Report # 01

Key Challenges to Public Private Partnerships in South Africa: Summary of Interview Findings

April 2007
The Support Programme for Accelerated Infrastructure Development (SPAID) is a partnership between the Business Trust and the Presidency of the Government of South Africa that aims to support the achievement of the infrastructure development targets set in the Accelerated and Shared Growth Initiative.

The Business Trust is an initiative of business and government aimed at facilitating the creation of jobs and the development of human capacity in South Africa. The Trust was established in 1999, financed by South Africa's leading companies and governed by a board of government and business leaders. The Business Trust has agreed to fund the initial phase of SPAID.

The goal of SPAID is to provide focused support to mobilise an increased private sector contribution to meeting the AsgiSA infrastructure targets. The outcomes of SPAID are that:

- Private Sector support accelerates public sector delivery by mobilising private sector initiative, private sector systems and delivery approaches, and focused strategic support.
- Dialogue and understanding between senior public and private sector stakeholders in the infrastructure sector improves.

To deliver on these outcomes SPAID is undertaking four interventions:

- The establishment of a Project Preparation Fund to get capital projects at municipal level prepared for implementation in a manner that will accelerate the release of funding and reduce the delays that result from poorly prepared projects and limited capacity to initiate required processes.
- The provision of support to the Department of Provincial and Local Government to direct and focus the wide range of existing municipal capacity building and support programmes that have been established to by developing a management information and project expediting system.
- The provision of strategic and technical assistance to support public sector partners to mobilise increased private sector contributions to the meeting of the AsgiSA infrastructure targets, through short to medium-term strategic and technical interventions.
- The establishment of a communication programme to improve the flow of information between the government departments and private stakeholders involved in the development of the infrastructure programme.

Disclaimer

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Key Challenges to Public Private Partnerships in South Africa

Summary of Interview Findings

For the Support Programme for Accelerated Infrastructure Development (SPAID)

An Initiative of the Presidency of the Republic of South Africa and the Business Trust

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April 2007
Table of Contents

Executive Summary

1 Introduction 1

2 Challenges to Public Private Partnerships in South Africa—Where Interviewees Agree 2
   2.1 Lack of Highest Level Policy Direction 2
   2.2 Lack of Consistent Political Resolve 3
   2.3 Mistrust of Private Sector Involvement in Infrastructure 4
   2.4 Lack of Capacity to Originate or Implement Public Private Partnerships 4
   2.5 Lack of Resources Dedicated to Fostering Public Private Partnerships 5
   2.6 Policy Bias toward Traditional Public Procurement 5
   2.7 A Lack of Fiscal Imperatives to Use Public Private Partnerships 7
   2.8 More Severe Problems in the Municipalities 7

3 Disagreement on the Problems with Public Private Partnerships in South Africa 9
   3.1 The Private Sector View 12
   3.2 The Implementing Agency View 12
   3.3 The View of Government Agencies Responsible for Public Private Partnership Policy 12
   3.4 Reasons for Disagreement 13

4 Potential Solutions Proposed by Interviewees 14

5 Next Steps 17

Appendices

Appendix A : Scope of Work 18
Appendix B : List of Interviewees 20
Appendix C : Questions for Interviews 22
Tables

Table 3.1: Principal Points of Disagreements between Players in South Africa's Public Private Partnerships 10
Table 4.1: Summary of Interviewees Proposed Solutions for Improving Public Private Partnerships in South Africa 16
Table B.1: Individuals Interviewed by the Castalia Consortium 20

Boxes

Box 2.1: Burden of Proof is on Public Private Partnerships in South Africa 5
Box 2.2: Burden of Proof is on Traditional Procurement in Victoria 6
Box 2.3: Where Private Finance Initiative is Not Appropriate (UK) 6
Executive Summary

Purpose of this paper

The purpose of this paper is to summarize the views of players in South Africa’s public private partnership (PPP) arena on the most significant challenges facing the market for PPPs or policy framework for PPPs in South Africa, what those challenges are, and how to address those challenges.

The summary draws from 40 interviews with individuals who work or have worked, at senior levels in the private sector, implementing agencies (line departments, provinces, and municipalities), National Treasury, and the National Treasury PPP Unit.

Areas of agreement on challenges to PPPs

We found general agreement among many interviewees that the market for PPPs, and the legal framework for PPPs, are characterized by:

- A lack of policy direction from the highest levels of government, or at least a lack of clarity in the minds of implementing agencies and the private sector, on why South Africa should do PPPs, what PPPs are, and what is or should be the role of the PPP Unit
- Inconsistent commitment to PPPs in different parts of government and at different levels of government. Also, commitment to PPPs, and direction on PPPs changes over time, while PPPs require a long time frame
- A general mistrust among the implementing agencies of private sector involvement in provision of infrastructure services
- A lack of time, resources, know-how, and authority within the staff of the implementing agencies, to originate and implement PPPs
- A lack of resources within the PPP Unit to promote PPPs and help support implementing agencies in developing and doing PPPs
- A policy bias toward traditional public procurement and against PPPs
- A lack of fiscal imperative to use PPPs
- A completely different market and legal environment for PPPs in the municipalities, where all of the above problems are much more severe and infrastructure needs are much greater

Areas of disagreement on challenges to PPPs

Despite the many areas of agreement between the private sector, implementing agencies, and agencies responsible for PPP policy, significant areas of disagreement remain.

Opinions differ in part because each group of interviewees has different objectives, but also because each has a different vision of what PPPs should achieve in South Africa.

The private sector view

The private sector believes too few PPPs are happening in South Africa, and that where PPPs are happening, they are happening too slowly and in sectors which have only limited developmental impact for the country.

The private sector feels the policy framework for PPPs emphasizes regulation of PPPs when what South Africa needs is promotion of PPPs, facilitation of PPPs, and capacity building for implementing agencies.

