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Circular No. 11

August 28, 2019

Cabinet Secretary
Permanent Secretaries
Heads of Departments
Chief Executive Officers

RE: POST-DISASTER BUDGET EXECUTION GUIDELINES

The purpose of the document is to advise Ministries, Departments, and Agencies (MDAs) of the instruments and disbursement modalities which are available to the GOJ for financing post-disaster expenditure in the event of a natural disaster.

It is imperative that even in a post-disaster situation standards of transparency and accountability are not jeopardized and as such the instructions are grounded in existing disaster-related legislation and corresponding regulations, including the Financial Administration and Audit (FAA) Act and relevant sections of the Constitution.

The guidelines are intended to serve as a desk reference for Ministries, Departments, and Agencies (MDAs).

This Circular supersedes letter dated June 1, 2019.

Darlene Morrison (Miss)
Financial Secretary

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GLOSSARY

AGD	- Accountant General's Department
CDB	- Caribbean Development Bank
CCRIF	- Caribbean Catastrophe Risk Insurance Facility
DRM	- Disaster Risk Management
FAA	- Financial Administration and Audit
FMR	- Financial Management Regulations
IADB	- Inter American Development Bank
IBRD	- International Bank for Reconstruction and Development
NDF	- National Disaster Fund
NDRM	- National Disaster Risk Management
ODPEM	- Office of Disaster Preparedness and Emergency Management
PBMA	- Public Bodies Management and Accountability Act
USD	- United States Dollar
WB	- World Bank

POST-DISASTER FINANCING TOOLS

The GOJ has a wide range of post-disaster funding sources/tools available for meeting post disaster expenditures. These include financing arrangements with development partners which provide another layer of resources over the medium to long term. A summary of the range of instruments and the time lines for access are provided in the Table below.

Table 1 – Disaster Financing Sources

Disaster Finance Sources	Time-frame for access
A: Ex-ante financing measures in place	
National Disaster Fund (DRM Act 2015) ¹	Short term
Caribbean Catastrophe Risk Insurance Facility (parametric insurance based on event trigger)	Short term
B: Ex-post financing measures in place or available	
In-year budget reallocation (Virement) (FMR 2011, S.21)	Short term
Deposit Fund (FAA Act, S.14A, 2012)	Short term
Contingencies Fund (Constitution, S.118)	Short
Financial Distributions from Public Bodies (FMR, 2011; PBMA Act, 2001)	Short/medium term
C. International Partners financing measures in place	
Contingent Loan for Natural Disaster Emergencies (IADB)	Short/medium term
Contingent line of credit in selected, current loans from multilateral donors (IADB/WB)	Short/medium term
CDB Immediate Response Loans (USD 750,000) and Rehabilitation and Reconstruction Loans	Medium/long term
CDB Emergency Relief Grant (USD 200,000) ²	Short term
Development partner assistance (reconstruction)	Medium/long term
D. Other	
Donations to ODPEM (cash and in-kind)	Medium/long term
Tax and other revenue measures	Long term
Note: Short-term – within one month; Medium-term – within two-to-four months; Long-term – beyond four-months	

¹ The NDF is available to finance both ex-ante and ex-post prevention and reconstruction efforts.

² The Caribbean Development Bank (CDB) has three financial instruments to assist member countries: Emergency Relief Grant (ERG), Immediate Response Loan (IRL), and Rehabilitation and Reconstruction Loan (RRL). Countries may decide to apply for all or a sub-set. In a disaster, CDB staff will conduct a rapid assessment of the economic, social and environmental damage. Once satisfied that a disaster exists the CDB will issue from the President offering assistance.
Source: Caribbean Development Bank, Disaster Management Strategy and Operational Guidelines, 2009.

FINANCING SOURCES FOR POST DISASTER EXPENDITURE

This document focuses on the short term funding sources which are immediately available to the MDAs in the aftermath of a natural disaster. These are summarized in Table 2 below along with the broad timeframe within which each source may be accessed is illustrated.

