

Reference number: RCS/C.6

Private Bag X9165  
CAPE TOWN  
8000

## TREASURY CIRCULAR NO. 15/2020

THE PREMIER

THE MINISTER OF AGRICULTURE  
THE MINISTER OF COMMUNITY SAFETY  
THE MINISTER OF CULTURAL AFFAIRS AND SPORT  
THE MINISTER OF EDUCATION  
THE MINISTER OF FINANCE AND ECONOMIC OPPORTUNITIES  
THE MINISTER OF HEALTH  
THE MINISTER OF HUMAN SETTLEMENTS  
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING  
THE MINISTER OF SOCIAL DEVELOPMENT  
THE MINISTER OF TRANSPORT AND PUBLIC WORKS

THE SPEAKER: PROVINCIAL PARLIAMENT  
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

THE EXECUTIVE AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MINISTER D MAYNIER)  
THE EXECUTIVE AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (MINISTER A BREDELL)  
THE EXECUTIVE AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MINISTER D MAYNIER)  
THE EXECUTIVE AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (MINISTER D MAYNIER)  
THE EXECUTIVE AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MINISTER A MARAIS)  
THE EXECUTIVE AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MINISTER A MARAIS)  
THE EXECUTIVE AUTHORITY: WESTERN CAPE HERITAGE (MINISTER A MARAIS)  
THE EXECUTIVE AUTHORITY: CASIDRA (MINISTER IH MEYER)  
THE EXECUTIVE AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (MINISTER A FRITZ)

For information

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (MR H MALILA)  
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R ADAMS)  
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR D SAVAGE)  
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)  
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR BK SCHREUDER)  
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)  
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)  
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MS J SAMSON)  
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)  
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)  
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)  
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)  
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)  
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR D BASSON)  
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)  
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS A SMIT)  
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)  
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)  
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR S KAYE)  
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)  
THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)  
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MS O SAMUELS)  
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (ADV. C SMITH)  
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)  
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)  
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)  
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

THE ACCOUNTING AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MR D LAKAY)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (PROF. G MANEVELDT)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR B FIGAJI)  
 THE ACCOUNTING AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (DR J STEGMANN)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE HERITAGE (MR M DLAMUKA)  
 THE ACCOUNTING AUTHORITY: CASIDRA (MR A MOOS)  
 THE ACCOUNTING AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (ADV. T SIDAKI)  
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)  
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (DR R OMAR)  
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR T HARRIS)  
 THE CHIEF EXECUTIVE OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MS K BEUKES)  
 THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR A SEYMOUR)  
 THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR AUTHORITY (ADV L PETERSEN) (ACTING)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MS Z SIWA)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR M BHAYAT)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MS K ZAMA)  
 THE CHIEF FINANCIAL OFFICER: SALDANHA BAY IDZ LICENCING COMPANY (MR H BONESCHANS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS B RUTGERS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS B RUTGERS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE (MS B RUTGERS)  
 THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LIQUOR AUTHORITY (MR S GCWABE)  
 THE DIRECTOR: GOVERNMENT MOTOR TRANSPORT (MR R WIGGILL)  
 THE HEAD OF SCM: VOTE 1: PREMIER (MR R HASSIEM) (ACTING)  
 THE HEAD OF SCM: VOTE 3: PROVINCIAL TREASURY (MS T NDLAZI) (ACTING)  
 THE HEAD OF SCM: VOTE 4: COMMUNITY SAFETY (MR R LAWRENCE)  
 THE HEAD OF SCM: VOTE 5: EDUCATION (MRS R DE BRUYN)  
 THE HEAD OF SCM: VOTE 6: HEALTH (MS E ISAACS)  
 THE HEAD OF SCM: VOTE 7: SOCIAL DEVELOPMENT (MS P MABHOKWANA)  
 THE HEAD OF SCM: VOTE 8: HUMAN SETTLEMENTS (MS L NEL)  
 THE HEAD OF SCM: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR N RHAPALE) (ACTING)  
 THE HEAD OF SCM: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR J VAN RENSBURG)  
 THE HEAD OF SCM: VOTE 11: AGRICULTURE (MR C STARLING)  
 THE HEAD OF SCM: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR M HARTMAN)  
 THE HEAD OF SCM: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS L SAWALL)  
 THE HEAD OF SCM: VOTE 14: LOCAL GOVERNMENT (MR A SEALE)  
  
 THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR D SAVAGE)  
 THE DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES (MS J GANTANA) (ACTING)  
 THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR IG SMITH) (ACTING)  
 THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (MR A PHILLIPS)  
 THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS A PICK) (ACTING)  
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (VACANT)  
 THE CHIEF DIRECTOR: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)  
 THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)  
 THE CHIEF FINANCIAL OFFICER (MS A SMIT)  
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS C GREEN)  
 THE DIRECTOR: BUSINESS INFORMATION AND DATA MANAGEMENT (MR P PIENAAR)  
 THE DIRECTOR: FINANCIAL GOVERNANCE (MS M VAN NIEKERK)  
 THE DIRECTOR: FISCAL POLICY (DR N NLEYA)  
 THE DIRECTOR: INFRASTRUCTURE (MR K LANGENHOVEN)  
 THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (VACANT)  
 THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR M BOOYSEN)  
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR C MAPEYI)  
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)  
 THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (VACANT)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS R SLINGER)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK) (PRO TEM)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS T RAKIEP) (ACTING)  
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS N ISMAIL)  
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)  
  
 THE PROVINCIAL AUDITOR  
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT  
 THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

# NATIONAL TREASURY (NT) DESIGNATED SECTORS CIRCULAR (DSC) NUMBER 11 OF 2019/2020: STANDARD FOR IMPLEMENTATION OF REGULATION 8(4) OF THE PREFERENTIAL PROCUREMENT REGULATIONS, 2017

## 1. PURPOSE

- 1.1 The purpose of this communicate is to disseminate the above-mentioned circular signed by the NT on 19 December 2019 which took effect on the date of issue (attached hereto marked **Annexure A**). The NT Circular issues a standard for implementation of Regulation 8(4) of the Preferential Procurement Regulations, 2017 (attached hereto marked **Annexure B**).

## 2. BACKGROUND

- 2.1 The NT Circular issues a standard which aims to provide guidance to organs of state on the process to follow where there is no product, sector or sub-sector designated for local production and content and the organ of state wants to include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.

## 3. TO NOTE

- 3.1 The NT Circular was signed on 19 December 2019 and took effect on the date of issuance. The circular was however only uploaded on the NT's website a few days prior to the implementation date and the NT did not formally issue the circular to PT via electronic mail which is the normal protocol. The PT did however in the interim issue the circular to departments via email.
- 3.2 The agreement with the dti on the consultation process before circulars are issued, was not honoured as the Western Cape Government (WCG) was not approached or consulted to provide inputs on the circular prior to issuance. The Circular was further issued during the December holiday period when supply chain management operates with skeleton staff.
- 3.3 Without having to repeat the content of NT DSC No. 11 of 2019/20: Standard for implementation of Regulation 8(4) of the Preferential Procurement Regulations, 2017 there are certain requirements that accounting officers/accounting authorities should note:
- a. the threshold must be in accordance with the standards determined by the Department of Trade and Industry (**the dti**) in consultation with the NT;
  - b. the standard is prescribed to give effect to the requirements of Regulation 8.4 and covers the following key points:
    - promotion of local production and content through designating specific tenders to promote locally manufactured products;
    - invitation of bids for non-designated products; and
    - authorisation to lower the thresholds where the approved minimum threshold for local production and content fails to reach thresholds and quality demands for the tender.
  - c. the standard indicates that the organ of state intending to designate a tender for local production and content must ensure that there are enough capable local manufacturers in the country to compete for the provisioning of the goods designated in the tender for local production and content;

- d. an industry or market analysis should be conducted;
- e. localisation should be supported based on certain indicators;
- f. the setting of thresholds in terms of Regulation 8(4) are bid specific and can only be done in consultation with **the dti**;
- g. the power to designate the sector/ product for local production is vested with **the dti**;
- h. further details regarding the invitation of tenders for the non-designated products are contained in paragraph 6 of the standard; and
- i. the standard further defines:
  - the authorisation letter requesting procedure is included in paragraph 7;
  - the evaluation process of tenders in support of local production and content in paragraph 8;
  - awards, post award and reporting requirements in paragraph 9; and
  - contract information in paragraph 10.

