

Reference: RCS/C.5

TREASURY CIRCULAR MUN NO. 21/2018

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THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)

THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

BUDGET FACILITY FOR INFRASTRUCTURE (BFI)

1. PURPOSE

- 1.1 The purpose of the Circular is to inform all Mayors, Municipal Manager, Chief Financial Officers of the Budget Facility for Infrastructure that creates an institutional process to support the execution of national priority projects in respect of projects greater than R1 billion and which are:
 - 1.1.1 Clearly identified as a national priority by the PICC;
 - 1.1.2 Very large and strategic interventions; and
 - 1.1.3 Ready for implementation and require financing commencing in the 2019/20 fiscal year.

2. BACKGROUND/DISCUSSION

- 2.1 The facility aims to build a pipeline/portfolio of infrastructure projects and programmes, where approvals are sought at each stage of project development, starting with initial concept documents. For the current cycle, therefore, the facility will receive proposals at different levels of project development (concept, pre-feasibility, feasibility). Proposals submitted in this regard that meet the criteria above, will go through a series of decision gates as the project is further developed from concept approval to implementation readiness. Project sponsors will be notified of the decision at each gate.
- 2.2 The Budget Facility for Infrastructure is a reform to the budget process that creates an institutional process to support the execution of national priority projects by establishing specialised structures and criteria for committing fiscal resources to public infrastructure spending.
- 2.3 The aim is to increase the rigour of technical assessment and budgeting for capital, operational and maintenance costs for large infrastructure projects.
- 2.4 Ensure that full life-cycle costs of projects are explicitly considered in planning, adequately budgeted for and anticipated in future budgets.
- 2.5 Establish a single window and consistent operating procedure for dealing with budget submissions for large infrastructure projects and to make recommendations to budget authorities and political decision-makers.

- 2.6 Proposals that require direct budget support in the next fiscal year (2019/20) must be “shovel ready (immediate procurement, contracting and construction)”. Their appraisal and evaluation will be subject to the requirements outlined below.
- 2.7 Should projects not be “shovel ready” in the 2019/20 financial year applications for technical assistance for project preparation will be considered for application in the 2020/21 MTREF. Funding for technical assistance is available through PICC; DBSA; and GTAC to assist departments to package projects such as project design, preparation and planning; social economic evaluation; feasibility studies; business case and financial planning.
- 2.8 When the project is ready it is recorded in the Budget Facility for Infrastructure where it is assessed against standardised appraisal criteria; assessment of life-cycle costs and financial and fiscal programming.

3. **PRIMARY SUBMISSION**

- 3.1 The primary submission is a concise summary of the proposals not longer than 20 pages. It is a high-level business case that clearly explains how the proposal meets the criteria of being a national priority, the problem that the intervention intends to address, the alternatives that have been considered to solve the problem, assumptions, constraints, risks, costs and timeframes associated with implementing a chosen solution.
- 3.2 Proposals that fail to complete the primary submission in terms of the guidance provided in this note will not go through the technical assessment process and funding will not be considered for such proposals.
- 3.3 The primary submission should contain the following elements:
- A description of the project or programme and justification of why it is regarded as a national priority.
 - A brief description of the prioritisation and approval process undertaken by the sponsoring department for the project or programme and a clear justification or rationale for the proposal.
 - The objectives, outcomes and targets that the proposal seeks to achieve.
 - A summary of other options that have been considered and could achieve the same objectives, and an explanation of the preferred choice.
 - A social and economic analysis, including estimates of economic costs and benefits associated with the intervention and anticipated social and distributional impacts.

- A budget statement for the proposal, which includes a financial and funding model, cash flow projections, a statement of capital, maintenance and operating costs as well as other budget requirements of the intervention over its full lifecycle.
- The main risks – including technical, financial, economic, social, political and any other risks.
- The procurement plan associated with the proposal.
- A statement of institutional and operational readiness to implement the proposal.

3.4 The detailed guideline can be accessed on the National Treasury website:

<http://www.treasury.gov.za/publications/guidelines/Infrastructure%20Guidelines%20Final%20May%202018.pdf>

3.5 The deadline for submission (s) is **31 July 2018**. Kindly provide Provincial Treasury with a copy of submission, at least 3 days prior to submission to your National Department to assist in processing the application.

3.6 For more information, don't hesitate to contact Mr Reggie Daniels: Deputy Director: Infrastructure +27 21 483 3803 or Reginald.Daniels@westerncape.gov.za.

4. **ACTIONS REQUIRED**

4.1 It would be appreciated if these requirements are brought to the attention of all Directors of Infrastructure.

MR NB LANGENHOVEN
DIRECTOR: INFRASTRUCTURE
DATE: 17 July 2018