



National Treasury
REPUBLIC OF SOUTH AFRICA

TERMS OF REFERENCE

For the procurement of Transaction Advisory services for the Public Private Partnership for the NEW WATER PRODUCTION AT KWAMASHU AND NORTHERN WASTEWATER TREATMENT WORKS (WWTW)

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| Reference: | TASM 159 |
| Name of Client | EThekweni Municipality |
| Contracting Authority | Government Technical Advisory Centre (GTAC), National Treasury |
| Accountable Manager | Transaction Advisory Services and PPP unit |
| Purpose | GTAC seeks to procure Transaction Advisory services for the Public Private Partnership for the NEW WATER PRODUCTION AT KWAMASHU AND NORTHERN WASTEWATER TREATMENT WORKS (WWTW) |

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1. Introduction

Government Technical Advisory Centre (GTAC) on behalf of eThekweni Water and Sanitation (EWS) invites bids for Transaction Advisory Services for a PPP contract to advice on the design, construction, operation and maintenance of the Northern and Kwa-Mashu Waste Water Treatment Works.

Consideration will only be given to Bidders with extensive demonstrated professional knowledge and experience in the following subjects:

- Legal;
- South African PPP framework;
- Infrastructure Project finance;
- Contract structuring and drafting;
- Technical, relevant discipline;
- Assessment and design of wastewater treatment and reuse plants;
- Construction, operation and maintenance of wastewater treatment and reuse plant;
- Municipal wastewater treatment process, technology and innovation;
- Municipal wastewater treatment and sludge management feasibility studies;
- Stakeholder engagement and communications;
- Financial and Economic;
- Economic and Financial Analysis;
- PPP transaction structuring and implementation; and
- Preparation of the documents for and running a PPP procurement process in line with the National Treasury Municipal PPP policy.

Additional areas of competence are outlined in the bid documents.

The Municipality requires the services of a competent team of professionals to advise on the best way of financing, designing, constructing, operating and maintaining the envisaged new water reuse plants at Northern and KwaMashu WWTWs. Such facilities should ideally be able to safely treat at least 50MI/day of wastewater to an appropriate standard for use including the optimisation of land utilisation to allow further expansion at the two sites.

2. Background

The recycling of water for potable and non-potable use has been identified and presented in the Water Reconciliation Strategy for the KwaZulu-Natal Coastal Metropolitan Areas as an important potential water resource for the eThekweni Municipality. The strategy was formulated as a result of water resource planning conducted by the Department of Water and Sanitation (DWS), eThekweni Water and Sanitation (EWS) and other stakeholders in order to ensure a security of water supply through implementation of various reuse options. Almost 98% of all water used by eThekweni is supplied by Umgeni Water i.e. 929 Ml/day with currently only 17 Ml/day being supplied from EWS owned Water Treatment Plants. EWS has a goal of producing 20% of its own water supply in 10 years' time (EWS Security of water supply, 2017).

The Reconciliation Strategy is in response to the current economic growth, improved water supply services, urbanization of the population and associated expansion of residential and other developments being implemented. The trend is expected to continue over the medium term as reflected in planned new urban developments. The area along the coast between the Tongati and the Thukela Rivers, within the iLembe District Municipality (DM,) is experiencing developments of large residential estates and industries which require additional water resources for the North Coast supply area. In addition, the development of the Dube Trade Port, which includes the King Shaka Airport and the commercial and residential development that the trade port will attract in the vicinity of La Mercy, will also result in increasing water requirements.

According to the Mgeni River System water balance and reconciliation strategy, reuse of treated effluent is the only measure that is available to reconcile the water requirements in the years immediately prior to the implementation of the Smithfield Dam. Approximately 500Ml/day of wastewater is disposed of daily within eThekweni (AADF flows provided by EWS for the various WWTW, 2017). Therefore, the Municipality is implementing a number of reuse projects to meet additional water demands.

3. Scope of work

The scope of work for the Transaction Advisor will include the following:

3.1. Stage 1: Feasibility Study

The feasibility study consists of two stages. In Stage 1A, the Transaction Advisor takes the municipality through the needs analysis, the technical options analysis and the service delivery analysis. In Stage 1B the Transaction Advisor conducts the due diligence, a value assessment for service provision by a delivery method to be determined out of the Feasibility Study and the procurement plan.

3.2. Stage 2: Procurement

The Transaction Advisor will provide the necessary technical, legal, and financial Transaction Advisory support for the procurement of a public private partnership or an alternative contractual arrangement.

Should EWS decide to procure these projects through a PPP, the Transaction Advisor will provide support to EWS during the procurement process as detailed in Municipal PPP guidance notes, including preparing all documents required for TVR I, IIA, IIB and III.

The scope of work is divided into these three stages. The Transaction Advisor needs to submit a single bid divided into these three parts (Feasibility Study Stage 1A, Feasibility Study Stage 1B and Procurement), in the formats prescribed in these terms of reference.

The work of the Transaction Advisor may be terminated at the end of any stage without any additional remuneration other than that priced for that stage. Bidders need therefore to ensure that the price quoted for each stage adequately covers the work to be undertaken in that stage.

(Reference to 'the Transaction Advisor' includes the entire Transaction Advisory team, or relevant members, under the management of a single lead Transaction Advisor who shall contract with the GTAC).

The Municipality's mandate, for this contract, is to supply an additional 100ML/day to meet the City's current and future water demands. It is proposed that this is achieved by implementing new water reuse treatment plants at Northern and KwaMashu WWTWs either internally or by procuring a PPP Partner.

3.3. For Northern and KwaMashu WWTW:

- The ultimate capacity of Northern WWTW is 150 megalitres per day (annual average dry weather flow) inclusive of the flow from New Germany WWTW. The envisaged ultimate capacity of the reclamation plant is 70 megalitres per day.
- The ultimate capacity of KwaMashu WWTW is 80 megalitres per day (annual average dry weather flow). The desired capacity of the reclamation plant is 70 megalitres per day.
- Design the land layout for an ultimate reclamation facility capacity of 50 megalitres per day (annual average dry weather flow). This is done to ensure that further expansion and growth of the plant up to its ultimate capacity is catered for within the proposed land zoning.
- In determining the best technology to be used, the Transaction Advisor must conduct a full technical review of the current processes, infrastructure and technology at Northern before deciding what can be implemented to take advantage of any existing infrastructure. This also includes the treatment and disposal of sludge and all other by-products of the treatment process in keeping with current and emerging regulations.
- The technical options for Northern should take into consideration the previous preliminary studies conducted by the consultant in which reuse and the demand forecast were explored.
- A strong emphasis is placed on energy efficiency and the Transaction Advisor will need to incorporate the use of high-energy efficiency technologies in the technical options.
- The Transaction Advisor needs to work in conjunction with The Municipality to determine how the current municipal staff will be redeployed in terms of employment as a result of the PPP, or any other recommended implementation mechanism.

NOTES:

No experimental technologies can be considered. The technology options must be globally proven and capable of meeting all the relevant standards.

The total contract duration is 72 months from acceptance of the letter of award by the preferred bidder. The bidder will have to submit an estimated timeline showing how the project will be completed in a **maximum of 72 months**. Bidders are encouraged to submit shorter estimated timelines, which will be viewed favourable.

3.4. Background documentation and preparatory work

The Transaction Advisor will have to become familiar with all background documentation and preparatory work conducted to date by the Municipality for this project.

