

BUSINESS REQUIREMENT SPECIFICATIONS FOR THE

APPOINTMENT OF A TRANSACTIONAL ADVISOR TO FACILITATE THE

DEVELOPMENT OF THE TRACK AND TRACE SOLUTION FOR EXCISABLE

GOODS FOR THE SOUTH AFRICAN REVENUE SERVICE

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1. List of Acronyms

BBBEE	Broad Based Black Economic Empowerment
CFO	Chief Financial Officer
FCTC	Framework Convention on Tobacco Control
MTEF	Medium Term Expenditure Framework.
NPV	Net Present Value
PFMA	Public Finance Management Act
PPP	Public Private Partnership
PSC Model	Public Sector Comparator
SARS	South African Revenue Service
TA	Transactional Advisor
URL	Uniform Resource Locator
WHO	World Health Organisation

2. Introduction

The South African Revenue Service (SARS) is a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA). SARS's mandate under the South African Revenue Service Act 34 of 1997 includes the collection of all revenues that are due, ensuring maximum compliance with revenue legislation and providing a customs and excise service that will maximise revenue collection, facilitate trade and protect the borders of South Africa. SARS's vision is to be an innovative Revenue, Customs and Excise agency that enhances economic growth and social development and supports South Africa's integration into the global economy in a way that benefits all citizens.

Contained in this document are the specifications for the appointment of a Transactional Advisor to facilitate the compilation of the feasibility study as required by National Treasury for Public Private Partnerships (Treasury Regulation 16), and to facilitate the development and procurement of a fiscal marker for the tracking and tracing of all excisable goods and funding of the technology related with such tracking and tracing of infrastructure (equipment, systems and technology) through a Public Private Partnership process.

The purpose of tracking and tracing is to secure the supply chain and to assist in the investigation of illicit trade in excisable products. The tracking and tracing regime must comprise of international and regional tracking and tracing and must enable SARS to make enquiries and receive relevant information. The tracking and tracing system must be controlled by SARS for all excisable products that are manufactured in or imported into the Republic of South Africa taking into account available best practice.

To enable effective tracking and tracing, SARS requires that unique, secure and non-removable identification markings (fiscal markings), such as codes or stamps, are affixed to or form part of all unit packets and packages and any outside packaging of excisable goods. The tracking and tracing system must allow for the following information to be available, either directly or accessible by means of a secured URL to assist SARS in determining the origin of excisable products, the point of diversion where applicable, and to monitor and control the movement of excisable products and their legal status:

- (a) date and location of manufacture;
- (b) manufacturing facility;
- (c) machine used to manufacture products;
- (d) production shift or time of manufacture;
- (e) the name, invoice, order number and payment records of the first customer who is not affiliated with the manufacturer;
- (f) the intended market of retail sale/ consumption;
- (g) product description;
- (h) any warehousing and shipping;
- (i) the identity of any known subsequent purchaser; and
- (j) the intended shipment route, the shipment date, shipment destination, point of departure and consignee.

The information in subparagraphs 2 (a), (b), (g) and where available (f), shall form part of the unique fiscal markings. The above information must be recorded, at the time of production, or at the time of first shipment by any manufacturer or at the time of import into the Republic.

The system of tracking and tracing must ensure that the information recorded is accessible to the SARS information-sharing focal point through a standard electronic secured interface.

SARS has identified the need to procure the services of a Transactional Advisor to conduct an assessment of the current methods of tracking and tracing as well as structured engagement with the various industry bodies, which

are legally charged with certain compliance requirements. Furthermore the Transactional Advisor is sought to quantify required systems, technology and equipment as well as human resources that would be required to effect such fiscal marking (as well as the concomitant tracking and tracing of excisable goods), to conduct a feasibility study for the development of a tracking and tracing system premised on a unique and secure fiscal marking regime and the procurement of the private party to implement and fund such implementation in terms of Treasury Regulations 16. This will ensure that SARS concentrates on its core mandate, while providing a working environment conducive to productivity. Reference to 'the Transactional Advisor' includes the entire Advisory team, or relevant members under the management of a single lead Advisor who shall conclude a contract with SARS.

The appointment of a Transactional Advisor for conducting a feasibility study towards the development and implementation of the track and tracing solution related to excisable goods will further assist SARS in achieving its objectives as listed below:-

- Increased tax, excise and customs compliance
- Addressing illicit trade in excisable goods
- Ensuring alignment with the World Health Organisations (WHO) objectives as defined in The World Health Organisations, Framework Convention on Tobacco control and the Illicit Trade Protocol Article 8. .