The private sector feels the rules for procurement of PPPs are generally acceptable for large PPPs, but too restrictive for smaller projects, or
projects with more limited risk transfer. The rules imply do not work at all for PPPs in municipalities.

The private sector feels that the PPP Unit and the implementing agencies want to transfer too much risk to the private sector, and that there is evidence of waning private sector interest in PPPs.

The implementing agencies are ambivalent about PPPs, at best. Some feel that the private sector’s incentives to maximize profit will mean poor service, high prices, or both.

Many implementing agencies that might consider PPPs feel that PPPs take too long to implement, and require time and expertise that they do not have internally.

The government agencies responsible for PPP policy feel, in contrast to the private sector, that the volume of deal flow is acceptable given South Africa’s objectives to do PPPs that are well structured and meet the criteria of affordability, value for money, and optimal risk transfer.

They recognize that PPPs can take longer to implement than traditional government procurement, and that this is acceptable because PPPs are extremely complex transactions which require great care to prepare.

Like the private sector, they also recognize that the rules for PPPs do not work for municipalities. The staff of the PPP Unit is already working on ways to solve these problems.

The agencies responsible for PPP policy feel the PPP Unit already spends a lot of time on promotion and facilitation of PPPs, and relatively little of its time regulating PPPs.

The agencies responsible for PPP policy see as evidence of the PPP program’s success the fact that an impressive number of deals are now near closure, and one deal of impressive quality and value—Gautrain—recently closed.

This paper focuses on summarizing what interviewees view as the key challenges for PPPs in South Africa, but the interviewees also put forth a number of solutions. Examples of these solutions include: better communication between the public and private sector on the PPP deals pipeline, the creation of specialized ‘swat teams’ to work with implementing agencies on specific transactions, the harmonization of municipal PPP legislation, and the streamlining of PPP regulations for certain projects.

The findings from this paper will serve as the basis for discussions at an upcoming 3 May 2007 workshop on PPPs in South Africa. The objective of the workshop is to facilitate constructive discussion on the most important challenges facing PPPs in South Africa, and jointly develop solutions.
1 Introduction

The Office of the Presidency of South Africa and the Business Trust asked Castalia Ltd and Ukhamba Advisory Services (the Castalia Consortium) to identify challenges facing Public Private Partnerships (PPPs) in infrastructure in South Africa. The purpose of this paper is to summarize the views of players in South Africa’s PPP arena on the most significant challenges facing the market for PPPs or policy framework for PPPs in South Africa, what those challenges are, and how to address those challenges.¹

The context for our work

The Castalia Consortium’s assignment is part of the Presidency and Business Trust’s joint Support Programme for Accelerated Infrastructure Development (SPAID). SPAID aims to support the achievement of infrastructure development targets set by the Accelerated and Shared Growth Initiative for South Africa (ASGISA). ASGISA is a multi-billion Rand, multi-year programme to accelerate investment in key transport, energy and communication infrastructure, and to address backlogs in infrastructure investment.

An estimated 5 percent of ASGISA’s infrastructure programme is planned for implementation through PPPs. It is our understanding that our scope of work emerged from concerns that:

- South Africa would have trouble meeting this target, because of problems with the market for PPPs, or legal framework for PPPs²
- The dialogue on PPPs in South Africa had come to be characterized by mistrust and suspicion between important players in the PPP arena. This mistrust and suspicion has prevented constructive discussion on how to improve PPPs in South Africa.

Our methodology

The summary in this paper draws from 40 interviews with individuals who work or have worked, at senior levels, in entities involved in PPPs in South Africa. We interviewed individuals from:

- The private sector, including investment banks, operating companies, construction companies, and transaction advisors
- Implementing agencies, including line departments, and provincial and municipal governments
- Government agencies responsible for PPP policy, including the National Treasury, the National Treasury PPP Unit (PPP Unit), and the former Municipal Infrastructure Investment Unit (MIIU).

Appendix B contains the full list of individuals we interviewed. Appendix C contains the questions we used in the interviews.

¹ The Castalia Consortium’s Scope of Work is attached as Appendix A.
² For the purpose of this paper, the term ‘legal framework’ refers to all legislation, treasury regulations, or institutions which govern the use of PPPs.
Follow-on work

This paper will serve as the basis for discussions at an upcoming 3 May 2007 workshop on PPPs in South Africa. The workshop will include many of the individuals we interviewed, as well as other representatives from the public and private sectors. The objective of the workshop is to facilitate constructive discussion on:

- The most important challenges facing PPPs in South Africa, using this paper’s findings as a starting point for the discussion
- What can be done to address the most important challenges? The Castalia Consortium will help guide this discussion by presenting its own views and analysis, and drawing from its knowledge of international experience with PPPs.

As the final step in our scope of work, we will recommend how we think South Africa can address the challenges facing PPPs. These recommendations will draw heavily on the workshop discussions, and on our own experience with PPPs.

How this paper is organized

We first consider, in Section 2 where interviewees agreed are the problems in the legal framework for PPPs, and market for PPPs in South Africa. We then consider, in Section 3, where interviewees disagreed. In Section 4 we summarize interviewees’ recommendations on ways to improve PPPs in South Africa. We conclude in Section 5 by describing how we will proceed with our work in the workshop and final paper.

We emphasize that the purpose of this paper is only to summarize, not analyze or make recommendations. We leave our analysis and recommendations to the 3 May 2007 workshop and final paper following the workshop.

2 Challenges to Public Private Partnerships in South Africa—Where Interviewees Agree

We found general agreement among many interviewees that the market for PPPs, and the legal framework for PPPs, are characterized by a number of shortcomings. This section describes the areas of agreement.

2.1 Lack of Highest Level Policy Direction

Many interviewees felt leadership on PPPs was lacking at the highest levels of government. High level policy direction does not need to mean unbridled enthusiasm for PPPs, but should at least provide clearer and more predictable intent on when and why to do PPPs in general, and in specific sectors.

