



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 consumer.

TCTA is based in Centurion.

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

REQUEST FOR PROPOSALS (RFP)

RFP NO: TCTA/LOANS/BRVAS/2023/01

**SOURCING OF LOAN FACILITIES FOR THE BERG RIVER-VOËLVLEI AUGMENTATION
SCHEME (BRVAS)**

RFP Issue Date: 05 JULY 2023

TABLE OF CONTENTS

1.	SPECIAL CONDITIONS OF REQUEST FOR PROPOSALS.....	3
2.	INTRODUCTION TO TCTA.....	4
3.	REQUEST FOR PROPOSALS	4
4.	BACKGROUND.....	5
5.	CRITICAL TIMELINES	8
6.	SUBMISSION OF PROPOSALS	8
7.	EVALUATION OF PROPOSALS AND SELECTION OF FUNDING PORTFOLIO	9
8.	ENQUIRIES AND FURTHER INFORMATION	13
9.	SANCTIONS DECLARATION	14
10.	DISQUALIFYING CRITERIA.....	15
11.	RESERVATION OF RIGHTS	15
12.	CONTRACT AGREEMENT.....	15
13.	DEFINITIONS AND INTERPRETATION.....	15
	APPENDIX 1: ACKNOWLEDGEMENT OF THE RFP	18
	APPENDIX 2: PROJECT OVERVIEW AND INSTITUTIONAL ARRANGEMENTS	19
	APPENDIX 3: TARIFF MODEL KEY ASSUMPTIONS AND OUTCOMES	22

1. SPECIAL CONDITIONS OF REQUEST FOR PROPOSALS

RFP Number	RFP NO: TCTA/LOANS/BRVAS/2023/01
Title of this RFP	Sourcing of Loan Facilities for the Berg River-Voëlklei Augmentation Scheme (BRVAS)
RFP Issue Date	05 JULY 2023
Clarification*	NB: Kindly send all clarification questions to BRVAS-EOI@tcta.co.za .
Compulsory Briefing Session	N/A
RFP Closing Time & Date	16 AUGUST 2023 at 18h00 (South African Time)
Validity Period	180 calendar days commencing from the RFP closing date.
Expression of Interest*	Parties interested in submitting a proposal in response to this RFP must indicate their interest by writing to TCTA on or before 18 July 2023 , providing TCTA with their proof of registration as a bank, Development Finance Institution or any <i>bona fide</i> registered financial institution acting as principal and not an agent and confirming that they are compliant with all applicable laws in their jurisdiction and are not a sanctioned entity as per clause 9 of this RFP. This communication must be delivered to TCTA through electronic mail to the following e-mail address: BRVAS-EOI@tcta.co.za . Proposals received from any parties who have not submitted this information shall not be considered for evaluation.
Proposals Submission**	Proposals shall be delivered through electronic mail to the following e-mail address: BRVASproposals@tcta.co.za by 18h00 on 16 AUGUST 2023, South African time. File format of components of electronic submission shall be Portable Document Format (pdf). The subject on the email shall be RFP NO: TCTA/BRVAS/LOANS/2023/01 on or before the closing date and time.

*NB!!! The Expression of Interest and Clarification must only be sent to the following e-mail address: BRVAS-EOI@tcta.co.za.

**NB!!! All Proposals must only be submitted to the following e-mail address: BRVASproposals@tcta.co.za

Documents sent to a wrong e-mail address will not be considered.

2. INTRODUCTION TO TCTA

TCTA is one of the bodies established by the Minister of Water and Sanitation (the Minister) to implement international agreements entered into by the South African Government and a foreign government as provided for in section 10 of the National Water Act 36 of 1998 (the NWA). It was established in terms of 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, (NOE). TCTA is a Schedule 2 entity in terms of the Public Finance Management Act 1 of 1999 (PFMA).

The Notice of Establishment enables the Minister to direct TCTA to undertake additional functions under Section 103(2) of the the NWA. In terms of this notice, TCTA has been directed to raise funding and implement a number of bulk raw water infrastructure projects, including the Berg River-Voëlvllei Augmentation Scheme (BRVAS also alternatively referred to the Project), the directive of which was issued to TCTA in May 2017.

In raising funding for the projects directed to it. TCTA is guided by the Policy on Sourcing of Funding (Policy No.: PF&T/PSF-001:2021) and its associated procedure. This policy was approved by the TCTA Board on 29 April 2020 and amended in January 2021, and the Procedure for Sourcing of Funding guide TCTA.

3. REQUEST FOR PROPOSALS

The Minister has directed TCTA to fund and implement BRVAS as an off-budget project in terms of clause 24(d) of the Notice of Establishment, read with section 103(2) of the NWA. The Project is estimated to cost R1 166 149 177 at completion in 2027.

The directive requires TCTA to raise off-budget funding for the Project, subject to a borrowing limit granted by the Minister acting in concurrence with the Minister of Finance, and for the Department of Water and Sanitation (DWS) to fund the Project execution costs until commercial funding has been raised. In this regard, DWS has to date allocated and paid R75 000 000 for the project. The funding requirement is set out below:

Table 1: BRVAS Funding requirement

DESCRIPTION	AMOUNT
Project Costs:	(RAND)
Estimated capital costs (including escalation and 10% contingency)	1 166 149 177
Estimated capitalised interest during construction	381 529 465
Estimated capitalised interest after construction	48 713 615
Total	1 596 392 257
Funded with:	
Funds allocated by DWS	75 000 000
Term Loan Facilities (TLF)	1 521 392 257
Total TLF	1 596 392 257
Liquidity facilities (15% of TLF)	239 458 839

TCTA hereby invites Potential Lenders to submit proposals to provide it with Term Loan Facilities of R 1 600 million and liquidity facilities of R 250 million. Term loan facilities should have a repayment period of up to 20 years after the water delivery date, and liquidity facilities should be committed for a similar period but may be subject to annual review and renewal.. In addition to the committed facilities required in this RFP, TCTA may, at its discretion, issue listed commercial paper through its planned debt capital markets programme (DMTN). Potential Lenders may propose any other type of facilities that will allow TCTA to fund the BRVAS project as directed by the Minister.