The municipality has identified the following challenges which it faces in pursuing the project:

- Determining the treated wastewater quality at the works.
- Determining the disposal method of brine.
- Determining the quality of the effluent and the associated risk assessment (as envisaged in SANS 241, particularly Part 2) of the influent and effluent to ensure all contaminants of emerging concern (CECs) and other contaminants are adequately treated.
- Determining the future capacity requirements of the plant.
- Determining the energy potential for gas to energy conversion at each location.
- Choosing the appropriate wastewater reuse processes.
- Determining the amount of final effluent to be produced.
- Determining how to handle the excess water.
- Previously, consumer resistance led to the project being abandoned and although similar work has been done in the region; the support remains uncertain.
- Determine the financial viability of the project as well as the financial impact on the Municipality and affordability by the end users.

The TA should therefore clearly demonstrate in their proposal how they intend to address these challenges and how they intend to program the various interfaces for the timely delivery of the project outputs. In addition, the TA must meet the following requirements either in the feasibility study or as part of the Bid Documents that will be drawn up.

The following are the tasks and activities associated with the respective feasibility study and procurement deliverables:

3.5. Feasibility Study Stage 1A:

Task 1 - FEASIBILITY STUDY INCEPTION PLAN AND SCHEDULE

This task category serves to ensure that the Municipality and the Transaction Advisor fully understand how the assignment will proceed. This will involve development of a detailed Project Inception Plan that will document the organization, scope, financial commitment, schedule and responsibility for all tasks to be accomplished within the assignment. This initial document will also serve as a management tool for allowing all involved parties to follow the progress of the Transaction Advisor's efforts.

Activity 1.1 – Prepare and Submit Inception Plan - Within two weeks of signing the contract for the work, the Transaction Advisor shall submit and present to the Municipality a detailed Inception Plan and Schedule. This plan and schedule shall present sufficient and detailed information concerning the Transaction Advisor's approach to accomplishing the assignment to allow effective planning and scheduling of all activities required to support the Transaction Advisor's efforts.

Task 2 - INITIAL DATA COLLECTION AND PROJECT STEERING MEETINGS

Through this task category, the Transaction Advisor will seek and secure all existing and available information concerning the Project. The Transaction Advisor will also become acquainted with the expected scope of the Project and the objectives of the Municipality in undertaking the Project. This will be accomplished through the following activities:

Activity 2.1 - Prepare and Submit Requested Information Matrix - Prior to the kick-off meeting identified in Activity 2.2 below, the Transaction Advisor will prepare and submit to the Municipality a preliminary list of information required to successfully accomplish the assignment.

Activity 2.2 – Kick-Off Meeting and Project Steering Meetings - The Transaction Advisor shall travel to the eThekweni Municipality for a kick-off meeting with the Municipality to 1) prepare the Inception Plan and Schedule; 2) gather initial Project information; and 3) physically observe water supply and wastewater management conditions and facilities in the Project service area. Furthermore, the Transaction Advisor shall travel to eThekweni Municipality for project steering meetings (maximum of 36 PSC meetings) with EWS, GTAC and DBSA monthly or as a when required (Ad Hoc – maximum of 6 Ad Hoc Meetings) during the development of the project to present on the 1) progress of the project, and 2) prepare and distribute meeting minutes at least two weeks before the next PSC meeting.

Activity 2.3 – Acquire Initial Data - The Transaction Advisor shall acquire all relevant reports and data concerning existing feasibility studies that were conducted by prior consultants. The Transaction Advisor will be responsible to review the acquired documents, identify the gaps and present a new feasibility report noting the specific requirements detailed in this TOR. At a minimum, this information shall include:

- Reviewing and updating reports and data pertaining to current water resources in the Project service area;
- Plans and physical/technical data related to the existing water supply and wastewater management infrastructure and services in the Project service area;
- Any previous feasibility analyses or investigations relevant to water supply in the Project service area including all water transfer projects and any other means intended to augment water supply including desalination and wastewater reuse;

- Current relevant institutional relationships for existing water sector services and facilities;
- All government regulations and requirements applicable to the Project including all procurement requirements and development/PPP guidelines established by the National Treasury.

All delays in receiving the data requested shall be promptly communicated by the Transaction Advisor to the Municipality together with the associated impacts on the progress of the project.

Activity 2.4 - Identify Data Needs and Gaps - Based on the initial investigation and acquisition of Project data and information, the Transaction Advisor will identify additional data that must be developed to successfully complete the assignment. The identification of data needs and gaps will also include an indication of the assistance to be provided by the Municipality in securing this additional information.

Activity 2.5 – Prepare and Submit Progress Reports – The Transaction Advisor shall prepare and submit progress reports for each quarter during the feasibility and procurement stages of this contract. Each progress report shall be delivered within 30 days of the end of each quarter. The report shall include 1) actual progress of the Project, 2) actual expenditure during the preceding quarter and 3) any other information that may be reasonably requested from the Transaction Advisor.

Activity 2.6 - Review Statutory and Regulatory Requirements - The Transaction Advisor shall investigate all applicable existing and pending statutory and regulatory requirements relevant to existing water sector services and facilities as well as any proposed means for the implementation of a water reuse plant. At a minimum, this will include any laws and regulations from all applicable local, provincial, national governmental and international sources. To achieve this regulatory review, the Transaction Advisor will consult with applicable local, provincial, national and international regulatory agencies to advise them on the Project and to solicit their input into the necessary Project activities. The Municipality and the Department of Water and Sanitation must agree on the potable water reuse standards/guidelines that will be used in this project.

Task 3 - THE NEEDS ANALYSIS

Through this task category, the Transaction Advisor will be required to produce a comprehensive needs analysis that defines the proposed project, demonstrates that the project aligns with the municipality's strategic objectives and capacity. The deliverables are set out in "Section 1" under 4.1 of this TOR and will be accomplished through the following activities:

Activity 3.1 – Demonstrate that the project aligns with the Municipality's strategic objectives – Summarise the Municipality's mission and vision statements, its strategic objectives and government policy that determines what the Municipality's deliverables are. Particular attention must be given to the municipality's obligations as a WSA and WSP to provide Water Services at the required level of assurance and tariff structure to its residents.

Activity 3.2 – Identify and analyse the available EWS' budget – Analyse EWS' future budgetary commitments and escalate the budget in line with the consumer price index (CPI). Furthermore, comment on the tariffs and potential revenue (to the Municipality) generated by the potential PPP project.

Activity 3.3 – Demonstrate the Municipality’s commitment and capacity – Summarise that the Municipality can process, evaluate, negotiate, implement and manage the potential PPP project.

Activity 3.4 – Specify the project outputs – Once the Municipality’s objectives and budget has been identified, the outputs of the project need to be specified together with its commitment and capacity demonstrated.

Activity 3.5 Define the project – Provide a brief definition of the broader water requirements of the Municipality and what could be the potential initiative to meet such a need. A proposed scope of such projects shall be summarised against the Municipality’s strategic objectives. A list of significant Municipal assets that would be used for the project (such as land and infrastructure) shall also be determined.

Task 4 – TECHNICAL OPTIONS ANALYSIS

Through this task category, the Transaction Advisor will evaluate leading water reuse technology options aligned with the specified project outputs and define the economic and technical risks associated with these. The deliverables are set out in “Section 2” under 4.1 of this TOR and will be accomplished through the following activities:

Activity 4.1 – List all the technical solution options for the project – Provide a list of viable technical options to meet the specified project outputs, which will present financial affordability to the end users.

