

Impact of Various Regulatory Amendments on Project Pipeline

Louw Kannemeyer



**PUBLIC FINANCE MANAGEMENT ACT
NO. 1 OF 1999**

[View Regulation]

[ASSENTED TO 2 MARCH, 1999]
[DATE OF COMMENCEMENT: 1 APRIL, 2000]

(Unless otherwise indicated)
(English text signed by the President)

This Act has been updated to *Government Gazette* 40637 dated 24 February, 2017.

as amended by

Public Finance Management Amendment Act, No. 29 of 1999
Local Government: Municipal Systems Act, No. 32 of 2000
Judicial Officers (Amendment of Conditions of Service) Act, No. 28 of 2003
[with effect from 1 November, 2003]
Public Audit Act, No. 25 of 2004
South African Airways Act, No. 5 of 2007
[with effect from 13 July, 2009]
Public Service Amendment Act, No. 30 of 2007
[with effect from 1 April, 2008]
Broadband Infraco Act, No. 33 of 2007
South African Express Act, No. 34 of 2007
Financial Management of Parliament Act, No. 10 of 2009
National Health Amendment Act, No. 12 of 2013
[with effect from 2 September, 2013, unless otherwise indicated]

GENERAL NOTE

Please note that the Preferential Procurement Policy Framework Act, No. 5 of 2000 and its Regulations shall apply to all public entities listed in Schedules 2 and 3 of this Act, under GNR.501 published in *Government Gazette* No. 34350 dated 8 June, 2011, with effect from 7 December, 2011.

EDITORIAL NOTE

1. Please note that the wording and section numbering in this Act correctly reflects the Act and the amending Act as published in *Government Gazette* Nos. 19814 of 2 March, 1999, and 19978 of 30 April, 1999 respectively. In addition, we draw your attention to the fact that there are inconsistencies between the English and Afrikaans versions of the Act despite the amendments.
2. Please note that details of Notices published in the *Government Gazettes* that amend the Schedules to the Act are annotated at the beginning of the Schedules.

ACT

To regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith.

Treasury Regulations

**for departments, constitutional
institutions and public entities**

**Issued in terms of the
Public Finance Management Act, 1999**

**National Treasury
Republic of South Africa**

April 2001





national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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Legislation

In this section you can reference all the legislation which applies to procurement. They are simply laid out and are subdivided into:

- [Instruction Notes](#)
- [Circulars](#)
- [Guidelines](#)
- [PPPFA - Regulations](#)
- And a section which is dedicated to [Designated Sectors](#)

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Legislation

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Instruction Notes

The following Acts are relevant and apply to procurement. They will be here for you to refer to and are listed by number. For any comments please visit our contact us section, your feedback will be appreciated.

2018/2019

[Circular No 1 of 2018/2019 – Invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for working vessels \(Boats\)](#)
2,526kb

2017/2018

[Addendum to National Treasury Instruction No 4 of 2017/2018 Revised Cost Containment Measures Related to Travel and Subsistence - Revised Maximum Allowable Rates for Domestic Accommodation and Meals](#)
146kb

[National Treasury Designated Sectors Circular Number 3 of 2017/2018 –PUMPS, MEDIUM VOLTAGE \(MV\) MOTORS AND ASSOCIATED ACCESSORIES](#)
3 MB

[National Treasury Designated Sectors Circular Number 2 of 2017/2018 – Invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for rail permanent way sector](#)
2,714kb

[Treasury Instruction 01 of 2017-18 Travel Project Transitional Period Extension up to 30 Sep 2017](#)
1,455kb

[National Treasury Designated Sectors Circular Number 1 of 2017-2018 - Residential Electricity and Water Meters](#)
2 MB

[Treasury Instruction 02 of 2017-18 National Travel Policy Framework](#)
1MB

[Treasury Instruction 02 of 2017 2018 Annexure A National Travel Policy Framework](#)
1MB

1 April 2015



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

UPDATED GUIDELINE ON IRREGULAR EXPENDITURE



OFFICE OF THE ACCOUNTANT-GENERAL

APRIL 2015

GUIDELINE ON IRREGULAR EXPENDITURE

PURPOSE

1. The purpose of this *Guideline* is to provide clarity on the procedures¹ to be followed when dealing with the identification and application of *irregular expenditure*, defined in section 1 of the Public Finance Management Act (PFMA), 1999 as '*expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including –*
 - (a) *this Act; or*
 - (b) *the State Tender Board Act, 1968 (Act No. 86 of 1968²), or any regulations made in terms of that Act; or*
 - (c) *any provincial legislation providing for procurement procedures in that provincial government.*
2. This Act in section 1 of the PFMA includes any regulations and instructions issued in terms of section 69, 76, 85 or 91.

1 April 2015

APPLICABILITY

3. This *Guideline* applies to all:
 - (a) Departments;
 - (b) Government Components;
 - (c) Trading Entities;
 - (d) Constitutional Institutions; and
 - (e) Public Entities listed in Schedule 2 and 3 to the PFMA.

27.2. Enquiry or investigation into the alleged irregular expenditure

- (a) The accounting officer or accounting authority or his/her delegate must decide on the level of enquiry/investigation to be undertaken to determine whether:
 - (i) the expenditure in question meets the definition of irregular expenditure;
 - (ii) there is any official liable in law for the irregular expenditure;
 - (iii) the amount of the irregular expenditure resulted in any losses or damages suffered by the state; or
 - (iv) the state did not attain value for money from the transaction, condition or event.
- (b) During the period of enquiry or investigation, the expenditure must remain in the expense account. The results of the enquiry or investigation will determine the appropriate action to be taken regarding the transgression.

28.2 Determination of an official liable in law

- (a) The accounting officer or accounting authority must determine who the responsible official is from whom the amount should be recovered and whether there were losses or damages suffered by the state. This information would normally become evident while performing the investigation.
- (b) If an enquiry or investigation into the irregular expenditure confirms that there is an official liable in law for the irregular expenditure, the accounting officer or accounting authority must conduct a hearing based on the supporting documentation gathered during the enquiry or the investigation to provide the person alleged to have committed irregular expenditure with an opportunity to respond to the evidence tabled against him or her.
- (c) Based on the outcome of the hearing referred to in paragraph 28.2 (b) above, the accounting officer or accounting authority will either:
 - (i) raise a receivable (debt) for the recovery of the relevant amount of irregular expenditure resulting from losses or damages suffered by the state; or
 - (ii) consider applying for condonation of the irregular expenditure from the relevant authority if it was found that no official is liable in law and that no losses or damages were suffered by the state;

1 April 2015



The Response !!!