Table 2 – Funding Sources for Immediate Post-Disaster Expenditure

Immediate Access			From Week Two Onwards		
Virement (re-allocations) within MDAs (FAA Act)	Deposit Fund Advance (FAA Act)	Contingencies Fund (Constitution)	National Disaster Fund (DRM Act)	Caribbean Catastrophe Risk Insurance Facility (CCRIF)	Supplementary Estimates (FAA Act)
Accounting Officers are authorized to reallocate resources between budget lines of MDAs, within certain parameters specified by MOFPS, to deal with unforeseen eventualities which may occur during budget execution.	The Deposit Fund contains balances of funds held on deposits for which the Accountant General is the custodian; excluding Trust Funds or balances in the Consolidated Fund;	The HMOFPS can authorize advances from the Contingencies Fund to MDAs which have inadequate budgetary resources; or no budgetary provisions to meet unforeseen events such as natural disasters;	Capitalized at J\$466 million (at Q3 2018); historically receives an annual injection of J\$50 million from the Estimates of Expenditure;	Insurance payment triggered by confirmation of parametric insurable event; disbursements are lodged to the Consolidated Fund;	Budgetary adjustments to reflect changes to the Approved Budget during the course of a Financial Year. The adjustments can result either in an increase in the Original Budget or a reallocation of the existing Approved Budget.

1. Reallocation of Resources/Virement

This represents the reallocation of budgetary resources between budget programmes, activities and Objects of Expenditure, after the budget has been approved by parliament. The Minister of Finance is authorised under the FAA Act (Section 19A) to reallocate expenditures and may delegate this authority to Accounting Officers. Virement does not require prior parliamentary approval. However, all virement must be incorporated into a subsequent Supplementary Estimates and tabled in Parliament for authorisation.

2. Deposit Fund

The Deposit Fund, established by the FAA Act (Section 14A) consists of balances of funds held on deposit (pending repayment or application to the purpose for which they were deposited), for which the Accountant General is the custodian. Under the FAA Act, the Minister of Finance may authorize use of Deposit Fund balances to make advances to MDAs where such advances are in the public interest and are recoverable within a period not exceeding twelve months after the end of the financial year in which the advances are made.

3. National Disaster Fund

The National Disaster Fund established under Section 37 of the Disaster Risk Management (DRM) Act, 2015, and used primarily for the coordination of risk reduction activities. The Fund consists of: (a) funds voted annually by Parliament; (b) an amount equivalent to 1% or other prescribed percentage of the sum paid annually to each local authority as building fees; (c) donations and grants from persons and organizations; (d) monies raised by the National Disaster Risk Management Council. The Fund is administered by the Finance and Administration Subcommittee of the by the National Disaster Committee (NDC) which is chaired by the Prime Minister.

4. Contingencies Fund

The Contingencies Fund exists solely for the purpose of meeting unforeseen expenditure for which there is no budgetary provision or where inadequate provision has been made in an Appropriation Act. Established under Section 13 of the Financial Administration and Audit Act, pursuant to Section 118 of the Jamaica Constitution, the Fund is funded solely by issues from the Consolidated Fund Principal Bank Account.

The Contingencies Fund is held in the Bank of Jamaica and managed by the Accountant General. The Fund operates as a perennial fund with the balance rolling from one financial year to the next. The FAA sets the capitalization of the Contingencies Fund to not exceed in aggregate ten billion Jamaican dollars or such greater sum as the House of Representatives may by resolution approve, to

defray unforeseen expenditure. The current ceiling of the Fund was raised from J\$100 million to Ten Billion Dollars³ in FY 2018/19.

5. Supplementary Estimates

The Supplementary Estimates/Supplementary Appropriations Bill is the mechanism by which parliament authorises changes to the Approved Estimates of Expenditure within a Financial Year. The changes can either result from the reallocation of the Approved Budget or the allocation of additional resources to existing Budgets.

6. Caribbean Catastrophe Risk Insurance Facility (CCRIF)

The **CCRIF** is a parametric insurance designed to limit the financial impact of catastrophic tropical cyclones, earthquakes and excess rainfall events on member governments by quickly providing short-term liquidity when a policy is triggered. CCRIF helps to mitigate short term cash flow problems after major natural disasters. The parametric insurance mechanism allows for the provision of rapid pay-outs to help members finance their initial disaster response and maintain basic government functions after a catastrophic event⁴.