In sourcing funding, TCTA is guided by its Policy on Sourcing of Funding (the Policy). 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).

Potential Lenders may provide more than one Funding Proposal to meet TCTA's funding requirements, including term-loan type facilities and/or liquidity type facilities. TCTA, however, reserves the right to award the total amount of funding required to one or more Potential Lenders as guided by the Funding Proposals received and the successful conclusion of finance agreements with the Preferred Lender(s).

4. BACKGROUND

4.1. PURPOSE OF THE PROJECT

- 4.1.1. The Western Cape Water Supply System (the WCWSS) is an integrated and collectively managed system of dams, pump stations, pipelines and tunnels. In addition to servicing the City of Cape Town, the WCWSS supplies water to towns in the Overberg, West Coast and Cape Winelands District Municipalities, as well as providing irrigation water for agriculture. The integrated system helps optimise the use of water resources by allowing water transfers between dams and catchment systems.
- 4.1.2. The major dams in the WCWSS include the Theewaterskloof Dam in the Breede River catchment, the Voëlvlei, Berg River and Wemmershoek Dams in the Berg River catchment, and the Steenbras Upper and Lower Dams in the Steenbras River catchment.
- 4.1.3. The smaller dams and weirs in the WCWSS, include the Department of Water and Sanitation's (DWS) Kogelberg and Rockview Dams which service Eskom's Palmiet Pumped Storage Scheme and the water transfer scheme to the Upper Steenbras Dam, the Kleinplaas Dam in the Eerste River on the delivery route of the Riviersonderend-Berg River Tunnel System and Misverstand Weir on the lower Berg River.

4.1.4. The WCWSS is currently constrained, resulting in the curtailment of water use licenses. The Western Cape Reconciliation Strategy Study published in 2004 identified the need for the augmentation of the WCWSS by 2019. In July 2008, DWS undertook investigations into six potential surface water development options. The Project was found to be the most favourable surface water intervention option and recommended for implementation.

4.1.5. A map showing the Project site is included in Appendix 2.

4.2. PROJECT DESCRIPTION

4.2.1. The Project will involve, *inter alia*, the following:

4.2.1.1. the pumped abstraction of water during the winter months (April to September) from the Berg River to increase the yield of the Voëlvlei Dam by approximately 23 million cubic meters per annum,

4.2.1.2. a low-level weir and pump station located at the Lorelei site on the Berg River,

4.2.1.3. a 6.3 km long pipeline to deliver the water into the Voëlvlei Dam. The pipeline will be designed for reverse operation during summer so that releases can be made from the Voëlvlei Dam to the downstream users, including meeting the ecological water requirements of the estuary, and

4.2.2. the water infrastructure of the Project shall be developed, operated, utilised and managed with the objective of benefiting, directly or indirectly, all users in the Project area, in the context of the WCWSS.

4.3. INSTITUTIONAL ARRANGEMENTS

DWS has concluded Water Supply Agreements (WSAs) with the following off-takers:

Table 2: BRVAS off-takers

Water User (Offtaker)	Sector	Water Allocation from BRVAS (million m ³ /a)
Bergrivier Local Municipality	Domestic & Commercial	0.66
City of Cape Town (CCT)	Domestic & Commercial	15.00
Drakenstein District Municipality	Domestic & Commercial	1.64
Saldanha Bay Local Municipality	Domestic & Commercial	1.00
Stellenbosch Local Municipality	Domestic & Commercial	1.64
Swartland Local Municipality	Domestic & Commercial	1.66
Lower Berg Main Irrigation Board	Irrigation	2.00
TOTAL		23.00

The water users have committed themselves, through the WSAs, to receiving the allocated water from DWS and recovering the Project costs by paying the capital unit charge (the CUC) as determined annually by DWS after consulting the water users, at a rate sufficient to recover the Project costs over a 20 year period. DWS and TCTA are in the process of concluding an Implementation Agreement in terms of which, *inter alia*, TCTA will raise commercial funding and implement the Project and DWS will pay TCTA the CUC paid by water users and undertake to ensure, in favour of the lenders, that TCTA is always sufficiently funded to enable it to meet its financial obligations to the lenders.

4.4. DIRECTIVE, WATER SUPPLY AGREEMENTS AND BORROWING LIMIT

- 4.4.1. On 18 May 2017, the Minister issued a directive to TCTA, in terms of sections 74 and 103(2) of the National Water Act to raise funding, implement the Berg River-Voëlklei Augmentation Scheme (BRVAS) and manage the debt until it is fully repaid.
- 4.4.2. Bergivier, Cape Town, Drakenstein, Saldanha Bay and Stellenbosch municipalities and Lower Berg Irrigation Board have signed WSAs, which are in the process of being signed by DWS. Swartland is expected to sign its agreement in June 2023 after completing its public participation process.
- 4.4.3. The Minister of Finance granted his concurrence on the borrowing limit request approval by the Minister of Water and Sanitation in April 2023 to a total of R 1 277 million in 2026/27. The borrowing limit level will be monitored and revised accordingly as the construction and other costs critical to the implementation of the Project become known with certainty.

4.5. PROJECT COSTS

Below is the breakdown of the Project cost estimate as per the Long-Term Cost Plan (the LTCP) and the associated annual cash flow approved by the Board in December 2022. The Project cost estimate was used to determine the Project's tariffs and the borrowing limit levels.

