



MEDIA RELEASE

SANRAL appoints DBSA to deliver on cancelled tenders

Pretoria, 30 June 2022 - The Minister of Transport, Fikile Mbalula, and the Board of the South African National Roads Agency SOC Limited (SANRAL) today announced that an agreement has been reached with the Development Bank of Southern Africa (DBSA) to act as the infrastructure procurement and delivery management support agency on five strategic projects whose awards the Board declined to approve last month.

Minister Mbalula said that, on 23 May 2022, SANRAL “took the nation into confidence on the precautionary measures it took, when it declined to award a number of tenders as a result of lapses in the due process. The Board of SANRAL is bound by its fiduciary duties which, amongst others, enjoin it to act with fidelity, honesty, integrity and in the best interest of the company at all times.

“Turning a blind eye to what would have resulted in irregular expenditure and possible litigation, that would have held up some of these projects in courts for years, would have amounted to dereliction of duty on the part of the Board.

“In appreciating the strategic nature of the affected projects and their importance in giving momentum to economic reconstruction and recovery, I have impressed on the Board the need to move with speed in addressing the anomalies and award these tenders in a manner that is transparent and fair.

“I am pleased that the Board has moved with the necessary speed to address the due process lapses, with a clear plan on how to finalise the award of these tenders within the shortest possible time.

“We have traversed a hard road in the aftermath of state capture and irregular award of tenders in some of our entities, and acts of downright malfeasance in others, which include PRASA and ACSA. The efforts to restore the integrity of our institutions and rebuild the hollowed out capacity has been painstaking at best.

“The hard lesson we have learnt from this ordeal is to remain vigilant and stop creeping lawlessness, greed and corruption dead on its tracks.

“Our electoral mandate is premised on a commitment that we will forge ahead on our march to a better South Africa through service delivery that is responsive to the needs and aspirations of our people. We are under no illusion that the road ahead requires us to be resolute and give practical expression to accelerated service

delivery. Our efforts to eliminate fruitless and wasteful expenditure and reduce irregular expenditure require of us and all our entities to put in place early warning system to detect and regularize actions that may otherwise result in irregular expenditure or costly litigation.

"The Board, through its oversight mechanism, identified the flouting of due process and moved with speed to act, in order to preserve the integrity of the tenders. Good governance is a cornerstone of efficient service delivery and for that reason, we will always keep governance on our radar and expect quarterly reports to include governance by of our entities.

"In appreciating the importance of the projects affected by the non-award of the tenders, SANRAL has taken steps to ensure that we move with speed in addressing the lapses and reach the point of award speedily.

"In conclusion, the King IV Code on Corporate Governance is applicable to SANRAL like all other state-owned public entities listed in Schedules 2 and 3 of the PFMA. In internalizing the principles outlined in the SOE Sector Supplement of the Code, the Board as an accounting authority, must serve as a focal point and custodian of corporate governance at SANRAL."

The SANRAL Board Chairperson, Mr Themba Mhambi, said: "It must be noted that the DBSA was not in any way involved in the design, cost estimation and tender documentation stages of the cancelled tenders. This should reassure all interested parties and the public about the integrity and independence of the new procurement processes for the projects. DBSA's profile and record in regard to matters of this nature speaks for itself".

The Board's announcement follows a media briefing on 23 May 2022 where the Board provided "information and facts pertaining to our recent resolution not to approve the then intended awarding of five tenders collectively worth around R17billion".

At that media briefing the SANRAL Board had "outlined the reasons for our decision, the objective being to demonstrate the rationality thereof and take the nation into our confidence. In summary, reasons behind the cancellation of those tenders were: our obligation to ensure proper corporate governance, the requirement to comply with internal controls, the responsibility to conduct procurement in line with legislative, regulatory and policy prescripts; and the need to enforce subcontracting aimed at SMME development, black economic empowerment, and transformation as envisaged by government policy.

"Of course, some of the entities which had submitted tenders were infuriated by our decision, and some of them went on a national media and political offensive to portray us as nincompoops to be pilloried. None, however, has thus far proven us wrong in terms of our reasons. The reason for that is that our reasons were, and continue to be, right and in the best interests of SANRAL, good governance, the construction industry itself, and the people of South Africa.

"One area in which we and our detractors agreed was that the non-awarding of those tenders was a setback in terms of time. It meant a delay in the implementation of the projects intended by the tenders in the first place. Mindful of that, and

concerned about the country's economic recovery, the construction industry's need for business, SMME development, and job creation, as SANRAL we resolved to accelerate the required readvertisement and awarding of the tenders. We therefore set ourselves a four-month deadline during which, we told the country, the tenders would be readvertised, evaluated, adjudicated, and awarded."

SANRAL's Acting CEO, Lehlohonolo Memeza, said the scope of the services to be rendered by the DBSA includes the evaluation of compliance, technical and financial aspects of relevant tenders, as well as providing independent construction management oversight throughout the construction period of the projects emanating from the tenders.

"The procurement phase of the identified projects is characterised by, inter alia, the following key stages or activities the establishment of the required team, a review of tender documents prior to the invitation of bids, submission of the tender documents for relevant approval, the invitation of bids, the management and handling of tender briefing sessions, the opening and recording of bids received, the determination of the completeness or incompleteness of the bids, the determination of the responsiveness of the bids, the evaluation of the bids, risk analysis, development of bid evaluation and adjudication reports, recommendation of bidders for appointment, and awarding of the tenders

All the above procurement phases will be subjected to probity checks.

The planned timeline for the execution of this phase of the work is:

- In June, there will be a Procurement Project Inception Meeting and the development of a Memorandum of Agreement (MoA).
- In July and August, the project team will be mobilised and information gathered, there will be a review of bid specifications, the approval of bid specifications and adverts, the advertisement of tenders, the receipt of bids, bid evaluation and bid adjudication. "Interested parties are therefore advised that the adverts for the tenders will be released during the course of July and they should therefore be on the lookout for them.
- In September, there will be the submission of bid evaluation and adjudication report to SANRAL, SANRAL Board consideration of recommendations, followed by the awarding of the tenders.

"Once the tenders are awarded and SANRAL's Project Managers and Consultants begin to supervise contractor performance and project delivery, the DBSA's role will change to project oversight on behalf of the Board, with regular reporting to the Board to ensure that these projects receive ongoing Board monitoring and support.

"Our procurement and implementation plan for these projects is therefore well and truly back on track, and we wish to reassure the nation that it shall be executed meticulously and with the independence and integrity required. We call upon the industry to join us in running an impeccable process whose results shall be in the best interest of SANRAL, the industry itself and the country as we jointly deliver on our road infrastructure development mandate and commitment to the nation," said Memeza.

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