CIRCULAR:

CALL FOR PROPOSALS FOR THE 2026/27 BUDGET FACILITY FOR INFRASTRUCTURE

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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2030 NDP

INTRODUCTION

The Budget Facility for Infrastructure (BFI) is an appraisal review process that supports the consideration of large-scale infrastructure proposals requiring fiscal support. Its objective is to ensure that investment decisions are informed by rigorous programme and project development, robust appraisal, sustainable financing and procurement strategies, and pragmatic delivery arrangements.

In line with ongoing budget reforms to improve allocative efficiency and the effectiveness of public spending, the BFI has been reconfigured to strengthen its strategic thrust and impact. Under the new arrangement, the BFI runs quarterly appraisal reviews in place of a single annual window. A National Treasury committee meets quarterly to consider evaluated proposals, make investment decisions and determine the appropriate fiscal instruments to support projects and programmes, where applicable. These instruments may include government guarantees, gap funding and other de-risking mechanisms. The scope of the facility has also been extended to include proposals in the pre-feasibility stage, with varied evaluation processes tailored to each stage of development.

The reconfiguration positions the BFI as a centralised gateway for large-scale infrastructure proposals requiring fiscal support to advance. It allows for earlier engagement with sponsors, enabling a continuous and investable pipeline; separates financing decisions from the evaluation and budget processes; and facilitates the crowding-in of non-fiscal resources.

The quarterly submission windows, together with the associated committee meeting dates for 2026/27, are outlined in Box 1.

Box 1: Submission Deadlines and Committee Meeting Dates

Window	Submission Deadline for Sponsors	Committee Meeting Dates
1	03 April 2026	17 - 19 June 2026
2	05 July 2026	16 - 18 September 2026
3	02 October 2026	09 - 11 December 2026
4	08 January 2027	17 - 19 March 2027

Sponsors should note that while submissions may be made at any time before the designated cutoff date(s), early submission is encouraged. Appraisal reviews require sufficient lead time to ensure the analysis is completed in time to meet scheduled committee meeting dates. Further, as the evaluation process is iterative, it relies on the timely and active participation of sponsors to address information gaps and respond to queries. Sponsors should also be aware that highly complex proposals may require more than one window to conclude. In such cases, the proposal will be carried forward and considered in the next available investment window. **Submissions received after a window's deadline will automatically be rolled over to the subsequent window.**

The BFI will only consider submissions that **meet the eligibility criteria and contain sufficient information** to inform decision-making.

ELIGIBILITY CRITERIA

The BFI will consider **new and existing infrastructure proposals** from public institutions[1] that meet the criteria below:

1. A **minimum capital cost threshold of R1 billion**. Proposals with a lower cost threshold may be considered in the case of projects or programmes that propose significant private sector financing and implementation.
2. Where impediments that prevent an intervention from proceeding can be **resolved through targeted fiscal support**. This could include (a) funding gaps that constrain the delivery of essential public services; (b) proposals requiring access to finance backed by a commitment to utilise future funding streams for debt repayment; (c) submissions under Private Sector Participation (PSP) frameworks, including Public Private Partnerships (PPPs), concessions and special purpose vehicles that have a viability or affordability gap linked to the social component of an otherwise commercially oriented initiative; or (d) there is a need for credit enhancement or other de-risking instruments to address market failures that undermine project bankability or limit private sector participation.
3. Submissions in the following stages of development (*see the* submission requirements *for more details*):
   - **Category A (Pre-feasibility):** Optional but encouraged. Proposals at this stage will receive initial feedback to refine and/or guide further development, preparation and packaging ahead of submission for fiscal support (i.e., Category B).
   - **Category B (Feasibility):** Proposals at this stage will be assessed for investment worthiness and, if deemed worthwhile, channelled to the relevant National Treasury structure for fiscal support consideration. This includes the Technical Committee of the Budget in the case of appropriations, the Fiscal Liabilities Committee in the case of government guarantees or referral for registration as PPP.
   - **Category C (Post-Feasibility):** Requires prior Category B assessment, completed planning and demonstrable readiness to contract and commence construction.
4. Submissions in key sectors of the economy, such as network and social services[2].

