

Tenders and Local Content

By Werner van Rooyen, Director of HowToTender (Pty) Ltd which specializes in tender consulting and tender training.

Did you know that the Gauteng Provincial's target on procurement spent on Local Content is 75%? This can also be said for the National Government's procurement spent.

That is incredibly good news! It can also be considered that most of the nine Provinces have the same target. This means that Local Content is a priority to National as well as Provincial Governments, when it comes to their Procurement spent. This is good news for local manufacturers and services providers. Local manufacturers and service providers has at least a 75% change of winning a tender.

But what is the definition of Local Content?

Local Content is Local Value Added in South Africa by South African recourses. Where a tender response contains a combination of local and imported goods and/or services, the tender price must be separated into its local and imported components as per the Standard Bidding Document 6.2 Annexure D and E, summarized in Annexure C. **Local Content is total spend less any imported component.** Remember that you as suppliers will be contractually required to keep records to certify imported content, for example, invoice of materials, expenditure records and income statements.

It must be emphasized that when you tender that you ensure you know which goods and/or services you can claim as Local Content. Be aware that certain tenders will exclude cost such as the following from Local Content:

- finance charges;
- property; and
- deployment fees of the operations contractor.

The new B-BBEE Codes of Good Practice that came into effect on 30 April 2015 strongly emphasise Enterprise and Supplier Development, one of the five elements of B-BBEE. This element accounts for 40 out of the 109 points on the B-BBEE scorecard and this element is all about developing the Local Entrepreneur. This will and must stimulate the manufacturing and producing of Local Content.

The National Government has also introduced "designated sectors" which are sectors, sub-sectors or industries that have been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods, or locally manufactured goods meet the stipulated minimum threshold for local production and content¹. If your business enterprise falls into one of these 12 designated sectors, then you will have to comply with these minimum thresholds. These designated sectors together with its minimum thresholds can be found at: http://www.dti.gov.za/industrial_development/ip.jsp.

There is an increase in the drive from National as well as Provincial Government to promote Local Content. This drive is not a South African initiative but a worldwide trend. In a South African context, it is good because it stimulates internal growth of the economy. So next time when you tender, consider Local Content as a possibility.

To learn more about this and many other tender conditions attend our "Become a Tender Expert" 2-Day workshops presented in Johannesburg, Pretoria, Durban, Port Elizabeth, and Cape Town. Book and pay online at <https://howtotender.co.za/tender-expert-form/>

Contact us at estelle@howtotender.co.za should you need more information.

¹ Definition of "designated Sectors" as per SBD document 6.2.