Table 3: BRVAS Capital Cost

COST CATEGORY	COST ESTIMATE (Rand) (2022)
Construction (weir, abstraction works, pump station)	713573 947
Engineering (PSP only)	91 798 100
SHE (Safety, Health and Environment)	36 842 747
Administration	121 644 856
Contingency and escalation (20%)	202 389 527
Project Cost	1 166 149 177

4.6. PROJECT REVENUE

- 4.6.1. Relevant provisions of the NWA and the National Raw Water Pricing Strategy have been considered in determining the Project's CUC.
- 4.6.2. The Project will start earning revenue from the water delivery date, which is expected to be on 31 May 2027, and all costs at least until such date should be capitalised in the term loan facilities.
- 4.6.3. The Project revenue is based on the projected yield of the Project, of 23 million m³ per annum.
- 4.6.4. The initial Project CUC is estimated at R5.499 per m³ and will be known with certainty at operational declaration (31 March 2027), once the Project completion costs are known and tariff consultations for the year following operational declaration have been completed.
- 4.6.5. Provision is made in the Project agreements for the Project CUC to escalate by CPI over the debt repayment period and to adjust for any changes in Project costs and other assumptions.
- 4.6.6. The Project CUC is forecast to generate sufficient revenue to repay the debt within 20-years post operational declaration.

5. CRITICAL TIMELINES

Potential Lenders are advised to note the critical timelines shown in Table 4, below.

Table 4: BRVAS Timelines

Activity	Start	Finish
Issuing of the RFP to the market	05 July 2023	16 August 2023
Submission of Expression of Interest	18 July 2023	
Opening of bids	16 August 2023	
Bid evaluation	17 August 2023	01 September 2023
Appointment of Preferred Lenders	06 September 2023	
Due diligence and loan facility negotiations	07 September 2023	03 November 2023
TCTA Board approval	28 November 2023	
Financial Close	15 December 2023	

6. SUBMISSION OF PROPOSALS

This RFP will be advertised on the TCTA and the National Treasury websites and will also be issued to Existing Lenders including the DFIs.

Parties interested in submitting a proposal in response to this RFP must indicate their interest by writing to TCTA on or before **18 July 2023** providing TCTA with their proof of registration as a bank or a development finance institution (DFI) and confirming that they are compliant with all applicable laws in their jurisdiction and are not a sanctioned entity as per clause 8 of this RFP.

This communication must be delivered to TCTA through electronic mail to the following e-mail address: BRVAS-EOI@tcta.co.za. TCTA reserves the right to reject proposals received from any parties who have not submitted this information or to request submission of the information before considering the proposals for evaluation.

After submitting the Expression of Interest as mentioned above, interested lenders must provide indicative funding proposals (which may be subject to final approval by their institution's credit granting body), indicating, inter alia, the amount offered and the factors appearing in the table below, to the following e-mail address: BRVASproposals@tcta.co.za **by 18h00 on 16 August 2023, South African time.**

Should an institution be a DFI that is precluded from participating in a competitive bidding process, TCTA reserves its rights to enter into a direct negotiation with such institution for an amount of funding to be determined at the time of the negotiation based on the level of interest received from it, and any funding gap that remains after the competitive bidding process has concluded. Interested lenders are requested to indicate if they wish to follow this route and must in that regard submit, along with their proposal, evidence, for example, in the form of a policy or rule that prevents or prohibits their participation in a competitive bidding process.

7. EVALUATION OF PROPOSALS AND SELECTION OF FUNDING PORTFOLIO

7.1. The proposals will be evaluated according to the following quantitative and qualitative criteria:

Evaluation Criteria

The weighting of the evaluation criteria is as follows:

Quantitative (Costs)	=	60 points
Qualitative (debt management)	=	40 points
Total Score	=	100 points

The evaluation process will be conducted in line with the criteria and weightings as stipulated in **Table 5 and Table 6**, below.

Term Loan Facility Proposals

Table 5: Evaluation Criteria for Term Loan Facilities

Term Loan Facility Criteria	Max Points	Points Allocation
QUANTITATIVE	60	60
Cost		
• All-in cost of loan calculation (IRR)		
QUALITATIVE	40	40
Flexibility		
• Interest Rate Options	10	
○ Fixed and floating options		10

Term Loan Facility Criteria	Max Points	Points Allocation
○ Floating only		5
○ Fixed only		0
• Right of early repayment	5	
○ Early repayment without penalties (except break costs where applicable)		5
○ Early repayment provision with penalties		2
○ No early repayment provision		0
• Pre-payment cost (Refer to section 7.5, below)	3	3
• Availability Period	3	
○ 3 years and greater		3
○ 2 years and greater but less than 3 years		2
○ Less than 2 years		0
• Tenor	10	
○ 15 years and more		10
○ Between 10 and 15 years		5
○ Between 5 and 10 years		3
○ 5 years and less		0
Ease of Management		
• Minimum drawdown notice period	3	
○ 1 – 2 days		3
○ 3 – 7 days		2
○ 8 – 14 days		1
○ 15 days and more		0
• Minimum drawdown amounts	3	
○ (R1 – R 50) million		3
○ (R 51 – 100) million		2
○ R101 – R 150) million		1
○ >R 150 million		0
Risk management objectives		
• Market flex (between receipt of Funding Proposal and Financial Close)	3	
○ No market flex provided for		3
○ Open market flex		0

7.2. Eligible term loan facility proposals will be evaluated according to the above table, and:

- 60% of the funding portfolio will be constructed from proposals selected on the basis of ranking of scores for **cost**,
- 40% of the portfolio will be constructed from proposals selected on the basis of ranking of aggregate scores for **flexibility** (interest rate options, right of early repayment, prepayment cost, availability period and tenor), and **ease of management** (minimum drawdown notice period and minimum drawdown amount) and **market flex**.

Proposals will be included in the portfolio at TCTA's sole discretion. For ease of managing the funding portfolio, TCTA may, at its sole discretion, not consider term loan facilities with amounts of less than R300 million for TLFs and R250 million for liquidity facilities.