Activity 4.2 – Evaluate each technical option - The Transaction Advisor will develop a matrix of all potential Project risks for the technology options including, at a minimum, all technical, performance, economic and operational/maintenance risks that will exist as a result of the Project elements. The Transaction Advisor must do a comparison of the financial and economic life-cycle cost of the alternative viable technical options. In addition, the Transaction Advisor will investigate the alternatives as to who may assume project risk with the ultimate intent of defining the risks that will have to be assumed by the Municipality in developing the Project through alternative procurement means. To the degree possible, the definition of Project risks will include the economic value of the risk in terms of the output performance of the proposed Project elements over their design life.

Activity 4.3 – Assist the Municipality with selecting the best technical option which is also financially viable and affordable for the end users – The Transaction Advisor will use a matrix approach to select the best technical option and an alternative which are acceptable by the Municipality. The recommended options will be carried forward to the next project stage.

Activity 4.4 – Develop a high-level preliminary design – The Transaction Advisor must develop a high-level preliminary design for the selected best technical option (including an alternative) and proceed with the environmental authorisations as outlined in Task 7 (specifically Activity 7.3) of this TOR. The preliminary design must include water distribution options (to either the nearest reservoir or the northern aqueduct) from the water reuse plants. Water distribution options may include off-take pipelines to nearby industries.

Task 5 – SERVICE DELIVERY OPTION ANALYSIS

Through this task category, the Transaction Advisor will evaluate and recommend a preferred service delivery option as required under section 78 of the MSA. The deliverables are set out in “Section 3” under 4.1 of this TOR and will be accomplished through the following activities:

Activity 5.1 List all service delivery options – The Transaction Advisor must list all the viable project delivery options for providing the specified project outputs.

Activity 5.2 Evaluate each delivery option – The Transaction Advisor must evaluate all the listed project delivery options by identifying direct/indirect costs, financial impacts on the Municipality, risks and socioeconomic impacts.

Activity 5.3 Select the best delivery option – The Transaction Advisor must recommend the best project delivery option and conduct an in-depth value assessment in the next project stage.

Task 6 – DELIVERY MECHANISM SUMMARY AND INTERIM RECOMMENDATIONS

Through this task, the Transaction Advisor will summarise in a brief and concise report the evaluations and findings of Stage 1A of the Feasibility Study. The report must be submitted to the Municipality for a service delivery option decision in terms of section 78(2) of the MSA. If the Municipality decides to consider an external service delivery option, the Feasibility Study continues in Stage 1B in terms of section 78(3) of the MSA, section 120 of the MFMA and the Municipal PPP regulations.

Furthermore, the Transaction Advisor shall assist the Municipality in notifying both local community and organised labour of its intentions, conduct meetings with each, solicit their views and take these views into account in the next project stage. Inform the community of the financial viability and affordability.

If an alternative contractual arrangement such as a long-term lease arrangement is decided on, the Transaction Advisor must support the Municipality in procuring a contractor.

3.6. Feasibility Study Stage 1B:

Task 7 – PROJECT DUE DILIGENCE AND ENVIRONMENTAL AUTHORISATIONS

Through this task category, the Transaction Advisor will analyse any issues in the preferred technical solution and service delivery option that may significantly affect the proposed project. The deliverables are set out in “Section 4” under 4.1 of this TOR and will be accomplished through the following activities:

Activity 7.1 - Legal Due Diligence – The Transaction Advisor must conduct a comprehensive legal due diligence of the preferred project delivery option and ensure all foreseeable legal requirements are met for the development of the project.

Activity 7.2 - Site Establishment Due Diligence – The Municipality has selected the Northern and KwaMashu Wastewater Treatment Works as the project sites. The Transaction Advisor shall identify, compile and verify all related approvals required to utilise these sites for the specified project outputs.

Activity 7.3 - EIA, WULA and other permitting/authorisations required – The Transaction Advisor is required to complete and acquire the EIA, WULA and other necessary permits/authorisations as part of this contract. The Transaction Advisor must take cognisance of all unforeseen circumstances in the EIA process and ensure that they are catered for in the overall timeline of the project.

Activity 7.4 – B-BBEE and other socioeconomic factors – The Transaction Advisor shall identify sectoral B-BBEE conditions, black enterprise strength in this sector and any factors that may constrain the achievement of the project's intended B-BBEE outputs.

Task 8 – VALUE ASSESSMENT

The Transaction Advisor shall conduct a full value assessment to enable the Municipality to determine which procurement option is best for the Municipality as prescribed in section 78 of the MSA, section 120 of the MFMA and the Municipal PPP regulations. The deliverables are set out in “Section 5” under 4.1 of this TOR.

TASK 9 – PROCUREMENT PLAN

The Transaction Advisor shall draft and submit a procurement plan, which demonstrates that the Municipality has the necessary capacity and budget to undertake the procurement of the external options. The procurement plan must include all activities including all the necessary Council and National Treasury approvals.

TASK 10: PREPARE AND SUMBIT THE FEASIBILITY STUDY REPORT TO THE MUNICIPALITY

The Transaction Advisor shall prepare the Feasibility Study for public comment, solicit National Treasury for their views and recommendations, prepare and submit the final Feasibility Study to the Municipality's Council. This will be accomplished through the following activities:

Activity 10.1: Prepare the feasibility study report for the Municipality to comment – The Transaction Advisor shall meet and present the feasibility study to the Municipality. Furthermore, the Transaction Advisor shall submit the draft feasibility study to the Municipality for comment.

Activity 10.2: Prepare the feasibility study report for public comment – The Transaction Advisor shall notify, meet, present the feasibility study and solicit comments from the local community. As required by section 120 (6) of the MFMA and the Municipal PPP Regulations, activities 9.2 and 9.3 must be conducted 60 days before the Council Meeting (to be determined and agreed upon at the Project Steering Meetings).

Activity 10.3: Solicit Views and Recommendations from National Treasury – The Transaction Advisor shall submit the feasibility study to National Treasury and solicit their views and recommendations.

Activity 10.4: Report on received comments, views and recommendations – The Transaction Advisor shall draft and submit a report on the received comments, views and recommendations. The report deliverables and format are set out in “Section 7” under 4.1 of this TOR.

Activity 10.5: Submission of the Feasibility Study Report – The Transaction Advisor shall present and submit the final Feasibility Study Report to the Municipality.

TASK 11 – REVISTING THE FEASIBILITY STUDY

The Transaction Advisor shall revisit and amend the submitted Feasibility Study if requested by the Municipality, DBSA and National Treasury. Thereafter, the Transaction Advisor must submit the amended report to the Municipality and National Treasury (to grant a revised TVR1).

3.7. Stage 2 Procurement

TASK 12: PROCUREMENT

If, based on the feasibility study, an external procurement or a PPP solution is decided on, the Transaction Advisor will be required to provide the necessary technical, legal and financial Transaction Advisor contract for a Public Private Partnership.

If an alternative contractual arrangement such as a long-term lease agreement is decided on, similar Transaction Advisory support for the procurement will be required, in accordance with the MFMA and other relevant legislation.

This must be in compliance with National Treasury’s Municipal PPP Manual, any applicable elements of the municipality’s supply chain management policy and these terms of reference.

