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நிதி அமைச்சு

MINISTRY OF FINANCE

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எனது இல. } PFD/PMD/Domestic/Cir.03/2020
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திகதி } 09 .10.2020
Date }

Public Finance Circular No 03/2020

All Secretaries to Ministries,
Secretaries to State Ministries,
Chief Secretaries of the Provincial Councils,
Heads of Departments and District Secretaries,
Heads of Local Government Authorities,
Chairmen of Government Corporations, Statutory Boards,
Chairmen of Government Owned Companies,

Policy on Supporting Domestic Industries

The Cabinet of Ministers by their decision no 20/1086/204/108 dated 15.07.2020 has approved the Cabinet memorandum on “Amending the procurement guidelines to support Domestic Industries” establishing the policy for the following industries:

- Software and Hardware industry
- Construction Industry
- Furniture and allied products industry

02. Software and Hardware industry

2.1. **Software Products** - The following procedure should be adopted when purchasing software products (developed, customized, value added or software as a service);

2.1.1. In calling for bids for the procurement of application software, where the estimated cost is less than Rs.02 million, such bids shall be called exclusively from startups, registered with the Information Communication Technology Agency (ICTA) and published on the website <https://startupsl.lk>. For the purpose of this section, startups are those that have been registered as a business with a relevant authority for more than six months and not less than five years and also registered on the <https://startupsl.lk>.



2.1.2. When bids are called for the procurement of software or Information Communication Technology (ICT) solutions estimated to be more than Rs.02 million, preference must be given to Domestic majority ownership firms¹ also offering software solutions with a minimum 25 percent local value addition. To ascertain local value addition, the bidder should submit detailed cost breakdown of local value addition along with the financial proposal and at the evaluation stage the bidders should provide a certification from an authorized auditor certifying such value addition and the cost breakdowns of foreign and local components in USD and LKR. Value addition will include cloud solutions and contribution of any of the following;

- a) Local Material
- b) Expertise (Minimum 10percent of expertise out of 25percent of local value addition).
- c) Local overheads Support/ Maintenance/Systems Integration.

2.1.3. Such bidder that satisfies the requirement for at least 25percent local value addition should be awarded 30percent preference for the prices quoted by the respective bidder over the other bidders only in the financial evaluation and not in the technical evaluation.

2.2. **Hardware Products** - The following procedures should be adopted when purchasing hardware products;

2.2.1. Preference should be given for Domestic firms¹ offering at least 25percent local value addition in hardware in terms of manufacturing or assembling categories, where value addition would be recognized in the following categories:

- a) Material - minimum 5percent of local material out of 25percent of local value addition
- b) Expertise/ Labour
- c) Local overheads Support/ Maintenance Software.

2.2.2. To ascertain local value addition, the bidder should submit detailed cost breakdown of local value addition along with the financial proposal and at the evaluation stage the bidders should be required to provide a certification from an authorized auditor certifying such value addition. Such firm that satisfies the requirement for at least 25percent value addition should be awarded 30percent preference in the financial evaluation and not in technical evaluation.

¹ A "Domestic majority ownership firm, Domestic firm or Local company" is an entity first registered with a relevant authority in Sri Lanka with more than 51percent ownership held by Sri Lankan nationals and this definition shall be applicable for the entirety of this document.

2.3. Composite Solutions (with hardware, software, systems integration and/or maintenance):

2.3.1. The aforementioned Clause 2.1 and 2.2 can be applied for composite solutions too provided if the composite local value addition is above 25 percent for the total solution.

2.3.2. To ascertain local value addition, the bidder should submit detailed a cost breakdown of local value addition along with the financial proposal and at the evaluation stage the bidders should provide a certification from an authorized auditor certifying such value addition.

2.4. Standard technical specifications designed by ICTA should be used when calling for bids for the procurement of laptops and desktop personal computers. Specifications for such desktops and laptops are made available in the ICTA website. The government organizations can select machines according to the optimal requirements of the users. The specifications will be updated time to time by the ICTA.

2.5. Respective Procurement Entity must consult ICTA for any deviations in the ICT industry relating to technical matters and ambiguities in the above procedure and the decision of ICTA should be considered as final.