SARS wishes to explore the feasibility of this project as a Public Private Partnership (PPP) in terms of the relevant National Treasury regulations to the Public Finance Management Act, 1999 (PFMA). SARS will follow the National Treasury's *PPP Manual*, (which is available on www.gtac.gov.za) and requires the potential Transactional Advisor to have the necessary capabilities, resources and demonstrated the ability to implement a PPP successfully.

These specifications include information for the submission of proposals from a Transactional Advisor representing a team of suitably qualified and experienced financial, functional, technical and commercial legal experts to support SARS: As a turnkey project the Transactional Advisor shall remain on board throughout the process, post the various approvals from both within SARS and National Treasury. If, on the basis of the feasibility study, a PPP solution is decided on, and if SARS requires it, the Transactional Advisor shall continue through to the initial stages of the implementation phase by the successful private party that shall be identified through an open tender process.

It is important that the prospective Transactional Advisor takes note of the fact that SARS had initially appointed a Technical Advisor to review the Excise environment with the view of identifying gaps and in particular to look at the global approach to the implementation of Track and Tracing Solutions as well as the technology governing the development and implementation of fiscal makers. It is estimated that 85% of the technical requirements have been completed by the Technical Advisor, and must be utilised by the successful bidder (Transactional Advisor) Refer to Annexure A RFP30-2017 Technical Overview.

SARS has made certain resolutions around the provision of track and tracing of excisable goods, these decisions are expressed hereunder and should be taken into account by the bidders. The private party to be appointed should be able to cover all excisable goods as outlined below:

Tobacco	Cigarettes Cigarette tobacco Pipe tobacco Cigars Snuff / snuss
Alcohol	Sorghum beer Sorghum powder Malt beer Wine Other fermented beverages Spirits
Transport Fuel Products	Petrol Diesel (including Biodiesel) Illuminating paraffin
Health Promotion Levy Goods	Sugary beverages
Other Excisable Goods	Other excisable goods will be determined as per SARS priorities

The successful bidder (Transactional Advisor) must understand and operate within the provisions of the various applicable SARS and other related legislation in order to ensure optimal engagements with the third parties including but not limited to industry bodies, manufacturers, etc.

The Transactional Advisor must perform a review of the technical feasibility already conducted by the Technical Advisor and submit a report in this regard. The report shall evaluate and comment on a preliminary feasibility as well as financial and economic modelling of the probable options that may exist. The Transactional Advisor shall perform tasks as outlined in the Treasury Regulation 16 as well as the various modules as provisioned by the National Treasury PPP Unit.

3. Background

3.1. Mandate

The SARS' mandate is to collect all revenue due, ensure optimal compliance with Tax, Customs and Excise legislation, and provide a customs and excise service that will facilitate legitimate trade as well as protect our economy and society.

3.2. Business Needs

The project will address the SARS' challenge of potential revenue leakage through the trading of illicit excisable goods whilst creating visibility of legal goods within the excise environment. This project therefore holistically enables the mandate of SARS as cited in 3.1 above.

3.3. Project Objectives

The objectives for this track and trace solution are to:

- Implement a discreet and secure fiscal marking regime that employs suitably up to date technologies to prevent the marker from being duplicated illegally;
- Develop a track and trace solution for all excisable goods in the medium to long term;
- To ensure that all excisable goods are traceable to the point of origin as well as the originating manufacturer;
- Both the fiscal marking and track and trace systems must further incorporate Anti-tampering devices and controls to monitor production lines in the event of possible tampering and/or manipulation to by-pass the fiscal marking or track and trace production controls. These must provide immediate alerts to SARS in the case of such events;
- Establish service, maintenance and support to ensure efficient operation of the fiscal marking and track and trace solution for SARS and with minimal impact on the industry;

- Implement the above-mentioned systems with the understanding that it would be paid for by the private partner towards its own asset;
- Create data linkages between SARS and the various manufacturers to ensure that the accounting for the production and associated excise duties is enhanced and compliance is improved;
- Establish a command centre that will enable forecasting of the number of fiscal marks required by the manufacturer, order management and approval, oversight and monitoring of all production lines and marking centre;
- Establish a reporting capability to support management and enforcement of the excise environment;
- Provide necessary and required training to implement and manage the solution from SARS perspective; and
- Deliver a solution that complies with national and foreign regulators such as the Department of Health and the World Health Organisation's FCTC Protocol on Illicit Trade in Tobacco Products.