The results of our interviews suggested that three questions, in particular, remain unanswered:

- What policy objectives should PPPs achieve in South Africa? Many interviewees felt it was unclear whether the highest levels of government favoured the use of PPPs in general, or whether they favoured PPPs only in specific circumstances, or for specific sectors. For example, Treasury’s
view is that PPPs should be used to achieve value for money, optimal risk transfer, and improve long-term planning, but many implementing agencies view PPPs as vehicle for financing, not service delivery

- **What are PPPs in South Africa?** The answer to the previous question, “What policy objectives should PPPs achieve?” drives the definition of PPP most appropriate for South Africa. The definition is important because it determines which transactions fall within the purview of the PPP Unit

- **What is the role of the PPP Unit?** The definition of ‘PPP’ matters because it determines the responsibilities of the PPP Unit.

Most interviewees felt the National Treasury PPP Unit provides a strong formal legal framework for how to do PPPs, but many interviewees felt that South Africa needs still higher level leadership on why and under what circumstances PPPs should be used to achieve policy goals. The beginnings of answers to these questions can be found in Treasury Regulation 16 and other documents of the PPP Unit, but interviewees’ responses to our questions suggest that what may be *de jure* is not *de facto*.

We note that interviewees within the agencies responsible for PPP policy generally felt the answers to these high level policy questions were clear. However, they acknowledged that the implementing agencies and private sector may not feel the answers were clear.

### 2.2 Lack of Consistent Political Resolve

Many interviewees also observed that political leadership showed inconsistent commitment to PPPs. The inconsistency has three dimensions:

- **Horizontal.** Policy direction on PPPs differs from line department to line department, from province to province, and from municipality to municipality. Some national line departments, such as Transport, clearly support PPPs, but many others clearly do not

- **Vertical.** Policy and commitment to PPPs is often not strong enough at the highest level to filter down to government managers in charge of originating or managing PPP transactions. For example, the National Roads Agency stands out as one of the success stories of PPPs in South Africa. The Agency owes its success to the fact that it:
  - Enjoys the support of PPPs by the current (and past) Ministers of Transport
  - Has a hands-on proponent of PPPs as its CEO, who manages a strong team staffed specifically to handle implementation of PPPs in roads.

The recent and rapid closure of the Gautrain transaction also provides an example of the importance of political commitment for PPPs at the top. The Premier of Guateng Province provided strong support for the project, and the project had a capable and driven Project Leader. As many interviewees noted, the expectation of the 2010 World Cup in South Africa also clearly helped to accelerate the project’s development.
- **Inter-temporal.** PPPs require a lot of preparation and typically last anywhere from 5–20 years. Commitment to PPPs suffers from the fact that policy on PPPs changes with changes in political leadership. Many interviewees also noted that frequent leadership changes within the PPP Unit had to some extent harmed the development of the policy environment for PPPs in South Africa.

2.3 **Mistrust of Private Sector Involvement in Infrastructure**

Many individuals in the highest levels of leadership in national line departments, provinces, and municipalities mistrust private sector involvement in infrastructure. Powerful political constituencies also harbour strong suspicions of PPPs. Political leaders and their constituents dislike PPPs because of:

- Mistrust of private sector intentions, or more specifically, a belief that the private sector will try to take profit while shirking its responsibilities to provide infrastructure or infrastructure services. This belief often goes hand-in-hand with the belief that the public sector will always lose out when negotiating commercial contracts with the private sector because the private sector can bring more resources to bear in the negotiations.

- Fear of losing control of infrastructure assets, authority, or responsibilities. Political leaders may dislike private sector involvement in infrastructure because of a fear that they will have to cede responsibilities, authority, or control of infrastructure assets. Many constituencies dislike PPPs for similar reasons, namely, that the private sector will destroy, rather than create jobs.

- The detailed planning and outside scrutiny that PPPs require. PPPs require more work than traditional government procurement and subject government procurement to extensive scrutiny (and potential criticism) from the PPP Unit, the public, and other government agencies. Political leaders or other government officials may prefer to avoid such scrutiny because they view it as interference or micro-management.

2.4 **Lack of Capacity to Originate or Implement Public Private Partnerships**

Interviewees felt that managers within line departments, provinces, and municipalities lacked:

- Sufficient time and resources to dedicate to PPPs

- The knowledge or ability to originate a PPP or manage a PPP transaction

- The confidence or authority to make critical decisions in managing PPPs.

Certain government agencies, such as the National Roads Agency and some of the larger provinces and municipalities, stood out as counter-examples but most would require considerable assistance to pursue and implement a PPP.
2.5 Lack of Resources Dedicated to Fostering Public Private Partnerships

Interviewees generally agreed that the National Treasury PPP Unit did not have enough resources to do all that needed to be done to foster successful PPPs. More specifically, many felt that the PPP Unit did a good job regulating PPPs, but felt that more resources should be devoted to promoting PPPs and building capacity within line departments, provinces, and municipalities to implement PPPs.

As described in Section 3, interviewees differed considerably on how much effort the PPP Unit currently devotes to promoting PPPs, and whether the problem could be solved by allocating additional resources to the PPP Unit, or elsewhere.

2.6 Policy Bias toward Traditional Public Procurement

In South Africa, like in other countries, traditional public procurement of infrastructure services is the default choice. Line departments must therefore first decide they want to consider a PPP for a given project and then prove that a PPP would provide more value-for-money than traditional government procurement. Box 2.1 shows the relevant wording in Treasury Regulation 16.