POST-DISASTER BUDGET EXECUTION

This section looks at the processes, steps and responsibilities involved in post-disaster budget execution following a natural disaster.

1. Emergency Administrative Procedures

In the event of a disaster, the MOFPS is responsible for carrying out the following emergency administrative procedures, as required by the NDRM Plan:

- ❖ Alert damage survey team in accordance with hurricane plans
- ❖ Establish lines of credit with merchants to enable easy access to relief supplies after the disaster
- ❖ Activate all administrative and finance procedures

³ FAA (Contingencies Fund) Resolution, 2019

⁴ www.ccrif.org

2. Expenditure Management

a. Reallocation of Resources/Virement

Accounting Officers may authorize the use of savings, on expenditure identified under one or more classifications within the budget of an MDA to offset expenditure under other classifications to meet post-disaster expenditure within the same Head of Estimates. Accounting Officers may authorise budget reallocations under the Recurrent Budget within the ambit of each Head of Estimates, with the exception of allocations under the following Economic Classification:

- a) Object 21 - Compensation of Employees;
- b) Objects 23 – Rental of Property and Machinery;
- c) Object 24 – Utilities and Communication Services;
- d) Object 25 – Use of Goods and Services (Drugs, Medical Supplies; Medical Laboratory Services);

Accounting officers may reassign cash balances in the Central Payment Account, as well as unfunded warrants balances, to address ex-post disaster expenditure.

b. Supplementary Estimates

Where it is determined that MDAs require additional budgetary support to meet post disaster expenditure, the MOFPS initiates the process by requesting MDAs to submit requests which allows for a determination of fiscal space availability and the development of a proposal for the consideration of the Cabinet. The following steps are involved in the process of providing ex post disaster financing through Supplementary Estimates:

- i. Accounting Officers submit to the MOFPS budgetary requests along with supporting documentation for additional budgetary funding to address disaster impact;
- ii. MOFPS reviews and responds to MDAs regarding the feasibility of the requests within the fiscal programme;
- iii. MOFPS submits to Cabinet a proposal outlining the additional expenditure and the proposed financing structure for consideration and approval ;
- iv. Following the approval the Cabinet, the Minister of Finance tables the Supplementary Estimates in Parliament where it is reviewed by the various parliamentary oversight committees and debated;
- v. Parliament approves the Supplementary Estimates indicating the specific sums allocated for each MDA;
- vi. The MOFPS issues warrants to MDAs to cover the expenditure approved by Parliament;
- vii. Warrants are validated by the Auditor General after which the AGD effects payments to suppliers of goods and services at the request of MDAs using the Central Treasury Management System (CTMS);

c. Deposit Fund/Treasury Deposit Advances

In the case of advances from the Deposit Fund, the MOFPS reviews demands from MDAs for funding to meet ex post disaster spending. The Financial Secretary, subject to the Minister's approval, authorizes the Accountant General to make advances to the respective MDAs. Thereafter, the AGD effects transfer of funds to the requesting MDAs using the Central Treasury Management System (CTMS). Warrants are subsequently issued by the MOFPS to allow the AGD to recover the funds from the receiving MDAs. Treasury Deposit Advances are limited to the balance available in the Fund. at Advances are cleared, as far as possible within the financial year but no later than 12 months after the advances are provided.

d. National Disaster Fund (NDF)

The Chairman authorizes all payments and, unless there are unforeseen disaster expenses, the ODPEM is authorized to spend a maximum of USD 30,000 (J\$ 4 million) annually for the purchase and storage of food supplies for relief without having to seek the approval of the MOFPS. All disbursements above J\$4 million, require the approval of the MOFPS.

e. Contingencies Fund Advances

Advances may be provided from the Contingencies Fund to MDAs to meet expenditures for unforeseen events such as natural disasters, for which no provision was made in the Approved Estimates. Withdrawals from the Fund are authorised by the Minister of Finance through written instructions to the AGD. The process for accessing funding from the Contingencies Fund is as follows:

