ISBN 978-0-626-26620-2

# SATS 1286:2011

Edition 1

## SABS STANDARDS DIVISION

Technical specification

# Local goods, services and works — Measurement and verification of local content

This document does not have the status of a South African National Standard.

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**SATS 1286:2011**
Edition 1

**Table of changes**

| Change No. | Date | Scope |
|---|---|---|
| | | |

## Foreword

This South African technical specification was approved by National Committee SABS TC 180, *Conformity assessment (CASCO)*, in accordance with procedures of the SABS Standards Division, in compliance with annex 3 of the WTO/TBT agreement.

This SATS was published in November 2011.

This document is being issued as a South African technical specification because there is a need for clarity and the ability to measure and validate the local content of goods, works and services in order to implement a procurement system that takes the local content into account.

This document will in future be revised and issued as a national standard.

Reference is made in 1.1 and 2.6 to the "relevant national legislation". In South Africa, this means the Preferential Procurement Policy Framework Act (PPPFA), 2000 (Act No. 5 of 2000).

Reference is made in the note to 2.10 to a "national accreditation body". In South Africa, this means the South African National Accreditation System (SANAS).

Reference is made in 5.1(a) to an "accredited verification body". In South Africa, this means a body accredited by the South African National Accreditation System (SANAS).

Reference is made in 5.1(b) to an "independent registered auditor". In South Africa, this means a registered auditor approved by the Independent Regulatory Board for Auditors (IRBA) in terms of the Auditing Profession Act, 2005 (Act No. 26 of 2005).

Annexes A and B form an integral part of this document.

## Introduction

Preferential procurement policies and their associated regulations, such as local content requirements, are mechanisms used by the government and organs of state in the adjudication of tenders, to give consideration to procuring locally manufactured products that comply with specified requirements. Governments may identify specific industries which are deemed to be of critical importance to the economic sustainability and industrial development of their country.

In order to calculate and verify local content, a standardized approach is essential, and this document specifies the approach used in South Africa.

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# Local goods, services and works — Measurement and verification of local content

## 1 Scope

**1.1** This technical specification specifies requirements and procedures to define, measure, declare and verify the local content of goods, services and works when required for procurement and other purposes, in terms of the relevant national legislation (see foreword).

NOTE The product should contain no less than the level of local content as determined by the relevant national legislation (see foreword) and other procurement requirements.

**1.2** This technical specification does not specify the required safety, quality or other properties of the product.

The responsibility to include the above requirements rests with the procurement authority.

## 2 Definitions

For the purposes of this document, the following definitions apply.

**2.1**
**component**
elementary part (element or portion) of a product

**2.2**
**imported content**
that portion of the tender price represented by

a) the cost of imported components, and

b) the cost of parts or materials which have been or are still to be imported (whether by the suppliers or the suppliers' subcontractors or any other third party) the costs of which are inclusive of the costs abroad,

plus freight and other direct importation costs, such as landing cost, dock duties, import duty, sales duty or other similar tax or duty at the South African port of entry excluding value added tax (VAT)

**2.3**
**local content**
that portion of the tender price that is not included in the imported content, provided that local manufacturing takes place and is calculated in accordance with the local content formula (see 3.1)

**2.4**
**manufacture**
any kind of working or processing, including assembly or specific operations

**2.5**
**material**
ingredient, raw material, component or part used in the manufacture of a product

**2.6**
**products**
produced goods, services or works, or manufactured goods as defined in the relevant national legislation (see foreword)

**2.7**
**tender price**
price offered by the tenderer, excluding value added tax (VAT)

**2.8**
**tenderer**
person or organization that submits a tender offer

[ISO 10845-1:2010]

**2.9**
**verification**
confirmation through the provision of objective evidence that the specified requirements have been fulfilled.

**2.10**
**verification body**
body that provides assurance of the claims of local content made by the supplier

NOTE In order to provide assurance as to the competence of the verification body, the user may require that the verification body be accredited to perform these functions by a national accreditation body (see foreword).

