



TRANS-CALEDON TUNNEL AUTHORITY

TCTA was established by Government Notice No 2631 in Gazette No 10545 dated 12 December 1986 and then revised by Government Notice No 277 in Gazette No 21017 dated 24 March 2000

It is a specialised liability management body for bulk water supply development in the most cost-effective manner to the benefit of the water user.

TCTA is based in Centurion in the Republic of South Africa.

For more information on TCTA, please visit our web site www.tcta.co.za

REQUEST FOR PROPOSAL (RFP)

RFP NO: TCTA / PF&T/ MCWAP / 2022 / 001

**SOURCING OF R 18 BILLION FUNDING FACILITIES FOR THE MOKOLO-CROCODILE RIVERS (WEST) WATER AUGMENTATION PROJECT (MCWAP)
(CONSISTING OF UP TO R 16 BILLION TERM FACILITIES AND THE BALANCE IN LIQUIDITY FACILITIES)**

RFP ISSUING DATE

Date: 5 August 2022

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1. SPECIAL CONDITIONS OF FUNDING PROPOSALS

RFP Number	TCTA / PF&T / MCWAP / 2022 / 001
Title of this RFP	Sourcing of R 18 billion Funding Facilities for the Mokolo-Crocodile River (West) Water Augmentation Project (MCWAP) (Consisting of up to R 16 billion long-term facilities and the balance in liquidity facilities)
RFP Issue Date	5 August 2022
Official communication channel for questions of Clarification	<p>Kindly send all clarification questions to funding02@tcta.co.za by no later than 12 September 2022 at 17:00 CAT</p> <p>NB: Funding Proposals should NOT be sent to this e-mail address. It is strictly for questions of clarification or information.</p>
RFP Closing Date and Time	19 September 2022 at 13h00 CAT
Proposal Validity Period	180 calendar days commencing from the RFP closing date
Submission of Proposals	<p>Funding Proposals must be delivered through electronic mail at the following e-mail address: MCWAPfunding@tcta.co.za and should reach TCTA on or before the RFP closing date and time.</p> <p>TCTA will only access this e-mail address after the RFP closing date and time. Potential Lenders will receive an automated response if the Funding Proposal has been successfully delivered to this e-mail address.</p> <p>The file format of components of electronic submission shall be Portable Document Format (pdf).</p> <p>Please ensure to include the following in the submission:</p> <ul style="list-style-type: none"> - Appendix 1: Acknowledgement - Appendix 2: Proof of Registration - Appendix 3: Sanctions Declaration - Appendix 4: Funding Proposal and indicate level of credit approval/support from organisation <p>NB: Proposals reaching TCTA after the closing date and time will not be considered. Please take server delivery times in account when submitting.</p>

(For definitions – refer to Section 18 below.)

2. REQUEST FOR PROPOSALS

Trans-Caledon Tunnel Authority (TCTA) is raising off-budget funding of R 18 billion (eighteen billion Rand) consisting of up to R 16 billion Rand (sixteen billion Rand) in long-term facilities and the balance from liquidity facilities to meet its funding requirements for the implementation of the Mokolo-Crocodile Rivers (West) Water Augmentation Project Phase-2A (MCWAP-2A) water resource development project.

In sourcing funding, TCTA is guided by its Policy on Sourcing of Funding (the Policy) developed and approved by the TCTA Board on 29 April 2020 and revised on 28 January 2021 (PF&T/PSF-001:2021). One of the processes for sourcing of funding available to TCTA in the Policy is to invite Potential Lenders to provide Funding Proposals under a Standard Bidding Process. Such Funding Proposals will be evaluated and adjudicated based on an evaluation mechanism as outlined below in this Request for Proposals (RFP).

The purpose of this RFP is to invite Potential Lenders to submit Funding Proposals to form part of the portfolio of funding to be sourced by TCTA for MCWAP-2A.

3. INTRODUCTION TO TCTA

TCTA is a South African public sector entity that undertakes bulk raw water infrastructure development on behalf of the Department of Water and Sanitation (DWS) for the Republic of South Africa. It was established by Notice No. 2631 published in Government Gazette No. 10545 dated 12 December 1986 (as amended by Notice No. 277 published in Government Gazette No. 21017 dated 24 March 2000) (The Notice of Establishment), promulgated in terms of Chapter 10 of the National Water Act, 1998 and is listed in Schedule 2 of the Public Finance Management Act, 1999, (PFMA). It is an international water management body established by the Minister of Water and Sanitation (the Minister) in terms of Chapter 10 of the National Water Act to implement international agreements in respect of the management and development of water resources shared with neighbouring countries, and on regional co-operation over water resources.

The Notice of Establishment as amended in March 2000 enables the Minister to direct TCTA to undertake additional functions under Section 103 (2) of the National Water Act 36 of 1998. Following this amendment, TCTA has been directed to raise funding and implement several mega raw water infrastructure projects, including the Mokolo-Crocodile River (West) Water Augmentation Project (MCWAP) consisting of various sub-phases. The project is owned by the Department of Water and Sanitation (DWS), with TCTA being the implementing entity.

Each directive that TCTA is issued with by DWS is managed and accounted for separately from other activities (ring-fenced from an accounting, revenue, cost and debt management perspective). Project debt is serviced through the revenue stream from DWS to TCTA for MCWAP. DWS recovers the cost through revenue that is generated from water tariffs charged to MCWAP water users. The Department undertakes and is contractually obliged to ensure that TCTA will receive sufficient revenue to meet its debt service obligations regardless of whether it (DWS) has collected payments from water users.

4. REQUEST FOR FUNDING PROPOSALS

Potential Lenders are defined in the Policy as any juristic person, organisation or institution that is considered by TCTA to be a potential lender, acting as a principal and not an agent of a third party.

Bidders who qualify as Potential Lenders are requested to submit Funding Proposal(s) as part of the total project financing of R 18 billion (eighteen billion Rand) consisting of up to R 16 billion Rand (sixteen billion Rand) committed long-term facilities and the balance from liquidity facilities, to be used toward the implementation of the MCWAP-2A project as directed by the Minister in May 2010. In addition to this RFP, TCTA has requested funding from two international Development Finance Institutions (DFIs) under a separate process in terms of the Policy, which allows for sourcing of funding from DFIs if, amongst others, they can play a lead role in project evaluation and due diligence. These DFIs are currently undertaking a project evaluation and due diligence process. The amount of funding to be sourced from DFIs and from the RFP process will be determined after the RFP evaluation stage.

The commercial funding accounts for 88,0976% of the funding requirement. The balance of 11,9024% relates to provision for social off-take and is funded by the National fiscus. The current project cost is estimated at R 12,4 billion. Pre-construction activities funded from the fiscal allocations as part of the social funding contribution, has commenced.

The funding requirement of R 18 billion consists of projected implementation costs, funding costs, capitalisation of costs, escalation, contingencies, and liquidity provisions and excludes Value-Added Tax (VAT). The final project budget will only be confirmed once construction bids have been awarded.

The Funding Strategy to address the funding requirements has been approved by TCTA's Board as a blended finance structure between fiscal and off-budget debt.

The Funding Proposals for the off-budget funding may take the form of any of the structures listed below:

- **Up to R16 billion long-term facilities**, preferably with a tenor of 25-years, being 5-years for implementation and 20-years for debt repayment, (for the avoidance of doubt, shorter repayment periods are also acceptable), and
- **The balance in liquidity facilities** including, but not limited to, revolving credit facilities, stand-by facilities, or committed loan facilities with unstructured/flexible drawing and repayment profile throughout the 25-year loan period, for R 2 billion (two billion Rand) or more if suitable in the funding portfolio, and/or
- **any other facilities** that the Potential Lenders may want to propose that will allow TCTA to implement the MCWAP project as directed by the Minister in a cost-effective manner.

Bidders may provide more than one Funding Proposal to meet TCTA's funding requirements. Each Funding Proposal will be evaluated independently, unless the terms of the Funding Proposal specifically indicate an integrated funding solution.

TCTA reserves the right in its sole and absolute discretion, taking into account at all times, the applicable legislative prescripts, to award the total amount of funding required, viz., **R 18 billion (eighteen billion Rands)**, to one or more Preferred Lenders, or to award a lower or higher total amount or to cancel the RFP.

Should more pertinent information become available during the bidding period with regards to the content of this RFP, such information will be shared as an addendum to this RFP and will be posted on TCTA's website e.g., increased funding requirements, successful registration of a Domestic Medium-Term Note (DMTN) programme which will allow for bond issuance under this project, etc.

5. PROJECT DESCRIPTION

The DWS completed the Mokolo and Crocodile River (West) Water Augmentation Project (MCWAP) feasibility study in September 2010, to analyze the options, costs, and benefits of augmenting the water supply to the Lephalale area in the Waterberg district municipality in the Limpopo Province. The then Minister of Water Affairs issued a directive in 2010 to TCTA in terms of the National Water Act (NWA), 1998, to co-finance and implement the MCWAP, which at the time comprised of Phase 1 (MCWAP- 1), sub-phase 2A (MCWAP-2A) and Phase 3 (MCWAP-3) as a Government Waterworks (GWWs).

The capacity of the initial MCWAP-2A was defined at levels close to 200 million m³/a transfer capacity, which provided for two further 4 800 MW coal fired power stations, emission control measures as well as a SASOL petrochemical plant and coal mining to support these developments, which subsequently was abandoned due to the revised Department of Energy's Integrated Resource Plan which excluded the requirement for further coal fired power stations in the Waterberg and withdrawal of SASOL's planned investment in the area

due to economic reasons, reducing the demand substantially. When the initially intended provision for future coal and energy provision was removed from the project sizing, the project transfer capacity was reduced further to a transfer capacity of 75 million m³/a through MCWAP-2A in addition to the MCWAP-1 transfer capacity of around 30 million m³/a. The downsizing was to delink the project from provision for future energy related requirements and to accommodate current demand (Eskom, Sasol and social) and a smaller provision for Future Users to support economic development in the area.

The MCWAP-1 was funded and implemented by TCTA and commissioned in June 2015. It is currently delivering approximately 30 million m³ per annum (million m³/a) to Eskom, Exxaro and the Lephalale Local Municipality.

The system including Phase-2A will be operated as an integrated system where water can be supplied to users from either the Mokolo Dam (Phase-1) and/or the Crocodile River (West) (Phase-2A), depending on the water balance and availability of water in the system at any point in time. Both Eskom and Exxaro are considered strategic water users and are licensed at a 99,5% assurance of water supply. Although MCWAP-1 provides sufficient operating water to the Eskom power stations and Exxaro as the supplier of coal, the assurance of supply on a small water resource like Mokolo Dam is undesirable as about 20% of the country's power generating capacity is provided through these two large power stations.

A further bridging-feasibility study was done in 2015 and Environmental Impact Assessment (EIA) in 2018. The project received environmental approvals in 2021 after appeals had been rescinded by the Minister of Forestry, Fisheries and Environment.