The procurement deliverables are set out in Chapter 5 of National Treasury’s Municipal PPP Module and will be achieved with the following activities:

Activity 12.1 - Develop Procurement Process Plan - The Transaction Advisor must prepare a complete set of procurement documents that comply with all applicable public sector procurement law, policies and guidelines, and that are in accordance with the required tendering processes of the Municipality. The documentation must be consistent with the results of the feasibility study and enable the Municipality to obtain

National Treasury approval in terms of Treasury Regulation 16. The Transaction Advisor must also give the Municipality all the necessary drafting, bidder communication and administrative support necessary for the entire procurement process to the highest standards of efficiency, quality and integrity. To achieve this result, the Transaction Advisor must, at a minimum:

- Set up a bid evaluation system and criteria;
- Design a suitable bid process that will ensure comparable qualified bids in line with the Municipality’s SCM policy and National Treasury’s PPP guidelines;

- Devise an effective system for communicating with bidders; inspire market confidence in the Project; and incorporate all bid requirements; and
- Develop a payment mechanism that captures the elements of risk mitigation and previous activities contained within these Terms of Reference.

Activity 12.2 - Develop Contractor Prequalification Process - The Transaction Advisor must design and administer a pre-qualification (Request for Qualification (RFQ) process with the intention of:

- Ensuring that the Municipality's exact interest is communicated clearly to potential contractors;
- Determining the extent and nature of interest on the part of qualified private sector contractors; and
- Pre-qualifying a competitive number of competent contractors in an equitable and transparent way with the desired result is that every pre-qualified bidder is capable of providing the systems and services required by the Municipality.

To accomplish this, the Transaction Advisor must:

- Prepare all necessary RFQ documentation, including advertising materials;
- Set up and administer the process by which the Municipality can prequalify prospective contractors; and
- Help the Municipality evaluate and qualify potential contractors based on preselected qualifications criteria.

After selection and approval of the successful bidder by municipal decision-makers, negotiations will be entered into, if required. To assist in this activity, the Transaction Advisor will:

- Assist the Municipality in its negotiation with preferred bidder;
- Update/Amend the agreement, if applicable, to reflect negotiated terms; and
- Assist in ensuring that all conditions precedent to signing of the contract are fulfilled and complete.

Activity 12.3 Develop Request for Proposals (RFP) - The Transaction Advisor must prepare an RFP document in accordance with best industry practice and National Treasury's guidelines, consistent with the results of the feasibility study and the other activities associated with these Terms of Reference. The RFP must, at a minimum, establish the following:

- The required Project output specifications of the Municipality;
- Structural requirements for compliant bids;
- A risk profile as established in the feasibility study and other tasks associated with these Terms of Reference;
- The payment mechanism;
- BEE targets, if applicable;
- Specific steps associated with the bid process;
- Evaluation criteria for selecting a preferred contractor; and
- Bidder communication processes.

Activity 12.4 – Develop Draft PPP agreement, if Necessary - The Transaction Advisor must prepare a draft PPP agreement based on National Treasury's Standardized PPP Provisions. Close liaison with the PPP unit of the National Treasury is required during the drafting of this document.

Activity 12.5 - Develop Documentation for National Treasury Approval - The Transaction Advisor must compile all the documentation necessary for the Municipality to seek and obtain National Treasury approval in terms of Treasury Regulation 16 to the PFMA to enable the procurement process to begin.

Activity 12.6 – Support Administration of the Bidding Process - The Transaction Advisor will provide all necessary administrative support to the Municipality for the efficient and professional management of the tender process. This includes managing and facilitating the structured engagement between the Municipality and bidders, helping the Municipality communicate effectively with bidders, and receiving bids, developing a Value for Money analysis of proposals received.

Activity 12.7 - Support PPP or Contractor Agreement Negotiations and Finalization - The Transaction Advisor must assist the Municipality in final negotiations with the preferred contractor and any off-take partners. This will involve preparing suitable negotiations terms, categorizing issues appropriately, developing timelines for completion, and planning negotiation tactics and processes for reaching agreement.

The Transaction Advisor must ensure that all agreements reached during the negotiations are incorporated into all of the financial, commercial and legal documentation, and must assist with drafting the necessary and related correspondence and other documents.

The final terms of the agreements, as negotiated with the preferred bidder, must be submitted by the Municipality for Treasury Approval in terms of Treasury Regulation 16. The Transaction Advisor is responsible for compiling the necessary submissions for the Municipality to obtain this approval.

Activity 12.8 - Develop a Comprehensive PPP Management and Monitoring Plan

– The Transaction Advisor will, in close coordination with the Municipality, draft a comprehensive PPP management and monitoring plan. At a minimum, this will define all procedures required for monitoring the performance of the PPP agreement during the full-term of the Project. The PPP management plan will be in accordance with the provisions of the PPP agreement and follow the guidance provided in the National Treasury’s PPP Manual.

TASK 13: CLOSE-OUT REPORT AND CASE STUDY

The Transaction Advisor shall prepare and provide a comprehensive Transaction Advisor Final Report to eThekweni Municipality, which shall contain an Executive Summary, key findings, recommendations and conclusions of the Study, and shall incorporate all other documents and/or reports.

4. Presentation of deliverables

The feasibility study needs to clearly assess the full project life-cycle costs and benefits of technical viable options and, where applicable, propose the optimal value-for-money solution for the Municipality to achieve its desired outcomes. In addition, the affordability to the Municipality should be assessed. The determination of the applicability of a value-for-money assessment in the feasibility study, and the feasibility study itself, is to be

conducted in compliance with National Treasury's Municipal PPP manual, available on www.gtac.gov.za¹ or from the PPP Unit.

The Transaction Advisor is required to produce the feasibility study report in the format indicated below.

4.1. Components of the feasibility study

In line with National Treasury's Municipal PPP Manual, Module 4: PPP Feasibility Study, the feasibility study must include the following:

- Introduction
- Submission requirements
- Covering letter from the accounting officer requesting TVR I, where applicable
- Executive summary
- Introduction
- Project background
- Approach and methodology to the feasibility study and the MFMA requisites, and the obtaining of Treasury Views and Recommendations –(TVR) 1.

Section 1

- Submission requirements: Needs analysis
- Municipality's strategic objectives
- Budget
- Institutional analysis
- Output specifications
- Scope of the project

Section 2

- Submission requirements: Technical solution options analysis
- Technical options considered
- Evaluation and assessment of each technical option
- Summary of evaluation and assessment of all technical options considered
- Recommendation of a preferred technical option

Section 3

- Submission requirements: Service delivery options analysis
- Delivery options considered
- Evaluation and assessment of each delivery option
- Summary of evaluation and assessment of all delivery options considered
- Recommendation of a preferred delivery option(s)

Section 4

- Submission requirements: Project due diligence.

• ¹ <http://www.gtac.gov.za/Publications/1160-PPP%20Manual.pdf>. More detailed information on tools and information is available at https://www.gtac.gov.za/Publications/Appraisal_of_Infrastructure_Guideline_Revised.pdf

- Legal aspects.
- User rights.
- Regulatory matters.
- Site enablement.
- Socio-economic and BEE.
- Accuracy of measurements and recordings in feasibility study.
- Items such as:
 - Identify any operating, financial or other contractual commitments which are binding on the Client and advise on options for dealing with them within the framework of a proposed transaction structure;
 - Assess any contingent liabilities, including tax and environmental as will need to be addressed in formulating a structure for private sector participation (in coordination with the Client and other consultants);
 - Review legal aspects of existing labour arrangements in the context of the proposed structure;
 - Review existing Client contractual arrangements to ensure compatibility with proposed arrangement;
 - Assist the Client in the development and presentation of recommendations for private sector participation in Project;
 - Make any other relevant recommendations relating to the Project; and
 - Analyze and make recommendations on the initial concept for the Project and the risk allocation in draft Project Agreements, based on relevant precedents, and suggest and assist in making modifications as necessary following discussions with other members of the transaction team must also be catered for in the legal due diligence.