TO ALL : ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS

ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES

HEAD OFFICIALS OF PROVINCIAL TREASURIES

NATIONAL TREASURY INSTRUCTION SCM INSTRUCTION NOTE 3 OF 2016/17

PREVENTING AND COMBATING ABUSE IN THE SUPPLY CHAIN MANAGEMENT SYSTEM

1 May 2016

1. OBJECTIVE

The objective of the *SCM Treasury Instruction* is to provide guidance on measures to prevent and combat abuse in the Supply Chain Management System.

2. BACKGROUND

- 2.1 The Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) promotes economy, efficiency, effectiveness and transparency in the use of state resources. A key objective is to establish and maintain a responsive and credible Supply Chain Management System.
- 2.2 In terms of section 6 (2) (a), (b), (f) and (g) and section 18 (2) a), (b), (g) and (i) of the PFMA, the National Treasury and provincial treasuries have an obligation to ensure that proper norms and standards are set to prevent abuse of the Supply Chain Management System and enforce the prescribed measures.
- 2.3 The National Treasury therefore considered it prudent to introduce and enhance measure to prevent and combat abuse of the SCM System.

8. DEVIATIONS FROM NORMAL BIDDING PROCESS

- 8.1 The Accounting Officer/Accounting Authority must only deviate from inviting competitive bids in cases of emergency and sole supplier status.
- 8.2 An emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an agency to action and there is insufficient time to invite competitive bids.
- 8.3 Sole source procurement may occur when there is evidence that only one supplier possesses the unique and singularly available capacity to meet the requirements of the institution.
- 8.4 The Accounting Officer/Accounting Authority must invite as many suppliers as possible and select the preferred supplier using the competitive bid committee system.
- 8.5 Any other deviation will be allowed in exceptional cases subject to the prior written approval from the relevant treasury.

1 May 2016

9. EXPANSIONS OR VARIATION OF ORDERS

- 9.1 The Accounting Officer/Accounting Authority must ensure that contracts are not varied by more than 20% or R 20 million (including VAT) for construction related goods, works and or services and 15% or R15 million (including VAT) for all other goods and or services of the original contract value.
- 9.2 Any deviation in excess of the prescribed thresholds will only be allowed in exceptional cases subject to prior written approval from the relevant treasury.

10. BID COMMITTEE MEETINGS

The relevant Treasury may, at its sole discretion, choose to attend Bid Committee meetings in an advisory capacity or prescribe which bid evaluation/adjudication process must be open to the public.

Every member of the Bid Committee is jointly and severally liable for the improper evaluation and adjudication of the bid.



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

- TO ALL: ACCOUNTING OFFICERS OF DEPARTMENTS**
- : ACCOUNTING OFFICERS OF CONSTITUTIONAL INSTITUTIONS**
 - : ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES LISTED IN SCHEDULES 2 AND 3 TO THE PFMA**
 - : HEAD OFFICIALS OF PROVINCIAL TREASURIES**

NATIONAL TREASURY INSTRUCTION NO. 4 OF 2015/2016

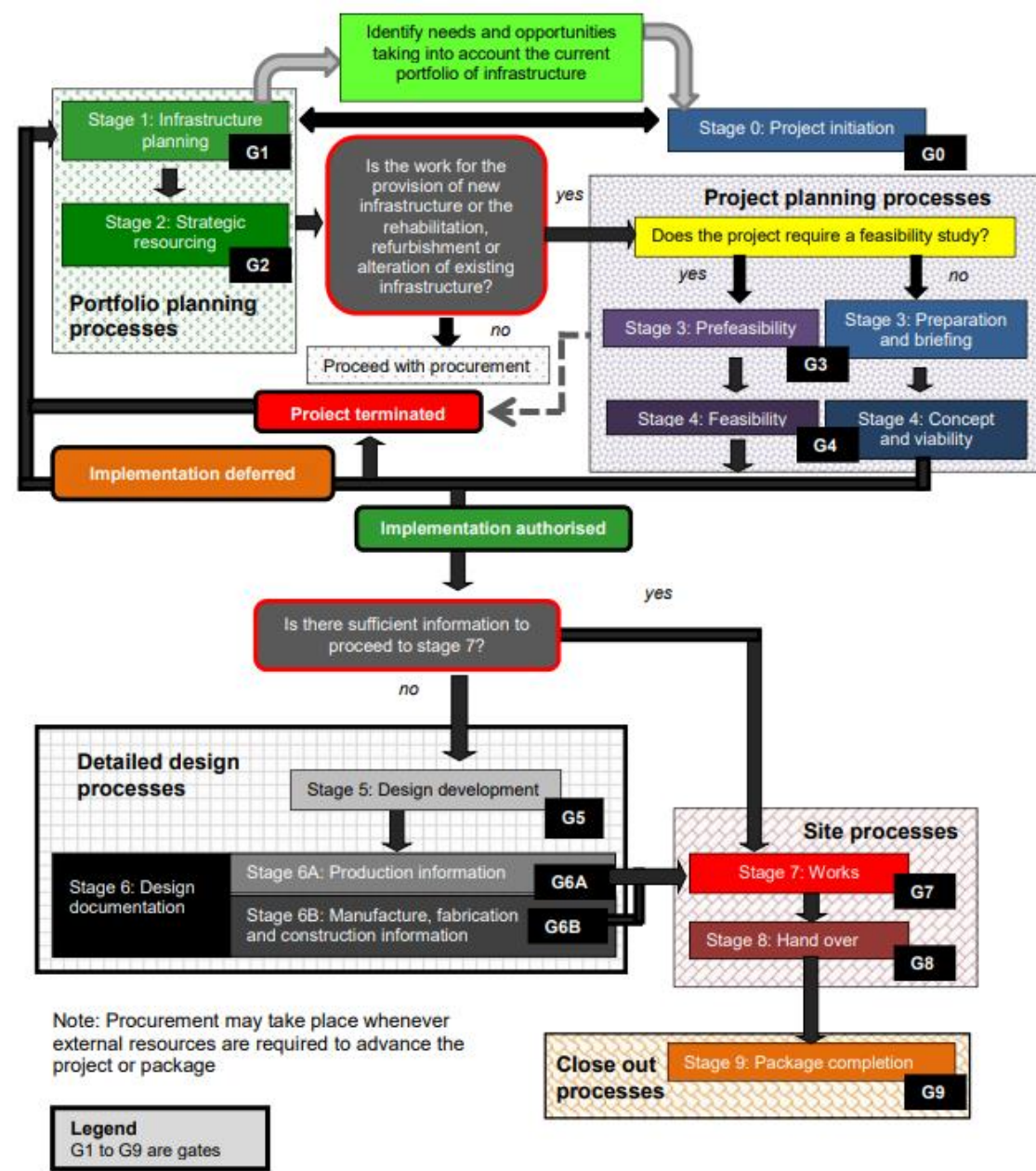
STANDARD FOR INFRASTRUCTURE PROCUREMENT AND DELIVERY MANAGEMENT

1. PURPOSE

1.1 The purpose of this Treasury Instruction is to prescribe through a Standard for Infrastructure Procurement and Delivery Management (Annexure A);