3.4. Background documentation and preparatory work

The Transactional Advisor, on appointment, will have to become familiar with all background documentation and preparatory work conducted to date by SARS as well as the work conducted by the Technical Advisor. The documents and preparatory work include

- A preliminary needs analysis, establishing that there is, indeed, a need for the improvement of the tracking and tracing work;
 - An overview of the current Excise value chain
 - Overview of the current Excise product movements and associated declaration process. (limited to Tobacco)
 - Track and trace solution requirement (limited to Tobacco)
 - Marker properties and requirements
 - Track and trace registration for ordering and payment of fiscal marks
 - Application requirements for Track and Trace Marks
 - Application Process for Track and Trace Mark Certificate
 - Production line requirements
 - Authentication and verification requirement of marked products
 - Ordering Process for Track and Trace Marker
 - Account submission, import and export declaration and Excise payment integration requirements

- The final report by the Technical Advisor on the entire excise environment including the gaps and areas of improvement also incorporating the track and trace approach;
 - Conceptual design for Excise track and Trace solution (limited to Tobacco)
 - Local Production
 - Imported Products
- SARS internal business case; and

4. Scope of work

The scope of work for the Transactional Advisor is:

4.1. Part 1: Feasibility study

The Transactional Advisor will be required to produce a comprehensive feasibility study as per Treasury Regulation 16.4 (Feasibility study – Treasury Approval: I) for SARS related to the implementation of a track and trace solution for excisable goods which incorporates the products as outlined in section 2 above. The feasibility study needs to:

- a) explain the strategic and operational benefits of the proposed PPP for SARS in terms of its strategic objectives and government policy;
- b) describe in specific terms –
 - i. in the case of a PPP involving the performance of an institutional function, the nature of the institutional function concerned and the extent to which this institutional function, both legally and by nature, may be performed by a private party; and
 - ii. in the case of a PPP involving the use of state property, the description of the state property concerned, the uses, if any, to which such state property has been subject prior to the registration of the proposed PPP and a description of the types of use that a private party may legally subject such state property to;
- c) in relation to a PPP pursuant to which SARS will incur any financial commitments, demonstrate the affordability of the PPP for SARS;
- d) set out the proposed allocation of financial, technical and operational risks between SARS and the private party;
- e) demonstrate the anticipated value for money to be achieved by the PPP; and
- f) explain the capacity of SARS to procure, implement, manage, enforce, monitor and report on the PPP.

The Transactional Advisor will also advise on the trends generally relating to the technology on fiscal marking, building on from the work conducted by the Technical Advisor as cited above. The Transactional Advisor must enable SARS to determine full feasibility in accordance with the following:

- Specific analysis into the feasibility of executing this project as a PPP, given the fact that SARS is a PFMA Schedule 3A entity and in consideration of the current and potential revenue stream;
- Identification of the available options from a technical point of view with the view of selecting the most feasible option from a technical, functional, commercial, legal, economic and financial point of view in as far as tracking and tracing is concerned;
- Full project life cycle cost;
- Estimated capital and operational expenditure of the private party;
- Financial model;
- Financing options
- Affordability limits;
- Risks and costs attached to these implications, including a proper risk matrix;
- Optimal value-for-money methods of delivery
- Any other matter that may have a material impact on any element of the project; and
- Return on investment

Section 5, below, sets out the deliverables required of the Transactional Advisor for the feasibility study.

4.2. Part 2: PPP procurement

If, on the basis of the feasibility study, a PPP solution is decided on, and if SARS requires it, the Transactional Advisor will be required to provide the necessary technical, commercial, legal, and financial Advisory support for the procurement of a private partner, as per Treasury Regulation 16.5 (Procurement – Treasury Approvals IIA and IIB). This must be in compliance with all elements of Treasury Regulation 16. The procurement deliverables are set out in section 6 below. The procurement procedure –

- a) must be in accordance with a system that is fair, equitable, transparent, competitive and cost-effective; and
- b) must include a preference for the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination in compliance with relevant legislation.

5. PPP feasibility study deliverables

The Transactional Advisor is required to produce, in close liaison with SARS, a comprehensive feasibility study for the procurement of a permanent fiscal marker and track and trace solution for all excisable goods as outlined in section 2 above that shall be approved by SARS and all other relevant parties.