Section 5

- Submission requirements: Value assessment.
- Undertake an 'internal assessment' (costs of alternative technologies, avoided costs).
- Technical definition of project.
- Discussion on costs (direct and indirect) and assumptions made in producing cost estimates.
- Detailed financial matrix based on technical options and risk assessment per option inclusive of operations and maintenance.
- Detailed model on water supply and consumption based on technology types.
- Discussion on revenue and assumptions made on revenue estimates plus value added benefits.
- Financial matrix of revenue streams.
- Financial and economic valuation of life-cycle costs and benefits of alternative technical options.
- Detailed Socio-Economic benefit of the PPP.
- BEE targets.
- Financial model for equity partnerships.
- Discussion on proposed PPP type.
- Proposed PPP project structure and sources of funding.
- Payment mechanism (including incentives for any revenue streams).
- Discussion on all model assumptions made in the construction of the model, including inflation rate, discount rate, depreciation, tax and VAT.
- Risk assessment.
- Comprehensive risk matrix for all project risks.
- Summary of the municipality's retained and transferable risks.

- Summary of results: NPV.
- Summary of results: NPV, key indicators.
- Sensitivity analyses.
- Statement of affordability.
- Statement of value for money, if appropriate.
- Recommended procurement choice.
- Information verification.
- Summary of documents attached in Annexure 1 to verify information found in the feasibility study report.

Section 6

Statement of compliance with the comments and representations received in response to MFMA section 120(6)(b) invitation to comment, as appropriate.

Section 7

Statement of views and recommendations received in response to any required MFMA section 120(6)(c) solicitation.

Section 8

Submission requirements: Procurement plan.

Annexures:

Annexure 1: Statements for information verification and sign off from the Transaction Advisor to the project.

Annexure 2: Letter of concurrence from CFO of municipality.

Annexure 3: Risk assessment and comprehensive risk matrix.

Annexure 4: Document list (list of all documents related to the project, where they are kept, and who is responsible for ensuring that they are updated).

Annexure 5, 6: Attach as annexures summaries of comments or representations received in terms of the MFMA section 120(6)(b) public notice and in terms of the MFMA section 120(6)(c) request for views and recommendations.

Annexure 7: Full reports on the Preliminary studies.

N.B. Pricing must take into consideration all aspects of the work required per heading mentioned above in addition to the special requirements highlighted in the objective.

4.2. Presentation of the feasibility study

The feasibility study shall comprise all the above deliverables, including results, conclusions and recommendations. It must be compiled in a single report in Word format (with relevant annexures), and delivered as both electronic and hard copy documents. All financial models must be in Excel format, and clearly set out all assumptions made, sensitivity analyses carried out, and model outputs. The financial models must be sufficiently adaptable for use by others at later stages. The feasibility study must be presented to eThekweni Municipal officials with a thorough executive summary and must be accompanied by a PowerPoint presentation that encapsulates all the key features of the study. The executive summary and PowerPoint presentation must be compiled in such a manner that they can be used by the Municipality's management for decision-making purposes. The technology

expert/project leader from the specialist company must be present at this presentation.

4.3. Submission requirements for the feasibility study report and request for Treasury Views and Recommendations:

If the Municipality decides to pursue a PPP solution for the Project, the feasibility study must be of a standard that will be accepted by National Treasury for the purposes of the Municipality obtaining Treasury Views and Recommendations: I (TVR I) in terms of Treasury Regulation 309 to the MFMA. The Transaction Advisor is therefore advised to be fully familiar with the requirements of the PPP Unit as set out in Module 4: PPP Feasibility Study of National Treasury's Municipal PPP Manual. Furthermore, the Transaction Advisor will have to prepare all documentation and facilitate the submission and attainment of TVR I.

5. PPP procurement deliverables

If the Municipality decides on a PPP procurement solution, the Transaction Advisor is required to work with the Municipality to manage the procurement process for securing contracts with an external private party. All this needs to be in accordance with the systems and standards set out for PPPs in Treasury Regulation 309 and using National Treasury's Municipal PPP Manual. The Transaction Advisor will then have to deliver the following:

5.1. Treasury Views and Recommendation: 2 and administration of the Private Party bidding process

The Transaction Advisor must prepare a complete set of procurement documents, complying with public sector procurement law, policies and guidelines and in accordance with the bidding systems of the Municipality. The documentation must be consistent with the results of the feasibility study and enable the Municipality to obtain Treasury Views and Recommendations 2 in terms of Treasury Regulation 309.

The Transaction Advisor must also give the Municipality all the necessary drafting, bidder communication and administrative support necessary for the entire procurement process to be conducted in accordance with law and policy, and to the highest standards of efficiency, quality and integrity.

5.2. Bid evaluation criteria, bid process design and BEE requirements

The Transaction Advisor must: propose a bid evaluation system and criteria with capable of effective measurement to allow evaluation; design a suitable bid process that will ensure proper evaluation and comparison of bids; propose effective systems for communicating with bidders; market the Project to the domestic and international investor community, promoting interest; and incorporate all BEE requirements for the project.

5.3. Request for proposals (RFP)

The Transaction Advisor must prepare an RFP document in accordance with best industry practice and National Treasury's Municipal PPP Manual, consistent with the results of the feasibility study. The RFP must concisely set out:

- The output specifications of the Municipality.
- Requirements for compliant bids.
- A risk profile as established in the feasibility study.
- The payment mechanism.

5.4. A draft PPP agreement

The Transaction Advisor must prepare a draft PPP agreement, based on National Treasury's Standardised PPP Provisions, reflecting the municipal context. Close liaison with the Municipality's management and the PPP unit of the relevant treasury is required during drafting.

5.5. Treasury Views and Recommendations: 2

The Transaction Advisor must compile all the documentation necessary for the Municipality to obtain Treasury Views and Recommendations: 2 in terms of Treasury Regulation 309 to the MFMA to enable the procurement process to begin.

5.6. Administration of the bidding process

The Transaction Advisor is to provide all necessary administrative support to the Municipality for the efficient and professional management of the bidding process. This includes collecting the information required to populate a data room, providing a suitable, secure electronic platform for the dataroom, facilitating structured engagement between the Municipality and bidders, helping the Municipality communicate effectively with bidders, and receiving bids.

5.7. Evaluation of Private Party bids, demonstrating value for money

5.7.1. Evaluation of bids

The authorised staff of the Municipality, helped by the Transaction Advisor, must open the bids at the time, date and location specified in the bidding documents, or as specified if the deadline has been extended. Representatives of bidders should be invited to attend the event where the names and addresses of bidders are announced and recorded.

5.7.2. The value assessment report

As directed, value for money must be demonstrated by comparing the net present value (NPV) of the bids received with the NPV of the alternatives of the construction and upgrade of the DWR plant, with a suitable adjustment for risk assumed.

The results of the bidding and evaluation of bids must be presented in a single value assessment report (with relevant annexures) that demonstrates

clearly how value for money will be achieved with the preferred bidder. The report must clearly indicate the preferred and second-ranked bidders and provide motivations. This bid document must be in line with GTAC SCM policy.