- (a) a control framework for the planning, design and execution of infrastructure projects, the tracking of such projects and the monitoring of performance which:
 - (i) enables risks to be proactively managed;
 - (ii) is capable of being audited; and
 - (iii) is aimed at ensuring that any infrastructure acquired or to be acquired provides value for money;
- (b) a control framework for infrastructure procurement;
- (c) requirements for the following as it relates to infrastructure procurement and delivery management:
 - (i) institutional arrangements;
 - (ii) demand management;
 - (iii) acquisition management;
 - (iv) contract management;
 - (v) logistics management;
 - (vi) disposal management;
 - (vii) reporting of supply chain management information;

1 July 2016



1 July 2016

Figure 1: Stages and gates associated with the control framework for infrastructure delivery management



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Department:
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REPUBLIC OF SOUTH AFRICA

TO: ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS

ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES

HEAD OFFICIALS OF PROVINCIAL TREASURIES

**NATIONAL TREASURY SCM INSTRUCTION NO 4A OF 2016/2017
CENTRAL SUPPLIER DATABASE**

1. PURPOSE

The purpose of this *SCM Treasury Instruction* is to prescribe the utilisation of the mandatory **Central Supplier Database** (CSD) to Accounting Officers and Accounting Authorities.

2. BACKGROUND

- 2.1 The National Treasury identified the registration of prospective service providers on each and every Organ of state's individual list of prospective suppliers as one of the processes that makes it difficult for service providers to do business with the State.
- 2.2 Cabinet approved steps to accelerate the modernisation of public procurement as per a Cabinet Resolution dated 10 December 2014. Amongst the ensuing modernisation initiatives, the National Treasury established the CSD on behalf of all Departments, Constitutional Institutions and Public Entities listed in Schedule 2 and 3 of the PFMA. The CSD's purpose is to avoid the multiple registrations by prospective suppliers with each individual Organ of State they intend doing business with.
- 2.3 In terms of Section 38 (1) (a) (iii) and 51 (1) (iii) of the PFMA, the Accounting Officer of a Department or Constitutional Institution and the Accounting Authority of a Public Entity listed in Schedule 2 and 3 to the PFMA must ensure that their respective Institutions have and maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

1 July 2016

3. ESTABLISHMENT OF THE CENTRAL SUPPLIER DATABASE

3.1 In order to give effect to the mandatory requirements of this SCM Instruction, Accounting Officers and Accounting Authorities must ensure that:

3.1.1 The current supply chain management system and policies of their respective organs of state are aligned with the provisions of this SCM Instruction note;

3.1.2 Price quotations are invited and accepted from prospective suppliers listed on the CSD; and

3.1.3 Key information of prospective suppliers is verified on the CSD in line with PFMA and regulatory requirements. The following information must be verified:

- a) Business registration, including details of directorship and membership;
- b) Bank account holder information¹;
- c) In the service of the state status²;
- d) Tax compliance status;
- e) Identity number;
- f) B-BBEE status level³;
- g) Tender defaulting and restriction status; and
- h) Any additional and supplementary verification information communicated by the National Treasury.

3.2 Accounting Officers and Accounting Authorities must not award any bid for price quotations to a bidder(s) not registered on the CSD, excluding transactions mentioned in paragraph 3.3.

3.3 Transactions concluded through petty cash, sundry payments and foreign suppliers with no local registered entity may be concluded even if the supplier is not registered on the CSD.

3.6 With effect from 1 July 2016, organs of state may not extend any existing contracts that may be in existence for computerised systems that are used to record details of their prospective suppliers and may not institute any new computerised system for the management of their list of prospective suppliers without written approval from the National Treasury.

3.7 In line with paragraph 3.6 above, any computerised systems in Organs of State that are operational at the date that this Instruction takes effect, may be used up until the expiry of contracts related to such systems.

1 July 2016

NATIONAL TREASURY

NO. R. 32

20 JANUARY 2017

**PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT, 2000:
PREFERENTIAL PROCUREMENT REGULATIONS, 2017**

The Minister of Finance has, in terms of section 5 of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), made the regulations set out in the Schedule.

SCHEDULE**Preferential Procurement Regulations, 2017****Contents**

1. Definitions
2. Application
3. Identification of preference point system, designated sector, pre-qualification criteria, objective criteria and subcontracting
4. Prequalification criteria for preferential procurement
5. Tenders to be evaluated on functionality
6. 80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million
7. 90/10 preference point system for acquisition of goods or services with Rand value above R50 million
8. Local production and content
9. Subcontracting as condition of tender
10. Criteria for breaking deadlock in scoring
11. Award of contracts to tenderers not scoring highest points
12. Subcontracting after award of tender
13. Cancellation of tender
14. Remedies
15. Circulars and guidelines
16. Repeal of Regulations and saving
17. Short title and commencement

1 April 2017

Pre-qualification criteria for preferential procurement

4.(1) If an organ of state decides to apply pre-qualifying criteria to advance certain designated groups, that organ of state must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond-

- (a) a tenderer having a stipulated minimum B-BBEE status level of contributor;
- (b) an EME or QSE;
- (c) a tenderer subcontracting a minimum of 30% to-
 - (i) an EME or QSE which is at least 51% owned by black people;
 - (ii) an EME or QSE which is at least 51% owned by black people who are youth;
 - (iii) an EME or QSE which is at least 51% owned by black people who are women;
 - (iv) an EME or QSE which is at least 51% owned by black people with disabilities;
 - (v) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
 - (vi) a cooperative which is at least 51% owned by black people;
 - (vii) an EME or QSE which is at least 51% owned by black people who are military veterans;
 - (viii) an EME or QSE.
- (2) A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

1 April 2017

Subcontracting as condition of tender

9.(1) If feasible to subcontract for a contract above R30 million, an organ of state must apply subcontracting to advance designated groups.

