

Reference: RCS/C.6

TREASURY CIRCULAR NO. 25/2018

THE PREMIER
THE MINISTER OF ECONOMIC OPPORTUNITIES
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE
THE MINISTER OF HEALTH
THE MINISTER OF HUMAN SETTLEMENTS
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
THE MINISTER OF SOCIAL DEVELOPMENT
THE MINISTER OF TRANSPORT AND PUBLIC WORKS
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THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT
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THE EXECUTIVE AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (MINISTER A BREDELL)
THE EXECUTIVE AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MINISTER A WINDE)
THE EXECUTIVE AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (MINISTER A WINDE)
THE EXECUTIVE AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: WESTERN CAPE HERITAGE (MINISTER A MARAIS)
THE EXECUTIVE AUTHORITY: CASIDRA (MINISTER A WINDE)
THE EXECUTIVE AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (MINISTER D PLATO)
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THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (DR G LAWRENCE)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR Z HOOSAIN)
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THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)
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THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
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THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
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THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

For information

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BUDGET FACILITY FOR INFRASTRUCTURE (BFI)

1. PURPOSE

1.1 The purpose of the Circular is to inform all Accounting Officers, Chief Executive Officers and Infrastructure Managers 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.
- 1.2 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 MTEF. Funding for technical assistance is available through PICC; DBSA; and GTAC to assist departments to package projects such project design, preparation and planning; social economic evaluation; feasibility studies; business case and financial planning.
- 1.3 When the project is ready it is recorded in the Budget Facility for Infrastructure where it is assessed against standardised appraisal criteria; assessment of lifecycle costs and financial and fiscal programming.

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:
 - 2.2.1 The aim is to increase the rigour of technical assessment and budgeting for capital, operational and maintenance costs for large infrastructure projects;
 - 2.2.2 Ensure that full lifecycle costs of projects are explicitly considered in planning, adequately budgeted for and anticipated in future budgets;
 - 2.2.3 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;
 - 2.2.4 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.

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, and the 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 be an overview of 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 prioritization 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>

4. **APPROACH TO CONSIDERATION OF PROJECTS FOR BUDGET FUNDING**

4.1 For the 2019/20 MTEF national departments are invited to submit proposals that require budget allocations over the next MTEF; Projects from provincial departments will be submitted through the respective national department.

4.2 Smaller capital projects and programmes will not be considered by the facility, and should form part of the department's main budget submission in terms of the main MTEF guidelines.

4.3 **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.**

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

5. **ACTIONS REQUIRED**

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

If you have any enquiries on the content of this circular, you are welcome to contact the officials below:

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DATE: 9 July 2018