Liquidity Facility Proposals

Table 6: The evaluation criteria weighting for a Liquidity Type Facilities

Liquidity Type Facility Criteria	Max Points	Points Allocation
QUANTITATIVE	60	60
Cost <ul style="list-style-type: none"> An Annual Effective Rate (AER) will be used to calculate points (Refer to formula below) 	60	60
QUALITATIVE	40	40
Facility Management		
<ul style="list-style-type: none"> Tenor 	10	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> To end of debt repayment period without annual renewal required 		10
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Fixed period of more than 10-years and less than debt repayment period without annual renewal 		5
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Fixed period of more than 5-years and less than debt repayment period without annual renewal 		2
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Annual renewal type facility 		0
<ul style="list-style-type: none"> Minimum drawdown notice period 	5	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Less than 15 days 		5
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Between 15 and 30 days 		2
<ul style="list-style-type: none"> <ul style="list-style-type: none"> 30 days or more 		0
<ul style="list-style-type: none"> Minimum drawdown amounts 	10	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Up to R 20 million 		10
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Between R 21 million and R 40 million 		8
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Between R 41 million and R 70 million 		4
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Between R 71 million and R 100 million 		2
<ul style="list-style-type: none"> <ul style="list-style-type: none"> R100 million and above 		0
<ul style="list-style-type: none"> Repayment terms 	10	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Fully Flexible Repayment Terms (no maximum or minimum utilization period - although allowing for a repayment notice period not exceeding 20 days) 		10
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Flexible Repayment Terms but with repayment only on Interest Payment Days (with repayment notice period not exceeding 20 days) 		8
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Fully Flexible Repayment Terms (no maximum or minimum utilization period - although allowing for a repayment notice period not exceeding 30 days) 		6
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Flexible Repayment Terms but with repayment only on Interest Payment Days (with repayment notice period not exceeding 30 days) 		5
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Minimum utilization period not exceeding 180 days 		3
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Minimum utilization period not exceeding 1 year 		2
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Maximum utilization period exceeding 1 year 1 point 		1
<ul style="list-style-type: none"> <ul style="list-style-type: none"> Maximum utilization period not exceeding 1 year 		0
Risk management objectives		
<ul style="list-style-type: none"> Market flex (between Funding Proposal and Financial Close) 	2	

Liquidity Type Facility Criteria	Max Points	Points Allocation
○ No market flex provided for		2
○ Open market flex		0
• Event of Default	3	
○ No condition for prepayment if credit rating is downgraded with one notch, not as a result of sovereign rating calibration		3
○ Condition for prepayment if credit rating is downgraded with one notch, not as a result of sovereign rating calibration		0
TOTAL SCORE (Quantitative plus Qualitative)	100	100

- 7.3. Eligible liquidity facility proposals will be evaluated according to the above table and the liquidity funding portfolio will be constructed from proposals selected on the basis of ranking of the **total score** (quantitative plus qualitative scores).

The highest scoring proposal will be selected first for inclusion in the liquidity funding portfolio, and any gap between the facility amount of the highest proposal and the required amount will be made up from the next ranking proposals.

- 7.4. TCTA will determine the internal rate of return (“IRR”) (calculated by discounting each individual loan’s cashflows at the loan’s all-in-rate) for each proposal. Costs for 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, etc., will be considered in the all-in cost of the facility. The internal rate of return will be used to calculate the score for the Quantitative evaluation for each Funding Proposal.
- 7.5. Pre-payment Costs refer to the % fee stipulated by the lender as a penalty for early settlement of part or all of the outstanding loan.
- 7.6. The points for Cost (Quantitative Evaluation) for Term Loan Funding Proposals will be calculated as follows:

$$P_s = A \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

A = Maximum points under Cost (60 in this case)

P_s = Points scored for IRR;

P_t = IRR (all-in cost); and

P_{min} = Lowest points on IRR.

- 7.7. The points for Cost (Quantitative Evaluation) for Liquidity Type Funding Proposals will be calculated as follows:

$$P_s = A \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

A = Maximum points under Price (60 in this case);

Ps = Points scored for AER of proposal under consideration;

Pt = AER of the proposal under consideration; and

Pmin = Lowest AER of all proposals received.

- 7.8. A shortlist of the Funding Proposals selected according to the scoring criteria stated in this section 7 will be recommended to proceed to the negotiations stage of the process to provide the full funding requirement, taking account of paragraph 7.9 and 7.10, below. It is TCTA's prerogative to select more than one proposal that would support the funding portfolio in a combined manner.
- 7.9. Should a loan qualify under combined scoring in clause 7.8 above, but the terms of the loan are not sustainable, achievable, ethical, or manageable by TCTA and or the Government under security requirements and undertakings requested in the proposals, such loan will not be considered for the portfolio.
- 7.10. TCTA will only conclude Funding facility agreement/s with Preferred Lender/s who have been selected in terms of the above criteria and who comply with all applicable legal requirements.
- 7.11. Should negotiations fail with initial Preferred Lender/s 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.
- 7.12. Should TCTA not be able to raise sufficient and acceptable funding through the open market process, the Sourcing of Funding Policy does allow for a direct approach to funders to address the market failure.

8. ENQUIRIES AND FURTHER INFORMATION

Please direct all questions for clarification or any other relevant information in connection with this RFP in writing to the Receiving Officer at BRVAS-EOI@tcta.co.za. Only questions or queries submitted via this e-mail address on or before **18 July 2023** will be responded to.

Questions of clarification and responses by TCTA will be treated in confidence and not shared with other institutions, unless the responses have the effect of changing TCTA's specifications or the administration of the process for the sourcing of the facilities.

A copy of the indicative cash flow model is attached to this RFP for your initial due diligence in connection with this RFP.

9. SANCTIONS DECLARATION

The Potential Lender shall confirm in writing, 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.

For the purposes of this clause:

- a) "**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.
- b) "**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.
- c) "**Sanctioned Body**" means anyone or a combination of the following:
 - 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.
- d) "**Sanctioned Person**" or "**Sanctioned Entity**" means a person or entity sanctioned by a Sanctioning Body,
- e) "**Sanctioned Jurisdiction**" means a country or territory:
 - i. that is listed on 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.

10. DISQUALIFYING CRITERIA

TCTA will disqualify 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, and who have not provided proof of such registration in the form of a registration number or something similar.
- Proposals from bidders acting 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).
- Proposals from bidders who do not communicate their intention to submit a proposal to TCTA as stipulated under the Special Conditions of the RFP.

11. 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 Project change.