(2) If an organ of state applies subcontracting as contemplated in subregulation (1), the organ of state must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to-

To date more than 56 of SANRAL contracts experienced work stoppages (violent in some instances) as a result of local community demands based on their interpretation of PPPFA 2017 Act/Regulations

Preferential Procurement Regulations 2017 – Issues Encountered

- **30% Subcontracting:** National Treasury insists that all subcontracting arrangements between a tenderer and potential subcontractors **must be concluded prior to the tender closing date**, which means that it is a tender prequalification requirement. This is due to continuous challenges raised by sub-contractors to National Treasury of being at the mercy of the main contractor and being dictated to. This is **not acceptable to local communities** as according to them a transparent sub-contractor tender process for the 30% subcontracting requirement is not followed by the main contractor.
- **Target/Local Area:** National Treasury insists **that no geographic target/local area can be specified** for the 30% subcontracting, and that **entire South Africa qualify**. This is in contrast with **local communities demanding that a smaller local area be specified** to avoid disruptions on site. It is also in contrast with draft CIDB guidelines gazetted for public comment that recommend a target area limited to one or more wards or local municipalities based on market analysis.
- **CSD Registration:** National Treasury requires that the successful main contractor must select his suppliers for 30% sub contracting provision **only from those registered on the Central Supplier Database**. In addition, Clients are not allowed to publish a database extracted from CSD, but must only publish a CSD query reference number, this CSD query reference remains active until the closing date of the tender, implying that suppliers may be added or removed from the list until closing date of the tender. **This process does not afford the ability to verify the local credentials**, capability and capacity of those suppliers on the CSD (especially considering the quality of data within CSD) if the process remains dynamic during the tender period. **This results in local communities rejecting sub contractors selected by main contractor.**

REPUBLIC OF SOUTH AFRICA



PUBLIC AUDIT AMENDMENT BILL

*(As initiated by the Standing Committee on the Auditor-General, as a Committee Bill, for introduction in the National Assembly (proposed section 75); prior notice of introduction published in Government Gazette No. 41386 of 19 January 2018)
(The English text is the official text of the Bill)*

(STANDING COMMITTEE ON THE AUDITOR-GENERAL)

??? 2018



4. The following part is hereby inserted in Chapter 2 after Part 1 of the principal Act:

“Part 1A: Remedial Action

Taking remedial action

5A. (1) The Auditor-General must, within a reasonable time after the issuing of an audit report in terms of section 20, follow up on whether the accounting officer or accounting authority has implemented the recommendations contained in the audit report relating to any material irregularity, within the time-frame stipulated in the audit report. 5

(2) If the accounting officer or accounting authority has failed to implement the recommendations contained in the audit report referred to in subsection (1), the Auditor-General must take appropriate remedial action to address the failure to implement the recommendations. 10

(3) Where a material irregularity resulted in a financial loss to the State, and the accounting officer or accounting authority failed to implement the recommendations contained in the audit report referred to in subsection (1), the remedial action taken by the Auditor-General in terms of subsection (2) must include a directive to the accounting officer or accounting authority to determine the amount of the loss, if not yet determined, and to recover such loss as required in terms of any applicable legislation, from the responsible person. 15 20

Failure to comply with specific remedial action

5B. (1) Subject to subsections (4) and (5), where the accounting officer or accounting authority has failed to implement the remedial action referred to in section 5A(3), the Auditor-General must issue a certificate of debt, as prescribed, to the accounting officer or accounting authority requiring the accounting officer or accounting authority to repay the amount specified in the certificate of debt to the State. 25

(2) The Auditor-General must submit a copy of the certificate of debt, referred to in subsection (1), to the responsible executive authority to collect the amount specified in the certificate of debt from the accounting officer or accounting authority in terms of the debt recovery process applicable to the executive authority. 30

(3) The executive authority must keep the Auditor-General informed of progress made in collecting the amount due by the accounting officer or accounting authority. 35

(4) The Auditor-General, in determining whether to issue a certificate of debt in terms of subsection (1), must consider the written representations, as prescribed, received from the accounting officer or accounting authority, and may have due regard to— 40

- (a) the progress or outcome of an investigation conducted by the Auditor-General in terms of section 29;
- (b) the progress or outcome of any investigation contemplated in section 5(1A); or
- (c) any other relevant factor. 45

(5) If the Auditor-General still intends to issue the certificate of debt after the consideration of the written representations, the Auditor-General must—

- (a) afford the accounting officer or accounting authority an opportunity to make an oral representation, as prescribed, to an advisory structure, established for this purpose in terms of section 5(2)(b); and
- (b) consider the written recommendations of the advisory structure referred to in paragraph (a) before issuing the certificate. 50

??? 2018





national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001 - Tel: (+27 12) 315 5111

Enquiries: Fikile Simelane Tel: (012) 315 5873 Fax: (012) 326 5445 Email: fikile.simelane@treasury.gov.za

Ref: 43/1/2/5/1

Mr. S. Macozoma
Chief Executive Officer
The South African National Road Agency (SANRAL)
P O BOX 415
PRETORIA
0001

Dear Mr. Macozoma

REQUEST TO VARY THE CONTRACT VALUE OF ENGINEERING SERVICES FOR THE IMPROVEMENTS TO [REDACTED]

1. Your letter dated 03 May 2018, received 08 May 2018 and further information received on 17 August has reference.
2. Your letter requests approval to vary a contract of [REDACTED] for the provision of consulting engineering services for the [REDACTED]. The consulting engineers [REDACTED] were appointed for construction supervision on the contractor [REDACTED] which was delayed by inclement weather, disruptions and his own slow progress. The initial contract was concluded on 25 April 2013 for a period of thirty six (36) months at an amount of [REDACTED]. The contract has been previously varied by [REDACTED] a variance [REDACTED]. The current request is for a period of three (3) months at an amount of [REDACTED] a variation of 10%.
3. The request to deviate was approved by the Chief Financial Officer on 04 May 2018.
4. The reason provided for the extension of the supervision phase is due to a combination of delays as a result of unexpected ground conditions, rain, strikes and slow progress by [REDACTED]. [REDACTED] retains responsibility for the risks, safety of the public, oversight and supervision of the construction site irrespective of the failure of the contractor to perform.
5. The reason provided for this expansion is not justifiable. It is not clear why the contract keeps on being extended since it was awarded in 2013 for thirty six (36) months. Evidence of penalties



Department:

National Treasury

REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001 - Tel: (+27 12) 315 5111

Enquiries: Fikile Simelane Tel: (012) 315 5873 Fax: (012) 326 5445 Email: fikile.simelane@treasury.gov.za

Ref: 43/1/2/5/1

Mr. S. Macozoma
Acting Chief Executive Officer
The South African National Road Agency (SANRAL)
P O BOX 415
PRETORIA
0001