<table>
<thead>
<tr>
<th>Box 2.1: Burden of Proof is on Public Private Partnerships in South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.3 Treasury approval</td>
</tr>
<tr>
<td>16.3.1 The accounting officer or accounting authority may not proceed with a PPP without the prior written approval of—</td>
</tr>
<tr>
<td>(a) the National Treasury; or</td>
</tr>
<tr>
<td>(b) the relevant provincial treasury, if it is a provincial institution and the National Treasury has, in terms of section 10(1)(b) of the Act, delegated the appropriate powers to the provincial treasury.</td>
</tr>
<tr>
<td>16.3.2 The relevant treasury may grant such approval only if it is satisfied that the proposed PPP will—</td>
</tr>
<tr>
<td>(a) provide value for money;</td>
</tr>
<tr>
<td>(b) be affordable for the institution; and</td>
</tr>
<tr>
<td>(c) transfer appropriate technical, operational and financial risk to the private party.</td>
</tr>
</tbody>
</table>

Source: National Treasury Public Finance Management Act, 1999, Treasury Regulation 16

In other successful PPP markets, such as the UK or the state of Victoria in Australia, the procuring agency must always analyze whether PPPs are appropriate for certain types of projects. The procuring agency must therefore first consider a PPP for a given project and then conduct an objective analysis of whether traditional government procurement or PPPs would provide better value-for-money.

Neither in the UK nor Victoria does government have a wholesale preference for PPPs, but the circumstances under which PPPs must be considered are well defined. Box 2.2 describes the circumstances under which government agencies need to consider PPPs in Victoria, Australia. Box 2.3, in contrast, describes
circumstances in which UK government agencies do not need to consider Private Finance Initiative (PFI).

Box 2.2: Burden of Proof is on Traditional Procurement in Victoria

The policy applies to the provision of public infrastructure and any related ancillary services which involve private investment or financing. The term ‘infrastructure’ can extend beyond physical assets to encompass major information technology procurements. In this context, related ancillary services may encompass accommodation services arising out of the infrastructure, building-related services such as maintenance and some support services.

The Partnerships Victoria policy does not apply to the general procurement of services by the Government where public infrastructure is not being provided (e.g. professional consulting services and printing services).

The policy applies to public infrastructure projects when the present value of payments to be made by the Government (and/or by consumers of a service) will exceed $10 million during the period of a partnership.

The policy applies to all such projects entered into by Government departments, unless a specific Government decision advises that other provisions will apply. Application of the policy to the provision of infrastructure by a Government Business Enterprise shall be determined on a project by project basis, following consideration by the responsible Minister of the business plan of the Government Business Enterprise.

Source: Partnerships Victoria Policy 2000

Box 2.3: Where Private Finance Initiative is Not Appropriate (UK)

3.15 The Government also recognises that there are areas where, based on an understanding of the drivers of value for money in procurement and on the basis of past experience, the PFI procurement structure is unlikely to deliver value for money:

- where the pre-conditions of equity and accountability in public service delivery cannot be met, as in most forms of frontline service delivery;
- where authorities require a significant degree of short-term flexibility due to fast-changing service requirements. It is for this reason and from the evidence of past projects that PFI is not used by the Government for information technology projects; and
- where the investment is small and the benefits of PFI do not justify the significant costs required during the PFI procurement process. For projects of less than £20 million in capital value, other procurement routes will be more appropriate.


The National Treasury PPP Unit has, to some extent, already moved to address this bias at the national and provincial level. The PPP Unit is working on rules that will require PPP arrangements to be the default choice for ‘mega projects’. ‘Mega
projects’ are infrastructure projects beyond a certain threshold value of investment. The procuring agency would therefore have to justify its case for traditional public procurement if it wanted to go that route.

2.7 A Lack of Fiscal Imperatives to Use Public Private Partnerships

Several interviewees agreed that many line departments, provinces, and possibly the National Treasury itself had less incentive to use PPPs to finance infrastructure because the fiscus was flush with cash. National Treasury recently announced it had posted a first-ever budget surplus of roughly 0.6 percent of Gross Domestic Product.

As mentioned in Section 2.1, National Treasury has a clear view that PPPs are not effective in raising capital needed for infrastructure investment, or sourcing lower cost capital, but we did not sense that all interviewees shared or understood this view.

2.8 More Severe Problems in the Municipalities

The severity and nature of the shortcomings we discussed above differ considerably between, on the one hand, national and provincial government, which are regulated by the 1999 Public Finance Management Act (PFMA) and Treasury Regulation 16, and on the other hand, municipal PPPs which came under the purview of the National Treasury PPP Unit in 2003 with the Municipal Finance Management Act.

The following bullets describe how the shortcomings discussed in Sections 2.1 through 2.7 are more severe in the municipalities than at the national or provincial level.

- Lack of high level policy direction. In the municipalities, policy direction on PPPs is confused because of overlapping responsibilities between the Department of Local Government (DPLG), the PPP Unit, and other national line departments such as the Department of Water Affairs and Forestry (DWAF).

This problem of overlap reaches beyond high-level policy direction. Most interviewees felt that, at the municipal level, the formal legal framework is also flawed and plagued by conflict between the MFMA and the Municipal Systems Act (MSA). The PPP Unit is well aware of these shortcomings and has already made efforts to resolve some of these conflicts and ambiguities.

One of the biggest points of conflict is the requirement in both the MFMA and MSA that feasibility studies be conducted for a PPP. The feasibility studies required by each are similar but not identical. A municipality would have to exercise a great deal of care and judgement to ensure that it satisfies each Act. The PPP Unit has found that the average time-frame for a typical MSA feasibility study (section 78) is over two years, and an additional six months for the MFMA feasibility study.
Interviewees also pointed out that the MSA has often been subject to inconsistent interpretation. For example, municipalities have no guidance, beyond the language in Section 78, on how to conduct the feasibility studies for the MSA, what those studies should include, and how extensive the analysis should be.

- **Suspicion or mistrust of private sector involvement in infrastructure.** Suspicion of the private sector is generally stronger in municipal governments and constituencies than at the national and provincial level. Labour unions, in particular, are strongly opposed to PPPs, and by many interviewees’ accounts have made PPPs nearly impossible in many municipalities.

- **Lack of capacity to originate or implement PPPs, and lack of resources to foster PPPs.** Most interviewees believed that the municipalities have much more severe human resource constraints than the national line departments and provinces, and therefore much higher needs for technical support. Many interviewees felt all but the largest municipalities lacked even basic supply chain management and procurement management skills, to the extent that they were having trouble spending conditional grants intended to address infrastructure backlogs.