03. Construction Industry, Furniture and allied appliances - The following procedures should be adopted when calling for bids for construction services and supply of furniture;

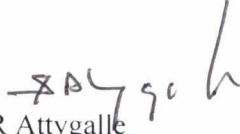
3.1. Construction Industry;

- i. Bids to be called exclusively from Construction Industry Development Authority (CIDA) graded Contractors with a grading of C5, C6, C7, C8 and C9 for all construction contracts that are estimated to be less than or equal to Rs.25 million, whilst adhering to Clause 3.3. of Public Finance Circular No. 04/2016(ii) dated 08.05.2019.
- ii. When bids are called for contracts with an estimated cost of more than Rs.25 million and less than or equal to Rs.50 million, only contractors with a CIDA grading of C5 and C4 will be allowed to bid.
- iii.
 - a) When bids are called for contracts with an estimated cost of more than Rs.50 million and less than or equal to Rs.150 million, only contractors with a CIDA grading of C4 and C3 will be allowed to bid.
 - b) For contracts with an estimated cost of more than Rs.150 million, and up to Rs.600 million, bids will be called exclusively from Local companies¹ (consultants and construction contractors) with a CIDA grading of C3 and C2, based on the corresponding estimated contract limits as recognized by CIDA.

- c) For contracts with an estimated cost of more than Rs.600 million, bids should be called exclusively from local companies (consultants and construction contractors) with a CIDA grading of C1 and above, based on the corresponding estimated contract limits as recognized by CIDA.
 - iv. Considering the role of the State Owned Enterprises (SOE) in these industries, when such SOE submits a bid for a contract on competitive basis then such SOE will be given a 15percent preference over all other contractors. This will be considered only at the financial evaluation and not in Technical Evaluation.
 - v. To ensure that the bids are not unrealistic, following criteria should be adopted;
 - a) If the bid value is less than or greater than 15percent of the engineers estimate the bid should be rejected.
 - b) In the event there are number of outliers with substantial cost deviations from the engineers estimates, in a particular tender, appropriate action shall be taken to revisit the Engineers Estimate before resorting to the above action.
 - vi. For the purpose of supporting the Small and Medium size firms in Construction Industry, the main contractor shall award a minimum 25percent of the work as subcontracts (either Civil, Mechanical, Electrical, Plumbing etc.) to contractors with the relevant CIDA registration.
 - vii. Main contractor should not subcontract more than 10percent of the contract price excluding provisional sums to foreign contractors.
 - viii. For local construction contracts when goods and materials as per Annexure 1 are required under the BOQ, such goods and materials should be sourced exclusively from domestically manufactured/ produced goods/ materials.
- 3.2. When furniture and allied products, are procured either as part of a works contract or as a separate goods contract, all furniture must be sourced exclusively from domestic sources, with minimum of 70percent value addition and 50percent value addition respectively for timber based furniture and non-timber based furniture. In order to encourage usage of imported timber, the cost of imported timber will be accounted when calculating domestic value addition.

04. Aforesaid criteria relating to grant of domestic preference would be applicable only for the software and hardware industry, construction industry and furniture and allied products industries, while ensuring provisions articulated under Procurement Guidelines- 2006 (Goods and Works) section 7.9.4, 7.9.5 & 7.9.6 as appropriate and related Supplementary regulations issued to the Procurement Manual (Goods and Works) will continue to remain applicable as it is for all other procurements of goods and works. Further, Public Finance Circular No. 04/2016 dated 16.03.2016 and further amendments thereto will also remain applicable. This Circular is issued with the concurrence of the National Procurement Commission.
05. Any clarification with regard to this circular could be obtained from;

Clause in the Circular	Institute	Telephone	Email address
01-04	Director General Public Finance	0112484614	dgpf@pfd.treasury.gov.lk
02	Head of Policy, ICTA	0112369099	gov-request@icta.lk or gov-procurement@icta.lk
03	Director General, CIDA	0112696017	info@cida.gov.lk or dirdev@cida.gov.lk


S.R. Attygalle
Secretary to the Treasury

- Copies: 1. Secretary to the President
2. Secretary to the Prime Minister
3. Secretary to the Cabinet of Ministers
4. Auditor General

List of Domestically Manufactured/Produced building Materials

1. Cement.
2. Reinforcing Steel and certain sections of steel angles.
3. Clay Bricks, cement blocks & concrete products.
4. Roofing material (clay tiles, cement tiles, asbestos, zinc alum, GI).
5. Ceramic and granite tiles.
6. Parquet & wooden flooring.
7. Pantry cupboards and wooden furniture.
8. PVC & UPVC pipes, gutters, down pipes and fittings.
9. Electrical cables LT.
10. Transformers with accessories.
11. Electrical switches & sockets, ceiling fans.
12. Aluminum extrusions, doors & windows.
13. Sliding/ roller shutter doors and gates.
14. Plywood doors, wooden doors, fiber glass doors & steel doors including fire rated.
15. Brass iron mongery.
16. Paints.
17. Water pumps, foot valves.
18. Electrical Panel Boards.