5.7.3. Agreement negotiations, PPP agreement management plan and Treasury Views and Recommendations: 3

The Transaction Advisor must assist the Municipality in final negotiations with the preferred Private Party bidder. This will involve preparing suitable negotiations teams, categorising issues appropriately, developing timelines for completion, and planning negotiation tactics and processes for reaching agreement. The Transaction Advisor must ensure that all agreements reached are incorporated into all the financial, commercial and legal documentation, and must assist with drafting the necessary and related correspondence.

The final terms of the agreements, each as negotiated with the preferred bidder, must be submitted by the Municipality, along with the PPP agreement management plan for the Project, for Treasury Views and Recommendations: 3 in terms of Treasury Regulation 309. The Transaction Advisor is responsible for compiling the necessary submissions for the Municipality to obtain this approval.

The Transaction Advisor must, in close liaison with the Municipality, draft a comprehensive PPP agreement management plan for the Municipality. This will be in accordance with the provisions of the PPP agreement and with the relevant guidelines issued by National Treasury's PPP Unit.

The Transaction Advisor must ensure that a comprehensive legal due diligence of the Accounting Officer has been completed. This will relate to legal compliance, competence and capacity to enter into the PPP agreement.

5.7.4. Agreement signature, close-out report and case study, and financial closure

The Transaction Advisor must help the Municipality with all functions related to signing the final agreement, including obtaining the approval of Council required by MFMA Section 33 for contracts of a prescribed term.

The Transaction Advisor must also compile a comprehensive close-out report and case study. These must follow the formats prescribed in Module 5: PPP Procurement of National Treasury's Municipal PPP Manual, and must incorporate any additional factors that may be required by the Municipality.

The close-out report will be a confidential document of the Municipality, and will also be logged with National Treasury. The case study will become a public document, made available on various government websites. Financial closure signifies that all the procurement deliverables have been successfully completed, and that the Transaction Advisor's work is finished, if applicable.

6. Transaction Advisor skill, experience, remuneration and management by the Municipality

6.1. Necessary Transaction Advisor skills and experience and ECSA registration

The Transaction Advisor may comprise a team, managed by a single lead Transaction Advisor.

The members of the team will have both the skill and experience necessary to undertake the range of tasks set out in these terms of reference. Each individual on the team must be personally available to do the work as and when required. The lead Transaction Advisor will be held accountable, in terms of the Transaction Advisor contract, for ensuring project deliverables and for the professional conduct and integrity of the team. (See Annexure C: Draft Transaction Advisor contract.)

The requirements for the Transaction Advisor team are as follows:

The Lead Transaction Advisor shall be a qualified professional in his/her field with experience in important aspects of the project. S/he must have the required skills in contract management and project management, and be based within 100 km of 3 Prior Road, Durban or show the intent of setting up a local office in Durban for the duration of the contract.

Other required skills in the Transaction Advisor team are:

- Technical competency.
- Financial analysis, with relevant PPP, corporate and project finance experience.
- PPP procurement and structuring in South Africa.
- Legal, with relevant experience in the drafting and negotiating of PPP agreements.
- Contract negotiations.
- The team must include a suitably qualified municipal wastewater treatment process expert with experience in:
 - Municipal wastewater reuse and treatment systems including experience of wastewater reuse management planning.
 - Reuse design.
 - Operation and Maintenance of reuse plant.
- The expert will be required to visit eThekweni to:
 - Inspect the existing plant at Northern and KwaMashu Waste Water Treatment Works.
 - Investigate processes at the Northern and KwaMashu Waste Water Treatment Works.
 - Discuss eThekweni's requirements with design and operational staff
 - Participate in the final presentation of the feasibility study to eThekweni staff.
- The technical team shall have skills and experience in Municipal wastewater reuse design and some experience in innovation.

The Transaction Advisor must accept liability for losses caused to the Municipality by any negligent acts, errors or omissions made by the Transaction Advisor during the course of the Project.

The key Engineers that form the technical team are required to be fully registered and governed by The Engineering Council of South Africa (ECSA) as Professional Engineers. Failure to submit such registration will result in non-compliance.

For the purpose of this contract, international Engineers are welcome to form a part of the technical team but within the first year of the contract must have achieved this registration with ECSA or show validation/ endorsement of their current professional registration by ECSA.

It is encouraged that the requirements for PR. ENG. registration with ECSA is checked before tendering to ensure that this registration can be achieved. Failure to achieve this registration will result in termination of the contract and be liable for all monetary losses as a result of non-compliance with this contract. But if there is evidence that such application was submitted and the key engineer is waiting for the outcome of the registration process, therefore GTAC will await the outcome.

Proof of qualifications and professional body registration (if applicable) **must** be provided in a form of certified copies. International qualifications **must** be accompanied by SAQA confirmation of accreditation. Failure to meet this requirement will result in a score of zero for qualifications.

6.2. Remuneration schedule and disbursement arrangements

Remuneration of the Transaction Advisor will be payable in South African Rands on a fixed price for each of the activities and deliverables described in sections 3.5, 3.6 and 3.7 above.

Payment will be by milestones. The procurement portion of the work may or may not transpire at the end of the feasibility study, and should be costed accordingly.

6.3. Remuneration schedule

The following remuneration schedule is set for each part of the contract. Bidders should adhere to these in their proposals, within the total budget given.

Feasibility Study Stage 1A

| Deliverable | Percentage |
|--|------------|
| Signing of Transaction Advisor contract as a mobilisation allowance | 5% |
| Completion of Needs Analysis | 30% |
| Completion of Technical Options Analysis | 30% |
| Completion of Feasibility Study Stage 1A Report | 20% |
| Permits and Authorisations | 15% |
| Decision of Municipal Council to proceed with Feasibility Study Stage 1B | 0% |
| Total | 100 |

Feasibility Study Stage 1B

| Deliverable | Percentage |
|---|------------|
| Completion of Due Diligence on Viable Options | 15% |
| Completion of Value Assessment and Procurement Plan | 40% |

| | |
|--|-----|
| Completion of Feasibility Study Stage 1B report | 20% |
| Completion of MFMA section 120 (6) requirements, receipt of National Treasury TVR:I and “in principle” decision of Municipal Council to proceed with procurement | 25% |
| Total | 100 |

PPP procurement

| Deliverable | Percentage |
|--|------------|
| Mobilisation allowance | 0% |
| Issuance by National Treasury of TVR:IIA | 33.33% |
| Issuance by National Treasury of TVR:IIB | 33.33% |
| Issuance by National Treasury of TVR:3 | 33.33% |
| Total | 100 |

Deliverables completed per the remuneration schedule will be approved by the Project Officer, after which invoices may be submitted for payment as per the remuneration schedule. The GTAC will pay within 30 days of receiving the approved invoice.

6.4. Disbursement arrangements⁸

All claims for travel and other legitimate disbursement expenditure must be pre-approved by the Project Officer before they are incurred. An email system for these approvals will be set up when the Transaction Advisor contract is signed. Pre-approved project expenditure on travel outside the province, related reasonable accommodation costs, expenditure on document reproduction, or any other legitimate pre-approved project disbursement expenditure will be reimbursed at cost. Payment will be made within 30 days of the GTAC receiving approved and substantiated invoices, and does not form part of the remuneration schedule. Bidders are required to propose a ceiling for such disbursements. All travel must be priced into this contract and declared up from inclusive of any international experts.

6.5. Management of Transaction Advisor by the Municipality

The Transaction Advisor will be appointed by GTAC.

A Project Officer has been appointed by the Deputy Municipal Manager: Finance to take full responsibility for managing the Transaction Advisor’s work and for ensuring delivery on the project.