- a) MDAs submit to the MOFPS, requests for funding to meet post disaster related expenditures;
- b) The requests are reviewed by the MOFPS against the supporting documentary information.
- c) Following authorization of the Minister, the MOFPS instructs the AGD to make advances to the requesting MDAs from the Contingencies Fund.
- d) The AGD acting on the instructions of the MOFPS, releases the requested funds to Treasury effects payments to suppliers of goods and services at the request of MDAs using the Central Treasury Management System (CTMS);

f. Regularization of Contingencies Advances Expenditures

MDAs post-disaster expenditures funded from Contingencies Fund Advances are cleared when the amounts withdrawn are allocated in a subsequent Supplementary Estimates to the spending MDAs and the Fund reimbursed.

g. Caribbean Catastrophe Risk Insurance Facility (CCRIF)

The CCRIF provides short-term cash flow after major natural disasters. While Jamaica has not yet benefited from the CCRIF, accessing the insurance funds require the GOJ to submit a request to trigger the insurance policy. Disbursement of the funds follows an assessment of the request based on the type of policy. The CCRIF, having already been given the GOJ banking information, will credit the insurance payout to the GOJ Consolidated Fund within a two week window. Access by MDAs to post disaster funding from the CCFIF payout follows the same process for accessing resources through the Supplementary Estimates:

- i. Accounting Officers submit to the MOFPS budgetary requests along with supporting documentation for additional budgetary funding to address disaster impact;
- ii. MOFPS reviews and responds to MDAs regarding the feasibility of the requests within the fiscal programme;
- iii. MOFPS submits to Cabinet a proposal outlining the additional expenditure and the proposed financing structure for consideration and approval ;
- iv. Following the approval the Cabinet, the Minister of Finance tables the Supplementary Estimates in Parliament where it is reviewed by the various parliamentary oversight committees and debated;
- v. Parliament approves the Supplementary Estimates indicating the specific sums allocated for each MDA;
- vi. The MOFPS issues warrants to MDAs to cover the expenditure approved by Parliament;
- vii. Warrants are validated by the Auditor General after which the AGD effects payments to suppliers of goods and services at the request of MDAs using the Central Treasury Management System (CTMS);

PUBLIC PROCUREMENT⁵

i. Emergency Procurement Procedures

A procuring entity may engage in single-source procurement only where:

- The situation is one of emergency or extreme urgency, and
- Any other method of procurement would be impractical because of the time involved.

ii. Identification of Emergency⁶

Situations of emergency or extreme urgency are those that:

- Arise as a result of events not attributable to or foreseeable by the procuring entity; and
- Necessitate the award of a procurement contract to effect repairs or remedial action to safeguard the public interest or, to protect infrastructure, property or public monies.

⁵ Public Procurement Act 2015 and Public Procurement (Amendment) Act, 2018

⁶ Public Procurement Regulations, 2018

iii. Procurement Method in Emergency Conditions

A procuring entity may engage in single-source procurement only where the situation is one of emergency or extreme urgency, and any other method of procurement would be impractical because of the time involved (Public Procurement Act, 2015 S25.1 (d)).

A procuring entity may utilize a Framework Agreement, that is, an agreement between one or more procuring entities and one or more selected suppliers establishing certain key commercial elements that shall apply to contracts to be awarded (Public Procurement Act 2015).

iv. Eligible Suppliers

- Approved registered supplier" (a person, firm or entity registered under section 16 of the Public Procurement Act, 2015);
- Approved unregistered supplier" (a person, firm or entity approved by the Commission under section 18 of the Public Procurement Act, 2015);
- Any other person, firm or entity that is eligible to participate in procurement proceedings under the Act;⁷

v. Implementation of Single Source Procurement

The procuring entity shall:

- Invite a proposal or price quotation from a single supplier.
- Negotiate with the supplier from which a proposal or price quotation is invited, unless negotiations are not feasible in the circumstances of the procurement concerned.
- Ensure value for money.

vi. Approval Authority

Prior written approval of the head of the procuring entity is required if the estimated value of the procurement exceeds the procurement method threshold (J\$1.5M for goods and J\$2.0M for works).

⁷ Public Procurement (Amendment) Act, 2018

LEGAL FRAMEWORK: POST-DISASTER BUDGETING, FINANCING & PROCUREMENT PROCEDURES

1) JAMAICA CONSTITUTION, 1962

i. Contingencies Fund

Section 118 Any law for the time being in force may create or authorise the creation of a Contingencies Fund and may authorise the Minister responsible for finance to make advances from that Fund if he is satisfied that there is an unforeseen need for expenditure for which no provision or no sufficient provision has been made by an Appropriation law.

