



# **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  
ACCOUNTING OFFICERS OF ALL MUNICIPALITIES  
ACCOUNTING AUTHORITIES OF ALL MUNICIPAL ENTITIES  
HEAD OFFICIALS OF ALL PROVINCIAL TREASURIES**

## **NATIONAL TREASURY SCM CIRCULAR NO 10 OF 2016/2017**

### **ICT SOFTWARE, PRODUCTS AND SERVICES COST CONTAINMENT PROJECT**

#### **1. PURPOSE**

- 1.1 The purpose of this SCM Circular is to inform Accounting Officers and Accounting Authorities to whom this Circular applies about the implementation of National Treasury's cost containment project relating to Information and Communication Technology (ICT) software, products and services.
- 1.2 This Circular is also aimed at informing Accounting Officers and Accounting Authorities of the transitional arrangements from the date of this Circular to the 31<sup>st</sup> of March 2017.

#### **2. BACKGROUND**

- 2.1 In terms of Section 38 (1) (a) (iii) and 51 (1) (iii) of the Public Finance Management Act (PFMA), the Accounting Officer of a Department or Constitutional Institution and the Accounting Authority of a Public Entity must ensure that their respective Institution has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.
- 2.2 In terms of Section 62 (1) (a) and 95 (1) (a) of the Municipal Finance Management Act (MFMA), the Accounting Officer of a Municipality and Accounting Authority of a Municipal Entity, must ensure that the resources of a Municipality or Municipal Entity are used effectively, efficiently and economically.
- 2.3 The South African Government spends a significant amount each year on ICT software, products and services, either directly through contractual arrangements with the Original Equipment Manufacturer (OEM) or indirectly through resellers. National Treasury in collaboration with State Information Technology Agency (SITA) are in the process of reviewing the most cost effective and efficient contracting and licensing model in order to reduce costs with regards to fragmented procurement, duplication of effort, different pricing arrangements, licensing models and service offerings.

### **3. TRANSITIONAL PERIOD**

3.1 To avoid further duplication of effort and high State expenditure relating to ICT software, products and services costs and while the National Treasury is implementing cost containment and fiscal consolidation measures, institutions listed in this Circular will be required to apply the following interim measures for the transitional period:

3.1.1 Accounting Officers and Accounting Authorities are required, not to renew and/or procure any additional software, products and/or services effective from 7 December 2016 to 31 March 2017 for software, products or services listed in paragraph 4.2.

3.1.2 Where current ICT related contracts expire before 31 March 2017, Organs of State must consult with National Treasury and SITA for guidance on alternative contracting arrangements.

3.1.3 In urgent cases and/or where Departments have already issued tenders and are in the process of finalizing these for award, the relevant Department must consult with the relevant Provincial Treasury or National Treasury, as well as SITA, prior to conclusion of the tender process and awarding of the contracts.

3.1.4 Where contracts are expiring after 31 March 2017, these contracts must be honored until completion or further notice from National Treasury.

3.1.5 Where Departments are required to engage suppliers relating to ICT software, products and services, this should be done with guidance and participation by a SITA representative.

### **4. APPLICABILITY**

4.1 This Circular applies to all National and Provincial Departments, Constitutional Institutions and Public Entities listed in Schedule 3A and 3C to the PFMA.

4.2 This Circular is applicable to the software, products and services sold or licensed by Government's top software suppliers. The Circular is applicable to the following OEM's and their respective resellers of the listed products and services:

- IBM
- Oracle
- SAP
- Software AG
- EMC
- CA Technologies
- Adobe
- Microfocus
- CISCO
- ESRI

**5. DISEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR**

- 5.1 Head Officials of Provincial Treasuries are requested to bring the contents of this Circular to the attention of Accounting Officers and Accounting Authorities of Departments, Public Entities in their respective Provinces.
- 5.2 Accounting Officers of National Departments are requested to bring the contents of this Circular to the attention of Accounting Authorities of Schedule 3A Public Entities reporting to their respective Executive Authorities.

**6. STATUS OF THIS CIRCULAR**

- 6.1 This Circular is issued to provide Departments, Constitutional Institutions and Public Entities with information related to implementation of the cost containment project related to agreements listed in par 4.2 software, products and services listed in par 4.2.

**7. INFORMATION**

- 7.1 Enquiries related to this Circular may be directed to:

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Office of the Chief Procurement Officer  
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Regards



**KENNETH BROWN**  
**CHIEF PROCUREMENT OFFICER**

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