To further augment the system, DWS issued the Record of Implementation Decision in March 2018 to implement MCWAP-2A, consisting of a water transfer scheme to augment existing water supply in the project area by 75 million m³/a, through a 160 km pipeline. MCWAP-2A will increase the MCWAP system yield to 105 million m³/a. The purpose of the Project is to:

- supply additional water and increase assurance of supply for Eskom's operational needs for Medupi and Matimba Power Stations;
- supply water to Eskom to implement flue-gas desulphurisation (FGD) technology as a climate change mitigation target on all six units of Medupi Power Station as well as on all Matimba Power Station's units. FGD will curb the nitro-oxides and sulfur-oxides emissions. To implement this FGD, Eskom needs the MCWAP-2A to be commissioned, as there is not enough water in the MCWAP-1 system to enable Eskom to implement FGD on Medupi's units 4-6 and on all Matimba's units;
- increase mining capacity for Exxaro to provide coal to Eskom's Matimba and Medupi Power Stations;

- enable the Lephalale municipality to meet its social needs due to growing population and cater for anticipated future developments in the Lephalale/Steenbokpan area; and
- create an enabling environment for economic growth in the area to support job creation, socio-economic and industrial development.

The MCWAP-2A is the only sustainable solution to address the water supply deficit in the Water Management Area (WMA). Alternative water supplies have been considered in the Feasibility Study and the resulting deficit is to be provided from MCWAP-2A. The water to be abstracted from the Crocodile River mainly constitutes upstream return flows from the metropolises in the densely populated Gauteng Province, which water is mainly supplied from the Vaal River catchment area.

Should the demand for water increase beyond the capacity of MCWAP-2A, a parallel pipeline to MCWAP-2A would have to be implemented as there is currently no feasible alternative available to bring water to this area. Government therefore took a strategic decision to support a project with a transfer capacity that covers both existing demand and future demand. Economies of scale lowers the unit cost of water in large raw water infrastructure to the benefit of the users and supports the economy at large.

6. CURRENT STATUS

The following institutional arrangements for the project have been concluded: the water supply agreements (offtake agreements) between DWS, Exxaro and Eskom respectively; and the implementation agreement between DWS and TCTA. The Minister of Water and Sanitation, acting in concurrence with the Minister of Finance, has approved the project borrowing limit. The project has received a “Aa3” Long-term Domestic Currency Issuer rating with a Stable outlook alongside MCWAP-1 by Moody’s Investors Services. The project is now at the funding stage with pre-construction activities taking place with funding from DWS.

7. BENEFICIARIES AND FUNDING MODEL

The beneficiaries are in three categories which also informs the Funding Model for the Project as follows:

7.1 COMMITTED COMMERCIAL USERS (29,3933% OF FUNDING)

Committed commercial users are those commercial users who can enter into Water Supply Agreements with the DWS before funding is raised where they commit to their allocated recovery of costs through tariffs over the 20-year debt repayment period. Currently it consists of Eskom (28,44 million m³/a) and Exxaro (8 million m³/a) who have signed Water Supply

Agreements with DWS and have applied for water use licenses for these volumes from the combined system. The licenses for the increased demand have been granted to both Eskom and Exxaro and integration of the MCWAP-1 and MCWAP-2A licenses are currently being processed.

TCTA will source off-budget funding for this component, which DWS will recoup from the off-takers through water tariffs. Funding is secured by DWS undertakings in the Implementation Agreement in favour of Lenders under the implied guarantee. TCTA will, in terms of the Implementation Agreement, inform the Department annually of its funding requirements to be included in the raw water capital tariffs charged by DWS to the Committed Commercial Users as per the Water Supply Agreements. TCTA will invoice DWS monthly on the licensed volume of the off-takers and DWS will charge users on the take-or-pay principle. Tariffs will be set to recover the cost allocated to Committed Commercial Users and Future Users combined, over a 20-year period post Operational Declaration of MCWAP-2A infrastructure.

These users are also liable for statutory charges and operations and maintenance charges which is for the account of DWS and will not be applied against outstanding debt. DWS have committed in the Implementation Agreement to pay TCTA irrespective of its collection of tariffs from the users under the approval of the Minister of Water and Sanitation, in concurrence with the Minister of Finance.

7.2 SOCIAL USERS (11,9024% OF FUNDING)

The provision for Social Users of 14,16 million m³/a is to cater for the growing demand from Lephalale Local Municipality and to provide adequate water supply to the town of Lephalale for future growth associated with developments in the energy and mining sectors. Funding is on-budget through fiscal allocations from DWS. TCTA will not generate any revenue from tariffs charged to social users. DWS applies for MTEF allocations annually for the social contributions during the implementation of the project, which is committed to in the Implementation Agreement. TCTA received R 824 million to date from DWS for the social component and provision is made in the MTEF allocations for future years.

7.3 FUTURE USERS (58,7043% OF FUNDING)

The provision for Future Users of 52,56 million m³/a is to cater for growing demand from commercial users who have not been identified before funding is raised. Due to the economies of scale when developing large water infrastructure projects, Government opted to provide additional capacity in MCWAP-2A for future users by sizing it to 75 million m³/a transfer capacity.

TCTA will source off-budget funding for this component and the fiscus will cover debt servicing obligations until such future user off-takes materialise. TCTA will therefore invoice DWS for the unallocated transfer capacity at the same capital tariff as applied to Committed Commercial Users to service debt. As off-take materialises, the government funding commitment with regards to Future Users will be replaced with the Committed Commercial User component until the Future User component has been phased out completely upon full allocation of this additional capacity.

This capacity for future users is not earmarked for any specific economic activity, but a general provision for potential commercial users that would require water and apply for a water use license through DWS.

8. FUNDING PORTFOLIO

All funding structures will be considered and TCTA will apply a portfolio approach to funding the Project where both the quantitative (all-in cost) and qualitative attributes (risk management factors) will be considered to formulate an overall funding package for the Project. On a high-level, the key objectives for compiling the funding portfolio will aim to source funding that will enable TCTA to collectively:

- a. ensure sufficient funding availability to meet construction timelines;
- b. ensure access to funding (e.g. drawdown notice requirements);
- c. maintain liquidity post construction period (e.g. revolving credit facilities, extended availability periods)
- d. manage funding to reduce the weighted average cost of funding (e.g. cost of funding, fixed and floating rate debt, local currency, drawdowns matched to major cashflows);
- e. effectively manage the overall maturity structure of borrowings in a risk sensitive manner taking account of the asset/liability matching principles (e.g. tenor, amortising profile to match debt repayments to revenue stream requiring less redemption strategies);
- f. repay all debt incurred within 20-years from operational declaration;
- g. have the option to capitalise interest and/or repayments during construction as revenue only commences on Operational Declaration (e.g. grace periods and interest capitalisation options);
- h. manage refinancing and repricing risk (e.g. ratchet loans providing committed facility with options to refinance without penalties at certain points in time, loan covenants resulting in repricing);

- i. bring about tariff stability/predictability and affordability to the end-user through minimising tariff volatility (e.g. capping of repricing risk, capping of legal costs, Rand based funding, etc);
- j. have the ability and cost to comply with loan covenants and undertakings;
- k. have the ability to meet conditions precedent to achieve financial close;
- l. achieve highest possible credit rating; and
- m. ensure ring-fencing of projects through agreements, cost allocation and funding programmes.

9. ENVISAGED UTILISATION OF FUNDING FACILITIES

The estimated project cashflows are provided in **Annexure A**. TCTA does not intend to limit market participation in this RFP and therefore provide for market innovation to address its needs. For evaluation purposes, Funding Proposals will be categorized according to the type of Funding Proposal to fairly evaluate each Funding Proposal in line with its intended purpose/use. In this vein, TCTA will accept any Funding Proposal that complies with the requirements in paragraph 11 below.

For **term-loan type facilities**, TCTA intends to draw-down during the implementation period of 5-years in line with the cashflow requirements. It is not a fixed requirement that the loan should have an extended drawdown period, but it will increase the interest cost during construction to the project if funding must be drawn in advance of it being expensed and a negative carry cost is achieved.

It is preferable to capitalise interest until Operational Declaration and even for the first 2-3 years beyond Operational Declaration as construction is still ongoing, but not a fixed requirement to be considered in the funding portfolio. Upon Operational Declaration, the tariff will be at the lowest level, assuming to increase with CPI annually and might not be able to cover all debt servicing requirements from the revenue stream in those first 2-3 years. Longer grace periods could circumvent the liquidity implications for TCTA in the early years of debt repayment if availability periods have closed-out on major facilities.

For every large drawdown, a cost/benefit analysis and a portfolio assessment are done by TCTA's Treasury division to assess the drawdowns amongst the committed term facilities which considers both cost and balanced portfolio composition.

TCTA intends to utilise **liquidity type facilities** for short-term funding requirements. TCTA might require a higher than the envisaged R 2 billion liquidity provision if the term-loan type structures results in large asset/liability mismatches. This decision will be taken post the RFP evaluation based on Funding Proposals offered.

10. SUBMISSION REQUIREMENTS

Potential Lenders interested in providing a Funding facility or a portion thereof, should respond by submitting Funding Proposals. Respondents should indicate what, if any, level of credit approval has been approved for their proposals.

Funding Proposals should be submitted to the following e-mail address: MCWAPFunding@tcta.co.za by **13h00 CAT on 19 September 2022**. Funding Proposals must reach TCTA on or before the closing date and time. (NB: Funding Proposals reaching TCTA after the closing date and time will not be considered – please provide sufficient time for timeous delivery of e-mails).

The submission must include the following:

- Appendix 1: Acknowledgement of the RFP
- Appendix 2: Proof of registration from the Financial Services Board (FSB) for local lenders or equivalent for foreign lenders.
- Appendix 3: Sanctions Declaration
- Appendix 4: Funding Proposal and level of approval

11. EVALUATION OF PROPOSAL

The weighting between the quantitative and qualitative criteria for evaluation Funding Proposals is shown below:

- Quantitative (Costs) = 50 Points
- Qualitative (debt management) = 50 Points
- Total Score = 100 Points

Since TCTA is not prescribing any specific funding structure or instrument to the market, it is not certain what might be received through this RFP. The intention is to closely mirror the use of each Funding Proposal and determine its cost to compare it against other Funding Proposals.

TCTA envisages two major categories of Funding Proposals being either term-loan type facilities/long-term facilities or liquidity-type facilities. Since the costs of these are not comparable as they serve different purposes, TCTA is providing a scoring mechanism below for the two main types of funding facilities to indicate to Potential Lenders what TCTA considers important when assessing the Funding Proposals. However, should a type of facility be offered which does not naturally fit within the two main categories, TCTA does not want to discourage the market from providing such Funding Proposal. TCTA will apply the same principles in assessing such Funding Proposal whereby its intended use will be closely

mirrored and costed in the evaluation and the same weightings will be attached between quantitative and qualitative aspects.

For the main, the evaluation process will be conducted in line with the criteria and weightings as stipulated in **Table 1 and Table 2** below.