SUBMISSION REQUIREMENTS

Submissions must consist of a:

- **Primary Submission Report:** a concise summary of the proposal that is not longer than 20

[1] Public institutions include national, provincial, municipal spheres of government as well as public entities.

[2] Network services refer to economic infrastructure sectors such as energy, water and sanitation, transport and logistics, and digital communications. Social services refer to public service sectors including health, education, housing, and social development services.

pages *(see Box 2 for more details);*

- ***Completed Budget Statement Template***[3]**:** a simplified or basic financial model template meant to capture key financial information to inform the budget estimates for the proposed project/programme;
- ***Letter(s) of Support***[4] from the relevant national department, where applicable; and
- **Supporting documentation**, as tabled below.

Table 1: Indicative Supporting Documentation[5] per Category		
Category A	**Category B**	**Category C**
▪ *Pre-feasibility study or equivalent* ▪ *Basic socio-economic analysis reports and models* ▪ *Basic financial model*	▪ *Feasibility study or equivalent* ▪ *Conceptual designs* ▪ *Comprehensive socio-economic analysis reports and models* ▪ *Detailed financial model and report*	▪ *All Category B documentation* ▪ *Detailed implementation readiness plan that includes evidence of land availability for site access, obtained approvals and authorisations, signed agreements pertaining to institutional arrangements to support implementation, procurement demand plan, etc.*

Supporting documentation should contain sufficient information to validate arguments and conclusions made in the *Primary Submission Report*. The report should cross-reference the relevant supporting documentation, including specific sections and page numbers, for ease of reference. **The aspects that the supporting documentation must cover are outlined in the Annexure**.

The evaluation will consider all documents submitted to enable informed decision making, and failure to submit adequate information will result in the proposal not being considered.

Submissions must be made electronically and be directed to the Secretariat at: **infrastructure@treasury.gov.za**.

[3] Sponsors may download the template from the National Treasury website: http://www.treasury.gov.za/publications/guidelines.

[4] Letter of support is a formal endorsement of the proposal by the relevant national department in cases of submissions made by subnational spheres of government and public entities. The letter should be signed by the Director General of the national department or any person to whom the function is delegated (a letter of delegation should also be provided).

[5] Sponsors should note that the list is not exhaustive and may be expanded depending on the nature and complexity of a project/programme. The technical studies should cover elements presented in the Annexure.

Sponsors that require assistance with the preparation and/or packaging of proposals should contact the Secretariat for **referral to preparation facilities**. Alternatively, sponsors may independently seek preparation support.

The Secretariat will organise information sessions to provide high-level guidance on satisfying the eligibility criteria and technical requirements. Sponsors who require detailed guidance in addition to the scheduled information sessions should send their requests to the Secretariat for consideration.

Sponsors should note that the National Treasury is partnering with development financiers and other funders to support infrastructure projects and programmes. In 2025, the National Treasury issued the country's first Infrastructure and Development Finance Bond to finance eligible BFI infrastructure projects and/or programmes. This was additional to other measures to raise infrastructure finance, including through bilateral loans and concessional funding. These developments underscore the importance of transparent, timely, and high-quality reporting throughout the appraisal, implementation, and monitoring stages.

Accordingly, projects and programmes supported through the BFI will be subject to reporting and performance requirements to strengthen oversight, accountability, and value for money. Detailed reporting requirements will be communicated to sponsors separately and will form part of the conditions attached to fiscal support.[6]