- **Policy bias toward traditional public procurement.** The policy bias toward traditional public procurement is more severe for municipalities than national and provincial governments. The MSA allows for services to be delivered ‘internally’ through the municipality’s own staff and other resources or via an external mechanism which includes a municipal entity, another municipality, community based entities or NGO’s, or the private sector. Section 78 says a Municipality must first assess, “the extent to which the re-organisation of its administration and the development of the human resource capacity within that administration... could be utilized to provide the service through an internal mechanism”. Many interviewees said municipal government officials view Section 78 as:
  - At best, an onerous bureaucratic process additional to the requirements of MFMA
  - At worst, a requirement to demonstrate their own ineffectiveness or redundancy versus private operators.

- **Fiscal Imperatives to use PPPs.** Municipalities, unlike national line departments and provincial governments, may have a clear fiscal imperative to use PPPs, but much less ability to do so, for the reasons mentioned above and because of their unique fiscal situation.

  All levels of government face, to some extent, the dilemma of how to budget for the multi-year outlays required by PPPs without actually receiving multi-year allocations for those projects. At the national and provincial levels, however, once the PPP Unit has approved a
transaction, governments have assurance that they will receive future allocations to cover those PPPs.

For municipalities, the risk is considerably higher, since municipalities require Treasury approval for PPPs but Treasury allocations through equitable shares or conditional grants are not guaranteed for 20–30 years into the future. The remainder would need to come from municipal tax revenues of fees for basic services, yet many municipalities have been reluctant to use their full revenue raising powers, and unable or unwilling to fully collect fees for basic services.

3 Disagreement on the Problems with Public Private Partnerships in South Africa

We summarize in Table 3.1 what we understand to be the principal points of disagreement between different actors involved in PPPs in South Africa.

We anticipate that readers will be familiar with many of the arguments in Table 3.1 and we therefore do not go into great detail here. We summarize in Sections 3.1 through 3.3 what we understand to be the views of the private sector, the implementing agencies, and the government agencies responsible for PPP policy.
Table 3.1: Principal Points of Disagreements between Players in South Africa’s Public Private Partnerships

<table>
<thead>
<tr>
<th>Topic</th>
<th>Private Sector</th>
<th>Implementing Agencies¹</th>
<th>Government Agencies Responsible for PPP Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deal flow</td>
<td>▪ Not enough deal flow</td>
<td></td>
<td>▪ Right amount of deal flow, given criteria that PPPs must show value-for-money, optimal risk transfer, and be affordable</td>
</tr>
<tr>
<td>Implementation time</td>
<td>▪ PPPs take too long to implement, longer than traditional procurement</td>
<td></td>
<td>▪ PPPs may take longer to implement, because they are complex</td>
</tr>
<tr>
<td>Legal environment</td>
<td>▪ Rules for procuring PPPs are broadly ok at the national and provincial level, better suited for higher value transactions and more developed PPP markets</td>
<td>▪ Treasury (or other legal) rules for procuring PPPs are too onerous or confusing</td>
<td>▪ Rules for procuring PPPs are good, but there is a need to streamline for smaller value projects. PPP Unit has already developed, and will develop more, streamlined processes for smaller value projects, or projects in more familiar sectors (for example, ‘small cap’ ecotourism projects)</td>
</tr>
<tr>
<td></td>
<td>▪ PPP Unit micro-manages transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ BEE/SMME thresholds included in PPP guidelines are not necessarily in line with sector charters</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>▪ Rules do not work at the municipal level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role of the PPP Unit</td>
<td>▪ PPP Unit does too much regulation, and too little promotion and facilitation of PPPs within implementing agencies</td>
<td></td>
<td>▪ PPP Unit spends as much time as it can promoting and facilitating PPPs</td>
</tr>
</tbody>
</table>

¹ We use the term ‘implementing agency’ to refer to national line departments, provincial government agencies, and municipalities.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Private Sector</th>
<th>Implementing Agencies¹</th>
<th>Government Agencies Responsible for PPP Policy</th>
</tr>
</thead>
</table>
| Role of the private sector vis-à-vis Government | • Government is too aggressive on risk transfer  
• Private sector investment crowded out by cheaper capital from public sector lenders, for example, DBSA | • Private sector will take profits and skimp on service if it can | • Too little competition among private sector investment banks |
| Evidence for their positions | • Number of bidders for new PPPs appears to be decreasing over time |                         | • An impressive number, value, or quality of deals recently closed (for example, Gautrain), or about to close |

Source: Castalia Consortium, based on Interviews
3.1 The Private Sector View

The private sector believes too few PPPs are happening in South Africa, are happening too slowly, and are happening in sectors which have only limited developmental impact for the country. The private sector feels it could do more PPPs if the deal flow were there. The private sector feels it could invest more in transformational infrastructure, in particular, but cannot compete with the Development Bank of Southern Africa (DBSA).

The private sector feels the policy framework for PPPs emphasizes regulation of PPPs when what South Africa needs is promotion of PPPs, facilitation of PPPs, and capacity building for implementing agencies. The private sector also feels, to some extent, that the PPP Unit micro-manages transactions and gets more involved in transaction details than it may need to.

The private sector feels the rules for procurement of PPPs are generally acceptable for national and provincial PPPs, but are probably best suited for very large transactions and not for smaller transactions with more limited risk transfer. There are some problems of consistency between the BEE/SMME thresholds in the PPP guidelines and the sector charters. The rules simply do not work at all for municipalities.

The private sector feels that the PPP Unit and the implementing agencies want to transfer too much risk to the private sector. The model for PPPs in South Africa draws from the experience of the UK, but more risk transfer is possible in the UK because the market is more mature than in South Africa.

The private sector believes that interest in PPPs in South Africa is dropping, and that the number of bidders for new PPPs is lower than in the past, and will continue to fall.