Table 1: The evaluation criteria weighting for a term-loan type facility

Term-loan Type Facility Criteria	Max Points	Points Allocation
QUANTITATIVE SCORE	50	50
Cost		
<ul style="list-style-type: none"> • All-in cost of loan calculation (XIRR) 	50	50
QUALITATIVE SCORE	50	50
Flexibility		
<ul style="list-style-type: none"> • Tenor 	20	
<ul style="list-style-type: none"> ○ 20 years and more 		20
<ul style="list-style-type: none"> ○ 15 years and more but less than 20 years 		15
<ul style="list-style-type: none"> ○ 10 years and more but less than 15 years 		7
<ul style="list-style-type: none"> ○ Less than 10 years 		0
<ul style="list-style-type: none"> • Availability Period 	5	
<ul style="list-style-type: none"> ○ 7 years and greater 		5
<ul style="list-style-type: none"> ○ 5 years and greater but less than 7 years 		3
<ul style="list-style-type: none"> ○ Less than 5 years 		0
<ul style="list-style-type: none"> • Grace Periods (no capital or interest payable during construction period) 	6	
<ul style="list-style-type: none"> ○ 7 years and greater 		6
<ul style="list-style-type: none"> ○ 5 years and greater but less than 7 years 		3
<ul style="list-style-type: none"> ○ Less than 5 years 		0
<ul style="list-style-type: none"> • Interest Rate Options 	5	
<ul style="list-style-type: none"> ○ Fixed and floating options 		5
<ul style="list-style-type: none"> ○ Floating only 		0
<ul style="list-style-type: none"> ○ Fixed only 		0
<ul style="list-style-type: none"> • Right of early repayment 	5	
<ul style="list-style-type: none"> ○ Early repayment provision during the debt repayment period, without penalties (except breakage costs where applicable) 		5
<ul style="list-style-type: none"> ○ Early repayment provision during debt repayment period with penalty costs (in addition to breakage costs if applicable) 		2
<ul style="list-style-type: none"> ○ No early repayment provision 		0
Ease of Management		
<ul style="list-style-type: none"> • Minimum drawdown notice period 	3	
<ul style="list-style-type: none"> ○ 1 – 3 business days 		3
<ul style="list-style-type: none"> ○ 4 – 10 business days 		1
<ul style="list-style-type: none"> ○ more than 10 business days 		0
<ul style="list-style-type: none"> • Minimum drawdown amounts 	3	
<ul style="list-style-type: none"> ○ Up to R 250 million 		3
<ul style="list-style-type: none"> ○ More than R250 million 		0
Risk management objectives		
<ul style="list-style-type: none"> • Market flex (between Funding Proposal and Financial Close) 	3	

Term-loan Type Facility Criteria	Max Points	Points Allocation
○ No market flex provided for		3
○ Open market flex		0
TOTAL SCORE (Quantitative score plus Qualitative Score)	100	100

Table 2: The evaluation criteria weighting for a liquidity type facility

Liquidity Type Facility Criteria	Max Points	Points Allocation
QUANTITATIVE SCORE	50	50
Cost		
• All-in cost of loan calculation (XIRR)	50	50
QUALITATIVE SCORE	50	50
Facility Management		
• Tenor	20	
○ Fixed period of more than 10-years		20
○ Fixed period of more than 5-years and less than 10-years and less than 10 years		15
○ Fixed period of more than 3-years and up to 5-years		8
○ 3-years or less or Annual		0
• Minimum drawdown notice period	15	
○ 1 – 2 business days		15
○ 3 – 5 business days		8
○ 6 business days and above		0
• Minimum drawdown amounts	5	
○ Up to R 50 million		5
○ More than R 50 million and up to R 75 million		4
○ More than R 75 million and up to R 100 million		2
○ More than R100 million		0
Risk management objectives		
• Market flex (between Funding Proposal and Financial Close)	5	
○ No market flex provided for		5
○ Open market flex		0
• Event of Default	5	
○ No condition for prepayment if credit rating is downgraded with one notch, not as a result of sovereign rating calibration		5
○ Condition for prepayment if credit rating is downgraded with one notch, not as a result of sovereign rating calibration		0
TOTAL SCORE (Quantitative score plus Qualitative Score)	100	100

- a. To compare term-loan type funding proposals, the cashflow projections in **Annexure A** will be used in proportion to the value of the Funding Proposal as a percentage of the total long-term funding requirement of R 16 billion, unless the terms specify otherwise in a Funding Proposal (e.g. limited availability periods, minimum drawdown amounts, shorter tenor, etc);

- b. For liquidity type facilities, cashflows will be projected on 10% of the outstanding debt in **Annexure A** in each year.
- c. The adjusted internal rate of return (XIRR) function in Microsoft Excel software will be used to calculate the score for the Quantitative evaluation for each Funding Proposal. The internal rate of return (IRR) is not necessarily suitable for all cashflow structures, where the XIRR addresses variability in cashflow intervals as well as cash inflows and outflows (payment and repayment) throughout the life of the loan, which is typical to the utilisation of a liquidity facility for instance.
- d. To compare the costs for all Funding Proposals, the all-in cost will include costs relating to additional audits, legal opinions, legal fees for loan negotiations, foreign exchange costs, or any condition that results in an additional cost to TCTA for complying with loan conditions outside of the normal course of business.
- e. Where a facility offers both fixed and floating interest rate options, both interest options will be applied separately on the projected use of the facility and the lowest-cost option will be used for allocating a score on the cost of the loan.
- f. For liquidity type facilities, it will be assumed that the facility is an ever-green facility (i.e. if annual renewal is required, it would be assumed that the full-term will apply, unless specific terms is provided e.g. 5-year).
- g. Each Funding Proposal will be measured independently where a Potential Lender provided more than one Funding Proposal.
- h. The points for Quantitative Evaluation will be calculated as follows per category of Funding Proposals:

$$Ps = A \left(1 - \frac{Pt - Pmin}{Pmin} \right)$$

A = Maximum points under XIRR (50 in this case)

Ps = Points scored for XIRR;

Pt = XIRR (all-in cost); and

Pmin = Lowest points on XIRR.

Proposals will be ranked from the highest to the lowest score based on the Total of Quantitative and Qualitative Scores achieved for each category of Funding Proposals.

- i. The Policy, Procedures as well as the RFP makes explicit provision for TCTA to compile a portfolio of debt instruments that will best address TCTA's requirements. More than one loan would therefore be shortlisted for its specific characteristics. The scoring is therefore not used to award from highest to lowest scoring until R 16 billion is reached on term facilities and R 2 billion is reached on liquidity facilities, but as a collective

portfolio of loans that responds to TCTA's debt risk management objectives as long as the shortlisting is underpinned by transparency, equitable treatment of lenders, cost effectiveness, competitiveness, efficiency and ethics.

- j. TCTA will consider Funding Proposals received from Development Funding Institutions (DFIs) who are not allowed to participate in commercial bidding processes as part of the combined funding portfolio. The funding allocation to DFIs will be capped at 50% unless there are insufficient responses from the RFP process. There is no specific amount earmarked for allocation to such DFIs.
- k. A shortlist of the proposed portfolio of loans will be made for negotiations with the respective Preferred Lenders to provide the full funding requirement if possible and appropriate, taking account of paragraph m) and n) below. TCTA is at liberty to select a number of Funding Proposals to construct the funding portfolio. TCTA would encourage larger funding facility values of not less than R 1 billion to be offered in the Funding Proposals to limit the number of facilities in the portfolio to be managed for a period of 25-years.
- l. Should a loan qualify under combined scoring in paragraph h) and i) above, but the terms of the Funding Proposals are not sustainable, achievable, ethical, or manageable by TCTA and/or additional security arrangements be required from Government to the existing security arrangements and undertakings as outlined in this RFP, such Funding Proposal will not be considered for the portfolio.
- m. TCTA will only conclude Funding facility agreement/s with Preferred Lenders whose Funding Proposals have been selected in terms of the above criteria and comply with all applicable legal requirements.
- n. Should negotiations fail with the initial Preferred Lenders to provide a balanced portfolio of funding, TCTA will be entitled to approach the next highest scoring Potential Lender until the full funding requirement has been met.
- o. Should TCTA not be able to raise sufficient and acceptable funding through the Standard Bidding process and the DFI process, the Policy does allow for a Direct Approach to lenders to address the market failure.

12. ENQUIRIES AND FURTHER INFORMATION

Please direct all questions of clarification in writing in connection with the above to the Receiving Officer at funding02@tcta.co.za . Only questions or queries submitted via this e-mail address on or before **12 September 2022** will be responded to.

Questions of clarification with regards to TCTA's specifications or the administration of the process for the sourcing of the facilities will be responded to on TCTA's website where it can

be accessed by all Potential Lenders. Questions around funding structuring will be treated in confidence and not shared with other institutions.

13. SANCTIONS DECLARATION

The Potential Lender shall confirm in writing as outlined in Appendix 3, that:

- it is compliant with all Applicable Laws in its jurisdiction.
- it is not a Sanctioned Entity or a Sanctioned Person.
- it will not use or otherwise make available the proceeds of any contract with TCTA for the purposes of benefitting and/or financing, directly or indirectly, the activities of any person or entity which is a Sanctioned Person or Sanctioned Entity or in a country which is subject to any sanctions imposed by a Sanctioning Body.

Funding Proposals will not be evaluated until this declaration in Appendix 3 is received.

14. DISQUALIFYING CRITERIA

TCTA will disqualify Funding Proposals on any of the following conditions:

- Proposals from bidders not registered as a bank, Development Finance Institution or any bona fide registered financial institution who intend to offer the required facilities as a principal and not an agent. Proof of such registration in the form of a registration number or something similar must be provided to TCTA with the submission or on request by TCTA before the Funding Proposals will be evaluated, failure to provide timeously for evaluation to take place will lead to disqualification.
- Proposals from bidders acting only as agents or brokers for a third party (Note: TCTA does allow the syndication or selling down of loans by the successful bidders or Preferred Lenders).
- If the Potential Lender does not comply with paragraph 13 above within 5 working days from it being requested by TCTA where a Potential Lender did not provide Appendix 3 in the Funding Proposal.

15. MILESTONE DATES FOR FUNDING

Table 3: Standard Bidding Process Milestone dates

Deliverable	Targeted Milestone Dates
Standard Bidding Process (RFP)	
▪ Issue RFP to market	5 Aug 22

▪ Closing date for questions of clarifications	12 Sep 22
▪ Receive Proposals – closing date	19 Sep 22
▪ Appoint Preferred Lenders	11 Oct 22
▪ Receive Term Sheets/draft agreements from Preferred Lenders with credit approval	31 Oct 22
▪ Negotiations of agreements	27 Jan 23
▪ TCTA Board approval and sign-off	28 Jan 23
▪ Financial Close (funding available)	31 Mar 23

16. CONTRACT AGREEMENT

- 16.1. TCTA will enter into negotiations with the Preferred Lenders with a view of reaching agreement on the terms and conditions.
- 16.2. A non-disclosure and confidentiality agreement will be put in place with each Preferred Lender upon which certain documentation will be made available to conclude the approval processes.
- 16.3. The Loan Market Association (LMA) standard agreement will be used as the basis for contracting.

17. RESERVATION OF RIGHTS

It should be noted that TCTA reserves the right, in its sole and absolute discretion, not to accept any Funding Proposal or not to proceed in whole or in part with the raising of the funding facilities should its business requirements, funding strategy or approved institutional arrangements for the MCWAP project change.