The Project Officer has established a project team to engage regularly with the Transaction Advisor for efficiently completing the various delivery items. The project team will meet at least monthly and the Transaction Advisor will report progress to these meetings, as instructed by the project officer. The Project Officer will confirm that the Transaction Advisor has satisfactorily completed each task.

⁸ The disbursement arrangement set out here assumes option 1: actual cash with a ceiling.

6.6. Strategic Advisor of EWS

The Development Bank of Southern Africa (DBSA) have been assigned as strategic partner and advisor for this PPP. Their role is to assist EWS with:

- The development of this contract.
- Transaction advisor funding.
- Development of feasibility study, and Procurement of a private operator (if the project is recommended for PPP procurement).
- Potentially funding the private operator.

As part of its engagement DBSA is allowed to assist with any of the Tender Evaluations or provide technical expertise and input at any stage of the process. DBSA will also help to ensure that the interests of EWS are protected and provide some capacity building, training and mentorship based on previous PPP project/s.

7. Rules of bidding, bid submission requirements and bid evaluation for Transaction Advisory services

7.1. Rules of bidding

- 7.1.1. The Transaction Advisor must be a single legal entity with all other necessary expertise secured via subcontract. The Municipality will enter into a single contract with a single firm for the delivery of the work set out in these terms of reference.
- 7.1.2. Tax status verification information to be provided (Central Supplier Database – CSD number / South African Revenue - SARS pin). This must be submitted by all firms submitting bids including a consortium or joint venture.
- 7.1.3. Foreign firms providing proposals must become familiar with local conditions and laws, and take them into account in preparing their proposals.
- 7.1.4. Bids must be submitted in South African Rands, on a fixed price basis.
- 7.1.5. The costs of preparing bids and of negotiating the contract will not be reimbursed.
- 7.1.6. The Municipality is not bound to accept any of the bids submitted, and reserves the right to call for best and final offers from short-listed bidders before final selection.
- 7.1.7. The Municipality reserves the right to call interviews with short-listed bidders before final selection.
- 7.1.8. The Municipality reserves the right to negotiate price with the preferred bidder.

7.1.9. Firms may ask for clarification on these terms of reference or any of its annexures up to close of business 48 hours before the deadline for the submission of bids. Any request for clarification must be submitted by email at rfp@gtac.gov.za. Copies of questions and answers will be emailed to all firms that register at the briefing session, without revealing the identity of the source of the questions.

7.1.10. Firms may not contact the Municipality or the relevant treasury on any matter pertaining to their bid from the time when bids are submitted to the time the Transaction Advisor contract is awarded. Any effort by a bidder to influence bid evaluation, bid comparisons or bid award decisions in any manner, may result in rejection of the bid concerned.

7.2. Bid submission requirements

Transaction Advisors are required to submit their proposals in two envelopes in the following format:

Envelope 1: Technical proposals, B-BBEE information and Returnable Forms

Marked with the name of the Transaction Advisor.

Titled 'Technical proposal & Returnable Forms: Transaction Advisor services to Municipality for preliminary & feasibility study and possible PPP procurement for the design, construction, operation and maintenance of the new reuse plants at Northern and KwaMashu WWTWs.

This envelope must contain at least the following:

7.2.1. Covering letter signed by the lead Transaction Advisor, among others:

- Accepting the rules of bidding, evaluation of bids, and bid evaluation criteria set out in the terms of reference.
- Attaching tax clearance status verification information from South African Revenue Services or CSD for the lead Transaction Advisor firm and all South African firms to be subcontracted to it for this assignment, or all South African firms participating in a joint venture for purposes of this bid.
- Evidence of professional indemnity insurance.
- Providing full contact details for the lead Transaction Advisor.

7.2.2. Information on and motivation for the lead Transaction Advisor, attaching his or her curriculum vitae, and setting out his or her personal, and his or her firm's:

- Suitability for this assignment.
- Relevant skills and experience: For each relevant experience cited, outline the precise role the lead Transaction Advisor played, the role of the firm, contract duration, contract outcomes, and contract value.

- Availability to perform the work: This must be substantiated by listing the lead Transaction Advisor's other known professional commitments for the forthcoming two years.
- Preference Points Claim.
- B-BBEE certificate.

7.2.3. Names and all proposed team members in a table, setting out:

- The professional role that each person will play in the assignment. This must be cross-referenced to each deliverable set out in this terms of reference.
- The suitability of each person for the proposed roles in terms of their relevant skills and experience.
- Their availability to perform the work.
- One-page résumés of each person highlighting responsibilities held and experience relevant to this assignment in the last 5 years.
- All entries on resumes must clearly indicate the start and end dates of relevant project involvement.

*** Please note that the CV's submitted in the proposal should be the people who will work on the contract. If a substitution needs to be made, the qualification of the individual needs to be equivalent or better than the predecessor. This substitution needs to be submitted to The Municipality for approval before he/she commences with work on this contract. The Municipality has experienced cases whereby CV's for senior officials are submitted and the work is then carried out by junior staff resulting in substandard levels of experience in the contract. The full project team should be declared upfront and costed accordingly. If it is found that the people whose CV's are presented are not conducting the work, The Municipality reserves the right to implement the termination of the contract and the contractor will be liable for all monetary losses as a result of non-compliance to this contract.**

7.2.4. Details, experience and B-BBEE status of bidding firms in similar projects, setting out indicating for each previous assignment

Details of previous similar assignments (no more than 5), setting out:

- Employer, contact person and telephone number, where available;
- Description of work (service), including information about size/capacity, precise role in the project;
- Value of work (i.e. the service provided) inclusive of VAT (Rand);
- Date completed;
- Preference Points Claim; and
- B-BBEE certificate.

The Legal and Financial companies subcontracted for this assignment should also provide experience on previous work done in the PPP sector/contracts of a similar nature, as their experience will also form part of the evaluation criteria.

7.2.5. Project comprehension and project management plan, setting out:

- The Transaction Advisor's understanding of the terms of reference, and any proposals for amendments to the terms of reference that would enhance desired outcomes;
- How the Transaction Advisor proposes to manage the set of deliverables outlined in the terms of reference;
- The proposed organisation and staffing of the project team;
- A proposed outline work plan with timetable for delivery;
- How the Transaction Advisor members will be supervised;
- How reporting to the Project Officer will take place; and
- Any innovative ideas for how the whole assignment can best achieve its objectives.

The technical envelope must not include any price proposal.

7.2.6. Envelope 2: Price proposal

- Marked with the name of the Transaction Advisor.
- Titled: 'Price proposal: Transaction Advisor services to Municipality for preliminary & feasibility study and possible PPP procurement for the design, construction, operation and maintenance of the reuse plants at Northern and KwaMashu WWTWs.

This envelope must contain:

7.2.7. Proposed remuneration for professional fees:

- A remuneration proposal in the remuneration format outlined at 6.3 above, giving professional cost per deliverable item and total for each part as indicated.
- VAT must be specified as a separate total for each of the feasibility study and PPP procurement parts. While VAT will be paid pro rata for each delivery item in each part of the assignment, it should be indicated as a total sum per part for purposes of this submission.
- Itemisation of fees payable to each member of the Transaction Advisor
- An estimation of anticipated disbursement costs per part of work. This information will not be used as a criterion for the evaluation of bids, and the successful bidder will not be held to this amount.
- Marked-up version of the draft Transaction Advisor contract (attached here as Annexure C), including the proposed remuneration set out in a draft proposed payments schedule to the contract.