To determine whether the proposed PPP is in the best interest of the SARS, the feasibility study needs to:

- Explain the strategic and operational benefits of the proposed PPP for SARS in terms of its strategic objectives and government policy;
- Describe in specific terms in the case of a PPP involving the performance of a SARS institutional function, the nature of the institutional function concerned, and the extent to which this institutional function, both legally and by nature, may be performed by a private party;
- Articulate in the case of a PPP involving the use of state property, the description of the state property concerned, the uses, if any, to which such state property has been subject prior to the registration of the proposed PPP, and a description of the types of use that a private party may legally subject such state property to;
- In relation to a PPP pursuant to which SARS will incur any financial commitments, demonstrate the affordability of the PPP for the institution;
- Set out the proposed allocation of financial, technical and operational risks between the SARS and the private party;
- Demonstrate the anticipated value for money to be achieved by the PPP;
- Explains the capacity of SARS to procure, implement, manage, enforce, monitor and report on the PPP ;
- Clearly demonstrate the affordability of the full project cycle and propose the optimal value-for-money solution for the SARS to achieve its desired outcomes; and
- Whether a command centre will need to be established to receive real time information from the sites, and the after care services required.

The feasibility study is to be conducted in compliance with *National Treasury's PPP Manual*, available on www.gtac.gov.za or from the PPP Unit.

5.1. Components of the feasibility study

In line with *National Treasury's PPP Manual, Module 4: PPP Feasibility Study*, the feasibility study must include the following content (it is to be noted that aspects of this work set out below has already been actioned albeit not completely. The percentage of completion is set out in Annexure A):

Contents of the report

Introduction

- Covering letter from the accounting officer/authority requesting Treasury Approval: I
- Executive summary
- Introduction
- Project background
- Approach and methodology in terms of the feasibility study.

Section 1

Needs analysis:

- Institution's strategic objectives
- Budget
- Institutional analysis
- Output specifications
- Scope of the project
- Conditional assessment review of the existing building and facilities.

Section 2

Solution options analysis:

- Options considered
- Evaluation and assessment of each option
- Summary of evaluation and assessment of all options considered
- Recommendation of a preferred option.

Section 3

Project due diligence:

- Legal aspects
 - Use rights
 - Regulatory matters
- Site Visits
- Socio-economic and B-BBEE.

Section 4

Value assessment:

- Public Sector Comparator (PSC) model
- Technical definition of the project
- Discussion on costs (direct and indirect) and assumptions made on cost and timeframe estimates
- Discussion on revenue (if relevant) and assumptions made on revenue estimates
- B-BBEE targets
- Discussion on all model assumptions made in the track and trace solution model, including inflation rate, discount rate, depreciation, budgets, taxation and MTEF
- Summary of results from the base PSC model: NPV
- PPP reference
- Discussion on proposed PPP type
- Proposed PPP project structure and sources of funding
- Payment mechanism
- Summary of results from the PPP-reference model: NPV
- Risk assessment
- Comprehensive risk matrix for all project risks
- Summary of the institution's retained and transferable risks
- The NPV of all risks (retained and transferable) to be added onto the base PSC model
- The NPV of all retained risks to be added onto the PPP reference model
- Risk-adjusted PSC model
- Summary of results: NPV

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

Section 5

Procurement plan:

Annexures

Annexure 1: Statements for information verification and sign-off by each Advisor to the project

Annexure 2: Letter of concurrence from CFO of institution

Annexure 3: PSC model

Annexure 4: PPP reference model

Annexure 5: Risk assessment and comprehensive risk matrix

Annexure 6: 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 7, 8 etc.: Attach as annexures all other documents that have informed the feasibility study and that are of decision-making relevance to the project.

5.2. Presentation of the feasibility study

The feasibility study, comprising all the above deliverables, must be compiled in a single report in MS Word format (with relevant annexures), and delivered as both electronic and hard copy documents. All financial models must be in MS 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 with a thorough executive summary and must be accompanied by a MS 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 SARS's management for decision-making purposes.

5.3. Submission requirements for the feasibility study report and request for Treasury Approval: I

If/when SARS decides to pursue a PPP solution for the implementation of the fiscal marker and track and trace solution including the design and roll out, the feasibility study must be of a standard that will be accepted by National Treasury for the purposes of SARS obtaining Treasury Approval: I (TA:I) in terms of Treasury Regulation 16 to the PFMA. The Transactional 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 PPP Manual*.