# 3 Local content measurement

## 3.1 Calculation of local content

The local content percentage of the product shall be as specified (see annex A). The local content, *LC*, expressed as a percentage of the tender price, shall be calculated as follows:

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

where

$x$ is the imported content (see 2.2), in Rand (ZAR);

$y$ is the tender price (see 2.7), in Rand (ZAR).

Prices referred to in the determination of $x$ shall all be converted to Rand (ZAR) by using the exchange rate as specified (see annex A).

### 3.2 Documentation required for the calculation of local content

**3.2.1** Documentation used for the purposes of measuring local content shall include, but is not limited to, details of all imported components, parts or materials indicating origin, manufacturer, freight cost and other direct importation costs, such as landing cost, dock duties, and import duty and sales duty, i.e. landed cost.

**3.2.2** Documentary proof used for calculating *x* in the measurement of local content and proof of the tender price *y* shall be kept accessible for a period of no less than five years.

**3.2.3** The tenderer shall be responsible for the accuracy of the information, including the imported content in the supply chain.

**3.2.4** If information on the origin of components, parts or materials is not available, it will be deemed to be imported content.

### 3.3 Control of documents and records by the tenderer

Documents and records to provide evidence of compliance with the requirements of this technical specification shall be controlled.

A documented procedure to define the controls needed for the identification, storage, protection, retrieval, retention and disposition of records shall be established.

Records shall remain legible, readily identifiable and retrievable.

## 4 Declaration

The tenderer shall attach the declaration in annex B signed by the 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) to the purchaser stating the local content percentage of the product, calculated in accordance with 3.1, and confirming the final tender price.

## 5 Verification

**5.1** The procurement authority may require that the measurement of local content be verified. The verification shall be conducted by:

a) an accredited verification body (see foreword); or

b) an independent registered auditor (see foreword).

**5.2** Those conducting the verification shall have defined and documented procedures for the verification activities.

# Annex A
(normative)

## Notes to purchasers

In addition to data clearly describing the product ordered, the following requirements shall be specified in tender invitations and in each order or contract:

a) the local content percentage requirements (see 3.1), and

b) the exchange rate requirements (see 3.1).

# Annex B
(normative)

## Local content declaration

**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 TENDER No.** .....
**ISSUED BY:** (Procurement Authority): .....

NB The obligation to complete and submit this declaration cannot be transferred to an external authorized representative, auditor or any other third party acting on behalf of the tenderer.

I, the undersigned, ..... (full names),
do hereby declare, in my capacity as .....
of .....
the following: .....(name of tendering entity),

(a) The facts herein contained are within my own personal knowledge.

(b) I have satisfied myself that the goods/services to be delivered in terms of the above-specified tender comply with the minimum local content requirements as specified in the tender, and as measured in terms of SATS 1286.

(c) The local content has been calculated using the formula given in clause 3 of SATS 1286 and the following figures:

| | Rand (ZAR) |
|---|---|
| Tender price, excluding VAT | |
| Less imported content, as calculated in terms of SATS 1286 | |
| Local content | |
| Local content % | |

If the tender is for more than one product, a schedule of the local content by product shall be attached.

(d) I accept that the Procurement Authority has the right to request that the local content be verified in terms of the requirements of SATS 1286.

(e) I understand that the awarding of the tender 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, may result in the procurement authority imposing any or all of the remedies as provided for in Regulation 13 of the Preferential Procurement Regulations promulgated under the Policy Framework Act (PPPFA), 2000 (Act No. 5 of 2000).

**SIGNATURE:** _____ **DATE:** _____

**WITNESS No. 1** _____ **DATE:** _____

**WITNESS No. 2** _____ **DATE:** _____

## Bibliography

ISO 10845:2010, *Construction procurement – Part 1: Processes, methods and procedures.*

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