



Waterberg
District Municipality

Harry Gwala Street, Modimolle, 0510
Private Bag X 1018, Modimolle, 0510
Tel: (014) 718 3342
Fax: (014) 717 2398

on the Go for Growth

TO: MUNICIPAL MANAGER
COPY: CHIEF FINANCE OFFICER
FROM: DM SCM
DATE: 21 MAY 2012
RE: PRICE ADJUSTMENTS DUE TO THE FLUCTUATION IN THE RATE OF EXCHANGE

PURPOSE

The purpose of this memorandum is to provide guidance to WDM staff on addressing the challenges relating to compilation of specification with imported contents that are subject to price fluctuations due to Rate of Exchange.

BACKGROUND

The BAC meeting of 16 April 2012 requested SCM Division to provide guidance to end users/ project managers on handling the price adjustments due to fluctuations of Rate of Exchange (ROE). When bids are advertised and which might involve imported contents, whether wholly or partially, the ROE and future fluctuations are of a vital importance, especially for delivery over a specified period of say more than one year.

The decision of who should take the responsibility and risk for the absorption of the fluctuation of a currency must be made at specification level. In terms of a SCM: A guide for accounting officer of municipalities and municipal entities 2005, the following options are available:

1. The WDM can absorb the risk and service provider may bid on firm prices that are subject to ROE.
2. The risk may be transfer to the service provider if it is prescribed that the prices will be fixed for the entire duration of the contract, irrespective of the currency fluctuations. In its bidding price the service provider will increase its price to cater for the fluctuations.
3. It can also be shared, where the maximum limit (R) of risk absorbed by WDM, is indicated in specifications, remainder absorbed by bidder.

PREPARED BY

K.J. Makgobela.

MS KJ MAKGOBELA
DM SCM

21/5/2012.

DATE

RECOMMENDED / ~~NOT RECOMMENDED~~

N. Laubscher

MS N LAUBSCHER
CFO

29.5.2012

DATE

APPROVED / ~~NOT APPROVED~~

M. V. Letsoalo

MR MV LETSOALO
MM

2012.5.30

DATE