



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Ref 2/2/9

**TO: ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL
INSTITUTIONS
ACCOUNTING AUTHORITIES OF ALL PUBLIC ENTITIES
HEAD OFFICIALS OF ALL PROVINCIAL TREASURIES
ACCOUNTING OFFICERS OF ALL MUNICIPALITIES
ACCOUNTING OFFICERS OF ALL MUNICIPAL ENTITIES**

NATIONAL TREASURY SCM CIRCULAR NO 3 OF 2017/2018

**SOFTWARE, PRODUCTS AND SERVICES COST CONTAINMENT PROJECT
IMPLEMENTATION**

1. PURPOSE

- 1.1 The purpose of this Circular is to inform accounting officers and accounting authorities of the framework agreements entered into by State Information Technology Agency (SITA) and some original equipment manufacturers in respect of procurement of software, products and services on behalf of government.

2. BACKGROUND

- 2.1 Accounting officers and accounting authorities to whom the State Information Technology Act, 1998 (Act No. 88 of 1998- "the SITA Act") applies are required to procure ICT related products, software licences and services through SITA in terms of section 7(3) of the SITA Act.
- 2.2 As part of cost containment measures, National Treasury issued SCM Circular No. 10 of 2016/2017 relating to a moratorium on procurement of ICT software, products and services. In terms of the moratorium accounting officers and accounting authorities were advised to not renew or procure any additional software, products or services for the period indicated in the Circular.
- 2.3 National Treasury SCM Circular No. 10 of 2016/2017 further stated that accounting officers and accounting authorities must consult National Treasury and SITA for guidance prior to any conclusion of a tender process for software, products or services or for advice on alternative contracting arrangements in the event that the existing contract is about to expire.

- 2.4 SITA has finalised negotiations with some identified original equipment manufacturers and reviewed the contracting and pricing models for the procurement of software, products and licences on behalf of government that culminated in framework agreements between SITA and the identified original equipment manufacturers.
- 2.5 The list of identified original equipment manufacturers is obtainable from SITA and this list will be reviewed and updated as new framework agreements are signed.

3. IMPLEMENTATION

- 3.1 Accounting officers and accounting authorities may approach SITA for guidance on the procurement of ICT related products and software licences through these framework agreements taking into account the provisions of the Constitution of the Republic of South Africa Act, 1996 ("the Constitution"), the Public Finance Management Act, 1999 (Act No. 1 of 1999- "the PFMA"), the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003- "the MFMA"), the Preferential Procurement Policy Framework Act, 2005 (Act No. 5 of 2000- "the PPPFA") and other applicable legislation.
- 3.2 Accounting officers and accounting authorities, together with SITA, must develop and maintain a demand plan relating to the deployment and utilization of software licences.
- 3.3 Where the accounting officer and accounting authority procured any software licences that were not deployed, they must establish and submit a deployment plan to SITA inclusive of the implementation costs to ensure efficient use of Government's investment. Where any support services in relation to the establishment of deployment plans are required by Accounting Officers and Accounting Authorities, the procurement process for the appointment of service providers must include one or more of the provisions of Regulation 4 of the Preferential Procurement Regulations, 2017.
- 3.4 The framework agreements cover a range of items including products, licences, maintenance, subscription services and support as stipulated in each framework agreement.
- 3.5 SITA must ensure that Accounting Officers and Accounting Authorities include the provisions of Regulation 4 in all procurement with the OEMs to give effect to the Preferential Procurement Regulations 2017. Where the estimated value of the contract exceeds R30 million Accounting Officers and Accounting Authorities must, in line with Regulation 9 of the Preferential Procurement Regulations, 2017 include in the published terms of reference to the OEMs that a minimum of 30% of the contract value must be subcontracted to designated groups referred to in Regulation 9.
- 3.6 All other services not listed in the framework agreements or where necessary must be procured through an open competitive bidding process taking into account provisions of the Constitution, PFMA, MFMA, PPPFA, Competition Act, 1998 (Act No. 89 of 1998) and other applicable legislation.
- 3.7 SITA must comply with government's policy position of leveraging public procurement to support and promote small business development, industrial development, black economic empowerment, youth and women empowerment, rural and township businesses development and other policy objectives for job creation.

3.8 All organs of state are eligible to benefit from the tariffs and contract arrangements that SITA negotiated with each original equipment manufacturer.

3.9 Accounting Officers and Accounting Authorities of institutions to which the SITA Act does not apply may request SITA to consider their applications for participation in the framework agreements negotiated with the original equipment manufacturers.

4. WITHDRAWAL OF CIRCULAR 10 OF 2016/17

4.1 National Treasury SCM Circular 10 of 2016/ 2017 on ICT software, products and services cost containment project dated 6 December 2016 is hereby withdrawn.

5. CONTACT INFORMATION

5.1 Enquiries related to this Circular may be directed to:

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Tel: (012) 482 2017

6. APPLICABILITY

6.1 This circular applies to all national and provincial departments, constitutional institution, public entities listed in schedules 2 and 3 to the PFMA and municipalities and municipal entities to which the SITA Act applies.

7. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

7.1 Head Officials of Provincial Treasuries are requested to bring the contents of this Circular to the attention of officers of departments, municipalities and municipal entities, accounting authorities of public entities in their respective Provinces.

7.2 Accounting officers of national departments are requested to bring the contents of this Circular to the attention of accounting authorities of Schedule 3A and 3C public entities reporting to their respective executive authorities.

7.3 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this Circular to the attention of the supply chain management officials of their public entities.

Regards


WILLIE MATHEBULA
ACTING CHIEF PROCUREMENT OFFICER
DATE: 16-02-2018