12. CONTRACT AGREEMENT

TCTA will enter into negotiations with the Preferred Lender/s with a view to reaching agreement on the terms and conditions for the loan facilities. The Loan Market Association (LMA) standard agreement will be used as the basis for contracting.

13. DEFINITIONS AND INTERPRETATION

In this request for Funding Proposals, 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 the corresponding meaning:

Table 7: Acronyms and Definitions

AER	means the annual effective rate
BRVAS	means the Berg River-Voëlville Augmentation Scheme
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
DWS	means the Department of Water and Sanitation
Existing Lender	Means any person, organisation or institution who is a lender party to an existing funding arrangement with TCTA
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
IRR	means the internal rate of return
Long-term	means original tenure of over 5 (five) years
Medium-term	means original tenure 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
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 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 tenure of a maximum of 3 (three) years
Sourcing of Funding	means the sourcing of funds from Potential Lenders in accordance with the Policy

APPENDIX 1: ACKNOWLEDGEMENT OF THE RFP

APPENDIX 2: PROJECT OVERVIEW AND INSTITUTIONAL ARRANGEMENTS

APPENDIX 3: KEY TARIFF ASSUMPTIONS AND OUTCOMES

APPENDIX 1: ACKNOWLEDGEMENT OF THE RFP NO: TCTA/LOANS/BRVAS/2023/01

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: PROJECT OVERVIEW AND INSTITUTIONAL ARRANGEMENTS

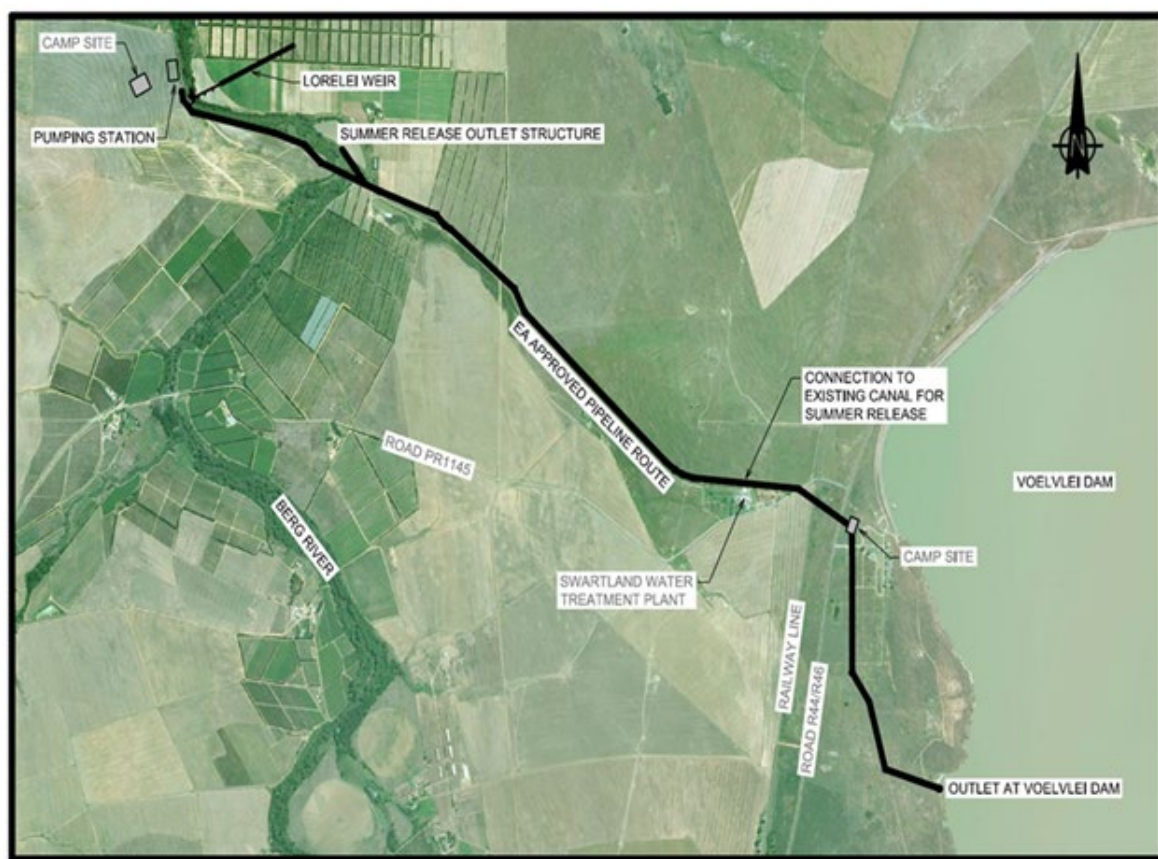
1. PROJECT DESCRIPTION

The Project will involve, *inter alia*, the following:

1. the pumped abstraction of water in winter from the Berg River to increase the yield of the Voëlvlei Dam by approximately 23 million cubic meters per annum.
2. a low-level weir and pump station located at the Lorelei site on the Berg River; and
3. a 6.3 km long pipeline to deliver the water into the Voëlvlei Dam. The pipeline will be designed for reverse operation during summer so that releases can be made from the Voëlvlei Dam to the downstream users, including meeting the ecological water requirements of the estuary.

The water infrastructure of the Project shall be developed, operated, utilised and managed with the objective of benefiting, directly or indirectly, all users in the Project area, in the context of the WCWSS.