Where any advance is made by virtue of an authorisation conferred under subsection (1) of this section, a supplementary estimate of the sum required to replace the amount so advanced shall, as soon as practicable, be laid before and voted on by the House of Representatives and the sum so voted shall be included in a Supplementary Appropriation Bill or a Final Appropriation Bill

ii. Declaration of State of Emergency (Constitution (1962), Section 20 – Interpretation)

A Proclamation made by the Governor-General shall not be effective for the purposes of subsection (1) unless it is declared that the Governor-General is satisfied ...

“c. that a period of public disaster has arisen as a result of the occurrence of any earthquake, hurricane, flood, fire, outbreak of pestilence, outbreak of infectious disease or other calamity, whether similar to the foregoing or not.

3. A Proclamation made by the Governor-General for the purposes of and in accordance with this section:

- a. shall, unless previously revoked, remain in force for fourteen days or for such longer period, not exceeding three months, as both Houses of Parliament may determine by a resolution supported by a two-thirds majority of all the members of each House;
- b. may be extended from time to time by a resolution passed in like manner as is prescribed in paragraph (a) for further periods, not exceeding in respect of each such extension a period of three months;
- c. may be revoked at any time by a resolution supported by the votes of a two-thirds majority of all the members of each House.

A resolution passed by a House for the purpose of paragraph (c) of the definition of "period of public emergency" in subsection (1) may be revoked at any time by a resolution of that House supported by the votes of a majority of all the members thereof."

2) DISASTER RISK MANAGEMENT (DRM) ACT, 2015

i. Office of Disaster Preparedness and Emergency Management (ODPEM)

The Disaster Risk Management (DRM) Act, revised in early 2015, is the legislation that defines the GoJ's capacity to identify, reduce, and manage disaster risk through a comprehensive set of guidelines and procedures targeting the national, parish, and community levels. The DRM Act, the legal backbone of the Office of Disaster Preparedness and Emergency Management (ODPEM), provides the definition of natural disasters, and identifies the responsibilities and functions of the ODPEM.

ii. National Disaster Fund

The DRM Act provides the legal provision for the National Disaster Fund (NDF). The NDF is intended for projects that mitigate, prevent, prepare for, respond to, and recover from emergencies and disasters, and that provide financial assistance to households for relief and recovery from a disaster. However, the fund is primarily used for the coordination of risk reduction activities. According to the NDF Terms of Reference (TOR), a Finance and Administration Subcommittee of the NDC administers the Fund. The TOR authorizes the Subcommittee to invest the funds in financial instruments/institutions approved by the MOFPS. All payments are authorised by the Chairman of the NDC and unless there are unforeseen disaster expenses, the ODPEM is authorized to spend a maximum of J\$ 4 million annually.

The NDF is capitalized at J\$466 million as of Q3 2018. Part IX of the DRM Act stipulates that, as of April 2015, one percent of the revenues from commercial and residential development paid to local authorities annually is to go to the Fund, along with parliamentary contributions, grants from approved organizations, and funds raised by the NDC. The NDC is to have a separate NDF Committee that shall be responsible for NDF administration.

3) FINANCIAL ADMINISTRATION AND AUDIT ACT (SECTION 13)

i. Establishment of Contingencies Fund

13. (1) Pursuant to section 118 of the Constitution there is hereby established a Contingencies Fund which shall consist of issues from the Consolidated Fund Principal Bank Account not exceeding in

the aggregate one hundred million dollars or such greater sum as the House of Representatives may by resolution approve, to defray unforeseen expenditure.

(2) If the Minister is satisfied that-

(a) certain expenditure is likely to be incurred in a financial year:

(i) in relation to a service, thereby causing an excess on the sum provided for that service by the Appropriation Act relating to that year; or

(ii) which, being in respect of a new service, was not provided for by the Appropriation Act relating to that year; and

(b) the circumstances are such that the expenditure cannot without injury to the public interest be postponed until adequate provision is made by Parliament, the Minister may authorize such expenditure to be met by an advance from the Contingencies Fund.