Box 2: An Overview of Elements in the Primary Submission Report

1. A **description of the project/programme**, including owner/sponsor details; the sector(s) within which the intervention falls; stage of development, construction and operating periods; key stakeholder(s) tasked to plan/implement the intervention; and the legal mandates under which the planning/implementing institution(s) operate, amongst others. In addition, an account of the **internal prioritisation and approval processes** followed in the prioritisation of the project/programme should be detailed.
2. **A justification for the project/programme** through a description of the status quo, the challenges that the intervention seeks to resolve and their extent, demand analysis, and the consequences of not intervening.
3. A description of the **direct objective(s), outcome(s), and target(s)** of the project/programme.
4. A summary of the **technical options considered** to address the identified challenges, the advantages and disadvantages, the high-level costs, and the rationale for the preferred or selected option(s).
5. A **financial analysis and implications** highlighting the estimated capital, operations and maintenance costs over the intervention's full lifecycle; the proposed funding source(s) and funding requirements per source; cashflow projections; and a contingent liability statement, where applicable. Fiscal support requested through the BFI over the 2027 medium term expenditure framework (MTEF) period and beyond, and the rationale thereof must be explicitly stated.
6. A **socio-economic analysis** that reports on the quantified economic costs and benefits associated with the preferred option(s) and the anticipated wider and distributional impacts.
7. A **risk assessment** that identifies, describes, and groups key risks into major risk categories; uses a risk matrix to assign the likelihood of occurrence and quantify the impacts on the project/programme; and provides risk mitigation strategies.
8. A **procurement statement** that outlines the proposed delivery management, packaging, contracting, pricing and targeting strategies. A statement that highlights how the procurement strategy aligns with supply chain

[6] Proposals may be used as case studies to support capacity-building, knowledge sharing, and the documentation of best practices. In these cases, sensitive information will be protected.

management prescripts and adheres to constitutional requirements must be provided. A high-level procurement plan showing key milestones and timeframes must also be provided.

9. A statement of **institutional and operational readiness** highlighting the institutional arrangements in place and governance structures to be used to advance the project/programme; the capacity and capability of those tasked with planning/implementing the intervention; due diligence processes undertaken; and a high-level implementation plan.

EXCLUSIONS

The following submissions **will not** be considered in the BFI appraisal review process:

- Proposals that are fully commercial in nature and can be undertaken without fiscal support.
- Proposals requiring 100 per cent funding support.
- PPP proposals that have not received Treasury Approval I or Treasury View and Recommendations I.
- Departmental and municipal proposals that have not completed the relevant Framework for Infrastructure Delivery and Procurement Management gateway reviews.[7]
- Unsolicited bid proposals that are not endorsed by an eligible public sector sponsor.
- Proposals without a Primary Submission Report and/or supporting documentation.

APPRAISAL REVIEW PROCESS

The evaluation of proposals will be done in accordance with the 'Infrastructure Planning and Appraisal Guideline' (*refer to* Box 3 *for the link*). The Guideline establishes a standardised approach for the appraisal of submissions using appropriate and uniform methodologies. It also sets out the principles and criteria that should guide decisions on the suitability of projects and programmes, thereby promoting alignment across government, strengthening credibility in project selection, and supporting the development of a credible, investable pipeline. While not explicitly covered in the Guideline, sponsors are expected to integrate **climate resilience considerations** into their proposals in recognition of escalating climate-related risks and their potential impact on infrastructure performance.

All submissions will be pre-screened for alignment against the eligibility criteria. Only proposals that meet these criteria and provide adequate information (see Submission Requirements and the Annexure) will proceed to detailed technical analysis. Sponsors may consult the report titled "Common reasons why submissions fail to meet the BFI appraisal requirements" to avoid typical pitfalls (*see* Box 3). Proposals that demonstrate potential but are found to be underdeveloped during the pre-screening and/or detailed technical assessment may be referred to preparation facilities for further development support.

As part of the appraisal review process, the BFI will determine the most efficient fiscal support mechanism to address the impediment that hinders the project or programme from advancing.

[7] Proposals submitted under Categories B and C are expected, in line with good practice, to have completed the relevant early delivery stages of the FIDPM lifecycle, specifically the initiation and concept stages.

This determination will be informed by fiscal affordability within the MTEF period, fiscal risk exposure and sponsor capability, amongst other considerations. In this regard, the recommended fiscal instrument(s) may differ from those initially proposed by the sponsor.