#### 4. WAY FORWARD

- 4.1 The implementation of Regulation 8(4) is discretionary, if an organ of state opts to give effect to this regulation it should be done in consultation with **the dti** and the standard for implementation of Regulation 8(4) of Preferential Procurement Regulations.
- 4.2 Organs of state to advertise local production and content related bids for a period of time that will allow bidders sufficient time to request for authorisation and to respond to the tender.

#### 5. REQUEST

- 5.1 Accounting officers/accounting authorities are requested to ensure that the content of the circular is brought to the attention of all relevant officials within their institution and public entities reporting to their executive authorities as it is applicable to national and provincial departments, public entities listed in Schedules 3A and 3C to the PFMA and Constitutional institutions;
- 5.2 Ensure that the requirements of this circular are applied as from 1 April 2020.
- 5.3 Any enquiries relating to this circular may be directed to:

SCM Helpdesk: [SupplyChainManagement.HDPFMA@westerncape.gov.za](mailto:SupplyChainManagement.HDPFMA@westerncape.gov.za)



**MS TASNEEM RAKIEP**

**ACTING DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT**

**DATE:** 27 March 2020



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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

**NATIONAL TREASURY DESIGNATED SECTORS CIRCULAR NUMBER 11 OF  
2019/2020: STANDARD FOR IMPLEMENTATION OF REGULATION 8(4) OF THE  
PREFERENTIAL PROCUREMENT REGULATIONS, 2017**

## **PURPOSE**

The purpose of the circular is to inform organs of state about the standard issued by the Department of Trade and Industry (the dti) in consultation with National Treasury to assist Accounting Officers and Accounting Authorities with the implementation of regulation 8 (4) of the Preferential Procurement Regulations, 2017 issued in terms of section 5 of the Preferential Procurement Policy Framework Act, Act No. 5 of 2000 (PPPFA).

## **BACKGROUND**

Regulation 8.4 of the 2017 Preferential Procurement Regulations provides that where there no is product, sector or sub-sector designated for local production, an organ of state may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered. The threshold must be in accordance with the standards determined by the Department of Trade and Industry (**the dti**) in consultation with the National Treasury. Therefore, the standard is prescribed to give effect to the requirements of Regulation 8.4.

## **THE STANDARD**

The standard seeks to assist accounting officers and accounting authorities with implementation of Regulation 8(4) of the Preferential Procurement Regulations, 2017. In summary it covers the following key points: promotion of local production and content through designating specific tenders to promote locally manufactured products; invitation of

bids for non-designated products; authorization to lower thresholds where approved minimum threshold for local production and content fails to reach thresholds and quantity demands for the tender. The standard is annexed as part of this circular.

## **APPLICABILITY**

This circular 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 applies.

## **DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR**

Heads of provincial treasuries are requested to bring the contents of this circular to the attention of accounting officers and supply chain management officials of their respective provincial departments.


Accounting officers of national and provincial departments are requested to bring the contents of this circular to the attention of accounting authorities and the supply chain management officials of their departments, Schedule 3A and 3C public entities reporting to their respective executive authorities.

Accounting officers of municipalities and municipal entities are requested to bring the contents of this circular to the attention of the supply chain management officials of their municipalities and municipal entities.

Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this circular to the attention of the supply chain management officials of their public entities.

## **AUTHORITY FOR THIS CIRCULAR AND EFFECTIVE DATE**

This circular is issued in terms of Regulation 15(a) of the Preferential Procurement Regulations, 2017 and takes effect on the date of issue.

