

**MINISTRY OF DEFENCE & MILITARY VETERANS**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**931. Mr S J F Marais (DA) to ask the Minister of Defence and Military Veterans:**

(1) Whether, in view of the construction of the new hydrographic vessel known as Project Hotel nearing completion, and the first of the three inshore patrol vessels known as Project Biro also nearing delivery date, (a) her department, (b) the SA National Defence Force and/or (c) Armscor is/are in a position to make the payments to the two contracting firms in terms of the two contracts; if not, what is the position in this regard; if so, (i) from what source will the specified contractual payments be made and (ii) what are the further relevant details in this regard;

(2) whether any funding will and/or has been transferred to Armscor for any prime mission equipment acquisition payments; if not, what is the position in this regard; if so, what are the relevant details;

(3) what are the penalties that will be imposed on her department in terms of the contracts if the agreed payments are not possible? NW1098E

**REPLY**:

1. (i) Sufficient budget allocation is available in the Special Defence Account to meet the contractual obligations related to Project HOTEL.

(ii) The department has however conducted a reprioritisation exercise to allocate the remaining SDA budget and to ensure that sufficient funding will be available to meet the contractual obligations on Project BIRO.

(iii) The Special Defence Account has been reduced by approximately R9 billion from 2018 after the Project BIRO contractual commitments were already finalised.

1. Funding is not transferred to Armscor for prime mission equipment acquisition. Armscor as the procurement agency for the department manages the procurement and contracting process on behalf of the department. The payment is then released directly to the supplier from the DOD account via the Reserve Bank. The payments are made after Armscor, as the contract manager, has confirmed the achievement of the specific milestone on the contract.