Dear Mr. Macozoma

**REQUEST FOR APPROVAL OF CONTRACT EXTENSION AND VARIATION OF CONTRACT VALUE:
CONTRACTS [REDACTED]**

1. Your letter dated 09 May 2018, our letter dated 27 June 2018 and your letter dated 04 September 2018 and received on 17 September 2018 have reference.
2. Your letter requests approval to extend the contract of [REDACTED] was awarded a contract through a competitive bid on 27 November 2015 at an amount of [REDACTED] for construction works on the [REDACTED] special maintenance project for a period of 30 months. This request is for a variation of contract value for the special maintenance of the [REDACTED] for a period of four (4) months at an amount of [REDACTED] a variation of [REDACTED]. The contract has not been previously extended.
3. Our letter indicated that your reason provided to extend this contract with financial implication is not justifiable and that SANRAL must test the market. Your letter argues that Federation of Consulting Engineers (FIDIC) does make a provision for standard contract adjustments, the provisions of Instruction Note 3 of 2016/2017 do not apply as SANRAL is not requesting the expansion or variation of the contract for reasons not already provided for in the contract.
4. The letter of appeal was approved by the Chief Financial Officer on 04 September 2018.
5. The reason provided for the expansion of this contract is that since the commencement of the project, there has been inclement weather by strong winds and snow in the winter months. SANRAL needs to pay the contractor for a certificate of work that has been done to the value of [REDACTED] which is due to the contractor by [REDACTED] and the contractor has indicated that he will give notice to suspend the work if not paid and SANRAL will be in breach of contractual provisions. A new tender process will likely result in an increased contract price to complete the works when compared to the current contract as SANRAL will need to pay for the cost of re-establishing a contractor on site again.
6. The reason provided for the expanding the contract with [REDACTED] before testing the market is not justifiable.
7. National Treasury does not support the extension.

The Standing Committee on Public Accounts (Scopa) is concerned that the South African National Roads Agency (Sanral) deliberately ignores National Treasury regulations and the Public Finance Management Act (PFMA) something which has resulted in their finances being in a bad state.

The committee has noticed that Sanral has very high irregular, fruitless and wasteful expenditure as a result of not following supply chain management processes. For the financial year 2016/2017 Sanral's irregular expenditure accumulated to R10bn and fruitless expenditure is R15m which are huge amounts because taxpayers' money should not be wasted in such a manner.



SANRAL Funding



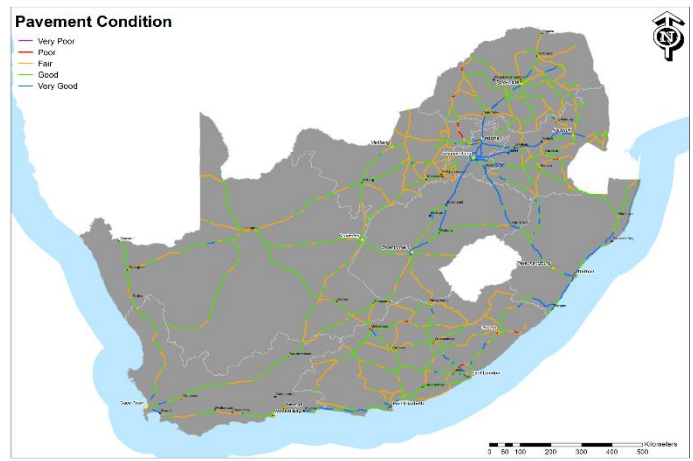
www.nra.co.za



Single Registered Company

Non Toll Unit – 87%

Toll Unit – 13%



TOLL - 2,952 km (13%)

- SANRAL Toll
 - Section 33(2) of SANRAL Act
 - Not for profit
 - **Funded through bonds & loans – capital market**
 - Government Guaranteed – SZ and HWAY bonds
 - Non-guarantee - NRA bonds, EIB loan, ECA loan
 - Borrowing limit set by Treasury
 - Receive toll income (CPI Adjustment) TO **REPAY LOANS and Future Operational and Maintenance Costs**
- Concession Agreements (PPP)
 - Off Balance Sheet (1,271 km)
 - 30 Year Period
 - Receive toll income (CPI Adjustment) TO **REPAY LOANS and Future Operational and Maintenance Costs**

SANRAL FUNDING

NON-TOLL - 19,262 km (87%)

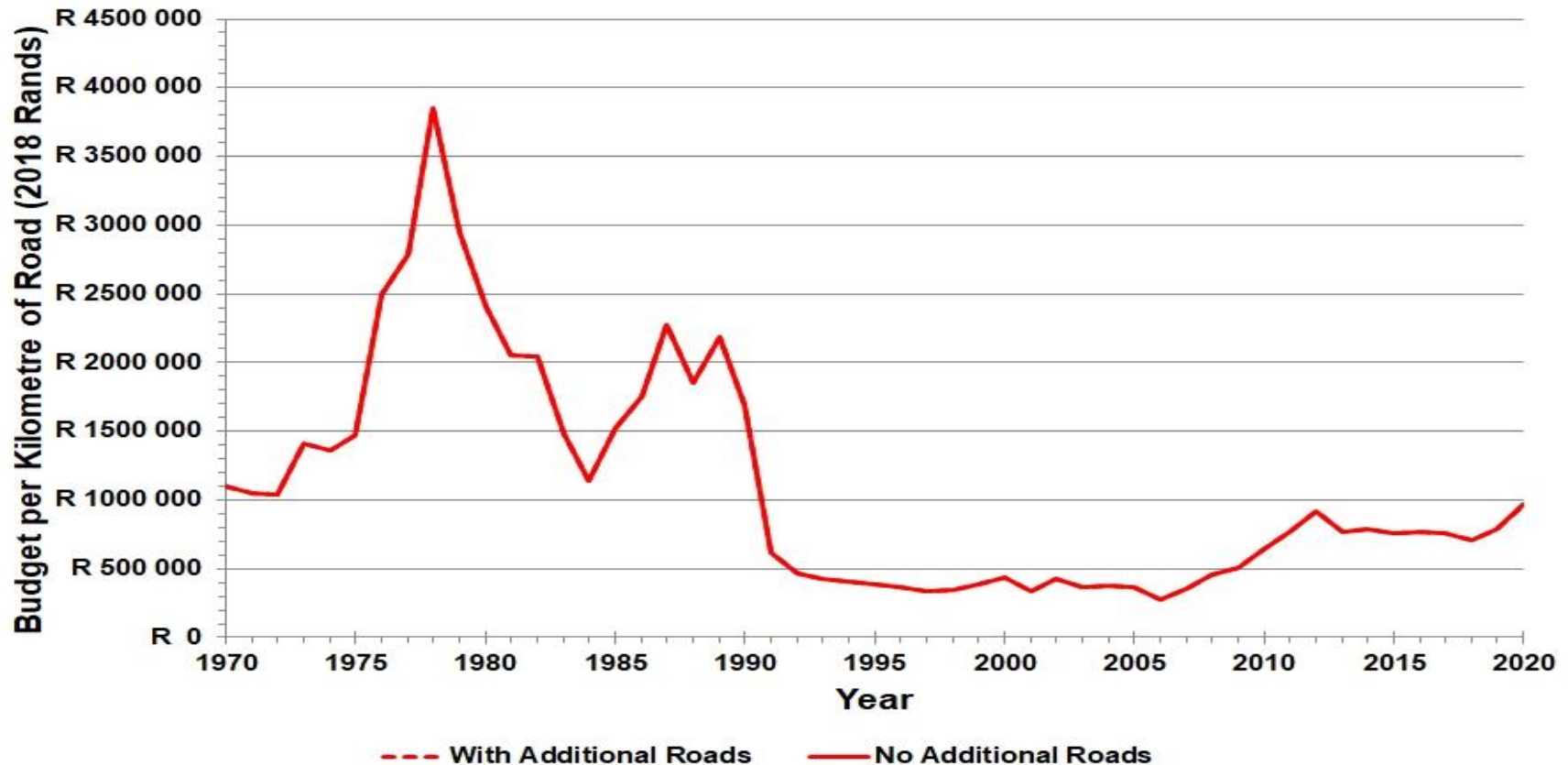
- Receive Government Grant (Vote 35 - DOT)
- No borrowing allowed
- Co-funded projects where appropriate