  
**WILLIE MATHEBULA**  
**ACTING CHIEF PROCUREMENT OFFICER**  
DATE: 19. 12. 19

**STANDARD FOR IMPLEMENTATION  
OF REGULATION 8 (4) OF THE  
PREFERENTIAL PROCUREMENT  
REGULATIONS, 2017**

## PART ONE

### GENERAL

#### 1. **ACRONYMS AND ABBREVIATIONS**

AO / AA	Accounting Officer / Accounting Authority
B-BBEE	Broad Based Black Economic Empowerment
MFMA	Municipal Finance Management Act, Act No 56 of 2003
PFMA	Public Finance Management Act, Act No. 1 of 1999 (as amended by Act 29 of 1999)
PPPFA	Preferential Procurement Policy Framework Act, No 5 of 2000
SARB	South African Reserve Bank
SABS	South African Bureau of Standards

#### 2. **PURPOSE**

This standard is intended to assist Accounting Officers and Accounting Authorities with the implementation of regulation 8 (4) of the Preferential Procurement Regulations, 2017 issued in terms of section 5 of the Preferential Procurement Policy Framework Act, Act Number 5 of 2000 (PPPFA).

#### 3. **BACKGROUND**

Regulation 8(4) of the 2017 Preferential Procurement Regulations provides that if there is no designated sector, an organ of state may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered. The threshold must be in accordance with the standards determined by the Department of Trade and Industry (**the dti**) in consultation with the National Treasury. Therefore the standard is prescribed to give effect to the requirements of Regulation 8 (4).

#### 4. **APPLICABILITY**

The standard is applicable 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 applies.



## PART TWO

### **5. PROMOTION OF LOCAL PRODUCTION AND CONTENT**

- 5.1 For goods and services that are not yet designated for local production and content by **the dti**, background information would have to be obtained on opportunities for localisation in the procurement of the particular goods and/or services.
- 5.2 An organ of state intending to designate a tender for local production and content must ensure that there are enough local manufacturers in the country who are capable to compete for the provision of goods designated in the tender for local production and content.
- 5.3 An industry or market analysis should be conducted to determine:
  - 5.3.1 the number of existing manufacturers available in the country;
  - 5.3.2 security of supply / capability to supply for the duration of the tender;
  - 5.3.3 the contribution of other role players in the supply chain of the commodity or product such as distributors and product agents (secondary level); and
  - 5.3.4 the effect of local production and content on employment.
- 5.4 Localisation should be supported based on the following indicators:
  - 5.4.1. Long term public procurement plan and expenditure;
  - 5.4.2. Alignment with policy objectives, in particular the creation and retention of decent jobs;
  - 5.4.3. Promotion of SMME's, geographic spread, technological capabilities; and
  - 5.4.4. Local manufacturing capacity and security of supply.
- 5.5 Against the above background, departments and public entities should commit themselves to the development and implementation of localisation with the aim of increasing the competitiveness, capacity and capability of the local supply base.
- 5.6 It must be noted that the setting of thresholds using Regulation 8 (4) will be bid specific, can only be done in consultation with **the dti** and does not imply that the industry/sector/product has been designated for local production. The power to designate the industry/sector/product for local production is vested with **the dti**.
- 5.7 Stipulated minimum thresholds for the various products will be provided by **the dti** during consultation process.
- 5.8 AOs/AAs are encouraged to build regulation 8 (4) requirements on local production and content into their supply chain policies to avoid contestations on tenders.

### **6. INVITATION OF TENDERS FOR THE NON-DESIGNATED PRODUCTS**

- 6.1 Tenders in respect of non-designated products, where local content is to be promoted must contain a specific tendering condition that only locally produced or manufactured goods or services with a stipulated minimum threshold will be considered.