Figure 1: Map of the project site



1.1. Project Costs

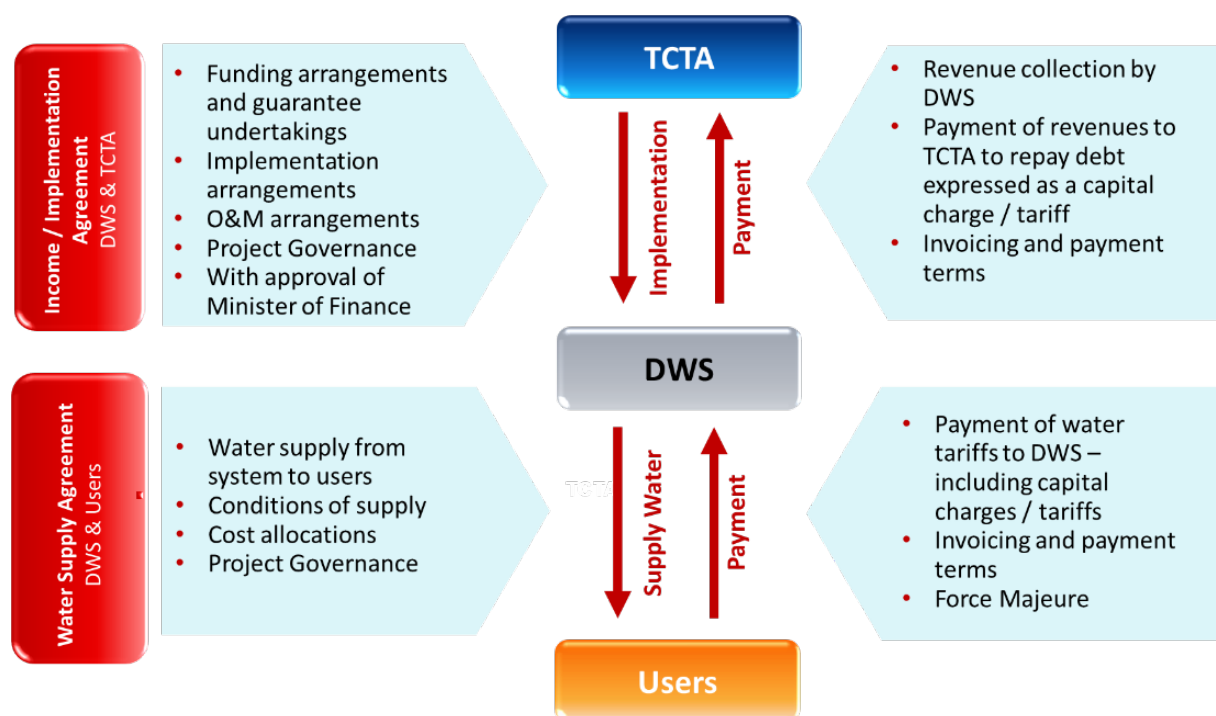
Below is the Project cost estimate as per the Long-Term Cost Plan (LTCP) approved by the Board in 2020 and the associated annual cash flow approved by the Board in December 2022. The Project cost estimate was used in determining the Project's tariffs and the borrowing limit levels.

Table 1: BRVAS Long-term Cost Plan

COST CATEGORY	COST ESTIMATE (Rand) (2022)
Construction (weir, abstraction works, pump station)	713 573 947
Engineering (PSP only)	91 798 100
SHE (Safety, Health and Environment)	36 842 747
Administration	121 644 856
Contingency and escalation (20%)	202 389 527
Project Cost	1 166 149 177

2. INSTITUTIONAL ARRANGEMENTS FOR BRVAS

Figure 2: Institutional arrangements for BRVAS:



To fulfil the requirements of the directive issued by the Minister to TCTA, the BRVAS Negotiations Forum comprising key stakeholders and beneficiaries was instituted in June 2019 following extensive consultations with all the users in the WCWSS to negotiate the WSAs as part of the institutional arrangements.

The negotiations were concluded at the end of November 2020, culminating in negotiated WSAs issued for comment by the Users' principals, i.e., municipal councils and the irrigation board and vetting by DWS Legal.

The execution version of the WSAs were signed by all the users between November 2022 and February 2023 with only Starland that can only sign in June 2023 following an increase in their water allocation and subsequent requirement to recommence with the section 33 process of the Municipal Finance management Act (MFMA). A copy of the Implementation Agreement is currently in the process of being signed by the DG: DWS.

The Minister of Finance granted his concurrence on the borrowing limit request approval by the Minister of Water and Sanitation in April 2023. This paves the way for TCTA to raise the finance necessary to implement the Project.

Project off-takers

Table 2: BRVAS off-takers

Water User (Offtaker)	Sector	Water Allocation from BRVAS (million m ³ /a)
Bergvriër Local Municipality	Domestic & Commercial	0.66
City of Cape Town (CCT)	Domestic & Commercial	15.00
Drakenstein District Municipality	Domestic & Commercial	1.64
Saldanha Bay Local Municipality	Domestic & Commercial	1.00
Stellenbosch Local Municipality	Domestic & Commercial	1.64
Swartland Local Municipality	Domestic & Commercial	1.66
Lower Berg Main Irrigation Board	Irrigation	2.00
TOTAL		23.00

APPENDIX 3: TARIFF MODEL KEY ASSUMPTIONS AND OUTCOMES

1. The key assumptions that inform the tariff model include:

- Project Timing assumptions.
- Project's Capital Budget.
- Yield assumptions used as a basis for the Scheme Tariff calculation.
- Funding assumptions; and
- Economic Forecasts

2. TIMING ASSUMPTIONS

The financial model assumes the following:

- A construction period of fifteen (15) months beginning in September 2025 and ending in December 2026 (No income during construction or phase-in of tariff)
- A loan repayment period spanning 20 years from June 2027 ending June 2047. Users will start paying the tariff/ CUC from the operational declaration date, 31 May 2027.

3. PROJECT CAPITAL COST ESTIMATES – CASH FLOW

The annual cash flow running to project completion is set out below:

Table 3: BRVAS Annual Cash Flow Capital Expenditure Estimate

Cost Category	Total	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28
Construction core infrastructure	713 473 947	-	-	92 951 613,14	216 042 184,16	284 889 578,89	119 590 571,03	-
Engineering- Infrastructure	91 798 100	17 612 090,50	1 487 186,00	35 107 861,98	18 734 633,21	11 863 727,61	3 725 431,22	3 267 169,78
SHE	36 842 747	34 307,88	21 758,00	28 158 232,31	4 693 480,27	2 757 549,25	685 909,85	491 509,85
Administration costs	121 644 856	50 568 013,36	5 105 217,00	38 330 737,02	10 661 526,38	7 107 684,26	4 975 378,98	4 896 299,00
Escalation 10%	96 375 965	-	-	22 166 471,76	24 093 991,26	29 876 549,17	20 238 952,66	-
Contingency 10%	106 013 561	-	-	18 022 305,00	31 804 068,47	32 864 204,08	15 902 034,23	7 420 949,31
Total	1 166 149 176,89	68 214 411,74	6 614 161,00	234 737 221,22	306 029 883,76	369 359 293,26	165 118 277,97	16 075 927,93

R 75 million of the project costs has been funded from funds received from the DWS as discussed in Funding Assumptions below and the balance will be funded from Debt.

