



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**TO: ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS**

**ACCOUNTING AUTHORITIES OF ALL SCHEDULE 3A AND 3C PUBLIC ENTITIES**

**HEAD OFFICIALS OF ALL PROVINCIAL TREASURIES**

**NATIONAL TREASURY SCM CIRCULAR NO 11 OF 2016/2017**

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

**1. PURPOSE**

- 1.1 The purpose of this SCM Circular is to inform Departments, Constitutional Institutions and Public Entities listed in Schedule 3A and 3C to the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) of the outcome of National Treasury and State Information Technology Agency (SOC) Ltd's (SITA's) engagement with Microsoft on Government procurement of Microsoft software, products and services.
- 1.2 This Circular is also aimed at informing Accounting Officers and Accounting Authorities of the resultant withdrawal of Circular 7 of 2016/17 issued on 6 July 2016.

**2. BACKGROUND**

- 2.1 National Treasury, SITA and Microsoft engaged in reviewing the current contracting and pricing arrangements of Government's procurement of Microsoft software, and services. Negotiations resulted in a Memorandum of Understanding (MOU) signed by SITA and National Treasury on behalf of Government and Microsoft.
- 2.2 The MOU was signed on 6 December 2016 and principles that would govern the amended licencing and services framework agreement entered into by SITA on behalf of Government and Microsoft were agreed to.

- 2.3 The benefits of the revised framework agreements between Government and Microsoft will comprise the following for Organs of State:
  - 2.3.1 Amended Licence and Services Framework Agreements that are based on a three tier discount model which accommodates on premise, hybrid and cloud software solutions;
  - 2.3.2 Preferential pricing for Government users for licencing and services, irrespective of the number of seats an Organ of State may hold;
  - 2.3.3 An aligned, Microsoft Licence and Services Framework, ensuring deployment, usage that should reduce technology duplication and aid implementation and deployment of Microsoft software and solutions;
  - 2.3.4 The barrier of a minimum of 250 qualifying users and/or devices to participate under the framework agreement was removed, allowing organs of state that have 150 qualifying users and/or devices or more to enter into an Enterprise Agreement Enrolment directly with Microsoft through the Framework Agreement;
  - 2.3.5 Organs of state with less than 150 qualifying users and/or devices to also participate under the Framework Agreement by approaching SITA who will administer a single Enterprise Agreement Enrolment for all such qualifying Organs of State;
  - 2.3.6 Access to technical skills to assist with the deployment and consumption of software at preferential rates via the proposed amended Microsoft Services Framework allowing for either a "Time and Material" (T&M) or a "Fixed Fee" basis, with a defined set of deliverables;
  - 2.3.7 The negotiations resulted in the definition of standardized user profiles for Microsoft licences across on premise, hybrid and cloud Software Solutions at a preferential discount;
  - 2.3.8 This proposed Framework Agreement will provide significant flexibility for Organs of State to opt for on premise, hybrid or cloud licensing solutions;
  - 2.3.9 The new Framework Agreement facilitates the consolidation of licences and will allow SITA to optimize the deployment and usage of Microsoft software for Organs of State; and

2.3.10 The amended framework agreements between SITA and Microsoft will deliver significant savings to government through the Framework agreement concluded by SITA.

### **3. IMPLEMENTATION**

- 3.1 Accounting Officers and Accounting Authorities must note that in terms of the SITA ACT, section 7 (3), departments must procure ICT related products, software licences and services through SITA and schedule 3A and C entities may opt to make use of such procurement arrangements.
- 3.2 All Microsoft licensing agreements (new or renewals), must in future be procured under the SITA Framework Agreement established for the purpose of procuring Microsoft software licences and services, through SITA's gCommerce platform. Government customers who are currently using Microsoft products and services are advised to take this into consideration before renewing or entering into new Microsoft licensing Agreements.
- 3.3 All Organs of State, enrolled through the Microsoft Licence Framework Agreement under SITA, will be billed directly by Microsoft Ireland Operations Limited in United States Dollars (USD).
- 3.4 Renewal of Enterprise Enrolments must be finalized 30 days before the expiry date of the existing Microsoft Enterprise Enrolment through SITA. Failure to do so will result in the specific Organ of State forfeiting any discounts passed on under the SITA framework Agreement. In order to ensure timely renewals, Microsoft will deliver the required documentation 90 days prior to the expiry date to allow Organs of State to complete necessary processes and obtain the required approvals. Given this, Organs of State together with SITA, must complete all contractual processes such as the final year true-up no later than 90 days prior to renewal.
- 3.5 Accounting Officers and Accounting Authorities must note the provisions of the PFMA section 38 (f) determining that the accounting officer for a Department, Trading Entity or Constitutional Institution must settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period. A commitment for a three year (3) Enterprise Enrolment must therefore be appropriately budgeted for and promptly paid for in accordance with the prescribed Treasury norms and standards.
- 3.6 Every Organ of State must be fully compliant as per the terms and conditions of the Microsoft Enterprise Agreement to maintain framework eligibility. This will be driven through a yearly formal software asset management engagement (SAM).

3.7 Each Organ of State together with SITA must develop and maintain a demand plan relating to the deployment and utilization of Microsoft software licences for at least a 3-year period. Where an Organ of State has procured any Microsoft software licences that were not deployed, a deployment plan must be established together with the implementation costs to ensure efficient use of government's investment.

#### **4. APPLICABILITY**

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

4.1.2 It should be noted that participation under the Microsoft Framework Agreements for Organs of State is determined by Microsoft's definition of "Government Eligibility".

4.1.3 Where an Organ of State does not qualify according to the definition as described under 4.1.2, representation should be made to Microsoft for inclusion by the specific Organ of State, together with SITA.

#### **5. DISSEMINATION 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 and 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 Schedule 3A and 3C Public Entities with information related to implementation of the cost containment project related to Microsoft software, products and services.

#### **7. REPEAL OF CIRCULAR 7 of 2016/17**

7.1 National Treasury SCM Circular 07 of 2016/ 2017 on Microsoft Software, products and services dated 6 July 2016 is hereby repealed.

**8. INFORMATION**

8.1 Enquiries related to this Circular may be directed to:

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Regards



**KENNETH BROWN  
CHIEF PROCUREMENT OFFICER**

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