Proposals whose recommendations for fiscal support are accepted by the committee will be channelled to the relevant National Treasury structure(s) for consideration. **Final decisions on these will be made by the relevant structures, in line with applicable processes.**

Box 3: Useful Resources
▪ Common Pitfalls: https://www.gtac.gov.za/wp-content/uploads/2023/05/the-bfi-appraisal-requirementsfs_final_v2.pdf ▪ Planning and Appraisal Guideline: https://www.treasury.gov.za/publications/guidelines/Infrastructure%20Planning%20and%20Appraisal%20Guideline.pdf ▪ National Parameters and Commodity Specific Conversion Factors database: https://sa.cri-world.com/ ▪ Framework for Infrastructure Delivery and Procurement Management (FIDPM): https://cdn.ymaws.com/www.safcec.org.za/resource/resmgr/construction_legislation/fipdm/fipdm_201 9.pdf ▪ Standard For Uniformity in Engineering And Construction Works Contracts: https://www.cidb.org.za/wp-content/uploads/2021/07/Standard-for-Uniformity-August-2019.pdf

ANNEXURE: ELEMENTS OF THE DETAILED SUBMISSION

1) DESCRIPTION

The section must provide key project/programme information, including the name, main features (i.e., output, service levels and capacity) and location(s) of the intervention; project/programme phasing; the associated infrastructure sector(s) of intervention; strategic nature of the project/programme; stage(s) of development; estimated construction and operating periods; and the sponsor institution, other key stakeholder(s) tasked to plan/implement the intervention and their respective roles and responsibilities, and the legal mandate under which the planning/implementing institution(s) operate; amongst others.

The section should also describe the **internal (organisation-level) processes followed in prioritising and approving the project/programme** that resulted in the intervention being regarded as a priority and/or strategic undertaking. Moreover, the sponsor should demonstrate the intervention's alignment with national and/or sector strategies or master plans, and relevant provincial or municipal plans (e.g. Integrated Development Plan(s), Spatial Development Framework(s), and National Infrastructure Plan 2050). The section should further detail the interdependencies of the project/programme with other interventions, where applicable.

The section should end by highlighting the reasons for approaching the BFI (i.e., what form of fiscal support is required, what the support is intended to enable, and why the requested instrument is appropriate for the intervention in question). Where funding is required, the section should specify how much is requested through the BFI: (a) as a total, (b) annual estimates over the 2027 MTEF period and beyond, and (c) how the balance will be funded/financed.

Note for Sponsors: Should the intervention for which fiscal support is sought be part of the larger project/programme, all other phases/components/related interventions should be clearly outlined, highlighting their intent, scope, implementation timeframes, interdependencies, and how these were or are to be funded/financed.

2) JUSTIFICATION

a) The purpose of the section is to outline the need for the project/programme and justify the scale and timing of the intervention. The section can be divided into two parts:
b) **Needs analysis:** The subsection details the market analysis conducted and describes the status quo under which the intervention is proposed; the challenges that the intervention seeks to resolve, their extent and impacts; the factors that contribute to the challenges; the consequences if the intervention is not implemented; and identifies potential beneficiaries of the intervention and a justification for their selection.
c) **Note for Sponsors**: While it is imperative for condition assessment(s) undertaken to be attached, the sponsor should summarise the findings from these and make a case for the project/programme to demonstrate urgency to intervene. Further, **the extent of the challenges experienced under the status quo should be quantified**

to demonstrate and substantiate their scale and severity.

d) **Demand analysis:** The subsection assesses the factors that underpin the demand for the intervention; how these factors translate into demand; and quantifies the current levels of demand and how it is expected to evolve into the future. The demand profile of the project/programme must be compared against the intervention's proposed output to gauge if the project/programme is appropriately sized and well-timed. Lastly, the subsection should clearly outline key assumptions underpinning the demand estimates, reference and attach the main data sources and, where applicable, include relevant historical data to support the analysis.

3) OBJECTIVES

This section sets out the desired objective(s) and outcome(s) of the intervention. The purpose is to define what the intervention is trying to achieve; the extent to which the intervention will contribute to addressing or alleviating the challenges articulated in the previous section; and what would constitute a successful outcome or set of outcomes. The section further highlights the broad contributions of the intervention to the economy and society at large, to demonstrate ways in which the project/programme will contribute to inclusive economic growth and alleviate prevailing social challenges.

Note for Sponsors: The objective(s) must be specific, measurable, achievable, relevant, and time-bound (SMART), and expressed in general terms so that the range of solution options to achieve them can be easily identified. It is also important to identify project/programme outcome(s) that are directly related to the identified challenges and objective(s). In terms of the project/programme's broader contributions to the economy and society, indicators such as gross domestic product and local economic participation should be outlined.