18. DEFINITIONS AND INTERPRETATION

In this RFP, the following words shall, unless otherwise stated or inconsistent with the context in which they appear, bear the following meaning and cognate words shall bear corresponding meaning:

Table 4: Definitions

Commercial Paper	means the debt instruments issued from time-to-time by TCTA under the provisions of Project Commercial Paper Programmes as contemplated by Government Notice 2172 (Government Gazette Number 16167) of 14 December 1994
CPI	means the Consumer Price Index as published by Statistics South Africa from time to time

Directive	means the directives issued by the Minister to TCTA in terms of section 103 (2) of the National Water Act
DFI	means development finance institution
DWS	means the Department of Water and Sanitation
Eskom	means Eskom Holdings Limited, Registration Number 2002/015527/06, a company with limited liability incorporated under the laws of the Republic of South Africa
Exxaro	means Exxaro Coal Proprietary Limited, registration number 2000/011078/07, a company with limited liability incorporated under the laws of the RSA
Funding	means the procuring of a financial commitment from a financial institution with an obligation by TCTA to honour the debt and the associated interest payment
Funding Proposal/s	means funding proposals submitted by Potential Lenders to TCTA in response to the invitation contemplated through this RFP
Government	means the national government of the Republic of South Africa
Invitation(s)	means the invitations issued by TCTA to Potential Lenders, which invitations shall detail TCTA's Funding requirements as well as the Evaluation Criteria as contained in this RFP
Long-term	means original tenor of more than 5 (five) years
MCWAP/Project	means Mokolo-Crocodile River (West) Water Augmentation Project
MCWAP Unit Tariff/UT	means a tariff levied by DWS on the off-takers on licenced volume from the MCWAP system
Medium-term	means original tenor of a minimum of 3 (three) years and a maximum of 5 (five) years
Minister	means the executive authority responsible for TCTA; and the Minister of Water and Sanitation
MTEF	means the Medium-Term Expenditure Framework as outlined in the PFMA
National Water Act	means the National Water Act No 36 of 1998, as amended
Notice of Establishment	means the Notice in terms of Chapter 10 of the National Water Act for the establishment of TCTA, as amended
PFMA	means the Public Finance Management Act 1 of 1999, as amended
Policy	means the policy for the Sourcing of Funding as approved by TCTA's Board and amended, re-stated and replaced from time to time
Potential Lender	means any juristic person, organisation or institution that is considered by TCTA to be a potential lender, acting as a principal and not an agent of a third party, who is not on the United Nations Security Council sanctions list and is in good standing with all of its applicable laws in its jurisdiction, for the purposes of Sourcing of Funding and whose appointment shall be subject to the Policy

Preferred Lender	means any Potential Lender that has undergone and successfully concluded the process under the Evaluation Criteria
RFP	means Request for Proposal
Short-term	means an original tenor of a maximum of 3 (three) years
Sourcing of Funding	means the sourcing of funds from Potential Lenders in accordance with the Policy
Standard Bidding Process	means the bidding process for the Sourcing of Funding, which shall, save as provided otherwise in the Policy, be the default process for the Sourcing of Funding
For purposes of Paragraph 13 and Appendix 3 of this RFP the following definitions applies:	
Applicable Law	means, any law, regulation, regulatory requirement, judgment, order or direction or any other act of any Government Entity of such jurisdiction and includes any law insofar as it relates to the interpretation of any law;
Sanction List	means Specially Designated Nationals and Blocked Persons List of OFAC) and/or the UNSC), list of persons or entities suspected to be involved in terrorist related activities or the funding thereof and/or any other list of Her Majesty's Treasury and/or European Union and/or the French Ministry of Economy Finance and Industry;
Sanctioned Body	means any one or a combination of the following: <ul style="list-style-type: none"> i. the Office of Foreign Assets Control of the Department of Treasury of the United States of America; ii. the United Nations Security Council; iii. the European Union's Common Foreign and Security Policy; iv. the French Ministry of Economy Finance and Industry); and/or v. any other sanctioning body recognised by TCTA from time to time.
Sanctioned Person / Sanctioned Entity	means a person or entity sanctioned by a Sanctioning Body,
Sanctioned Jurisdiction	means a country or territory: <ul style="list-style-type: none"> i. that is listed in a Sanction List; and/or ii. in respect of which there is some form of financial or economic limitation on other persons or countries dealing with or making payments or deliveries to or receiving payments or deliveries from such country or territory, in terms of the applicable laws.

ANNEXURE A: PROJECT INFORMATION

1. DIRECTIVE AND PROJECT AGREEMENTS

On 19 May 2010, the Minister issued a Directive to TCTA, in terms of sections 74 and 103(2) of the National Water Act to raise funding for the commercial component of the Project, implement the MCWAP and manage the debt until it is fully repaid.

TCTA had to structure the Project and prepare the required Project Agreements in a consultative manner. The Implementation Agreement was signed between DWS and TCTA and Water Supply Agreements have been signed between DWS and Eskom and Exxaro to date.

2. BORROWING LIMIT

- a. TCTA is required in terms of its Notice of Establishment to request a borrowing limit from the Minister, in concurrence with the Minister of Finance.
- b. The current borrowing limit has been approved in 2019 up to March 2023 and a further extension has been applied for, which is currently under consideration by the National Treasury for recommendation to the Minister of Finance. It is standard practice that TCTA's borrowing limits are issued for periods between 2-5 years whereafter extension must be applied for.
- c. The borrowing limit for MCWAP is a combined borrowing limit which includes MCWAP-1 and MCWAP-2A to reflect the integration of debt upon Operational Declaration of MCWAP-2A. The funding sourced under this RFP will be accounted for under this combined borrowing limit.
- d. The borrowing limit reflects the maximum balance of interest-bearing debt that TCTA is allowed to have at any point in a relevant financial year in relation to MCWAP. It measures gross outstanding debt and not net debt. The borrowing limit does not limit the amount of committed funding facilities that TCTA can enter into, as it is customary to have liquidity facilities and short-term paper programmes in place, in addition to the expected peak of debt which needs to be covered from committed facilities. TCTA intends to enter into committed funding facilities for the full R 16 billion long-term and R 2 billion liquidity funding requirement through this RFP and other sources of funding as allowed for under the Policy e.g. DFIs who are not allowed to participate in commercial bidding processes, liquidity facilities such as commercial paper programmes, etc.

3. CREDIT RATING

TCTA's projects are credit rated by Moody's Investors Services. The MCWAP rating is issued for the integrated system including MCWAP-1 and MCWAP-2A, as "Aa3" Long-term Domestic Currency Issuer rating with a Stable outlook (Credit Opinion dated 19 April 2022).

4. CAPITAL COSTS

The capital cost estimate as per the Long-term Cost Plan (LTCP) approved by the TCTA's Board in 2021 is for R 12,4 billion. The final project costs can only be determined once the major construction contract has been awarded. The cost estimates are inclusive of escalation (cost at completion) and excludes VAT and funding costs. Escalation is based on an implementation programme where the main construction contract is awarded in March 2023. Project delays will impact on cost at completion estimates.

5. PROJECT COST

- a. Project Costs are all the costs incurred by TCTA and DWS in connection with the funding and implementation of the project.
- b. Interest capitalisation on the Project is capped at 15% of total Project Cost beyond completion of construction i.e. the outstanding debt should not grow above 115% of the total Project Cost as at completion of construction. Thereafter, the tariff should be set such that the annual revenue will exceed TCTA's administration costs and funding costs (interest and fees) to ensure annual reduction of debt outstanding. For the benefit of doubt, Project Cost at completion of construction includes all funding costs which have been capitalised up to that point. The 15% capping is in addition to the Project Cost at completion of construction to ensure that the liabilities backed by the national revenue fund are not growing excessively against the value of the asset for Government's balance sheet.

6. PROJECT REVENUE

- a. The abovementioned Project Costs will be financed through the debt facilities which are being sourced by TCTA through this RFP.
- b. Project revenue is a function of volume (transfer capacity) and tariff MCWAP User Tariff (MCWAP-UT) in the case of off-budget funding.

- c. TCTA has only one source of revenue/income which is payments from DWS and TCTA's right to receive payment from DWS, is derived from the Implementation Agreement as follows:
 - (i) During the implementation period, TCTA invoices DWS annually for the fiscal contribution to the social component which is settled on an annual basis; and
 - (ii) During the debt repayment period, TCTA will invoice DWS monthly for the revenue relating to Committed Commercial Users and Future Users at the MCWAP-UT. DWS will settle these invoices monthly. Invoicing is based on the transfer capacity and not on actual use/abstraction from the system.
- d. TCTA will service the MCWAP debt with the revenue received from DWS over the debt repayment period.
- e. TCTA's projects are ring-fenced from an accounting, costing, reporting, borrowing limit, funding portfolio, credit rating and revenue perspective. There is no cross-subsidisation between projects and Lenders have limited recourse to the revenue stream of the Project. The projects are not registered as separate legal entities.
- f. The MCWAP-UT is a unified systems tariff i.e., all commercial users in the MCWAP-system pay the same tariff, regardless of the resource the water is abstracted from i.e., from Phase 1 or Phase 2A infrastructure.
- g. The Water Supply Agreements between DWS and the commercial off-takers is based on a take-or-pay arrangement where DWS would charge the MCWAP-UT on each user's licensed volume and not actual use, to ensure a bankable revenue stream and reduce volatility in the tariff from changes in water demand.
- h. Should the infrastructure not be operable for whatever reason, TCTA will still be entitled to invoice DWS and DWS is obliged to still meet such payment obligations. The revenue stream to TCTA is therefore not dependent on the infrastructure being operable or the off-takers paying DWS. TCTA has DWS as a single off-taker guaranteeing 100% of the debt obligations through the implicit guarantee undertaking in the Implementation Agreement.
- i. The initial MCWAP-UT at operational declaration in December 2027 is projected at R16,74 per m³. The Water Supply Agreements and Implementation Agreement provide for annual review and adjustment of the MCWAP-UT in line with changing input assumptions, to ensure that under all circumstances, the projected MCWAP-UT will be sufficient to repay the Project Costs over the 20-year debt repayment period and the peak of debt will not exceed its capped level of 115% of total Project Cost.

- j. As the base case for projecting revenue, provision is made in the tariff review methodology for the MCWAP-UT to escalate by CPI over the debt repayment period as presented in this RFP. The tariff profile is therefore a constant tariff in real terms, but flexible to adjust annually for changes in input assumptions. These adjustments are contractually agreed to in the Implementation Agreement and Water Supply Agreements and not left to annual negotiations regarding the required adjustments.

7. FUNDING REQUIREMENTS

The projected annual cashflows can be seen in the table below. TCTA is, however, required to raise the full funding requirement upfront, and not in line with annual cashflows, as committed Funding facilities needs to be in place before TCTA can award large contracts.

Construction is envisaged to start in the 2023/24 financial year and concludes in the 2029/30 financial year. Operational declaration is envisaged as December 2027 when revenue will commence. Based on current input assumptions, it is envisaged that the debt will peak at around R 16 billion in 2034/35. The Debt Repayment Period is 20-years from Operational Declaration (2027/28) of the Project which is envisaged by 2047/48.