4. YIELD ASSUMPTION USED AS A BASIS FOR THE SCHEME TARIFF CALCULATION

The Project is expected to increase the yield of the Voëlvlei Dam by approximately 23 million cubic meters per annum at 98% assurance of supply. Therefore, the Project cost recovery will be based on an annual yield of 23 million m³/a.

5. FUNDING ASSUMPTIONS

The funding assumptions take into account the relative mix of funding sources. The sources considered in the model are:

1. Debt funding: This may be from commercial banks, DFIs or a combination of the two.
2. Grant funding: This refers to funding from the DWS. R75 million has been received from DWS for 2020/21 to fund Project preparation activities.

The Debt funding assumptions are stated below:

1. Debt will be repaid within a 20-year period post operational declaration (June 2027 - June 2047).
2. Capitalised interest peaks in 2032 at 3.47% of the closing debt at Operational Declaration - five years after Operational Declaration.

6. INFLATION AND INTEREST ASSUMPTIONS

TCTA, on a regular basis, commissions the Bureau for Economic Research (BER) to provide an update of the long-term forecast of South Africa's inflation and interest rates. The table below presents the set of forecasts (2022-2051) in five-year periods (averages) and is an update of the comprehensive analysis provided in June 2022.

Table 4: Forecasts of inflation and interest rates (2022-2051)

	Inflation		Short-term interest rate		Long-term interest rate	
	Headline CPI	Headline PPI (Final Manufacturing)	3-month NCD rate		10-year government bond	
	CPI	PPI	Nominal	Real	Nominal	Real
2012-2016	5.7	6.1	5.96	0.29	7.97	2.30
2017-2021	4.4	4.9	5.88	1.50	9.00	4.63
2022-2026	4.8	5.2	6.31	1.48	9.90	5.08
2027-2031	4.7	4.4	6.71	2.04	9.47	4.80
2032-2036	4.6	4.4	6.41	1.84	8.91	4.34
2037-2041	4.5	4.3	6.39	1.89	8.75	4.25
2042-2046	4.5	4.2	6.40	1.90	8.60	4.10
2047-2051	4.5	4.2	6.40	1.90	8.50	4.00

Note: For consumer and producer inflation, figures are average year-on-year % changes. For interest rates, it is the level of the nominal/real rate.

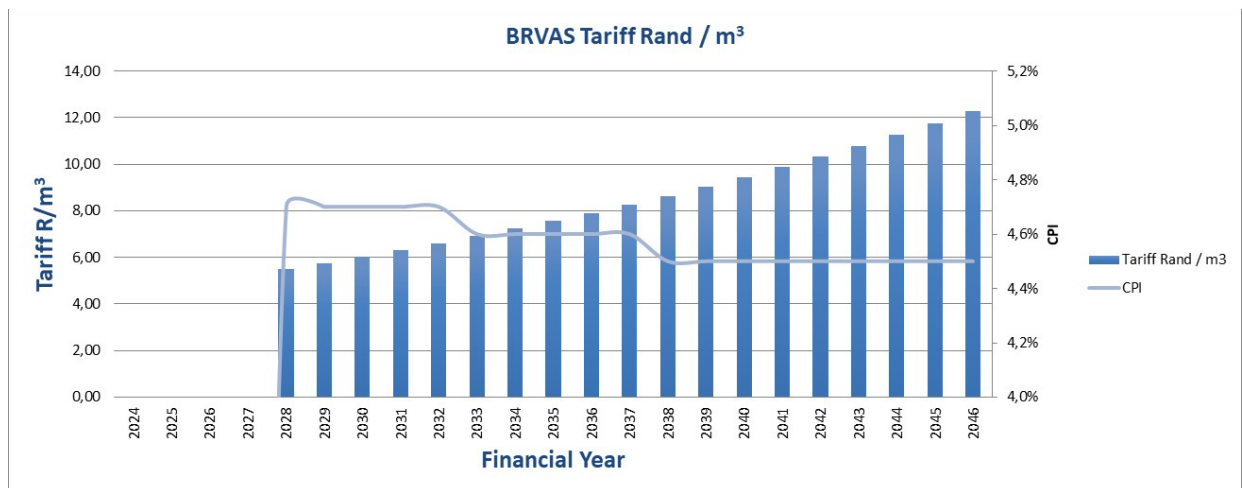
Source: Statistics South Africa (Stats SA), South African Reserve Bank (SARB), Reuters, BER forecast (June 2022)

7. MODEL OUTPUT: INDICATIVE CAPITAL TARIFF

The primary consideration in determining the annual tariff is to ensure that the proposed tariff for 2027/28, growing in future years at CPI, is sufficient to repay all project debt by the final debt repayment date. The tariff is calculated by the model after taking into account all Project cash flows in nominal terms over the construction and debt repayment period. Based on the input assumptions discussed above, the indicative BRVAS Tariff for the 2027/28 financial year is estimated at R5.499/m³. The scheme tariff will be levied on all users with an allocation from the Project.