One Company

Going Concern Measured
Toll + Non-Toll

Non Toll Budget Allocation

Budget per Road Kilometre Trend



As noticed current budget kilometre levels are way below peak allocations during the 1970's and mid 1980's when most national road network construction occurred.



Notes to the Financial Statements

37. Risk management (continued)

Terms of market-making liability (non-SANRAL) bonds

Refer to note 14 for terms and conditions of market-making liabilities.

Non-SANRAL bonds	Coupon rate	Date of maturity	31 March 2018		31 March 2017	
			Nominal value R'000	Carrying value R'000	Nominal value R'000	Carrying value R'000
R186 (2026)	10.50%	21 Dec 2026	-	-	176 900	195 757
R207 (2020)	7.25%	15 Jan 2020	-	-	56 600	55 900
R209 (2036)	6.25%	31 Mar 2036	76 500	59 437	-	-
			76 500	59 437	233 500	251 657

Funding portfolio at amortised cost and at fair value

Terms and conditions of outstanding loans are reflected in the table that follows. For further terms and conditions refer to note 14.

Funding portfolio at amortised cost	Coupon rate	Date of maturity	31 March 2018		31 March 2017	
			Nominal value R'000	Carrying value R'000	Nominal value R'000	Carrying value R'000
Guaranteed bonds						
SZ25	9,00%	30 Sep 2025	2 432 784	2 458 963	2 432 784	2 461 515
HWAY20	9,75%	31 Jul 2020	5 781 300	5 828 800	5 781 300	5 846 712
HWAY23	5,50%+CPI	07 Dec 2023	2 917 353	8 614 638	2 917 353	8 413 856
HWAY24	5,50%+CPI	07 Dec 2024	1 499 000	4 594 793	1 499 000	4 491 577
HWAY33	2,25%+CPI	28 Feb 2023	1 401 000	1 536 429	1 401 000	1 464 872
HWAY34	9,25%	31 Jul 2034	4 065 800	3 975 651	4 065 800	3 973 503
HWAY35	9,25%	31 Jul 2035	1 544 000	1 511 413	1 544 000	1 510 797
HWF08	8,79%	15 Jul 2019	1 000 000	997 806	1 000 000	1 000 387
HWF09	8,79%	19 Sep 2019	1 838 000	1 832 087	1 838 000	1 836 908
HWF010U	8,90%	30 Sep 2019	700 000	698 055	700 000	699 745
Unguaranteed bonds						
NRA18	12,25%	30 Nov 2018	2 385 623	2 404 820	2 390 623	2 437 477
NRA22	12,25%	31 Oct 2022	2 623 000	2 753 322	2 623 000	2 774 703
NRA23	5,00%+CPI	31 May 2023	889 750	1 577 771	909 750	1 557 395
NRA28	12,25%	30 Nov 2028	3 676 769	4 030 640	3 476 769	3 828 730
			32 754 379	42 815 188	32 579 379	42 298 177