3.2 The Implementing Agency View

The implementing agencies are ambivalent about PPPs, at best. Some feel that the private sector’s incentives to maximize profit will mean poor service, high prices, or both. Some also recognize that a good contract can prevent this, but that the private sector has more experience and more resources to ensure they get a contract which works to their advantage.

Many implementing agencies that might consider PPPs feel that PPPs take too long to implement, and require time and expertise that they do not have internally. Many of the implementing agencies would therefore also like to have access to more expertise and more assistance in originating and procuring PPPs.

3.3 The View of Government Agencies Responsible for Public Private Partnership Policy

The government agencies responsible for PPP policy feel, in contrast to the private sector, that the volume of deal flow is acceptable. South Africa’s policy does not envision the wholesale pursuit of PPPs, but the pursuit of PPPs that are well structured and meet the criteria of affordability, value for money, and optimal risk transfer.
The agencies responsible for PPP policy recognize that PPPs can take longer to implement than traditional government procurement, and that this is acceptable because they are extremely complex transactions which require great care to prepare.

The agencies responsible for PPP policy feel that the rules for procuring PPPs are good, but also recognize that, for smaller value projects, or projects with which a particular implementing agency and the PPP Unit have past experience, a streamlined set of rules is necessary. The PPP Unit has already taken steps in this direction by developing a special process for ‘small cap’ ecotourism projects.

The agencies responsible for PPP policy also recognize that the rules do not work for municipalities. The staff of the PPP Unit is already working on ways in which municipalities can work around some of the conflicts between the MFMA and MSA, and ways in which the MFMA and MSA could potentially be changed at some point in the future.

The agencies responsible for PPP policy feel the PPP Unit already spends a lot of time on promoting and facilitating PPPs, and relatively little time regulating PPPs. Having said this, with more resources, they could do more to build capacity and help the implementing agencies.

The agencies responsible for PPP policy feel the private sector is too reluctant to accept reasonable risk. They see as one reason for this the fact that there is too little competition between private sector investment banks involved in PPPs.

The agencies responsible for PPP policy see as evidence of the PPP program’s success the fact that an impressive number of deals are now near closure, and one deal of impressive quality and value—Gautrain—recently closed.

### 3.4 Reasons for Disagreement

Different sectors always will, and should have different motives for pursuing PPPs. The success of PPPs relies on the fact that public and private partners have different incentives. These differences cannot be resolved.

Disagreement over what ‘should’ be, however, suggests a lack of common understanding of why, when, and how South Africa should do PPPs. Such disagreements can, to some extent, be resolved.

#### 3.4.1 Disagreement because of different objectives

Players in the market for PPPs in South Africa disagree, to some extent, because they have different objectives with respect to PPPs. Private investment banks, for example, favour a more robust PPP project pipeline because a more robust pipeline means more business opportunities. The PPP Unit predictably favours a more cautious approach, as it has primary responsibility for making sure national resources are used responsibly, and that each PPP meets strict value-for-money, risk transfer, and affordability criteria. Such disagreements are understandable, and may never go away.

The groupings of players as ‘Private Sector’, ‘Implementing Agencies’, and ‘Government Agencies Responsible for PPP Policy’ in Table 3.1 obscure some interesting but predictable nuances. For example, we found investment banks
involved in PPPs to be more critical than private sector operators or contractors, such as construction companies. This is probably because traditional government procurement also presents opportunities for construction companies, whereas traditional government procurement often leaves no role (or less of a role) for private investment banks.

In contrast, some transaction advisors’ opinions on PPPs were often more conciliatory. Because they often work for public and private sector clients, as well as for the PPP Unit, they were less critical of any other player’s particular role.

3.4.2 Disagreement over what ‘should’ be in South Africa

Players in the market for PPPs also disagree because of different perceptions of how PPPs should work in South Africa, or what PPPs should achieve in South Africa, irrespective of their vested professional interests.

We believe the lack of policy direction on PPPs, described in Section 2.1 explains why so many differences exist over what should be in South Africa. For example, disagreement on whether there is enough PPP deal flow in South Africa begs the question, “how much is enough” for South Africa? The answer depends on a policy decision as to what objectives South Africa seeks to achieve through PPPs. What policy objectives does South Africa want to achieve? Are PPPs in infrastructure part of this solution?

As another example, many current or former staff of the PPP Unit thought the definition of PPPs was clear as defined in Treasury Regulation 16. Interviewees from the implementing agencies and private sector often disagreed. The PPP Unit seemed to view PPPs primarily as ‘concessions’ or Build-Operate-Transfer arrangements. Many municipalities, however, assume any involvement of the private sector requires a feasibility study under the MFMA and MSA. Municipalities may therefore avoid entering into, for example, management contracts or other arrangements which could be beneficial because they perceive the regulations as onerous relative to the small size of the management contract. The answer to the question of what transactions the PPP Unit should regulate seems to remain unclear, at least outside of the PPP Unit.

The answers to these questions did not seem universally clear to the individuals we interviewed, despite the very well developed laws, rules, and policies which support PPPs in South Africa.

4 Potential Solutions Proposed by Interviewees

This paper focuses primarily on identifying the problems that may exist with the legal environment or market for PPPs in South Africa. During our discussions, however, interviewees offered a number of suggestions on how to solve the problems they raised.

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4 Under a typical concession or Build-Operate-Transfer contract, the private partner takes responsibility for operating, financing and, (if new) designing and building the facility. The private partner also takes the risk that, if demand for the facility or service is not as high as forecast, revenues from user fees may not cover all of its costs (which include the cost of debt and equity). The government formally retains ownership of the asset or rights to service delivery.
Table 4.1 summarizes the solutions most commonly proposed. We expect this table will serve as a starter for discussions of solutions at the 3 May 2007 workshop. As mentioned in Section 3.4.2, many of the disagreements described in Section 3 have their roots in the agreed-upon problems described in Section 2. We therefore structure the proposed solutions in terms of the agreed-upon problems identified in Section 2.