6. PPP procurement deliverables (if applicable)

If, on the basis of the feasibility study, a PPP solution is decided on, and if SARS requires it, the Transactional Advisor would be required to work with SARS to assist with the procurement process for securing contracts with a private party. All these need to be in accordance with the systems and standards set out for PPPs in Treasury Regulation 16 and using *National Treasury's PPP Manual* and *Standardised PPP Provisions*. The Transactional Advisor would then have to deliver the following:

6.1. Treasury Approval: IIA and administration of the bidding process

The Transactional Advisor will be required to prepare a complete set of procurement documents, complying with public sector procurement laws, policies and guidelines, and in accordance with the tendering systems of SARS. The documentation must be consistent with the results of the feasibility study and enable SARS to obtain Treasury Approval: IIA (TA: IIA) in terms of Treasury Regulation 16.

The Transactional Advisor will also be required to give SARS 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. It is important to note that SARS may decide to utilise its own procurement team to run the actual procurement process whilst the PPP may be charged with advising and providing assurance on the process alignment with the provisions of NT PPP requirements as cited under Regulation 16 of the PFMA.

6.1.1.Pre-qualification

The Transactional Advisor will be required to design a pre-qualification process with the intention of:

- Ensuring that SARS's exact interest is communicated clearly to the market;
- Determining the extent and nature of interest in the private sector; and
- Pre-qualifying a competitive number of competent bidders in an equitable and transparent way.

The desired result is that every pre-qualified bidder is capable of providing the facilities and services required by SARS. The Transactional Advisor will be required to prepare all the necessary pre-qualification documentation, including advertising material; advice on the process by which SARS can pre-qualify the parties; and help SARS evaluate and pre-qualify bidders in an advisory capacity. The prospective Advisors are expected to price for this section of the scope; however, SARS reserves the right to execute this portion of the work internally in which case such costs would be excluded from the overall award.

The prospective Transactional Advisor is advised that SARS is considering issuing an open tender to the market and as such may not go through the route of performing the pre-qualification stage to then limit the service providers that will submit their proposals. Accordingly, SARS has requested the National Treasury to exempt it from this stage of the process and hence this portion may be excluded from the total costs. However, bidders are to include this aspect of the costing in their bids.

6.1.2.Payment mechanism

The Transactional Advisor must develop a rigorous payment mechanism that captures the elements of risk mitigation and transfer established in the feasibility study.

6.1.3.Bid evaluation criteria, bid process design and BBBEE requirements

The Transactional Advisor will be required to review a bid evaluation system and criteria; advise on a suitable bid process that will ensure comparable bids; devise effective systems for communicating with bidders; inspire market confidence; and incorporate all BBBEE requirements for the project. If appropriate, a system that allows for variant bids may be designed.

6.1.4. Request for Proposals (RFP)

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

- The output specifications of SARS
- Requirements for compliant bids
- A risk profile as established in the feasibility study
- The payment mechanism
- The bid process
- Evaluation criteria
- Bidder communication systems.

6.1.5.A draft PPP agreement

The Transactional Advisor will be required to prepare a draft PPP agreement, based on National Treasury's *Standardised PPP Provisions*. Close liaison with SARS and the relevant PPP unit of National Treasury is required during drafting.

6.1.6. Treasury Approval: IIA

The Transactional Advisor will be required to compile all the documentation necessary for SARS to obtain Treasury Approval: IIA (TA: IIA) in terms of Treasury Regulation 16 to the PFMA, to enable the procurement process to begin.

6.1.7. Administration of the bidding process

The Transactional Advisor will be required to provide all necessary administrative support to SARS for the efficient, secure, and professional management of the bidding process. This includes managing a data room, facilitating structured engagement between SARS and bidders, helping SARS to communicate effectively with bidders, and receiving bids.

6.2. Evaluation of bids, demonstrating value for money and Treasury Approval: IIB

6.2.1. Evaluation of bids

The authorised staff of SARS, supported by the Transactional Advisor, must evaluate the bids following guidance given in *Module 5: PPP Procurement of National Treasury's PPP Manual*.

A best and final offer (BAFO) process may be required. When costing this phase of work the Transactional Advisor must allow for the possibility of administering BAFO processes. If there is no BAFO process, the Transactional Advisor's remuneration will be adjusted accordingly.