Table A: Projected Project Cashflows – Combined with MCWAP-1

Financial Year	Volume	Tariff	Revenue	Capital and Admin Expenditure	Interest and Fees	Debt Outstanding ¹
Year	Million m ³ /a	Rand/m ³	R' million	R' million	R' million	R' million
Cumulative to March - 22						322,3
Mar-23	22,1 ²	4,53	100,1	(242,2)	(44,0)	818,2
Mar-24	22,1	4,82	106,6	(390,5)	(19,2)	1 077,6
Mar-25	22,1	5,16	114,0	(2 038,3)	(148,2)	2 910,4
Mar-26	22,1	5,51	121,9	(3 992,4)	(527,2)	6 836,0
Mar-27	22,1	5,89	130,3	(4 343,2)	(1 144,2)	11 679,4
Mar-28	29,7 ³	16,69	495,2	(1 229,3)	(1 593,2)	13 995,9
Mar-29	89,0	17,48	1 555,5	(291,0)	(1 855,3)	14 592,5
Mar-30	89,0	18,30	1 628,6	(74,3)	(1 926,5)	14 970,8
Mar-31	89,0	19,16	1 705,1	(54,5)	(1 974,5)	15 301,1
Mar-32	89,0	20,06	1 785,3	(57,0)	(2 015,5)	15 595,0
Mar-33	89,0	20,98	1 867,4	(59,7)	(1 964,3)	15 758,4
Mar-34	89,0	21,95	1 953,3	(62,4)	(1 980,9)	15 855,6
Mar-35	89,0	22,96	2 043,2	(65,3)	(1 995,2)	15 880,3

¹ The debt outstanding includes MCWAP-1 outstanding debt as the debt will be integrated upon operational declaration of MCWAP-2A envisaged Dec 2027

² This volume relates to MCWAP-1 and the revenue is applied against the outstanding debt of MCWAP-1

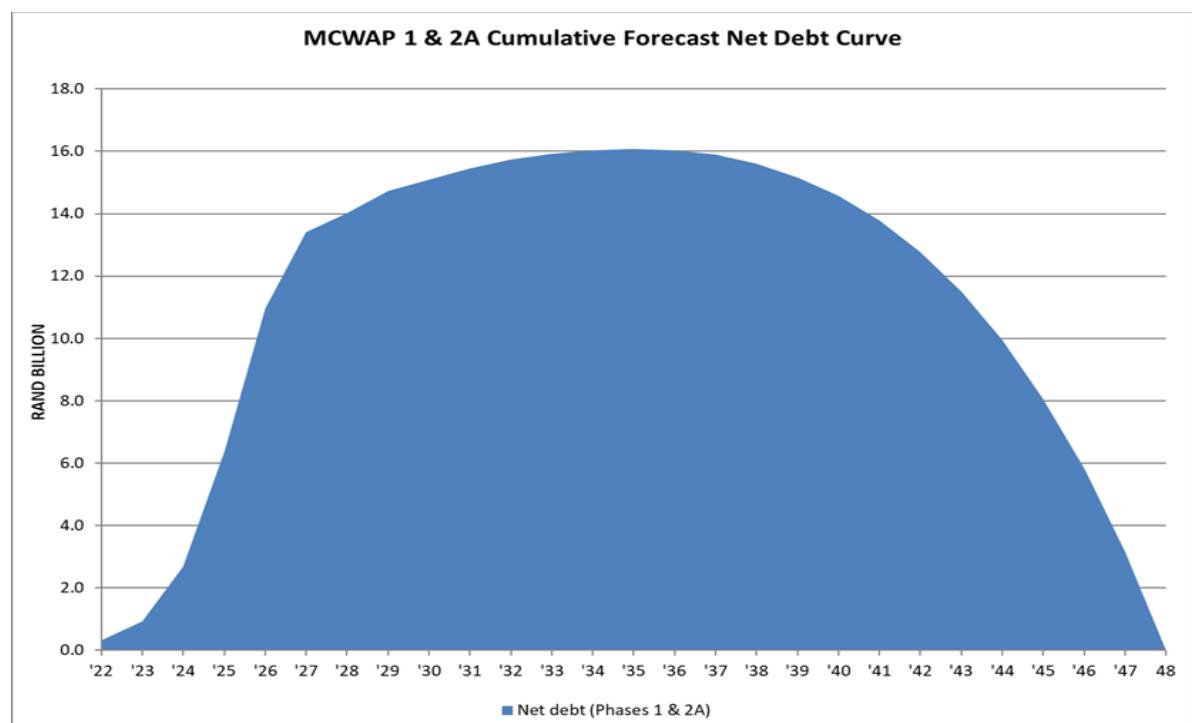
³ The volume increase from Operational Declaration in 2027/28 financial year, including 30-days debtors period. MCWAP-2A volume is in addition to existing MCWAP-1 volume. The full volume is 89 million m³/a for Committed Commercial Users and Future Users combined from the integrated system

Financial Year	Volume	Tariff	Revenue	Capital and Admin Expenditure	Interest and Fees	Debt Outstanding ¹
Year	Million m ³ /a	Rand/m ³	R' million	R' million	R' million	R' million
Mar-36	89,0	24,01	2 137,1	(68,3)	(1 995,5)	15 814,8
Mar-37	89,0	25,12	2 235,5	(71,4)	(1 984,6)	15 643,6
Mar-38	89,0	26,25	2 336,0	(74,6)	(1 930,0)	15 320,5
Mar-39	89,0	27,43	2 441,2	(78,0)	(1 887,4)	14 853,5
Mar-40	89,0	28,66	2 551,0	(81,5)	(1 827,1)	14 220,3
Mar-41	89,0	29,95	2 665,8	(85,2)	(1 746,3)	13 395,4
Mar-42	89,0	31,30	2 785,8	(89,0)	(1 641,8)	12 350,5
Mar-43	89,0	32,71	2 911,1	(93,0)	(1 490,6)	11 033,4
Mar-44	89,0	34,18	3 042,1	(97,2)	(1 327,5)	9 426,9
Mar-45	89,0	35,72	3 179,0	(101,6)	(1 129,2)	7 490,0
Mar-46	89,0	37,33	3 322,1	(106,1)	(890,8)	5 176,8
Mar-47	89,0	39,01	3 471,6	(110,9)	(606,6)	2 435,2
Mar-48	59,3	40,76	2 418,5	(77,3)	(195,3)	0,0

8. PROJECTED DEBT CURVE

Upon Operational Declaration of MCWAP-2A, the outstanding debt of MCWAP-1 (if any) will be integrated with the debt of MCWAP-2A and the MCWAP-1 agreements will fall away. A single systems capital tariff will be charged to repay the combined debt within 20-years from Operational Declaration of MCWAP-2A. MCWAP-1 debt is expected to be repaid or close to repayment by 2027/28 at levels below R 500 million.

Below is the projected debt curve for the integrated debt.



9. INSTITUTIONAL ARRANGEMENTS

a. High-level overview of the Institutional Arrangements

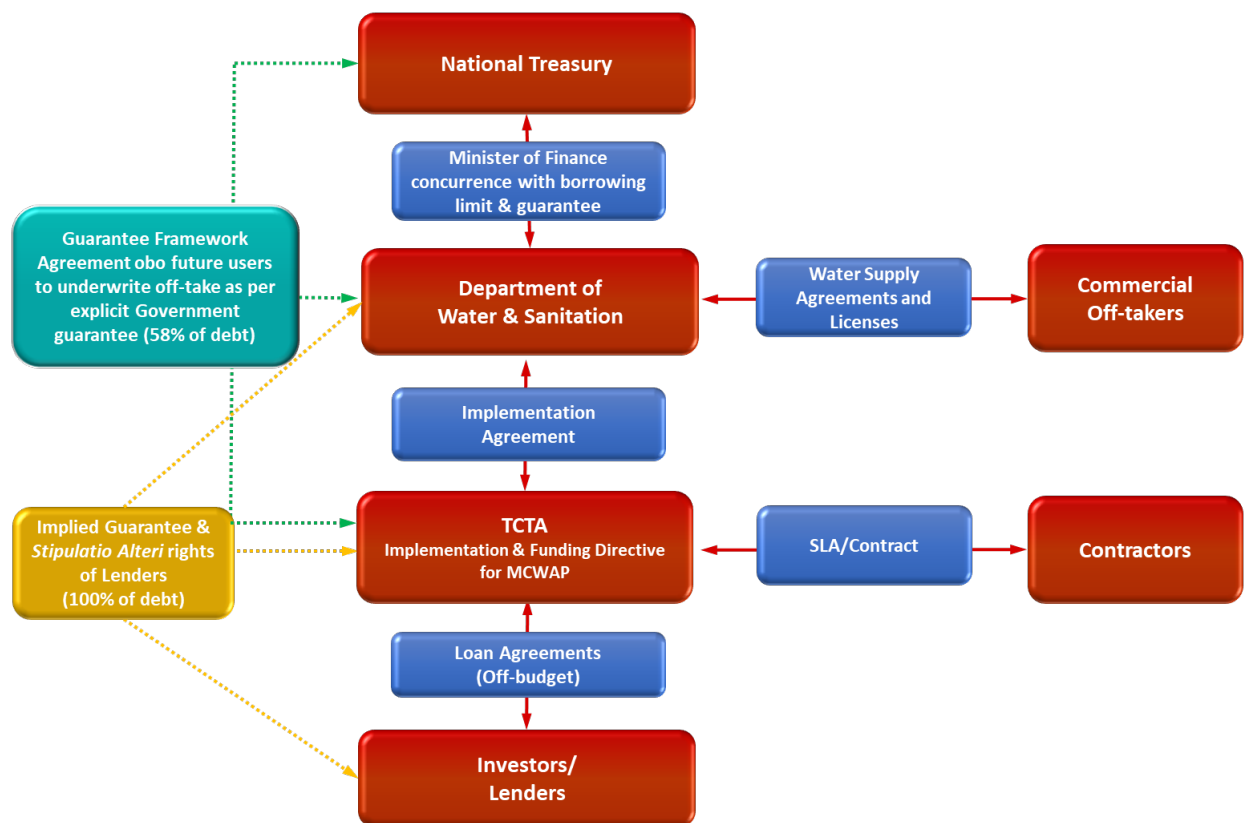


Figure 1: High-level overview of the MCWAP Institutional Arrangements

b. Main Project Agreements

- **Implementation Agreement** between DWS and TCTA to govern the implementation of the project as well as the income arrangements between DWS and TCTA and the implied guarantee undertakings by DWS for all of TCTA's indebtedness to the Lenders.
- **Water Supply Agreement** between DWS and commercial off-takers to cater for the water supply terms and conditions and tariff principles where off-takers are charged on their licenced volume on a take-or-pay basis.
- **Guarantee Framework Agreement** between National Treasury, DWS and TCTA to govern the committed funding obligations on the fiscus with regards to the uncommitted off-take and the monitoring and reporting requirements between the parties. No explicit government guarantees will be issued to Lenders and all Lenders will be treated *pari passu* on security arrangements.