- 6.2 The local content (LC) expressed as a percentage of the tender 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 tender price in Rand excluding value added tax (VAT)

- 6.3 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 tender.
- 6.4 AOs/AAs must clearly stipulate in the tender 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 tenderers on the dti's official website <http://www.thedti.gov.za/industrialdevelopment/ip.jsp> at no cost.
- 6.5 The Declaration Certificates for Local Production and Content (SBD / MBD 6.2) and Local Content Declaration Templates Annex C, Annex D and Annex E must form part of the tender 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) applies.
- 6.6 AOs/AAs must stipulate in the tender documentation:
- (a) that 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 tenderer at the closing date and time of the tender;
  - (b) that the rates of exchange quoted by the tenderer in paragraph 4.1 of the Declaration Certificate will be verified for accuracy;
  - (c) all the information relevant to bidders provided in paragraphs 7.1 to 7.4 below

## 7. AUTHORISATION LETTER REQUESTS

- 7.1 If during the contract period, the quantity of required items cannot be wholly sourced from South African (SA) based manufacturers and/ or at stipulated local content threshold at any particular time, tenderers / suppliers should obtain written authorisation from the dti to supply the remaining portion of the items at a lower local content threshold. The dti, in consultation with the procuring organ of state, will grant authorisation on a case-by-case basis and will consider the following:

- a) required volumes in the particular tender;
- b) available collective SA industry manufacturing capacity at that time;
- c) delivery times;
- d) availability of input materials and components;
- e) security of supply and emergencies
- f) technical considerations including operating conditions;
- g) localisation plans aimed at establishing and/or increasing local manufacturing capacity; and
- h) replacement of components on the existing infrastructure (where applicable) in order to honour the warranties and guarantees.

7.2. Specifications, designs, standards, material availability, technological choices and volumes are some of the main causes of authorizations.

7.3. The tender information / relevant information must be provided on the tenderer's / supplier's letterhead when requesting an authorisation letter:

- a) Procuring entity
- b) Tender / contract description
- c) Tender reference number
- d) Closing date of tender
- e) Detailed specifications of items for which the exemption is requested for (kindly attach specifications)
- f) Products/ inputs/components to be imported
- g) Reasons for the request
- h) Supporting letters from local bidders' suppliers and manufacturers

7.4 The turn-around time for processing of authorisation requests is 5 working days from the date of receipt.

## **8. EVALUATION OF TENDERS IN SUPPORT OF LOCAL PRODUCTION AND CONTENT**

8.1. A staged evaluation process must be followed including evaluation in terms of local production and content and other evaluation processes as may be stipulated in the tender.

### **8.2. Evaluation in terms of the stipulated minimum threshold for local production and content.**

8.2.1. Tenders must be evaluated in terms of the minimum threshold stipulated in the tender documents.

8.2.2. The declaration made by the tenderer 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 tender is for more than one product, the local content percentages for each product contained in Annex C must be used.

8.2.3. The amendment of the stipulated minimum threshold for local production and content after closing date of tender and during evaluation is not allowed.

8.2.4. A tender must be disqualified if the tenderer fails to achieve the stipulated minimum threshold for local production and content.

### **8.3. Evaluation in terms of the 80/20 or 90/10 preference point systems.**

- 8.3.1. Only tenders that achieve the minimum stipulated threshold for local production and content may be evaluated further.
- 8.3.2. Unless exempted by the Minister of Finance, the evaluation must be done in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations, 2017.

## **9. AWARDS, POST AWARD AND REPORTING REQUIREMENTS**

- 9.1. Suppliers / contractors must not be allowed to sub-contract in such a manner that the local production and content of the overall value is reduced to below the stipulated minimum threshold.
- 9.2. AOs / AAs are required to keep records of the tenders post award for monitoring and reporting purposes. **The dti** may request this information at any time.
- 9.3. Once tenders are awarded, **the dti** must be:
- (a) Notified of all the successful tenderers and the value of contracts; and
  - (b) Provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the Declaration C submitted by the successful tenderers within 30 days of award.
- 9.4. The purpose of the requirements of paragraph 9.3 above is for **the dti** to among others monitor localisation initiatives. C

## **10. CONTACT INFORMATION**

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

The Department of Trade and Industry  
Private Bag X84  
Pretoria  
0001

For Attention:

Chief Director: Industrial Procurement  
Tel: (012) 394 1435  
Fax: (012) 394 1535  
EMAIL: [localcontent@thedti.gov.za](mailto:localcontent@thedti.gov.za)