**Disagreements on solutions**

In discussing solutions, interviewees differed most on who should take responsibility for implementing the solutions listed in Table 4.1.

Interviewees from (or formerly from) the PPP Unit thought the PPP Unit was already addressing, or could in the future address, many of the challenges to PPPs in South Africa. Many interviewees from the private sector thought a separate body might be better suited to address many of the challenges. For example, many interviewees from the agencies responsible for PPP policy thought the PPP Unit could and should take on responsibilities for promoting PPPs, and building capacity within the implementing agencies. Many interviewees from the private sector or implementing agencies thought this work could be better done by a separate, possibly new, agency.
<table>
<thead>
<tr>
<th>Agreed Problem</th>
<th>Proposed Solutions</th>
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<tbody>
<tr>
<td>Lack high level policy direction and political</td>
<td>▪ High level political recognition and statement of the extent to which South Africa wants to do PPPs to meet its policy objectives (or more generally, an alignment of policy with practice)</td>
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<tr>
<td>resolve</td>
<td>▪ Sector-specific analysis of whether PPPs are appropriate and how they should be structured</td>
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<td></td>
<td>▪ Better communication between public and private sectors on future deals expected, and the capacity of each to implement them.</td>
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<tr>
<td>Mistrust of private sector involvement in</td>
<td>▪ Specialized ‘task teams’ of PPP experts dispatched to line agencies, and provincial and municipal governments to educate about PPPs and help with specific transactions. Some interviewees suggested these ‘hit squads’ would originate from the PPP Unit, others suggested they could be groups of individuals hired specifically for this task, and independent of the PPP Unit</td>
</tr>
<tr>
<td>infrastructure</td>
<td>▪ A body separate from the PPP Unit to serve as promoter and capacity building agency for PPPs</td>
</tr>
<tr>
<td>Lack of capacity in implementing agencies</td>
<td>▪ More expertise and political leadership from the PPP Unit itself.</td>
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<tr>
<td>Lack of resources dedicated to fostering PPPs</td>
<td></td>
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<tr>
<td>Policy bias toward public procurement</td>
<td>▪ Harmonization of MSA and MFMA</td>
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<td></td>
<td>▪ ‘Mega projects’ approach currently being developed by the PPP Unit, which requires proof that traditional procurement is a better option than PPPs</td>
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<td></td>
<td>▪ Clarification of requirements of Section 78 in MSA</td>
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<td></td>
<td>▪ Streamlining treasury guidelines for smaller PPPs, such as the new ‘small cap’ toolkit for smaller value eco-tourism projects.</td>
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<tr>
<td>Fiscal imperative to use PPPs</td>
<td>▪ For municipalities, use of conditional grants to finance PPPs</td>
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<tr>
<td></td>
<td>▪ Regionalization of service, and the possible creation of a joint municipal and provincial government unit to oversee infrastructure delivery through PPPs.</td>
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</tbody>
</table>

Source: Castalia
5 Next Steps

This paper focused strictly on summarizing the views the Castalia Consortium heard in its 40 interviews with players from the private sector, implementing agencies, and government agencies responsible for PPP policy.

Castalia’s role in the 3 May 2007 workshop will be to:

- Review and explain our findings in this paper
- Facilitate discussion of these findings with the goal of reaching some consensus on those that present the most critical challenges to PPPs in South Africa
- Facilitate discussion of ways in which South Africa may address these challenges, and the roles the public and private sectors can each play. We will supplement this discussion with examples from our own experience with PPPs.

The workshop discussions will drive the contents of our final report, in which we will recommend options for South Africa to address the most important challenges identified by workshop participants.
Appendix A: Scope of Work

Purpose of the Appointment

SPAID has identified Public-Private Partnerships as an important component of increased and effective infrastructure delivery. An estimated 5% of the total national infrastructure budget is planned for implementation through PPP’s.

Currently the procedures and regulations for PPP’s are defined in the Public Finance and Management Act (PFMA) and the Municipal Finance and Management Act (MFMA). Some private sector participants have suggested that these are too complex and time consuming to implement, resulting in extended transaction times and high transaction costs.

However National Treasury notes a significant upturn in the number of transactions for 2006 and 2007, with increased demand from Provinces. In addition government has expressed concern about the private sectors apparent preference for unsolicited bids rather than competitive PPPs.

Overall the current PPP climate in South Africa can be characterised by apparent mistrust and suspicion, and generally inadequate engagement and communication amongst key players.

Given the above context, this sub-programme sets out to identify the key areas of tension as well as critical issues that are inhibiting the use of Public Private Partnerships.

The overall intention is to ascertain in an open and transparent manner the critical issues (from both public and private sector) that need to be addressed.

It is hoped that this sub-programme, on the basis of this engagement, will contribute to improved communication between all involved parties and provide input into the development of any support or other intervention that may be identified to ensure increased and more effective adoption of PPPs.

In light of this the Technical Advisor is required to undertake a series of interviews with key local PPP players; facilitate a workshop and draft a set of recommendations and plan of action.
Scope

The Technical Advisor is required to undertake the following activities:

- **Undertake an estimated 30 to 40 interviews with key local PPP players** including National Treasury, government line departments, major private sector partner firms, transaction advisors and financiers. The intention is to utilise these interviews to develop a sound understanding of current PPP experiences and the critical issues and concerns of all parties. It is envisaged that a semi-structured questionnaire will be developed in consultation with the SPAID Steering Committee and Programme Managers to create some degree of comparable data from the interviews. The final list and number of respondents will be agreed with the Technical Advisors during inception.

- **On the basis of the interview data to prepare a short report setting out the key findings.** This will be circulated to the identified PPP workshop participants.