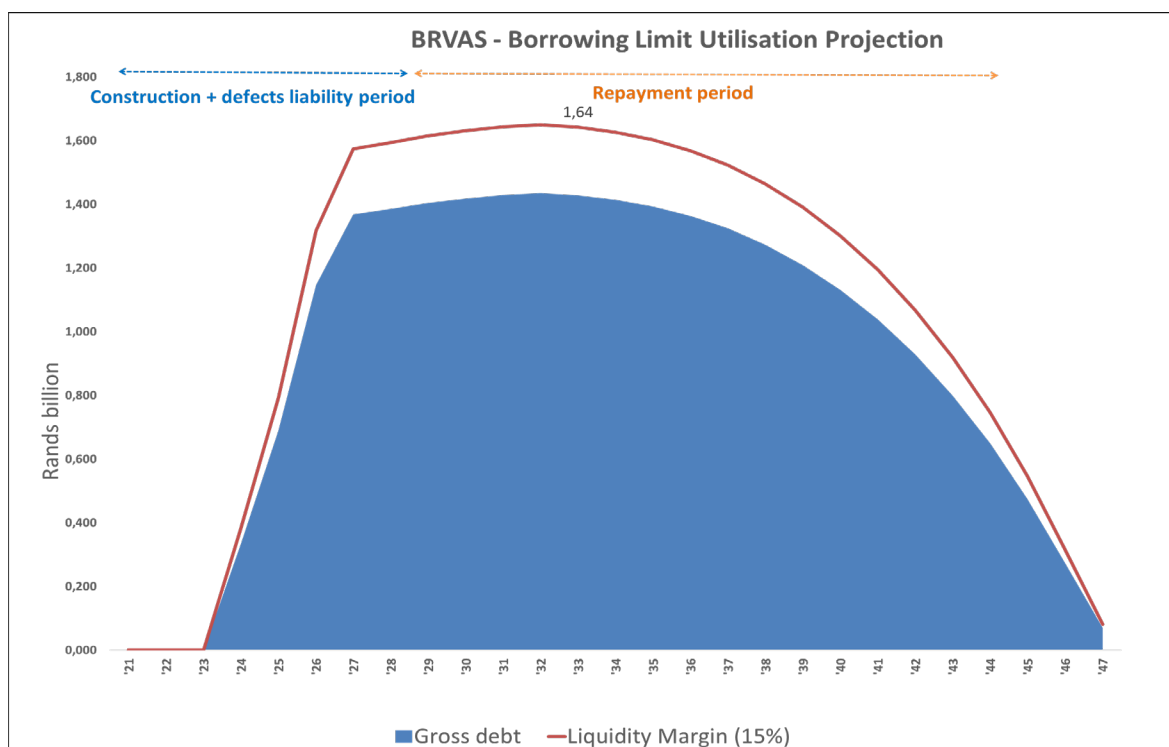
Projected BRVAS CUC

Figure 3: Projected BRVAS CUC



Borrowing limit v Projected Debt Curve for BRVAS

Figure 4: Borrowing Limit v Gross Debt



BRVAS Indicative Cash Flow Schedule

Table 5: BRVAS Indicate Cash Flow Schedule

BRVAS	Tariff	Volume	Revenue	Admin Costs	Capital Exp	Funding from DWS	Funding Costs	Outstanding debt	Loan repayment
Year	R/m ³	Million m ³ /a	R' million	R' million	R' million	R' million	R' million	R' million	R' million
Mar-21	-	-	-	-	(31,103)	75,000	(3,168)	(40,729)	-
Mar-22	-	-	-	-	(26,244)	-	7,093	(21,579)	-
Mar-23	-	-	-	-	(6,614)	-	1,119	(16,084)	-
Mar-24	-	-	-	-	(234,737)	-	(10,421)	238,038	-
Mar-25	-	-	-	-	(306,030)	-	2,311	588,455	-
Mar-26	-	-	-	-	(369,359)	-	4,577	1 037,997	-
Mar-27	-	-	-	-	(165,118)	-	(59,231)	1 319,512	-
Mar-28	5,499	21,083	115,938	(17,608)	(26,944)	-	(126,223)	1 385,835	-
Mar-29	5,757	23,000	132,422	(20,112)	-	-	(128,172)	1 403,677	(27,071)
Mar-30	6,028	23,000	138,646	(21,057)	-	-	(129,929)	1 418,092	(29,614)
Mar-31	6,311	23,000	145,163	(22,046)	-	-	(131,343)	1 428,491	(32,397)
Mar-32	6,608	23,000	151,985	(23,083)	-	-	(132,686)	1 434,548	(35,356)
Mar-33	6,912	23,000	158,977	(24,144)	-	-	(125,587)	1 427,634	(40,565)
Mar-34	7,230	23,000	166,289	(25,255)	-	-	(125,005)	1 414,042	(44,153)
Mar-35	7,563	23,000	173,939	(26,417)	-	-	(123,784)	1 392,854	(48,058)
Mar-36	7,910	23,000	181,940	(27,632)	-	-	(122,173)	1 363,386	(52,225)
Mar-37	8,274	23,000	190,309	(28,903)	-	-	(119,275)	1 324,045	(56,939)
Mar-38	8,647	23,000	198,873	(30,204)	-	-	(114,115)	1 272,345	(62,471)
Mar-39	9,036	23,000	207,822	(31,563)	-	-	(109,462)	1 208,531	(67,898)
Mar-40	9,442	23,000	217,174	(32,983)	-	-	(103,858)	1 131,315	(73,725)
Mar-41	9,867	23,000	226,947	(34,467)	-	-	(96,589)	1 038,682	(80,213)
Mar-42	10,311	23,000	237,160	(36,019)	-	-	(88,055)	929,000	(87,181)
Mar-43	10,775	23,000	247,832	(37,639)	-	-	(77,054)	799,418	(95,071)
Mar-44	11,260	23,000	258,984	(39,333)	-	-	(65,256)	648,740	(103,146)
Mar-45	11,767	23,000	270,639	(41,103)	-	-	(51,241)	474,330	(112,012)
Mar-46	12,296	23,000	282,818	(42,953)	-	-	(35,087)	273,612	(121,576)
Mar-47	12,850	23,000	295,544	(44,886)	-	-	(16,437)	43,633	(131,958)
Mar-48	13,428	1,917	25,737	(3,909)	-	-	(1,715)	(0,000)	(70,146)
Mar-49	-	-	-	-	-	-	-	-	-