The Implementation Agreement and Water Supply Agreements are back-to-back agreements where the tariff determination is the same in both agreements.

c. **Key Terms of the Implementation Agreement between DWS and TCTA**

TCTA is a special purpose vehicle and can therefore not assume risks as it is a non-profit taking organisation and does not have reserves to provide for risks. Risk is therefore transferred by means of contractual arrangements to the parties best suited to manage such risk during the project structuring phase. Following are the key terms of the Implementation Agreement:

- (i) The Department of Water and Sanitation (DWS) is the owner of the project and post construction, the project will reflect on the balance sheet of DWS as an asset.
- (ii) As the owner of the infrastructure, DWS is responsible for the asset management including operations and maintenance of the project in accordance with national water infrastructure classified as Government Waterworks in the National Water Act.
- (iii) The Minister of Water and Sanitation appoints TCTA as the implementing agent on behalf of DWS and inter alia obtains concurrence from the Minister of Finance with TCTA's borrowing limits, guaranteed undertakings, entering into financial obligations through the Implementation Agreement with TCTA that binds the national revenue fund. Also obtain approval for DWS to bear the risk of loss or damage to the infrastructure instead of taking out commercial insurance.
- (iv) DWS provides fiscal funding for the social component of the project and applies annually for the required allocations through the MTEF process.
- (v) DWS pays TCTA monthly in accordance with the Implementation Agreements to enable TCTA to redeem the debt over the Debt Repayment Period.
- (vi) DWS includes the funding required by TCTA to service the debt, expressed as a tariff, in the annual tariffs set by the Minister.
- (vii) Like on all other projects funded off-budget by TCTA against Implementation Agreements with DWS, DWS equally provides an implicit guarantee to TCTA on MCWAP, whereby DWS will at all times put TCTA in a position to meet its obligation to the lenders and contractors. A "step-in" is provided for, should TCTA not be able to meet such obligations.
- (viii) As part of the funding strategy of MCWAP-2A, the Minister approved an explicit government guarantee to underwrite off-take for capacity provided for Future Users who are not yet identified to commit to off-take at the inception of the project but will require water from MCWAP to develop the Waterberg area in future. Apart from revenue relating to the Committed Commercial Users, DWS will pay TCTA monthly for the capacity provided for Future Users from the Operational Declaration of MCWAP-2A.

This guaranteed off-take obligation under the guarantee to “stand in” for Future Users, will reduce as and when future off-takers commit to the Project until such time as the entire transfer capacity of the Project is allocated and off-take agreements are effective. The guarantee will be for the indirect benefit of the Lenders to ensure that DWS will be in a position to meet its obligations to TCTA. No explicit guarantee will be issued to any Lender to MCWAP. It is only approved to confirm the commitment on the fiscus for the uncommitted off-take between DWS, National Treasury and TCTA.

d. *Stipulatio Alteri* Provision

The Implementation Agreement contain, amongst others, *stipulatio alteri* provisions for the benefit for TCTA third parties (i.e. funders and contractors). The *stipulatio alteri* provisions serve as security to such third parties for any default by TCTA in fulfilling its obligations thereto in the pursuance of its funding and implementing obligations. The security structure contained in the Implementation Agreement allows for an implicit guarantee whereby TCTA borrows funding for the implementation of a specific project and DWS undertakes and commits to ensure that TCTA is always sufficiently funded to meet its financial obligations to the third parties. Should TCTA be unable to fulfill any of its obligations to its lenders and contractors, DWS shall step into the shoes of TCTA and take over such obligations with the third parties directly. As such third parties (more specifically, the Lenders) are not party to the Implementation Agreement and in order to accept and have the ability to enforce the implied guarantee provisions, Lenders conclude and sign the *Stipulatio Alteri* benefits acceptance letters to accept their rights in terms of such stipulations in the Implementation Agreement. The letter, which form part of the security documents for the respective loans, are signed by each Lender and addressed to DWS.

e. Revenue Stream

- (i) TCTA’s right to receive revenue is derived from the Implementation Agreement which carries the concurrence of the Minister of Finance to bind the national revenue fund.
- (ii) TCTA has DWS guaranteeing 100% of the debt obligations through the implicit guarantee by providing TCTA with a revenue stream sufficient to meet its financial obligations.

- (iii) This right to future revenue is reflected in TCTA's financial statements as an asset under Tariff Receivables against the funding liabilities raised to implement the Project.
- (iv) DWS has the direct relationship with the off-takers and is responsible for water supply to them and collection of revenue from such off-takers. TCTA has no direct contractual relationship with the off-takers and is not exposed to off-take risk or revenue risk, which is assumed by DWS, with the concurrence of the Minister of Finance as it binds the National Revenue Fund (in terms of section 66 and 70 of the PFMA).

f. Ownership and Insurance

- (i) TCTA does not own the physical project assets, as DWS is the owner of national water infrastructure.
- (ii) Since DWS is the owner of the assets, DWS is responsible for *inter alia*, operations and maintenance of the infrastructure as a Government Waterworks in accordance with the National Water Act and compliance with environmental authorisations and regulations relating to the infrastructure and the land on which it is situated.
- (iii) In terms of Section 66(2) of the PFMA, the Minister of Finance concurs on request from the Minister of Water and Sanitation, that the Department of Water and Sanitation may bear the risk and loss for damage to any TCTA project funded infrastructure. There is therefore no commercial insurance on the assets during debt repayment. In an event of disaster or damage to the asset, the debt servicing through the implied guarantee will continue either by TCTA or DWS directly. Debt service coverage in an event of disaster/damage is therefore not dependent on the infrastructure being operable.
- (iv) During the project implementation stage, TCTA's appointed consultants procure their own Professional Indemnity (PI) insurance. TCTA procures Principle Controlled insurance (PCI) in terms of TCTA's policy as a co-insured party with the contractor, which includes SASRIA, Contractors All Risk (CAR) and Public Liability (PL). The contractor is liable for deductibles should there be a claim.

ANNEXURE B: TECHNICAL PROJECT DESCRIPTION

1. PROJECT DESCRIPTION

MCWAP-1 is a water transfer project co-funded and implemented by TCTA to convey water from the existing Mokolo Dam near Lephalale to provide water to Eskom's Matimba and Medupi power stations, Exxaro Coal Complex (to supply coal to Eskom), and to Lephalale Local Municipality for immediate needs. The available allocable yield from the Mokolo River System is fully allocated and cannot accommodate the full future demand to Medupi power station as well as any further industrial development in this area. The dire need to augment water supply remains to trigger further industrial development in this area. Construction started in 2012 and water delivery was achieved by June 2015. The approved project budget is R 2 139 million which includes refurbishment of the existing infrastructure at the cost estimate of R 500 million. This infrastructure was owned by Exxaro and incorporated by DWS as part of the Government Waterwork under MCWAP-1. The project partners are still considering whether the refurbishment will be implemented.

MCWAP-2A is intended to augment the MCWAP-1 by transferring water through a pipeline from the Crocodile River (West) to the Waterberg Coalfields to address the water needs of the Municipality as well as the much needed water for industrial development which is mostly driven by energy generation and coal mining. MCWAP-2A is also required to ensure the required assurance of supply needed by the strategic users (power stations and the associated coal supplies) in case of a hydrologic failure during drought or another unforeseen event. With Medupi completed, 20% of the country's generating capacity would be situated in the Lephalale area. The estimated capital cost for a 75 million m³/a transfer capacity is R 12 362 million in nominal terms based on a December 2027 water delivery programme.

The full available yield of MCWAP-1 is allocated between Eskom, Exxaro and Lephalale Local Municipality. No further allocations can be made from this resource. The augmentation from MCWAP-2A is to achieve a total supply of 103,4 million m³/annum and increase the assurance of supply to the current MCWAP-1 users which is dependent on a single resource at the moment, resulting in an unacceptable increased risk of supply to these strategic users.

The table below outlines the demand and supply between the two phases of the project:

Table: Supply from different resources

	Demand	Supply
	million m ³ /a	million m ³ /a
MCWAP-1	29,3	29,3
MCWAP-2A	73,86	75,0
Total System	103,16	104,3

2. INFRASTRUCTURE DESCRIPTION

The MCWAP-2A infrastructure is envisaged to comprise the components listed below:

- The new Vlieëpoort Abstraction Works (Vlieëpoort Weir and associated water abstraction works) on the Crocodile River (West) at Vlieëpoort;
- A low-lift pumping station and pipeline to convey water to the balancing dams and appropriate sediment disposal facilities;
- A high-lift pumping station and rising main pipeline (approximately 29 km) to the break pressure reservoir located on the farm Leeuwbosch;
- A gravity main pipeline (approximately 128 km) from the Leeuwbosch break pressure reservoir to terminal points close to Medupi Power Station and Steenbokpan, including an operational reservoir located on the farm Zoutpan south of Steenbokpan; and
- Infrastructure to enable off-takes at the Point/s of Supply.

The MCWAP-2A also includes a river abstraction and management system to control water abstractions and flows into the Crocodile River (West) between Hartbeespoort Dam and Vlieëpoort Abstraction Works, including the releases and spills from such works, the Moretele River from Klipvoor Dam to the confluence with Crocodile River (West) and the Elands River from Vaalkop Dam to the confluence with the Crocodile River (West).

3. RATIONALE FOR MCWAP-2A

The MCWAP-2A project is key for unlocking the mineral wealth in the Waterberg as envisaged in the Strategic Integrated Project 1 (SIP-1) by the Presidential Infrastructure Coordinating Commission (PICC). The MCWAP forms part of the proactive planning by the DWS to ensure future availability of water to strategic industrial and urban developments in the Lephalale area. In July 2020, the project was designated under SIP-19 through the Infrastructure Development Act, 2014, reaffirming its importance in the national infrastructure agenda.

The Waterberg Coalfields in Lephalale are estimated to have 53% of South Africa's total coal reserves. The Grootegeluk Coal Mine owned by Exxaro, is the largest open cast mine in the country with the largest coal beneficiation activities in the world. Additional water from MCWAP-2A is required to provide Eskom with a second water source to run their two Waterberg power stations, Medupi and Matimba. This water is to further provide Medupi Power Station with enough water to operate the additional three FGD units and Matimba Power station to operate their 6 FGD units, which could not be supplied from the MCWAP-1 pipeline. The coal extracted is immediately saleable generating tax revenue, energy security, economic growth, and job creation.

The Lephalale municipality within which the MCWAP-2 is located grew from just under 50 000 people to the current 140 000 within a decade. It is estimated that Lephalale will need between 20 000 and 30 000 housing units in the next five years, at current growth and inward migration rates. The GDP of the municipality is R14.8 billion, up from R5.9 billion in 2008. Lephalale contributes 22.5% to the GDP of the district. It also contributed 13% to the province's GDP and 0.3% to the country's GDP. The mining sector is the largest contributor to the local economy at R9.2 billion or 66.1% of the total Gross Value Added (GVA) and electricity contributes 8.7%. The agricultural sector accounts for about 14.7% of Lephalale's total employment. Therefore, the MCWAP-2A is therefore a necessary project to enable the growth of the economy within the municipality and the province.