4) OPTIONS ANALYSIS

The section describes the options considered during the pre-feasibility/feasibility stage to demonstrate that the technical solution chosen is optimal and provides value for money to government. The purpose of the section is to critically evaluate possible options against each other to ensure that the selected option(s) can achieve the objectives better and cost-effectively.

Sponsors must present the technical options considered at the pre-feasibility/feasibility stage, and describe each option in detail, covering aspects such as technical configurations and specifications (i.e., output, capacity, service levels and site selection), and **environmental safeguards**, amongst others. Further, the advantages and disadvantages of each option, high-level costs and benefits, and trade-offs must be discussed. Examples of trade-offs to consider could be whether conceptual designs are available, meaning delivery for a particular option can be expedited, or **if there are potentially significant adverse environmental** and social consequences associated with an option. Also, the extent to which each proposed solution meets and resolves the core challenge must be demonstrated.

The preferred option(s) must be explicitly stated together with a rationale for its suitability, effectiveness, and cost-efficiency compared to alternatives. When estimating and comparing the high-level costs and benefits of options, the sponsor must consider the full life cycle costs and benefits of the project/programme (i.e., capital, maintenance and operational costs and impacts over the useful life of the asset(s)). The section should ultimately articulate the merits of the selected intervention(s) based on its technical, financial, economic, environmental, and social viability, demonstrating how the preferred option(s) meets the objectives more effectively compared to alternatives.

5) FINANCIAL ANALYSIS AND IMPLICATIONS

In this section, sponsors must assess the financial implications, affordability and sustainability of the intervention over its lifetime. The section draws on the estimates in the completed *Budget Statement Template* or detailed financial model, especially for commercially oriented projects/programmes and when further detail on the financial structure is provided.

The section must begin by detailing the assumptions and methods used to derive the estimates in the *Budget Statement Template* and financial model (where applicable), and the associated level of confidence. The sponsor must ensure that all cost estimates are accurate and reasonable and, where applicable, make use of cost benchmarks or norms and standards. To the extent that third-party estimates are presented, sources must be provided for ease of verification. The estimates must be provided in annual terms, with an explicit indication of whether these are inclusive or exclusive of value-added tax.

The section is further divided into the following four financial statements:

a) **Expenditure statement (uses of funds).** This statement provides a detailed record of payments associated with implementing the project/programme and its services. The expenditure statement should cover all capital payments involved in the construction of the asset(s), broken down by cost category, and interest incurred during construction, where debt is used. It should also detail the operating payments associated with running and maintaining the asset(s) over its useful life, including routine and capitalised costs. All the other payments associated with the intervention must also be reflected.

b) **Funding statement (sources of funds).** This statement shows all the sources that will be mobilised to fund the costs indicated in the Expenditure Statement. This may include internal funds, equitable share, conditional grants, revenues generated through direct user charges, debt and donor funding. Any debt, equity obligations or concession arrangements that the sponsor intends to mobilise in favour of the project/programme must be disclosed, together with their terms and conditions. Confirmation of support and availability of budgets from the institutions from which the funds are purported to flow, along with associated terms, costs and dependencies must be outlined. The form and value of fiscal support required through the BFI must be explicitly stated in this statement, as well as the period over which the support is required and the rationale thereof. In this regard, **sponsors must demonstrate how providing support through the BFI is appropriate and optimal compared to alternatives.**

c) **Cashflow statement.** The sponsor should provide a comprehensive account of the financial inflows and outflows associated with the capital, operations, maintenance and financing activities **over the life** of the asset(s). Where financial inflows are not sufficient to fund operations and maintenance costs, the sponsor must provide a plan to meet these obligations. In addition, the statement must demonstrate the extent to which the project/programme performs against financial matrices such as the net present value (NPV), internal rate of return (IRR), Debt-Service Coverage Ratio, etc, particularly for interventions that are revenue-generating or those intending to use debt.

d) **Contingent liability statement.** Any sovereign guarantees, provisions or obligations that could give rise to fiscal liabilities in the future because of any explicit contractual eventuality should be fully disclosed. The statement should give details of all explicit liabilities that will accrue to the national government, as well as the extent and consequences thereof. The statement does not apply to projects/programmes in the local government sphere.