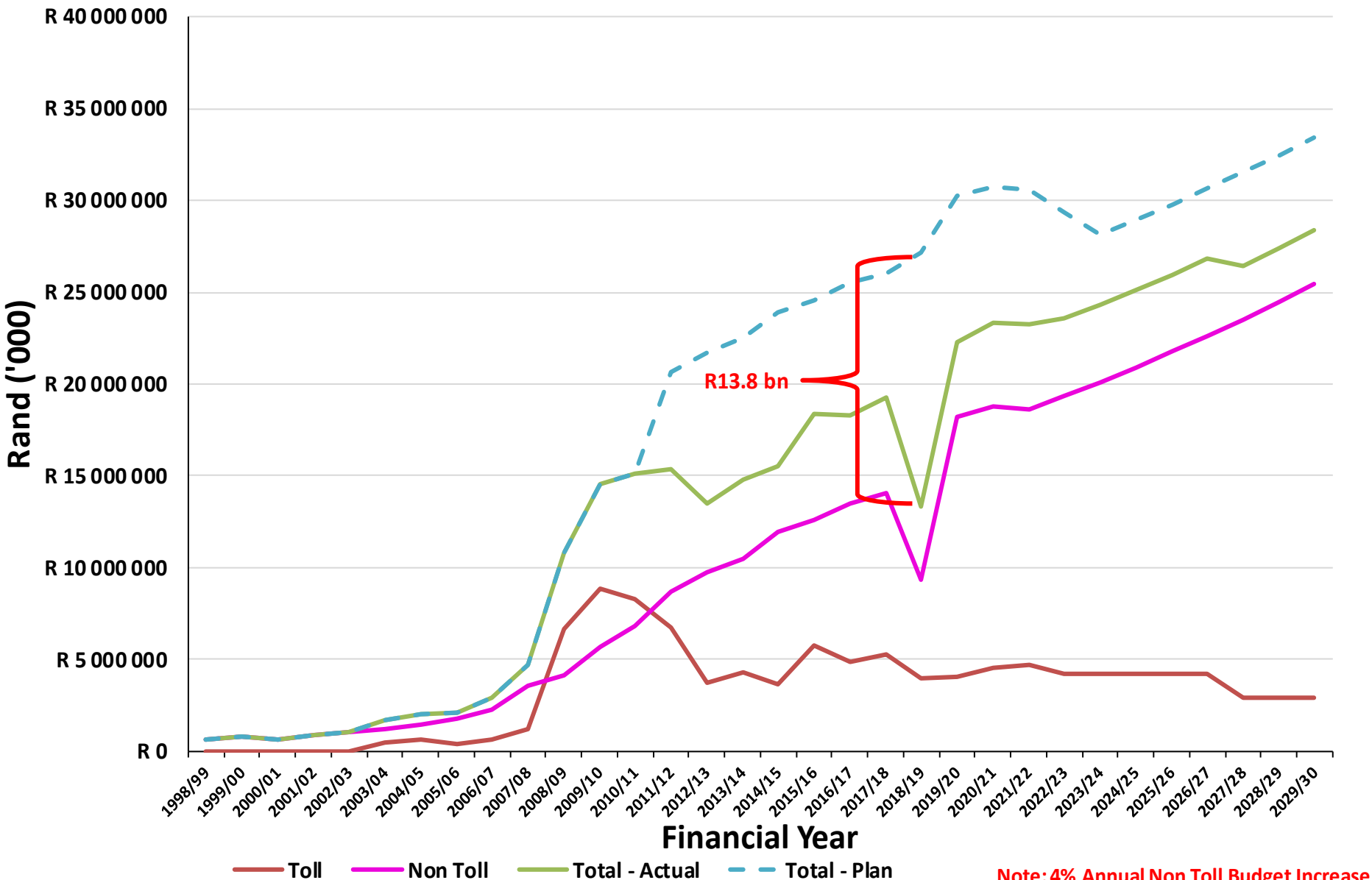


Futuregrowth suspends new loans to state-owned-entities

01 SEP 2016

ANDREW CANTER / CHIEF INVESTMENT OFFICER

SANRAL Funding Trend



Toll Non Toll Total - Actual Total - Plan

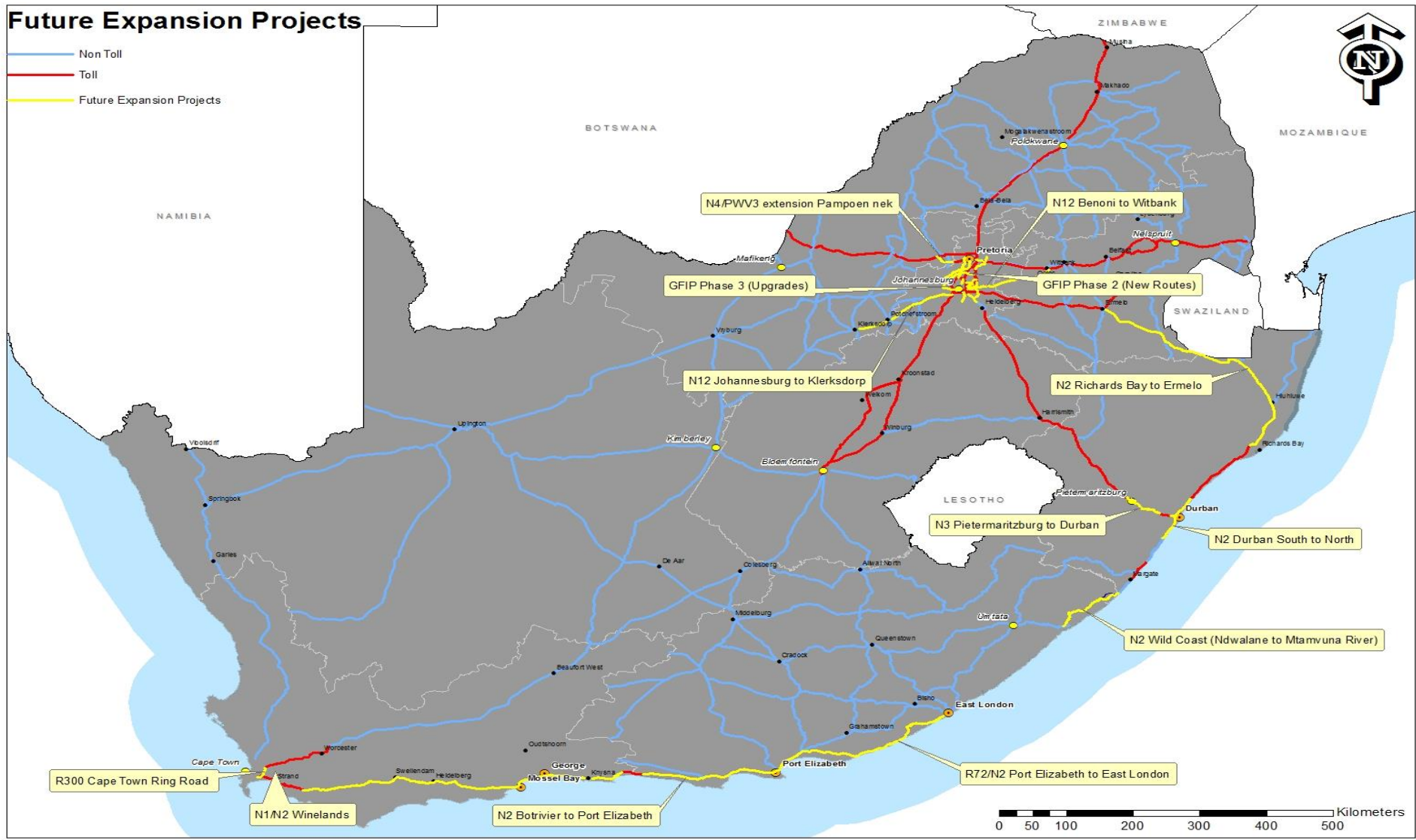
Note: 4% Annual Non Toll Budget Increase