7.3. Non-compulsory briefing session

The Municipality will hold a briefing session on the terms of reference followed by a site visit to the locations of all 2 WWTWs. All potential Transaction Advisors are required to attend and to register their interest in submitting bids. The list of attendees will be circulated to all present to encourage the formation of appropriate consortia. No party registering interest is, however, bound to submit a bid.

The date, time and venue of the briefing session are as given in the bid notice and invitation letter to bid at the beginning of this document.

7.4. Address and deadline for submission of bids

Bids by Transaction Advisors must be submitted in a single sealed envelope, containing the two separate sealed envelopes required.

The envelope must be marked: 'Transaction Advisor services to Municipality for feasibility study and possible Transaction Advisor contract for a Public Private Partnership for the Durban Water Recycling plant Project.'

The bid must be hand delivered to the address below before the closing date and time as indicated in the invitation letter.

GTAC Tender box
National Treasury building (24th floor)
240 Madiba Street
Pretoria
0001

NB: Do not deposit at the Tender Information Centre (TIC)

7.5. Bid evaluation

A bid evaluation panel will be established by the GTAC comprising representatives of the Municipality and the relevant treasury's PPP Unit. The panel will evaluate all Transaction Advisor bids received by the deadline, according to the criteria indicated here.

The price proposal envelopes of each bid received will be locked away until the technical proposal have been evaluated by the bid evaluation panel. The price proposals of only those bids whose technical proposals meet or better the technical threshold scores set out in the bid evaluation criteria (section 7.6 below) will be considered further for price and B-BBEE based on the 80/20 principle. Those bids that do not meet the technical threshold scores will have their price proposal envelopes unopened and will not be further considered for selection.

Any bid which fails to submit any element of the bid submission requirements set out in 7.2 above may, at the discretion of the bid evaluation panel, be rejected as unsuitable for evaluation, and will therefore not be further considered.

7.6. Bid evaluation criteria

Functionality of bids will be evaluated and given scores out of 100%. Bids scoring less than 70% in the technical proposal will be disqualified.

The bid which achieves the technical threshold of 70% out of 100% will be evaluated further based on price and B-BBEE and the bid which achieves the highest points on 80/20 will be recommended by the bid evaluation panel as the preferred Transaction Advisor.

7.7. Envelope 1: Technical evaluation

The technical proposals received will be evaluated according to the following criteria and scoring system.

| Criteria | Scoring Guide | Weight |
|--|--|-----------|
| 1 Lead Financial Stream Academic Qualifications Relevant financial qualifications in Finance, Accounting accompanied by experience in the field. | 5 = Masters 4 = Hons or relevant Professional Registration 3 = Degree 2 = Diploma 1 = Matric | 5 |
| Skills and Experience Relevant experience in: <ul style="list-style-type: none"> • Project finance; • Financial and economic cost benefit analysis; • Financial and risk modelling; and • Budget analysis and affordability solutions. | 5 = >9 years 4 = 7-9 years 3 = 4-6 years 2 = 1-3 years 1 = < 1 year | 10 |
| 2 Lead Technical Stream Academic Qualifications Relevant qualifications in the technical fields relevant to this assignment. Lead Technical Stream Academic Qualifications Relevant qualifications in project management, civil engineering, process engineering, mechanical engineering, electrical and environmental science. | 5 = Masters 4 = Hons or relevant Professional Registration 3 = Degree 2 = Diploma 1 = Matric | 5 |
| Skills and Experience Project management Design of wastewater treatment plants and potable water reuse Water distribution Environmental and social studies | 5 = >11 years 4 = 9-11 years 3 = 6-8 2 = 2-5 years 1 = <2 years | 15 |
| 3 Lead Legal Stream Academic Qualifications Relevant legal qualifications | 5 = Masters 4 = Hons or relevant Professional Registration 3 = Degree 2 = Diploma 1 = Matric | 10 |
| Experience | | |

| | Criteria | Scoring Guide | Weight |
|----------|---|---|---------------|
| | Relevant experience in: <ul style="list-style-type: none"> • Drafting procurement and PPP agreements; • Commercial contracts; and • Negotiations. | 5 = >9 years 4 = 7-9 years 3 = 4-6 years 2 = 1-3 years 1 = < 1 year | 20 |
| 4 | PPP/Project Finance procurement and structuring Relevant experience and track record on the consortium: <ul style="list-style-type: none"> • Knowledge of and experience of the Treasury Regulations and PPP Guidelines; and • List of PPP or project finance projects involved in. | 5 = >9 years 4 = 7-9 years 3 = 4-6 years 2 = 1-3 years 1 = < 1 year | 10 |
| 5 | Lead Advisor firm Highlight the following: <ul style="list-style-type: none"> • Suitability for this assignment • Relevant skills and experience, outlining the precise role of the Lead Advisor, project management experience and expertise to fulfil this role; and • Administrative support. | 5 = >9 years 4 = 7-9 years 3 = 4-6 years 2 = 1-3 years 1 = < 1 year | 10 |

| Criteria | Scoring Guide | Weight |
|---|--|----------|
| 6 Project Team | <ul style="list-style-type: none"> • A proposed team structure/organogram indicating respective roles of each team member to the deliverables. • Qualifications, skills and experience of the proposed project team should be clearly stated in the CVs and match the respective roles of each team to the deliverables. • The suitability of each person in the team for the proposed roles in terms of their relevant skills and experience cross referenced to the deliverables. | 7 |
| 7 Quality of Project Comprehension | <ul style="list-style-type: none"> • Bidders demonstrate comprehension of the brief. • The understanding of the Terms of Reference, and any proposals to enhance desired outcomes. • Any innovative ideas for how the whole assignment can best achieve its objectives. • Work plan and timelines | 8 |

| Criteria | Scoring Guide | Weight |
|--|---|------------|
| | acceptable understanding of the ToRs. 2: - Project Comprehension Statement demonstrates poor understanding of the ToRs. 1: - Project Comprehension Statement not submitted and demonstrates no understanding of the ToRs. | |
| Total weight | | 100 |
| Minimum functionality threshold | | 70% |

Functionality will be scored by not less than three evaluators.

7.8. Envelope 2: Price and B-BBEE evaluation

As the total budget for this assignment has been declared by the Municipality, a total of 80 points is allocated to the price component of the bid and 20 point to B-BBEE (80/20 principle). The lowest total bid price for the terms of reference will be allocated the maximum points for price.

THE 80/20 PREFERENCE POINT SYSTEMS

A maximum of 80 points is allocated for price on the following basis:

80/20

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

P_s = Points scored for price of bid under consideration

P_t = Price of bid under consideration

P_{\min} = Price of lowest acceptable bid

The B-BBEE status level of contribution will be in accordance with the table below:

| B-BBEE Status Level of Contributor | Number of points (80/20 system) |
|------------------------------------|---------------------------------|
| 1 | 20 |
| 2 | 18 |
| 3 | 14 |

| | |
|---------------------------|----|
| 4 | 12 |
| 5 | 8 |
| 6 | 6 |
| 7 | 4 |
| 8 | 2 |
| Non-compliant contributor | 0 |

7.9. Bid Evaluation Criteria

The Technical proposal will be evaluated out of 100 points with a Threshold of 70%. Only submissions that pass the Technical Threshold will continue on to the Financial and B-BBEE evaluation.

The evaluation will be based on the CVs of the lead for each stream and key project team members.

7.10. Bid Validity Period

The bid will be valid for a period of 90 days.