6.2.2. The value-for-money report and Treasury Approval: IIB

After the evaluation of the bids, but prior to appointing the preferred bidder, the Transactional Advisor is to assist SARS in compiling and submitting a report for approval by National Treasury, demonstrating how the criteria of affordability, value for money and substantial technical, operational and financial risk transfer were applied in the evaluation of the bids, demonstrating how these criteria were satisfied in the preferred bid and including any other information as required by the National Treasury.

Value for money must be demonstrated by comparing the net present value (NPV) of the bids received with the NPV of the PSC for the track and trace project, with a suitable adjustment for risk assumed.

The results of the bidding, and evaluation of bids, must be presented in a single value-for-money 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.

The value-for-money report must be in a suitable format and of a suitable standard for the SARS to get Treasury Approval: IIB (TA: IIB) in terms of Treasury Regulation 16 to the PFMA. The guidance given in *Module 5: PPP Procurement of National Treasury's PPP Manual* should be followed.

6.3. PPP agreement negotiations, PPP agreement management plan and Treasury Approval: III

After the procurement procedure has been concluded but before the accounting authority of SARS concludes a PPP agreement, the Transactional Advisor is to assist SARS to obtain approval from National Treasury for

- A PPP agreement which meets the requirements of affordability, value for money and substantial technical, operational and financial risk transfer as approved in terms of Treasury Regulation 16.4.2 or as revised in terms of Treasury Regulation 16.4.4;
- A management plan that explains the capacity of SARS, and its proposed mechanisms and procedures, to effectively implement, manage, enforce, monitor and report on the PPP; and
- A satisfactory due diligence (including a legal due diligence) has been completed in respect of the accounting authority and the proposed private party in relation to matters of their respective competence and capacity to enter into the PPP agreement.

The Transactional Advisor will be required to support SARS in final negotiations with the preferred bidder. This will involve preparing suitable negotiation teams, categorising issues appropriately, developing timelines for completion, and planning negotiation tactics and processes for reaching agreement. The Transactional 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 SARS Corporate Legal, along with the PPP agreement management plan for the implementation and construction of the tracking and tracing solution for the excisable goods for Treasury Approval: III (TA:III) in terms of Treasury Regulation 16. The Transactional Advisor is responsible for compiling the necessary submissions for SARS to obtain this approval. (Treasury Regulation 16.6.1(a).)

The Transactional Advisor must, in close liaison with SARS, draft a comprehensive PPP agreement management plan for SARS, it is expected that the Transactional Advisor must demonstrate previous examples of PPP agreements that have been developed and accepted by the NT PPP Unit. (Treasury Regulation 16.6.1(b).) This will be in accordance with the provisions of the PPP agreement and following the guidance given in *Module 6: Managing the PPP Agreement of National Treasury's PPP Manual*.

The Transactional Advisor must ensure that a comprehensive legal due diligence of the accounting authority has been completed. This will relate to legal compliance, competence and capacity to enter into the PPP agreement. (Treasury Regulation 16.6.1(c)).

6.4. PPP agreement signature, close-out report and case study, and financial closure

The Transactional Advisor will be required to help SARS with all functions related to signing the final agreement. The Transactional 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 PPP Manual*, and must incorporate any additional factors that may be required by SARS.

The close-out report will be a confidential document of SARS, and will also be lodged 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 Transactional Advisor's work is finished, if applicable.

7. Transactional Advisor Competence, experience, remuneration and management by SARS

7.1. Necessary Transactional Advisor skills and experience

The Transactional Advisor will comprise a team, managed by a single lead Advisor. The members of the team will have both the skills and experience necessary to undertake the range of tasks set out in these specifications. Each individual on the team must be personally available to do the work as and when required. The lead Advisor will be held accountable, in terms of the Transactional Advisor contract, for ensuring project deliverables and for the professional conduct and integrity of the team.

The skills and experience required of the Transactional Advisor are as follows:

- Financial analysis, with relevant PPP and project finance experience;
- PPP procurement and structuring;
- Commercial Legal, with relevant South African experience in the drafting and negotiating of PPP agreements;
- Planning management;
- Information technology management;
- Relevant expertise in the information technology industry and the maintenance of complex technological systems;
- Relevant expertise in the track and trace technology applications.
- B-BBEE expertise with relevant PPP experience;

- Negotiations;
- Contract management; and
- Project management.