The section ends by **conducting a quantitative sensitivity analysis**, testing the impact of changes in various modelling assumptions on the financial viability of the project/programme and identifying the most sensitive variables. This is because assumptions underpinning financial analyses are subjectively estimated and are likely to change over the life of projects/programmes. The submission must also outline the assumptions forming the basis for the sensitivity analysis and provide the rationale for the shocks applied. It is expected that the sensitivity analysis undertaken will be reflected in the financial model and report for projects/programmes under categories B and C.

6) SOCIO-ECONOMIC ANALYSIS

The purpose of this section is to assess the economic costs and benefits of each identified option using either a cost-benefit analysis (CBA) to determine whether an option is welfare-enhancing; or a cost- effectiveness analysis (CEA) to identify the option that achieves the objective(s) at the least cost. These analyses are critical to justify fiscal support. The *Infrastructure Planning and Appraisal Guideline* provides details on the CBA[8] and CEA[9] methodologies.

Broadly, a CBA is employed when the impacts of a project/programme can be monetised, as with most economic infrastructure interventions. It seeks to establish whether a particular investment is the most efficient use of society's resources. On the other hand, a CEA is typically used for social projects/programmes where benefits can be measured in physical units but cannot be credibly or appropriately monetised. A CEA assesses each option on its relative costs to select the least costly option(s), or the option(s) that has the

[8] CBA methodology can be found on pages 28 – 45 of the Infrastructure Planning and Appraisal Guideline.

[9] CEA methodology can be found on pages 66 – 70 of the Infrastructure Planning and Appraisal Guideline.

least cost per unit of benefit (assuming the benefits are the same across the options).

The section must report the analysis undertaken in a clear and transparent manner, including providing the assumptions, methods and sources of data and estimates used, together with the rationale for their selection. The perspective from which the CBA/CEA is undertaken, and the definition of the base case, must be clearly articulated. The section further needs to discuss the impacts identified for each option; categorise them into costs and benefits; show the sequence of when the impacts will occur over the life of the project/programme, and the applied methods and steps to quantify and/or monetise these. The results of the analysis undertaken must be presented accordingly. For CBA, this includes comparison of the economic NPV, economic IRR and the benefit-cost ratio (BCR) of each of the options. In the case of CEA, results must be presented as the cost per unit of outcome, allowing options to be ranked based on cost-effectiveness. Importantly, the underlying CBA/CEA model, in Excel format, and a detailed report must be attached.

Note to Sponsors: The National Treasury has developed **a database of commodity-specific economic conversion factors[10] necessary for undertaking a CBA and CEA.** The recommended social discount rate is 10 per cent. Further, sponsors are reminded to **use economic prices to value impacts**, as opposed to financial or market prices, and that each option's impacts should be assessed on their marginal or **incremental effect**, by estimating the change in impact under each option against the base case. In addition, sponsors must ensure that the CBA or CEA conducted is **methodologically robust and sound, and is reported in a manner that enables ease of verification.**

To demonstrate the robustness of the CBA results, the sponsor must **conduct a quantitative sensitivity analysis**, testing the impact of changes in various modelling assumptions on the economic viability of the project/programme and identifying the most sensitive variables. This is because the assumptions underpinning CBA/CEA tools are subjectively estimated and likely to change over the life of projects/programmes. The submission must also outline the assumptions forming the basis for the sensitivity analysis and provide the rationale for the shocks applied. It is expected that the sensitivity analysis undertaken will be reflected in the CBA/CEA model and report for projects/programmes under categories B and C.

To complement the CBA and CEA, a wider and distributional impact assessment should be included for the proposed intervention, using tools such as the social accounting matrix, input-output model, or computable general equilibrium models. These tools show the project/programme's contribution to the economy and society by considering variables such as job creation, business sales

[10] These parameters are available at http://sa.cri-world.com/.

generated, gross domestic product impacts, or analysis of impacts on the marginalised and vulnerable members of society, amongst others. These tools are also useful for understanding the distributional impacts of the intervention. The underlying model and report that details the methodology adopted, assumptions made, the associated rationale, the application of the methodology (e.g., multipliers used and the associated sectors) and the results, as well as their interpretation, must be submitted.

