

## Local Content calculation in tenders

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The National Government has 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 content<sup>1</sup>.

What is Local Content and how must we apply it in our tender responses?

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

Where it becomes tricky is Annexure C, D and E that needs to be completed before Standard Bidding Document 6.2 can be completed. Because little of tender responders read the tender document very carefully this requirement is overlooked. This makes it exceedingly difficult to complete Standard Bidding Document 6.2.

It is important to know the sequence in which these annexures must be completed. Completing it in the wrong sequence is going to lead to much frustration on the side of the bidder.

Please remember that you as bidder will be contractually required to maintain records to certify imported content, for example, invoice of materials, expenditure records and income statements.

It must be emphasized that when you respond to a tender you must 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 designated sectors together with its minimum thresholds can be found at: [http://www.thedti.gov.za/industrial\\_development/ip.jsp](http://www.thedti.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 world-wide trend. In a South African context, it is good because it stimulates internal growth of the economy.

Local Content is a difficult item in any tender. Many bidders do not know whether it is applicable to them.

How to Tender presents a “**Specialised Local Content workshop**” that teaches the bidder how to complete the Local Content Documents (SBD 6.2 and Annexures C, D & E) correctly. You can book and pay online at <https://howtotender.co.za/local-content-specialist/>

To learn more about 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](mailto:estelle@howtotender.co.za) should you require more information.

You can also purchase a Tender Manual (Handbook) on our website <https://howtotender.co.za/> which is a step by step guide how to respond to a South African Tender. It includes examples of completed SBD forms.

<sup>1</sup>. *Definition of “designated Sectors” as per SBD document 6.2.*