



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

NATIONAL TREASURY REPUBLIC OF SOUTH AFRICA

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**ALL ACCOUNTING OFFICERS
ALL ACCOUNTING AUTHORITIES
ALL CHIEF FINANCIAL OFFICERS
ALL HEADS OF PROVINCIAL TREASURIES
ALL PROVINCIAL ACCOUNTANTS-GENERAL**

NATIONAL TREASURY PRACTICE NOTE NO 9 OF 2007/2008

SUPPLY CHAIN MANAGEMENT: NATIONAL INDUSTRIAL PARTICIPATION PROGRAMME: STANDARD BIDDING DOCUMENT (SBD 5) AND AUGMENTATION OF THE GENERAL CONDITIONS OF CONTRACT

1. PURPOSE

This practice note is intended to give effect to the National Industrial Participation (NIP) Programme that enables government to negotiate obligation agreements with suppliers that are contracted to supply institutions with goods, works and services that have imported content.

2. INTRODUCTION

The NIP Programme, which is applicable to all government procurement contracts that have an imported content, became effective on the 1 September 1996. The NIP policy and guidelines were fully endorsed by Cabinet on 30 April 1997. In terms of the Cabinet decision, all state and parastatal purchases / lease contracts (for goods, works and services) entered into after this date, are subject to the NIP requirements. NIP is obligatory and therefore must be complied with. The Industrial Participation Secretariat (IPS) of the Department of Trade and Industry (DTI) is charged with the responsibility of administering the programme.

3. PILLARS OF THE PROGRAMME

3.1 The NIP obligation is benchmarked on the imported content of the contract. Any contract having an imported content equal to or exceeding US\$ 10 million or other currency equivalent to US\$ 10 million will have a NIP obligation. This threshold of US\$ 10 million can be reached as follows:

- (a) Any single contract with imported content exceeding US\$10 million.

- or
- (b) Multiple contracts for the same goods, works or services each with imported content exceeding US\$3 million awarded to one seller over a 2 year period which in total exceeds US\$10 million.
- or
- (c) A contract with a renewable option clause, where should the option be exercised the total value of the imported content will exceed US\$10 million.
- or
- (d) Multiple suppliers of the same goods, works or services under the same contract, where the value of the imported content of each allocation is equal to or exceeds US\$ 3 million worth of goods, works or services to the same government institution, which in total over a two (2) year period exceeds US\$10 million.

3.2 The NIP obligation applicable to suppliers in respect of sub-paragraphs 3.1 (a) to 3.1 (c) above will amount to 30 % of the imported content whilst suppliers in respect of paragraph 3.1 (d) shall incur 30% of the total NIP obligation on a pro-rata basis.

3.3 To satisfy the NIP obligation, the DTI would negotiate and conclude agreements such as investments, joint ventures, sub-contracting, licensee production, export promotion, sourcing arrangements and research and development (R&D) with partners or suppliers.

3.4 A period of seven years has been identified as the time frame within which to discharge the obligation.

4 REQUIREMENTS OF THE DEPARTMENT OF TRADE AND INDUSTRY

4.1 In order to ensure effective implementation of the programme, accounting officers and authorities and successful bidders (contractors) are required to, immediately after the award of a contract that is in excess of R10 million (ten million Rands), submit details of such a contract to the DTI for reporting purposes.

4.2 The purpose for reporting details of contracts in excess of the amount of R10 million (ten million Rands) is to cater for multiple contracts for the same goods, works or services; renewable contracts and multiple suppliers for the same goods, works or services under the same contract as provided for in paragraphs 3.1.(b) to 3.1.(d) above.

5. BID INVITATION AND CONTRACT REPORTING REQUIREMENTS OF ACCOUNTING OFFICERS AND AUTHORITIES

5.1 With effect from the date on which this practice note takes effect, accounting officers and authorities are required to:

- (a) utilize the revised Standard Bidding Document for NIP obligation (SBD 5) when inviting bids that are estimated to be in excess of R10 million (ten million Rands). The SBD 5 issued by the National Treasury on 21 January 2005 must be replaced with the attached revised SBD 5. The standard wording of this document must not be amended. If a bidder has failed to sign and submit the SBD 5 together with the bid documents, the bidder must be requested, in writing, to submit the signed form within seven (7) working days of notification. Failure to submit the signed form within seven (7) working days of notification may result in the invalidation of the bid.

(b) furnish the DTI with the following information after the award of any contract that is in excess of R10 million (ten million Rands);

- Bid number.
- Description of the goods, works or services.
- Date on which the contract was awarded.
- Name, address and contact details of contractor.
- Value of the contract.
- Imported content of the contract, if possible.

5.2 The information required in paragraph 5.1 (b) above must be sent to the Department of Trade and Industry, Private Bag X 84, Pretoria, 0001 for the attention of Mr Elias Malapane within five (5) working days after award of a contract. Mr Malapane may be contacted on telephone (012) 394 1401, facsimile (012) 394 2401 or e-mail at Elias@thedti.gov.za for further details about the programme.

6. BID SUBMISSION AND CONTRACT REPORTING REQUIREMENTS OF BIDDERS AND SUCCESSFUL BIDDERS (CONTRACTORS)

6.1 Bidders are required to sign and submit the Standard Bidding Document (SBD 5) together with the bid documentation at the closing date and time of the bid.

6.2 Successful bidders (contractors) are required to furnish the DTI with the information requested for in the SBD 5 in respect of any contract obtained that is in excess of R10 million.

6.3 Once the successful bidders (contractors) furnish the DTI with such information, the DTI will determine whether the contract is subject to the NIP Programme and take the necessary steps to negotiate and conclude the obligation agreements.

7. DEPARTURE FROM TREASURY REGULATION 16A10.1

The NIP Programme requirements stipulated in this practice note deviates from the prescripts of Treasury Regulation 16A10.1. Departure from this Regulation has been approved in terms of section 79 of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999).

8. REPLACEMENT OF PRACTICE NOTE NUMBER SCM 1 OF 2005

This practice note replaces practice note number SCM 1 of 2005 issued on 21 January 2005.

9. AUGMENTATION OF THE GENERAL CONDITIONS OF CONTRACT

9.1 The General Conditions of Contract have been augmented to provide for the requirements of the NIP Programme with the inclusion of paragraph 33.

9.2 Accounting officers and authorities are required to ensure that all bids are in future invited in terms of the revised General Conditions of Contract.

10. DISSEMINATION OF INFORMATION CONTAINED IN THIS PRACTICE NOTE

10.1 Heads of Provincial Treasuries are requested to bring the contents of this practice note to the attention of accounting officers of their provincial departments.

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

11. CONTACT PERSON

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12. EFFECTIVE DATE

This practice note, which is issued in terms of section 76 (4) (c) of the Public Finance Management Act, takes effect from 01 February 2008.



SF NOMVALO
ACCOUNTANT-GENERAL
DATE: 19 February 2008

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