4. CONTRIBUTION TO THE ECONOMY

The project conforms to the "whole of society and economy" approach as follows (extracted from DWS submission to the Budget Facility for Infrastructure in case of market failure):

- **Energy Security:** Matimba (3 600 MW generation capacity) and Medupi (4 800 MW) represent some of the largest power stations in South Africa. The security of supply of these two power stations is crucial for continued uninterrupted energy supply as well as preventing rolling load shedding. Implementing MCWAP-2A will ensure that capacity from these two power stations will not be impacted by water availability.
- **Increasing water supply:** MCWAP-2A will add 75 million m³/a to the Mokolo River System, with the entire MCWAP system yield growing to ±105 million m³/a. The project is essential to meet growing demands especially for mines, industries and municipal sectors, as already indicated. This benefits all users in the project area and externally through inter-catchment transfers.
- **Job creation and skills development:** It is envisaged that many people will benefit from jobs and skills development during and post construction of project and associated infrastructure. At the peak of construction, the project is expected to create 2 000 jobs. It is expected that 26 507 jobs (direct and indirect) will be associated with developments in the project area by 2025, growing to 28 907 by 2050.
- **Households provided with water in Lephalale:** There were approximately 6 400 permanent households in Lephalale town in 2010. This number is expected to increase from approximately 7 430 in 2025 to 9 529 in 2050, assuming a 1% growth rate.

5. POSITIVE IMPACTS

- **Employment and Decrease in Local Unemployment Levels:** The scheme will provide sufficient water which will allow the surrounding mines and industries to grow at the desired pace, thus bringing an increase in mining activity, as well as increasing employment and thus decreasing the local unemployment level.
- **Increase in New Business Sales:** The increased employment expected will impact positively upon the regional and local economy. Increased employment is associated with increased income and consequently with increased buying power in the surrounding area, thus leading to new business sales to accommodate the increased demand for services and goods. The employees will likely spend more, thus more money will be injected into the economy.
- **Increased Government Income and Stimulation of Local Economy:** The potential positive economic benefits such as increased financial spending, increased infrastructure investment, increased expenditure by employees, etc. are likely to result in increased markets for the sale of local goods for the new employment (permanent and temporary) that will be created and the direct future employment by the mines and industries. The supply of water can thus be seen as an economic injection to the area, that will ultimately lead to increased government income, through an increased tax base, and increase the capacity of the local municipality to increase and/or improve social service support actions and local spending.
- **Increased Standards of Living:** The multiplier or spin-off effects from this economic activity will improve standards of living, decrease dependence on government grants, increase disposable income and the ability to purchase additional goods and/or establish other business enterprises. Apart from having the potential to create occupational opportunities, the stimulation of economic growth in the region will attract other commercial activities, resulting in indirect local benefits in the form of job opportunities in other sectors and industries.

6. PROJECT LOCALITY

The figure below outlines the project area and the project lay-out between the two sub-phases. The MCWAP-2A project area extends from the Vlieëpoort Abstraction Works on the Crocodile River (West) northwards to Steenbokpan and then eastwards to the point of supply situated close to the Matimba Power Station in the Mokolo River catchment. The Vlieëpoort Abstraction Weir, which straddles the farms Hanover 667, Donkerpoort 344 and Mooivallei 342, is located approximately 10 km west of Thabazimbi. Figure 1 depicts the layout and phasing of the MCWAP-1 and MCWAP-2A.

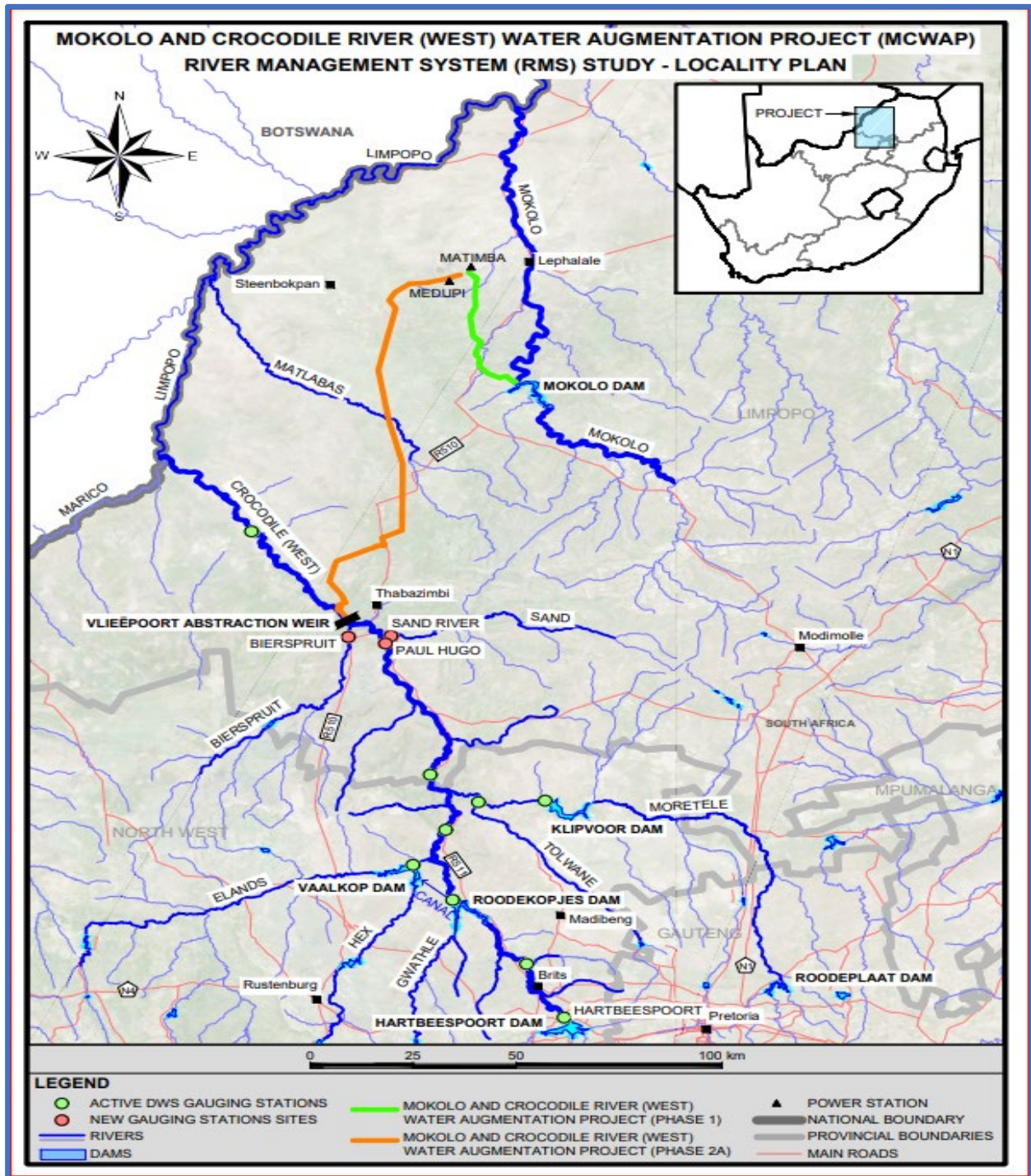


Figure: Map of the Project Area and Project Layout

- The pipeline servitude** will mainly run alongside various existing roads, power lines and the railway line. Along such sections of the route, the socio-economic impact of the pipeline is expected to be minimal. Most of the land that will be affected by the pipeline servitude is currently natural pasture (agricultural land with bushes and shrubs). During construction, the owners of the affected farms will experience a loss of either cultivated or pastoral land. The permanent servitude will, however, not be fenced and the owners will be able to regain use of the land after construction.

- **Aesthetic impacts** on the surrounding landscape will most notably occur during the construction phase, since the pipeline is below ground, except for the valve and access chambers. The visual impact is far less marked than had it been situated above ground. During operation, the only visual impact will be gravel access roads and valve chambers along the pipeline. The visual impact during the operation phase is thus relatively smaller. The permanent infrastructure at the Abstraction Works, Break Pressure and Operational Reservoir sites is located above ground and covers vast areas. These facilities will result in a permanent aesthetic impact that will be difficult to mitigate.

7. SYSTEM INTEGRATION

Although the system is implemented in a phased manner, the water system will be managed on an integrated systems basis from a technical, operational and financial point of view. The integration is underlined by the following:

- **Technical / Operational:** The system was planned to provide the required assurance of supply from an integrated system from Mokolo Dam and the Crocodile River pipeline. Some users will therefore be provided from either the Mokolo Dam side or Crocodile River side, as the water balance would require at a given point in time, also considering the specific intake water quality requirements of some users such as Matimba Power Station and Lephalale Municipality's Zeeland Water Treatment Plant;
- **Tariffs:** The tariffs payable by users from MCWAP-1 and MCWAP-2A will be on an integrated systems tariff basis i.e. a unified tariff to all commercial users. The Water Supply Agreement for MCWAP-2A was negotiated based on an integrated basis. This approach is in line with other water systems in the country e.g. Vaal River System, Western Cape Water System and Mooi-Mgeni Transfer System. It is also aligned with the review of the institutional design of the water sector to establish sustainable water systems where the cost of providing water is spread amongst a larger user base; and
- **Funding:** The funding for MCWAP-1 and MCWAP-2A is on a combined funding approach to take account of the funding already invested under MCWAP-1 by both DWS from the fiscus and the users from loans.

8. PROCUREMENT

- **Professional Services:** Professional service providers (PSP) was procured on a competitive basis in accordance with South African legislation and the applicable policies and guidelines. Their participation goals complied with the applicable BBBEE laws and regulations. The PSP completed Environmental Specialist Studies, which

addressed all conditions of the Environmental Authorisation. These studies informed the Tender Design, which is now complete, and ready to be used for the procurement of the construction contractor.

- **Construction Contractor:** The construction contractor will be procured on a competitive basis in accordance with South African legislation and the applicable policies and guidelines. Tender documents based on the forms of contract recommended by the Construction Industry Development Board (CIDB) for use in construction procurement in the public sector will be prepared and publicly advertised (potentially internationally if required by funding institutions) to ensure competitiveness, fairness and transparency in accordance with supply chain management policy. Participation goals for targeted enterprises will be set in accordance with BBBEE laws and regulations.

ANNEXURE C: MCWAP MINISTERIAL DIRECTIVE



MINISTRY
WATER AND ENVIRONMENTAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

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Ref: 3/1/7/13
14/2/A200/4/3

Dr Snowy Khoza
The Chairperson
Trans-Caledon Tunnel Authority
PO Box 10335
CENTURION
0046

Dear Dr Khoza

MOKOLO AND CROCODILE RIVER (WEST) WATER AUGMENTATION PROJECT (MCWAP): DIRECTIVE IN TERMS OF THE NATIONAL WATER ACT, 1998 (ACT NO. 36 OF 1998) TO CO-FINANCE AND IMPLEMENT PHASE 1, SUB-PHASE 2A AND PHASE 3 OF THE PROJECT

It has become necessary to augment the water supply to the Waterberg Coal Fields in the Lephalale area in the Limpopo Province in order to meet the expected rapid growth in water requirements in the area. This growth is in response to the RSA's increasing energy needs. The construction of Eskom's Medupi Power Station is already in progress and the construction of further power stations by Eskom and Independent Power Producers (IPPs) in the area is likely. Sasol also commissioned a feasibility study to investigate Project Mafutha, a plant to produce liquid fuel from coal. As a result, the water requirements in the area could increase between five and ten times the current use by 2030.