7) RISK STATEMENT[11]

The infrastructure considered by the facility is large in scale and complex, involving multiple stakeholders and interdependent dimensions that are often difficult to anticipate or manage. This elevates the risk profile of the interventions, particularly as they entail significant long-term financial commitments. As such, the interventions may carry material implications for fiscal sustainability and compromise the sponsor's financial sustainability and reduce their future budgetary flexibility.

This section is therefore essential in demonstrating that the sponsor has identified all the plausible risks that may undermine the attainment of envisioned programme/project outcomes, and has developed appropriate strategies to manage these and minimise their potential impacts. In particular, the section must identify, describe and categorise potential risks during construction and operations into technical, financial, economic, social, and political risks, etc.; assign the risks' likelihood of occurrence and rank the impacts in a matrix; and provide a robust and detailed plan of measures to mitigate and manage the identified risks, including the roles and responsibilities of those involved in the plan. The risk analysis should be comprehensive, and the methodology applied for assigning the likelihood of the risks occurring and their severity must be clearly outlined.

Note to Sponsors: A comprehensive risk matrix accompanied by a robust mitigation plan is required for projects/programmes under categories B and C.

7) PROCUREMENT STATEMENT

This section is important in demonstrating the effectiveness and efficiency of the adopted procurement strategy, adherence to supply chain prescriptions and, where applicable, shovel readiness.

A procurement strategy details the procurement needs and requirements of the project/programme; the explored and selected delivery management, packaging, contracting, pricing and targeting options; and procurement procedure(s) to be followed for all the required goods and services to ensure alignment with constitutional requirements and other legislative prescripts. The rationale for

[11] Refer to pages 42 – 45 the *Infrastructure Planning and Appraisal Guideline* for detail on the Risk Statement.

adopting a particular option(s) compared to alternatives must be clearly demonstrated.

A procurement strategy must include the following:

a) **The procurement needs of the project/programme.** State and describe the goods and services needed to support the implementation of the proposed intervention. This could include professional services provider(s), implementing agent(s), contractor(s), etc. The role(s) and scope of each service provider must be stated. Where professional service providers have already been procured, this must be disclosed, including the identity of the service provider(s) and the agreements governing their engagement, specifying key terms such as the scope of work, deliverables and duration of contract.

b) **Delivery management strategy.** The submission must indicate the delivery management modality proposed or adopted for the project/programme to support implementation. This could include traditional delivery models such as the use of in-house resources, Implementing Agent and other organs of state's framework agreements; or non-traditional strategies such as PPPs, leasing of property and outsourcing.

c) **Packaging strategy.** The sponsor should decide whether the procurement needs will be delivered as a programme or a series of independent projects. This will inform the package plan must be specified. Factors to consider when packaging works include interdependencies between projects and programmes, whether or not framework agreements will be put in place, levels of competition amongst contractors, organisational and managerial complexities, the spatial location of projects, the scale and nature of the work, economy of scale, the manner in which interfaces between packages are to be managed and controlled, project risk, risk allocations, programming (scheduling) requirements, attractiveness to markets, matching contractor skills and capabilities, commissioning requirements, deployment of administrative resources, scope of service and secondary (developmental) procurement policy objectives.

d) **Contracting strategy and forms of contract.** Depending on the delivery management strategy, the sponsor must consider contracting strategies (e.g. design by employer, design and construct, develop and construct, and management contractor. In addition, forms of contract (e.g., general conditions of contract, joint building contracts committee, international federation of consulting engineers, and new engineering contract) must also be explored in line with the procurement needs to determine the most suitable combination for the project/programme.

e) **Pricing strategy.** The submission must detail the pricing strategies (e.g., price-based and cost-based) selected or proposed to secure financial offers and remunerate service provider(s).

