

ISBN 978-0-626-34272-2

SANS 1286:2017

Edition 1

SOUTH AFRICAN NATIONAL STANDARD

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

WARNING

**This document references other
documents normatively.**

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Table of changes

Change No.	Date	Scope

Foreword

This South African National Standard was prepared by National Committee SABS/TC 003, *Conformity assessment (CASCO)*, in accordance with procedures of the SABS, in compliance with annex 3 of the WTO/TBT agreement.

This document was approved for publication in April 2017.

Reference is made in 1.1, the note to 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 and qualified auditor". For the purposes of this document, 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), professional accounting practitioners registered with the South African Institute of Accounting, the South African Institute of Professional Accountants or the Association of Chartered Certified Accountants; and professional management accountants registered with the Chartered Institute of Management Accountants.

Reference is made in 5.1(c) to a "qualified technical industry specialist". In South Africa a qualified technical industry specialist may include qualified engineers, scientists or industry associations.

Annex A forms an integral part of this document.

Compliance with this document cannot confer immunity from legal obligations.

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. To achieve the goals of local content, a technical verification is required to substantiate the bill of materials of the designated product or service. The financial auditor then confirms the local content calculation as true to the manufacturing capabilities of the tenderer and his/her suppliers.

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

1 Scope

1.1 This standard 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 standard does not specify the required safety, quality or other properties of the product.

NOTE The responsibility to include the 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)

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2.4

manufacture

conversion process that uses materials, components and parts to make a product

NOTE This may include the process of assembly.

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

bidder

person or organization that submits a tender offer

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

3.1.1 The local content percentage of the product shall be as specified in accordance with annex A. The local content, *LC*, expressed as a percentage of the tender price, shall be calculated as follows:

$$LC = (1 - x/y) \cdot 100$$

where

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

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

3.1.2 Prices referred to in the determination of *x* shall all be converted to Rand (ZAR) by using the exchange rate as specified in accordance with 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, the components, parts or materials will be deemed to be imported content.

3.3 Control of documents and records by the tenderer

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

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

3.3.3 Records shall remain legible, readily identifiable and retrievable.

4 Declaration

The tenderer shall attach the local content declaration signed by the Chief Financial Officer or other legally responsible person nominated in writing by the Chief Executive Officer, 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 and qualified auditor (see foreword); or
- c) a qualified technical industry specialist (see foreword).

5.2 Local content verification shall be conducted in two parts as follows:

- a) verification of the financial documentation to ensure local content is in accordance with the designated requirement; and
- b) factory shop floor technical verification of the local content as described in the documentation verified in 5.2(a).

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

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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 3.1.1), and
- b) the exchange rate requirements (see 3.1.2).

Bibliography

Standards

SANS 10845-1/ISO 10845-1, *Construction procurement – Part 1: Processes, methods and procedures*.

Other publications

Guidance document for the calculation of local content. Available from http://www.thedti.gov.za/industrial_development/ip.jsp.