(3) Supplementary estimates of such expenditure shall be submitted for the approval of the House of Representatives as soon as possible. When the supplementary estimates have been approved, and pending the provision for such services under the appropriate heads by an Appropriation Act, issues from the Consolidated Fund Principal Bank Account may be made accordingly and the sums advanced from the Contingencies Fund repaid out of the said issues.

ii. Annual Appropriation for Disaster Risk

Under the FAA Act Fiscal Responsibility Framework, the government has an obligation to include budgetary provisions for weather related risks in the annual Estimates of Expenditure and to transfer those amounts to the Contingencies Fund⁸.

The Act states: “In respect of the financial year to which the relevant Estimates of Revenue and Expenditure relate, provision of an amount for weather related risks, which amount shall be transferred to the Contingencies Fund established by section 13 of the Act.”

iii. Fiscal Rules ‘Escape Clause’⁹

The FAA Act provides an ‘escape clause’ from the fiscal rules in the event of a disaster. The FAA stipulates that the fiscal rules can be suspended for a maximum of 2 years if there is an event, such as a natural disaster.

⁸ *FAA Act Act, Third Schedule, Amendment 2014*

⁹ *FAA ACT Sections 48C(2) and 48C(3)*

This applies when the Auditor General has validated in the prescribed manner that the estimated fiscal impact of the disaster is equal to or greater than 1.5 percent of GDP following thereafter, the Minister makes an Order subject to affirmative resolution, permitting the suspension of the rules to the end of the Financial Year, in the first instance.

Where the Auditor General has validated that the residual impact of the disaster is significant to warrant the continued suspension of the rules, the suspension may be extended for one more financial year, immediately following the initial period of suspension.

4) THE PUBLIC PROCUREMENT ACT, 2015

Procurement

25.-(1) A procuring entity may, in accordance with the prescribed procedures and subject to subsection (2), engage in single-source procurement only where-

- (a) the goods, works or services to be procured are available from a particular supplier only, or a particular supplier has exclusive rights in respect of such goods, works or services, such that no reasonable alternative or substitute exists, and the use of any other method of procurement would not be practicable;
 - (b) the procuring entity, having procured goods, works or services from a contractor, determines that additional supplies must be procured from that contractor for reasons of standardization or because of the need for compatibility with existing goods, works or services, taking into account the effectiveness of the original procurement in meeting the needs of the procuring entity, the limited size, of the proposed procurement in relation to the original procurement, the reasonableness of the price and the unsuitability of alternatives to the goods, works or services in question;
 - (c) The procuring entity determines that the use of any other method of procurement is not appropriate for the protection of the national security or defence interests of Jamaica;
 - (d) The time and cost involved in considering a large number of bids would be disproportionate to the estimated value of the procurement; or
 - (e) The situation is one of emergency or extreme urgency and the engaging in any other method of procurement would be impractical because of the time involved in using any such other method;
- (2) A procuring entity shall not engage in single-source procurement, without the prior written approval of the head of the procuring entity, if the estimated value of the procurement exceeds the procurement method threshold.

(3) Where a procuring entity engages in single-source procurement, it shall invite a proposal or price quotation from a single supplier.

(4) A procuring entity shall engage in negotiations with the supplier from which a proposal or price quotation is invited, unless negotiations are not feasible in the circumstances of the procurement concerned.

(5) The regulations may prescribe provisions governing public procurement by means of single-source and make other provision in relation thereto.

5) THE PUBLIC PROCUREMENT REGULATIONS, 2018

Emergency Procurement

7. (1) For the purposes of section 25(1) (e) of the Act situations of emergency or extreme urgency are those that:

(a) Arise as a result of events not attributable to or foreseeable by the procuring entity; and

(b) Necessitate the award of a procurement contract to effect repairs or remedial action to safeguard the public interest or, to protect infrastructure, property or public monies;

(2) A procuring entity shall -

(a) Engage in negotiations with the supplier from which a bid is requested, unless such negotiations are not feasible in the circumstances of the procurement concerned; and

(b) Ensure that the objective of value for money is met before awarding a procurement contract by single-source procurement;