoring
31404	Manufacture of hats etc
31500	Dressing and dyeing of fur; manufacture of artificial fur, fur apparel and other art.
31610	Tanning and dressing of leather.
31620	Manufacture of luggage, handbags and the like, saddlery and harness.
31621	Manufacture of travel goods

31629	Manufacture of other leather goods
31700	Manufacture of footwear.
31701	Manufacture of footwear from material other than leather.

4. INVITATION OF BIDS FOR THE TEXTILE, CLOTHING, LEATHER AND FOOTWEAR SECTOR

4.1 Bids in respect of Textiles, Clothing, Leather and Footwear must contain a specific bidding condition that:

- only locally produced or locally manufactured Textiles, Clothing, Leather and Footwear from local raw material or input will be considered.
- If the raw material or input to be used for a specific item is not available locally, bidders should obtain written authorisation from the dti should there be a need to import such raw material or input; and
- A copy of the authorisation letter must be submitted together with the bid document at the closing date and time of the bid. For further information, bidders may contact the Clothing, Textile, Footwear and Leather Unit within the dti at telephone 012 394 3717/1390.

4.2 AOs/AAs must stipulate in bid invitations that:

- (i) the exchange rate to be used for the calculation of local production and content must be the exchange rate published by the South African Reserve Bank (SARB) at 12:00 on the date of advertisement of the bid.
- (ii) only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 must be used to calculate local content.

4.3 The local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the following formula which must be disclosed in the bid documentation:

$$LC = (1 - x/y) * 100$$

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 the SARB at 12:00 on the date of advertisement of the bid.

4.4 AOs/AAs must clearly stipulate in the bid documentation that the SABS approved technical specification number SATS 1286:2011 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)] are accessible to all potential bidders on the dti's official website <http://www.thedti.gov.za/industrialdevelopment/ip.jsp> at no cost.

- 4.5 For the purpose of paragraphs 4.1, 4.2 and 4.3 above, the attached Declaration Certificates for Local Production and Content (SBD/MBD 6.2) must form part of the bid documentation. The SBD 6.2 is for use by all national and provincial departments, constitutional institutions and public entities listed in schedules 2, 3A, 3B, 3C and 3D to the Public Finance Management Act whilst the MBD 6.2 is for use by all municipalities and municipal entities to which the Municipal Finance Management Act (MFMA) apply.
- 4.6 AOs/AAs must stipulate in the bid documentation that:
- (a) the Declaration Certificate for Local Production and Content (SBD / MBD 6.2) together with the Annex C (Local Content Declaration: Summary Schedule) must be completed, duly signed and submitted by the bidder at the closing date and time of the bid; and
 - (b) the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.
- 4.7 **Benchmark / market related prices**
- 4.7.1 AOs/AAs are required to ensure that reasonable or market related prices are secured for the Textiles, Clothing, Leather and Footwear, being procured taking into account factors such as benchmark prices, value for money and economies of scale.
- 4.7.2 For this purpose, AOs/AAs may approach the dti to assist, where possible, with benchmark prices for the Textiles, Clothing, Leather and Footwear that have been designated for local production and content. The dti will be in a position to provide price references for the different products that have been designated for local production and content.
- 4.8 Bid specifications for the sectors, sub-sectors or products referred to in paragraph 3 above and the price benchmarking referred to in paragraph 4.7 above must be done in collaboration with the dti. Contact information in this regard is provided in paragraph 8 below.
5. **EVALUATION OF BIDS FOR TEXTILES, CLOTHING, LEATHER AND FOOTWEAR**
- 5.1 A two stage evaluation process may be followed to evaluate the bids received.
- 5.1.1 **First stage: Evaluation in terms of the stipulated minimum threshold for local production and content**
- 5.1.1.1 Bids must be evaluated in terms of the minimum threshold stipulated in the bid documents.
 - 5.1.1.2 The declaration made by the bidder in the Declaration Certificate for Local Content (SBD / MBD 6.2) and Annex C (Local Content Declaration: Summary Schedule) must be used for this purpose. If the bid is for more than one product, the local content percentages for each product contained in Declaration C must be used.

