

## PROCUREMENT POLICY OFFICE

### Directive No. 49

(Issued Pursuant to Section 7 (b) of the Public Procurement Act 2006)

#### **Applicable Margins of Preference to Goods Contracts**

1. This Directive sets the margins of preference applicable to goods contracts and supersedes the following circular and directives issued on this subject:
  - (i) Circular 13 of 2012
  - (ii) Directive 20 of 2015
  - (iii) Directive 32 of 2016; and
  - (iv) Directive 42 of 2019
  
2. The applicable margins of preference with respect to goods, including pharmaceuticals, shall be as follows:
  - a) Small and Medium Enterprises (SMEs) shall benefit from a margin of preference of:
    - (i) 40% on their locally manufactured goods bearing the “Made in Moris” certification issued by the Association of Mauritian Manufacturers; or
    - (ii) 30% on their locally manufactured goods not having the “Made in Moris” certification.
  - b) Local manufacturers, which are not SMEs shall benefit from a margin of preference of 20% on their locally manufactured goods.
  
3. In Rodrigues, the margins of preference as specified in paragraph 2 are applicable as follows:
  - (a) for contracts up to Rs 5 M, to local manufacturers registered with the Rodrigues Regional Assembly (RRA); and
  - (b) for contracts above Rs 5 M, to all local manufacturers, whether registered with the RRA or in Mauritius.

4. Where a bidder is eligible for more than one margin of preference, the highest shall prevail.
5. The applicable margins of preference as per above are subject to submission of supporting documents as specified in the bidding documents.
6. 'Locally manufactured Goods' means goods which are mined, grown, cultivated, produced, manufactured, processed or assembled in Mauritius with at least 25 percent of local inputs. The template at **Appendix I** shall be used to assess eligibility of the goods to the margin of preference following the Rules of Origin as stipulated at **Appendix II**.
7. The margin of preference applicable to wheat flour and ration rice, as per Directive No. 43, is maintained.
8. This Directive takes effect as from 22 October 2020.

**Procurement Policy Office**  
**21 October 2020**

**SCHEDULE 1: COST STRUCTURE FOR VALUE ADDED CALCULATION PER PRODUCT**

<b><u>COST STRUCTURE FOR VALUE ADDED CALCULATION PER PRODUCT</u></b>		
	<b>Rs</b>	<b>Rs</b>
<b>Raw Materials, Accessories &amp; Components</b>		
• Imported (CIF)	.....	.....
• Local	.....	.....
<b>Labour Cost</b>		
• Direct Labour	.....	.....
<b>Direct Factory Expenses</b>		
• Operating Cost of Machine	.....	.....
• Expenses related for finishing of goods	.....	.....
• Packaging costs		
<b>Cost of Factory Overheads</b>		
• Electricity	.....	.....
• Rates & Insurance		
• Telephone	.....	.....
• Rent	.....	.....
• Depreciation	.....	.....
• Interest on Loans	.....	.....
• Direct Consumables	.....	.....
• Indirect Labour Charges ( factory employees)		
<b>Other (please specify)</b>		
• .....	.....	.....
• .....	.....	.....
• .....	.....	.....
<b>TOTAL COST</b>		

$$\text{Local Value Added} = \frac{\text{Total Cost} - \text{Cost of imported inputs} \times 100}{\text{Total Cost}}$$

- The cost structure should be certified by a Certified Accountant

### Locally Manufactured Goods -Value-added criterion

The goods have been produced in Mauritius wholly or partially from imported materials (or materials of unknown origin) and the value added resulting from the process of production accounts for at least 25% of the ex-factory cost of the finished product.

#### Explanation:

The value added is the difference between the ex-factory cost of the finished product and the c.i.f. value of imported materials used in production.

Ex-factory cost means the value of the total inputs required to produce a given product. In applying this criterion, domestic material content may be either low or non-existent in the composition of the products.

#### Calculation of ex-factory cost:

The following costs, charges and expenses should be included:

(a) The cost of imported materials, as represented by their c.i.f. value accepted by the Customs authorities on clearance for home consumption, or on temporary admission at the time of last importation in Mauritius where they were used in a process of production, less the amount of any transport costs incurred in transit.

Provided that the cost of imported materials not imported by the manufacturer will be the delivery cost at the factory but excluding customs duties and other charges of equivalent effect thereon;

(b) The cost of **local materials**, as represented by their delivery price at the factory;

(c) The cost of **direct labour** as represented by the wages paid to the operatives responsible for the manufacture of the goods;

(d) The cost of direct factory expenses, as represented by:

- the operating cost of the machine being used to manufacture the goods;
- the expenses incurred in the cleaning, drying, polishing, pressing or any other process, as may be necessary for the finishing of the goods;
- the cost of putting up the goods in their retail packages and the cost of such packages but excluding any extra cost of packing the goods for transportation and the cost of any extra packages;
- the cost of special designs, drawings or layout; and the hire of tools, or equipment for the production of the goods.

(e) The cost of **factory overheads** as represented by:

- rent, rates and insurance charges directly attributed to the factory;
- indirect labour charges, including salaries paid to factory managers, wages paid to foremen, examiners and testers of the goods;

- power, light, water and other service charges directly attributed to the cost of manufacture of the goods;
- consumable stores, including minor tools, grease, oil and other incidental items and materials used in the manufacture of the goods;
- depreciation and maintenance of factory buildings, plant and machinery, tools and other items used in the manufacture of the goods

The following costs, charges and expenses **should be excluded**:

(a) **Administration expenses** as represented by:

- office expenses, office rent and salaries paid to accountants, clerks, managers and other executive personnel;
- directors' fees, other than salaries paid to directors who act in the capacity of factory managers;
- statistical and costing expenses in respect of the manufactured goods;
- investigation and experimental expenses.

(b) **Selling expenses**, as represented by:

- the cost of soliciting and securing orders, including such expenses as advertising charges and agents' or salesmen' commission or salaries;
- expenses incurred in the making of designs, estimates and tenders.

(c) **Distribution expenses**, represented by all the expenditure incurred after goods have left the factory, including;

- the cost of any materials and payments of wages incurred in the packaging of the goods for export;
- warehousing expenses incurred in the storage of the finished goods;
- the cost of transporting the goods to their destination.

(d) **Charges not directly attributed to the manufacture of the goods**:

- any customs duty and other charges of equivalent effect paid on the imported raw materials;
- any excise duty paid on raw materials produced in the country where the finished goods are manufactured;
- any other indirect taxes paid on the manufactured products;
- any royalties paid in respect of patents, special machinery or designs; and
- finance charges related to working capital.