The Mokolo and Crocodile River (West) Water Augmentation Project (MCWAP) involves a combination of optimal utilisation of local water resources and transfer of surplus return flows from the Crocodile River (West) and Vaal River catchments. The Project is phased and the main components proposed for the different phases are the following:

- a) **Phase 1:** Construction of a new pipeline next to the existing pipeline from the Mokolo Dam to Lephalale, including a new pumping station at the dam. The existing system that supplies water from the Mokolo Dam to Lephalale Town, Eskom's Matimba Power Station and Exxaro's Grootegeluk Mine is owned and operated by Exxaro and some components need to be incorporated into the Project to allow operation of the scheme as an integrated system.

- b) **Phase 2:** A transfer system from Vlieëpoort near Thabazimbi on the Crocodile River (West) to the Steenbokpan and Lephalale areas where the new developments are proposed. A dual pipeline system (**Sub-phases 2A and 2B**) is foreseen, with the second pipeline and additional pumping capacity to be constructed at a later stage.
- c) **Phase 3:** An abstraction and river flow monitoring system needs to be implemented on part of the Crocodile River (West) to monitor abstraction from the river section between the Hartbeespoort Dam and Vlieëpoort, to enable the uninterrupted availability of water at Vlieëpoort.
- d) **Phase 4:** A transfer system from outfall works on the Klip River in the Vaal River catchment to the headwaters of the Crocodile River (West) to meet shortfalls in the Crocodile River. The details of this scheme must still be determined following further investigation. **This phase is thus not included in this Directive.**

In view of the need for the rapid implementation, I hereby direct the Trans-Caledon Tunnel Authority (TCTA), in terms of section 103(2) of the National Water Act, 1998 (Act No. 36 of 1998), to co-finance and implement **Phase 1, Sub-phase 2A and Phase 3** of the Mokolo and Crocodile River (West) Water Augmentation Project.

TCTA is advised that I declared the water use by Lephalale Municipality as a "social use" in accordance with paragraph 7.1 of the standing Water Pricing Strategy for Water Use Charges promulgated in terms of section 56(1) of the National Water Act, 1998 (Act No. 36 of 1998). A funding contribution for the social component of the project will thus be procured from the fiscus. The Department of Water Affairs (DWA) has secured an allocation for this aspect on its budget for new infrastructure.

This directive is subject to the following terms and conditions:

1. TCTA to secure and utilise funding from the fiscus for the social portion of this project in consultation with the DWA and the National Treasury, and to raise the balance of the capital cost of each phase from the market to fund the commercially viable portion of this project.
2. TCTA to obtain the National Treasury's concurrence with the model for raising of project funding for the commercially viable portion of the project in addition to the processes prescribed by the Public Finance Management Act, 1999 (Act No. 1 of 1999).
3. TCTA shall work on the basis that for Phase 1 of this project, a commercial funding contribution shall amount to at least 75% of the capital cost of Phase 1 of this project. DWA shall advise TCTA in writing about the split between the social and commercially viable portions of the subsequent phases of this project at appropriate times.
4. The works must be constructed as government waterworks in terms of section 109 of the National Water Act, 1998 (Act No. 36 of 1998).
5. Relevant current best practices, and where applicable, international standards, shall be applied for the design, construction, supervision and operation of the works, taking due account of the local conditions and DWA's requirements.
6. Whereas DWA is responsible and will lead the process of obtaining environmental authorisation of the project from the Department of Environmental Affairs, TCTA shall provide assistance as requested by DWA during the environmental impact assessment currently underway and ensure compliance with such environmental authorisation, once obtained.
7. As the project is a high priority national project it should be implemented on a fast-track program. In order to meet the projected demand for water, all reasonable steps shall be taken to ensure delivery of water in accordance with the agreed growth in demand and in terms of the program in the water supply agreements to be concluded with the users.
8. TCTA shall ensure that Phase 1 is commissioned by no later than 31 March 2013 to meet the water delivery date of the users.

A programme for the commissioning of other phases of the project shall be by agreement with the water users and DWA. TCTA is to ensure that Phase 3 is operational at least 18 months prior to the commissioning of Sub-Phase 2A in order to allow sufficient testing of the system before the first transfer of water.

9. Water supply agreements must be concluded between DWA and the water users such as Eskom, Sasol, Exxaro, the Water Services Authority and other prospective water users. TCTA shall facilitate negotiation with the respective water users for that particular phase and prepare draft agreements to meet the deadlines, including supporting documentation.
10. For Phase 1 it is expected that TCTA shall primarily engage Eskom, Exxaro and the Lephalale Municipality for purposes of concluding agreements to support the funding model and shall implement this phase as a distinct project in compliance with this directive with its own specific financing and institutional arrangements. Where appropriate phases subsequent to Phase 1 shall be implemented in a similar manner.
11. TCTA shall continue to support DWA as needed during the finalisation of the planning process for this project and the preparation for implementation of the various phases.
12. TCTA shall assist DWA to identify and explore institutional arrangements and appropriate measures that would improve the affordability of water for municipal users, and advise on the implementation of such measures.
13. An Implementation Agreement between DWA and TCTA setting out clear lines of responsibility for the project must be concluded within six (6) months of the date of this directive.
14. The funding strategy for the project must be fully aligned with the water supply agreements, the Implementation Agreement and the provisions of the standing Water Pricing Strategy for Water Use Charges in terms of section 56(1) of National Water Act, 1998 (Act No. 36 of 1998). Water tariffs to be determined on the basis of water supplied from a scheme or system.
15. Implementation (design and construction) shall meet the requirements of the Record(s) of Implementation Decisions (RID) to be issued by DWA for the different phases of the project.
16. The initial stages of design (possibly up to completion of the tender design stage), shall be undertaken with funds procured by using the approved three-year bridging funding facility of R250 million, as well as funds allocated for the social component of this project on the DWA budget for new infrastructure.
17. Construction of a phase or phases shall only proceed once the water demands are committed to in signed water supply agreements with the users.
18. TCTA shall accommodate Departmental staff who may be assigned to the project from time to time to ensure that their respective organisational resources are pooled in a manner that will optimise implementation of the project and build capacity for the management of the national water resources infrastructure. Secondment agreements may be entered into by the parties as may be appropriate and the Department's construction unit may be involved in the construction by mutual agreement between TCTA and DWA.
19. TCTA shall undertake the establishment of the institutional arrangements and processes to ensure meaningful participation by DWA, Eskom, Sasol, Exxaro, the municipalities and other bulk users. TCTA will provide a forum to engage the collaborative efforts of the major stakeholders to advise on strategic and operational issues of MCWAP to advance the TCTA implementation activities.
20. The institutional arrangements shall take into consideration all applicable legislation such as the National Water Act, 1998 (Act No. 36 of 1998), the Water Services Act, 1997 (Act No. 108 of 1997), the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) and the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005).

21. DWA shall be responsible to manage, operate and maintain the project after operational declaration but it is at liberty to appoint a delegated authority or agent to perform such duties. If requested by DWA, TCTA shall assist in the determination of the optimal operational requirements and conclusion of the necessary agreements required for such appointment.
22. After the taking-over certificates of the components of the MCWAP are issued by the engineer to contractors and acceptance by DWA, such components shall be deemed to be operational and DWA shall, at its own cost and risk, manage, operate and maintain such components in accordance with international best practice.
23. The relevant existing raw water infrastructure belonging to Exxaro or components thereof shall be acquired and incorporated into the MCWAP in terms of section 109 of the National Water Act, 1998 (Act No. 36 of 1998), and agreements must be concluded for the fair compensation of the assets as part of Phase 1 of the MCWAP. In doing so the continued management, operation and maintenance of such infrastructure must also be addressed to facilitate a seamless transition of duties until DWA takes over the tasks as described in item 21 without impacting negatively on water supply to existing users.
24. All project implementation actions shall comply with applicable South African legislation and codes of conduct.
25. Land rights for the project shall be acquired and registered in accordance with South African statutes and all associated costs shall form part of the project costs.
26. The project must be implemented in the most efficient manner with due regard to cost, timing and reliability.
27. TCTA's communication strategy on the project needs to reflect the respective roles and responsibilities of DWA, TCTA and the water users.
28. Progress reports on the project shall be submitted to me every six months as well as on an ad hoc basis on issues that require my attention, support and intervention.

In order to enable TCTA to immediately proceed with tender design, the Director-General of my Department provided an interim mandate to TCTA on 5 June 2009 to procure the engineering services required for the implementation of the project. I hereby condone and support the said interim mandate.

Should the Water Supply and Implementation Agreements not be concluded successfully or the MCWAP does not proceed for whatever reason, DWA will reimburse TCTA all reasonable costs incurred in the execution of the directive, including TCTA's administration costs.

I hereby further authorise the TCTA in terms of section 109 and section 64(1) read with sub-sections 64(2), 64(3) and 64(4) of the National Water Act, 1998 (Act No. 36 of 1998), to acquire and register land rights required to implement the MCWAP.

I wish you success with this important assignment.

Yours sincerely



MS BP SONJICA, MP
MINISTER OF WATER AND ENVIRONMENTAL AFFAIRS

DATE: 2010-05-19

Cc Chief Executive Officer: Trans-Caledon Tunnel Authority

RESPONSE TO REQUEST FOR PROPOSALS

In order to respond to this Request for Proposals, please include the following attached Appendixes in the Funding Proposal submission:

- **Appendix 1**: Acknowledgement of the RFP
- **Appendix 2**: Proof of registration
- **Appendix 3**: Sanctions Declaration
- **Appendix 4**: Funding Proposal and indicate level of approval

APPENDIX 1: ACKNOWLEDGEMENT OF THE RFP: TCTA/PF&T/MCWAP/2022/01

Acknowledgement

We, _____ (name of Potential Lender),
through our duly authorised representative, acknowledge that we have read, understand
and accept the contents of the Request for Proposals in its entirety, and our submission
constitutes a response thereto.

Name of Authorised Representative

Signature

Date

APPENDIX 2: PROOF OF REGISTRATION

Please provide **Proof of Registration** from the Financial Services Board (FSB) or similar registration for lenders who are not necessarily registered under the FSB for local lenders, or equivalent for foreign lenders.

APPENDIX 3: SANCTIONS DECLARATION

Potential Lenders can either sign the declaration as provided below, or provide a similar declaration if the Potential Lender has a standardised response in this regard, as long as it addresses all the requirements as outline in paragraph 13 of this RFP.

We, _____ (name of Potential Lender),

through our duly authorised representative, declare that we:

- are compliant with all Applicable Laws in its jurisdiction; and
- are not a Sanctioned Entity or a Sanctioned Person; and
- will not use or otherwise make available the proceeds of any contract with TCTA for the purposes of benefitting and/or financing, directly or indirectly, the activities of any person or entity which is a Sanctioned Person or Sanctioned Entity or in a country which is subject to any sanctions imposed by a Sanctioning Body.

Name of Authorised Representative

Signature

Date

APPENDIX 4: FUNDING PROPOSAL/S

1. Please provide funding proposals.

No prescribed template is provided by TCTA to allow Potential Lenders to provide internally approved lay-out of term sheets. **However, please ensure that the Funding Proposal contains all the financial information required to evaluate as outlined in this RFP.** Items not included in the Funding Proposal, will not score points as TCTA will not be approaching Potential Lenders for missing information.

2. Please indicate the level of approval within your organisation/establishment attached to the Funding Proposal/s provided under this RFP.