5.1.1.3 The amendment of the stipulated minimum threshold for local production and content is not allowed.

5.1.1.4 AOs / AAs must ensure that the Declaration Certificate for Local Content (SBD / MBD 6.2) and the Annex C (Local Content Declaration: Summary Schedule) referred to in paragraphs 4.6 (a) and (b) are submitted as part of the bid documentation.

5.1.1.5 The dti has the right to, as and when necessary, request for auditors certificates confirming the authenticity of the declarations made in respect of local content.

5.1.1.6 AOs / AAs must verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (SBD / MBD 6.2)

5.1.2 Second stage: Evaluation in terms of the 80/20 or 90/10 preference point systems

5.1.2.1 Only bids that achieve the minimum stipulated threshold for local production and content may be evaluated further. The evaluation must be done in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations, 2011.

5.1.2.2 AOs/AAs must ensure that contracts for Textiles, Clothing, Leather and Footwear are awarded at prices that are market related taking into account, among others, benchmark prices, value for money and economies of scale.

5.1.2.3 Where appropriate, prices may be negotiated with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.

6. EVALUATION OF BIDS BASED ON FUNCTIONALITY

6.1 Whenever it is deemed necessary to evaluate bids on the basis of functionality, the prescripts contained in regulation 4 of the Preferential Procurement Regulations, 2011 and paragraphs 6 and 11 of the Implementation Guide must be followed.

7. POST AWARD AND REPORTING REQUIREMENTS

7.1. Once bids are awarded, the dti must be:
(i) notified of all the successful bidders and the value of the contracts; and
(ii) provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the Declaration C submitted by the successful bidders.

7.2 The purpose of the requirements of paragraph 7.1 above is for the dti to among others conduct compliance audits with a view to monitor the implementation of the industrial development strategies.

7.3 Contractors must 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 stipulated minimum threshold.

7.4 Where, after the award of a bid, contractors experience challenges 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.

8. CONTACT INFORMATION

- 8.1 Any enquiries in respect of Local Production and Content and all documents to be submitted to the dti in respect of paragraph 7.1 above must be directed as follows:**

The Department of Trade and Industry
Private Bag X84
Pretoria
0001

For Attention:

Mr Tebogo Makube
Chief Director: Industrial Procurement
Tel: (012) 394 3927
Fax: (012) 394 4927
EMAIL: TMakube@thedti.gov.za

9. APPLICABILITY

- 9.1 This instruction note applies to all national and provincial departments, constitutional institutions, public entities listed in schedules 2 and 3 to the PFMA and municipalities and municipal entities to which the MFMA apply.**

10. DISSEMINATION OF INFORMATION CONTAINED IN THIS INSTRUCTION NOTE

- 10.1 Heads of provincial treasuries are requested to bring the contents of this instruction note to the attention of accounting officers and supply chain management officials of their respective provincial departments.**
- 10.2 Accounting officers of national and provincial departments are requested to bring the contents of this instruction note to the attention of accounting authorities and the supply chain management officials of Schedule 3A and 3C public entities reporting to their respective executive authorities.**
- 10.3 Accounting officers of municipalities and municipal entities are requested to bring the contents of this instruction note to the attention of the supply chain management officials of their municipalities and municipal entities.**
- 10.4 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this instruction note to the attention of the supply chain management officials of their public entities.**

11. NOTIFICATION TO THE AUDITOR-GENERAL

- 11.1 A copy of this Instruction Note will be forwarded to the Auditor-General for notification.**

12. AUTHORITY FOR THIS INSTRUCTION NOTE AND EFFECTIVE DATE

12.1 This instruction Note is issued in terms of regulation 9(2) of the Preferential Procurement Regulations, 2011 and takes effect on the date of issuance.



PRAVIN J GORDHAN
MINISTER OF FINANCE
DATE: 16-07-2012