7.2. The Transactional Advisor must submit information on:

7.2.1.A covering letter signed by the lead Transactional Advisor, among others:

- Accepting the rules of bidding, evaluation of bids, and the bid evaluation criteria set out in the tender documents; and
- Providing full contact details for the lead Transactional Advisor.

7.2.2.Information on and motivation for the lead Transactional 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 that the lead Transactional 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 Transactional Advisor's other known professional commitments for the forthcoming two years; and
- Transactional Advisor to provide samples of feasibility study, RFP, PPP Agreement previously concluded.

7.2.3.Names and B-BBEE status of all proposed firms, setting out:

- The professional role that each person will play in the assignment. This must be cross-referenced to each deliverable and to each specified technical evaluation element set out in the technical scorecard;
- The suitability of each person for the proposed roles in terms of his or her relevant skills and experience;
- The availability to perform the work;
- One-page resumés of each person highlighting responsibilities held in terms of experience relevant to this assignment in the last five years; and
- The black South African professionals on the team, clearly showing the roles they will play.

7.2.4. The skills development proposal, setting out:

- A credible plan for structuring effective B-BBEE for the PPP, with the necessary skills and experience in the team; and
- A credible plan for skills transfer within the consortium to directly benefit black professionals inexperienced in PPPs.

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

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

7.3. Remuneration schedule and disbursement arrangements

Remuneration of the Transactional Advisor will be payable in South African Rands, on a fixed price for each of 4.1 and 4.2 above (corresponding to PPP feasibility study and Procurement of the project cycle). If, on the basis of the feasibility study, a PPP solution is decided on, and if SARS requires it, the Transactional Advisor will be required to assist SARS with the procurement of the solution, based on the recommended delivery option as well as overseeing the implementation of the first excisable product as SARS may choose.

7.3.1. The Transactional Advisor must submit information on:

- The cash flow earmarked for each member of the consortium, indicating how black people will benefit. The fee-sharing structure must reflect the actual work, risk and responsibility assumed by each member;
- 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.

7.3.2. Remuneration schedule

The following remuneration schedule is set for each part of the contract. Bidders should adhere to these in their proposals:

Feasibility study

Deliverable	Percentage
Signing of Transactional Advisor contract as a mobilisation allowance	5
Completion of sections 1 – 2 (of paragraph 5)	25
Completion of section 3 (of paragraph 5)	10
Completion of section 4 (of paragraph 5)	30
Completion of section 5 (of paragraph 5)	10
Completion of feasibility study report (of paragraph 4.1 and 5) to the satisfaction of SARS, and a decision by National Treasury about TA:I	20
Total	100

PPP procurement

Deliverable	Percentage
Mobilisation allowance and TA:I	10
A decision by National Treasury in respect of TA:IIA	25
A decision by National Treasury in respect of TA:IIB	30
A decision by National Treasury in respect of TA:III	25
Success fee	10
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. SARS will pay within 30 days of receiving and approval of the invoice.

7.3.3. Disbursement arrangements

Reasonable out-of-pocket expenses will be paid by SARS at cost, within an agreed ceiling. All claims for reasonable travel and other legitimate disbursement expenditure must be pre-approved by the project officer before they are incurred. 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 SARS receiving approved and substantiated invoices, and does not form part of the remuneration schedule.

7.4. Management of Transactional Advisor by SARS

- The Transactional Advisor will be appointed by SARS and will report directly to the Project Officer. The SARS Project Officer will be responsible for the day-to-day management of the Transactional Advisor's work. There will be one lead Advisor in the Transactional Advisor, who is responsible for managing the deliverables of each member of the consortium (where applicable) and who reports daily to the Project Officer. The Project Officer has established a project team to engage regularly with the Transactional Advisor for efficiently completing the various delivery items. The project team will meet at least monthly and the Transactional Advisor will report progress to these meetings, as instructed by the project officer;
- The Project Officer will establish various Working Groups, consisting of key stakeholders within SARS who will be affected by this project, for the purposes of day-to-day engagement and internal capacity building with the Transactional Advisor for the efficient completion of the various delivery items and the successful implementation of the project;
- The Transactional Advisor will be required to report progress to each Project Steering Committee meeting. Satisfactory completion of each deliverable will be confirmed by the Project Officer and the officer delegated by SARS accounting officer, before invoices can be submitted to SARS for payment;
- Those work items that are not to be treated as linear time progressions and activities must be paralleled as far as possible; and the project officer will confirm that the Transactional Advisor has satisfactorily completed each deliverable before invoices can be submitted to SARS for payment.