SANRAL Key Projects

Future Expansion Projects

- Non Toll
- Toll
- Future Expansion Projects



SANRAL Funding: Key Project Impact

Project	Initial Capital Costs (R'000 2014R)	Current Status
GFIP Phase 2 (New Routes)	R 25 768 840	<i>Nothing - Not declared national roads (Gauteng), no funding</i>
GFIP Phase 3 (Upgrades)	R 17 655 160	<i>Nothing - Not declared national roads (Gauteng), no funding</i>
R300 Cape Town Ring Road	R 4 861 600	<i>Nothing - Extensions not declared national roads, no funding</i>
N1/N2 Winelands	R 9 316 100	<i>Toll Declaration set aside, cannot proceed until funding is resolved</i>
N2 Botrivier to Port Elizabeth	R 11 272 540	<i>Basic Planning, cannot proceed until funding is resolved / EIA</i>
N2 Wild Coast (Ndwalane to Mtamvuna River) (SIP 3)	R 7 578 656	<i>Construction funded by Fiscus, 1 Bridge Awarded, 1 in Tender Adjudication, Haul Road Construction 98% Completed, Road Detail design in Progress, Toll Declaration for Operations Required by National Treasury</i>
N2 Durban South (Prospecton) to North (Umdloti)	R 7 847 000	<i>Detail design, cannot proceed until funding is resolved / EIA</i>
N2 Richards Bay to Ermelo	R 7 284 140	<i>Detail Design, cannot proceed until funding is resolved / EIA</i>
N3 Pietermaritzburg (Twickenham) to Durban (EB Cloete) (SIP 2)	R 15 777 205	<i>Detail design, cannot proceed until funding is resolved / EIA</i>
N3 De Beers (SIP 2)	R 5 500 000	<i>N3 De Beers replaced with New Van Reenen Development. Complex Concession Amendments Required to implement</i>
N4/PWV3 extension Pampoen nek	R 1 716 900	<i>Pampoen Nek Construction Started (Non Toll) due to ROD Expiring</i>
N12 Johannesburg to Klerksdorp	R 2 731 700	<i>Basic Planning, cannot proceed until funding is resolved / EIA</i>
N12 Benoni to Witbank	R 811 840	<i>Basic Planning, cannot proceed until funding is resolved / EIA</i>
R72/N2 Port Elizabeth to East London	R 6 301 200	<i>Detail Design, Phased Construction Started (Non Toll)</i>
R573 Moloto Road (SIP 1)	R 3 902 176	<i>Detail Design, Phased Construction Started in Limpopo and Mpumalanga (Non Toll), Gauteng Part not declared national road</i>

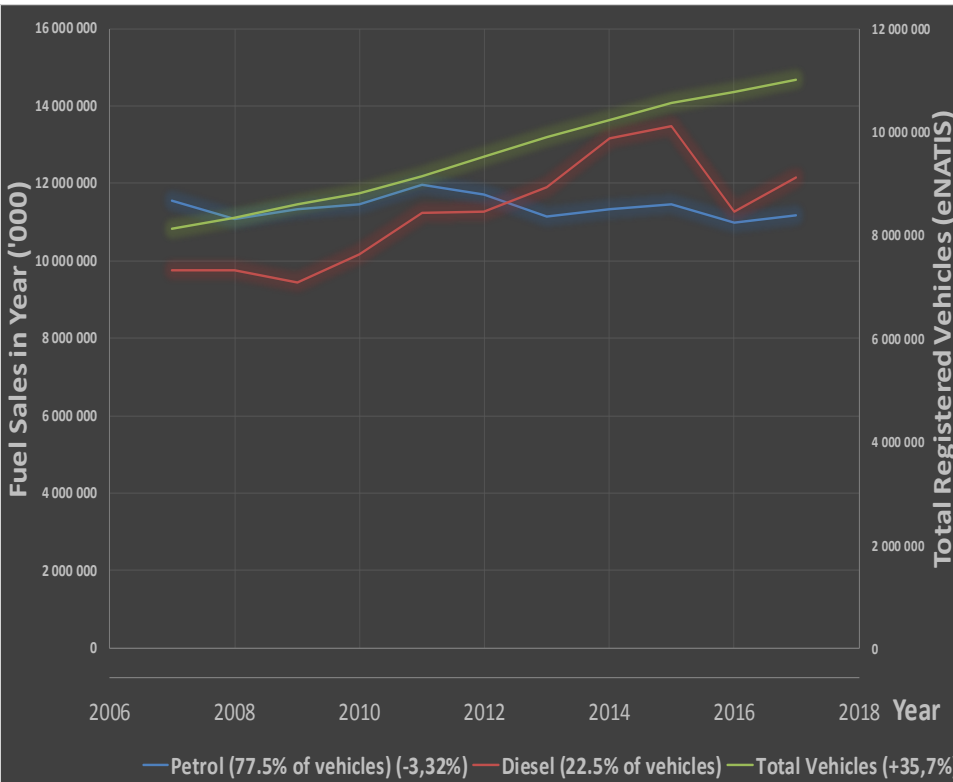
Note: Most of these key capacity expansion projects (R128 bn) were previously planned to occur through toll financing, if no longer possible, then SANRAL will require additional funding from National Treasury to enable implementation

FUTURE - ROADS FUNDING

- Insufficient
- Current sources of funding – Fiscus (Fuel Levy/License) or Tolls

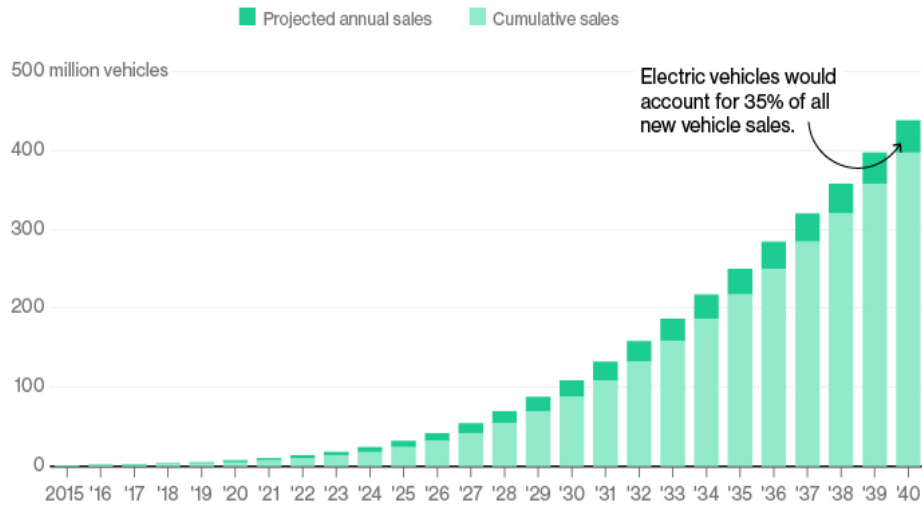


- Resistance to Tolls, what other option then for funding ?
- Old (11 L/100km), New (6 L/100km), Hybrid (2 L/100km), Electric (0 L/100km) ?
- Old (R37/100km), New (R20/100km), Hybrid (R6.7/100km), Electric (R0/100km)
- Despite vehicles occupying the same road space, the older vehicles (Poor) subsidising New vehicles (Rich)



The Rise of Electric Cars

By 2022 electric vehicles will cost the same as their internal-combustion counterparts. That's the point of liftoff for sales.



Sources: Data compiled by Bloomberg New Energy Finance, Marklines



Need to Find Long Term Funding Solution – GPS Usage Based ?

ROADS FUNDING – PUBLIC INFORMANT



Wayne Duvenage Chairman of

OUTA
OPPOSITION TO URBAN TOLL & CHALLENGE

Until such time that the public hear other voices from Industry, their viewpoint on road funding will be influenced by those that do speak up in PUBLIC !!!

THANK YOU

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