Note to Sponsors: For the delivery, contracting and pricing strategies, the sponsor is expected to undertake a procurement options analysis, demonstrating how the proposed modalities effectively meet the procurement needs and achieve better value for money relative to alternatives. In deciding on an appropriate set of options with respect to these strategies, supporting documentation should detail the advantages and disadvantages of each option, risks and trade-offs, and the rationale for the chosen option(s).

a) **Targeting strategy.** The sponsor should specify the targeting strategies (e.g., local content, youth employment creation, Broad-Based Black Economic Empowerment and gender equity) that are to be employed to achieve the secondary or developmental objectives of the project/programme.

b) **Procurement procedure.** This subsection should include the proposed procurement strategies for attracting and selecting suitable service providers (e.g., open tender, negotiated procedure and two-stage process); evaluation procedures; and contractual mechanisms (e.g., mandatory subcontracting and incentives for key performance indicators). The procurement procedure must demonstrate **alignment with the requirements for a fair, equitable, transparent, competitive, and cost-effective process**.

c) **Procurement plan.** A detailed plan with estimated milestones, timelines and roles and responsibilities of the stakeholder(s) involved must be provided. The procurement timeframes must demonstrate that the sponsor would be able to procure, contract and/or construct over the 2027 MTEF period following formal confirmation of fiscal support.

Note to Sponsors: The consideration of the above aspects should be at an advanced stage at the time of submission for a proposal to demonstrate shovel-readiness, especially for interventions in categories B and C.

8) INSTITUTIONAL AND OPERATIONAL READINESS

The purpose of the section is to demonstrate that the necessary institutional arrangements and governance structures are in place, and the client and delivery team(s) have the skills and capacity required to deliver the project/programme on time, within budget and to specifications. The following elements must be included in the submission:

a) **Mandate:** Confirms the mandate of the sponsor to undertake the project/programme and their operating environment. Should the responsibility to implement be ceded to another party, the relevant authorisations must be attached.

b) **Governance and institutional arrangements:** Detail the project/programme's governance structure, institutional arrangements that reflect all stakeholders involved in the planning/implementation of the intervention and their respective roles and responsibilities. The governance structures need to be specific to the intervention and show clear **reporting lines, and internal controls and systems** to ensure accountability. In the case of a project/programme that involves multiple institutions, a stakeholder coordination plan and signed agreements (i.e., Memoranda of Agreement/Understanding or Service Level Agreements) must be submitted. Lastly, **monitoring and evaluation plans**, incentives and/or penalties to be put in place to support successful delivery must also be highlighted.

c) **Capacity**: Demonstrate that there is or there will be sufficient capacity within the responsible institution(s) and team(s) to deliver the project/programme on time, on budget and to specifications. This should be done by outlining **the skills profiles**[12] of the project/programme team and skills/capacity gaps. In instances where gaps are identified within the project/programme team, the plans for human resources and funding requirements needed to support project/programme implementation must be outlined. Moreover, **a track record of the project/programme teams and institutions** in delivering interventions of similar complexity and magnitude should be demonstrated by detailing the names and high-level descriptions of previously undertaken projects/programmes, their scope, and delivery cost and time performance indicators (i.e., approved baseline budget at contract award and the final costs; and contractual completion date and the actual date of completion). In instances where cost overruns or schedule delays were experienced, the sponsor should outline the reasons for the deviations. To strengthen the submission, sponsors may indicate whether the projects/programmes were completed in accordance with the specified technical and performance standards, and whether any significant defects or performance failures were recorded.

d) **Legal and technical due diligence:** Confirm which statutory and technical requirements the project/programme has complied with and which are yet to be complied with. These include authorisations and approvals for required licenses and permits, compliance with sector regulations, norms and standards, and environmental impact assessments and management plans. Further, confirm the suitability and availability of the site(s), basic designs, and environmental safeguards. To the extent that some of the authorisations and approvals have not yet been secured, the sponsor should outline challenges, if any, and anticipated timeframes for finalising these.

e) **Implementation plan:** A detailed rollout plan that clearly shows the key delivery milestones, timelines and relevant stakeholders responsible for each milestone must be provided. This must also reflect how implementation will be phased, where relevant, and be aligned with the expenditure profile of the intervention.

[12] The skills profile should demonstrate each team member's role in the project/programme, and technical expertise. This is beyond attaching CVs.

In addition to the above, the section should state any constraints that may prevent successful project/programme implementation and/or operations.

[END]