- **Facilitate and participate in a workshop attended by key PPP stakeholders.** The workshop should cover the findings from the interviews as well as input from the Technical Advisors in respect of their international experience and PPP best practice. The objective of the workshop is to facilitate constructive discussion and agreement in respect of the critical issues / inhibitors facing PPP’s in South Africa, and their relative prioritisation. In addition the workshop needs to develop a set of initial recommendations / proposals that will facilitate the resolution of the identified concerns.

- **Develop a document based on the discussions held at the workshop,** which includes recommendations, as well as a practical plan of action, work that is currently being undertaken.
## Appendix B: List of Interviewees

### Table B.1: Individuals Interviewed by the Castalia Consortium

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Designation / Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Kogan Pillay</td>
<td>Director Business Development PPP Unit, National Treasury</td>
</tr>
<tr>
<td>2.</td>
<td>William Dachs</td>
<td>Former Head: PPP unit National Treasury</td>
</tr>
<tr>
<td>3.</td>
<td>Andrew Donaldson</td>
<td>Deputy Director General, National Treasury</td>
</tr>
<tr>
<td>4.</td>
<td>Karen Breytenbach</td>
<td>Senior Project Advisor PPP Unit National Treasury</td>
</tr>
<tr>
<td>5.</td>
<td>Tumi Moleke, Laila Horton</td>
<td>Senior Project Advisor: Municipal Desk, PPP Unit,</td>
</tr>
<tr>
<td>6.</td>
<td>James Aiello</td>
<td>Price Waterhouse Coopers</td>
</tr>
<tr>
<td>7.</td>
<td>Kabelo Seitshiro</td>
<td>Chief Director: Asset Management National Treasury</td>
</tr>
<tr>
<td>8.</td>
<td>Nompilo Sidondi, Simon Tebele</td>
<td>Senior Project Advisor: Legal Desk, PPP Unit</td>
</tr>
<tr>
<td>9.</td>
<td>Della Levinsohn</td>
<td>Project Finance Consultant, Della Levinsohn &amp; Associates</td>
</tr>
<tr>
<td>10.</td>
<td>Brigette Baillie</td>
<td>Partner, Webber Wentzel Bowens</td>
</tr>
<tr>
<td>12.</td>
<td>Karen Mathebula</td>
<td>Director: Head Public Sector, Standard Bank</td>
</tr>
<tr>
<td>13.</td>
<td>Marlene Hesketh</td>
<td>Business Development Director, Rand Merchant Bank</td>
</tr>
<tr>
<td>14.</td>
<td>Alice Rennie</td>
<td>Sagita Financial Consulting</td>
</tr>
<tr>
<td>15.</td>
<td>Justus Stals</td>
<td>Managing Director Kagiso Financial Services</td>
</tr>
<tr>
<td>16.</td>
<td>Dave Gertzen</td>
<td>Vela VKE</td>
</tr>
<tr>
<td>17.</td>
<td>Adnaan Abrahams</td>
<td>Commercial Director, Cape Nature</td>
</tr>
<tr>
<td>18.</td>
<td>Sue Lund</td>
<td>GM: Policy and Research - Transnet</td>
</tr>
<tr>
<td>20.</td>
<td>Eugene Jooste</td>
<td>General Manager: Supply Chain Eastern Cape Dept of Health</td>
</tr>
<tr>
<td></td>
<td>Name</td>
<td>Position/Function</td>
</tr>
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</tr>
<tr>
<td>21.</td>
<td>Jack van der Merwe</td>
<td>Project Leader, Gautrain</td>
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<tr>
<td>22.</td>
<td>Jabulani Sindane</td>
<td>Director General: DWAF</td>
</tr>
<tr>
<td>23.</td>
<td>Leila Ebrahim</td>
<td>Senior Manager: Restructuring Management, Limpopo Treasury</td>
</tr>
<tr>
<td>24.</td>
<td>Jerome Govender</td>
<td>MD Murray &amp; Roberts Concessions</td>
</tr>
<tr>
<td>25.</td>
<td>Denis Bouvette</td>
<td>CEO Bombela</td>
</tr>
<tr>
<td>26.</td>
<td>Mari Bruwer</td>
<td>CEO PPP Division, Netcare</td>
</tr>
<tr>
<td>27.</td>
<td>Patrick Ayoub</td>
<td>CEO, Water &amp; Sanitation Services SA (WSSA)</td>
</tr>
<tr>
<td>28.</td>
<td>David Ferreira</td>
<td>CEO Praxis Capital</td>
</tr>
<tr>
<td>29.</td>
<td>Colin King</td>
<td>Manager: Transformation Infrastructure, Standard Bank</td>
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<tr>
<td>30.</td>
<td>Marc Pickering</td>
<td>CEO Mbane Power</td>
</tr>
<tr>
<td>31.</td>
<td>Justice Mahvungu</td>
<td>Chief Director: Energy, Dept Public Entreprises</td>
</tr>
<tr>
<td>32.</td>
<td>Anthony Still</td>
<td>Free lance consultant</td>
</tr>
<tr>
<td>33.</td>
<td>Hylton Macdonald</td>
<td>Group Risk Manager AVENG</td>
</tr>
<tr>
<td>34.</td>
<td>Ross Kriel</td>
<td>ASHIRA</td>
</tr>
<tr>
<td>35.</td>
<td>Andrew Mitchell, Mike Van Vuren</td>
<td>Bell Dewar Hall</td>
</tr>
<tr>
<td>36.</td>
<td>Dr Tony Heynecke</td>
<td>Municipal Manager, uMhlatuze Municipality</td>
</tr>
<tr>
<td>37.</td>
<td>Clare Cork</td>
<td>Director, Deneys Reitz</td>
</tr>
<tr>
<td>38.</td>
<td>Claire Barclay</td>
<td>Partner, Hofmeyr</td>
</tr>
<tr>
<td>39.</td>
<td>Victor Mathada</td>
<td>Senior Manager MSP at DPLG</td>
</tr>
<tr>
<td>40.</td>
<td>Dirk Els</td>
<td>Associate Director, Pricewaterhouse Coopers</td>
</tr>
</tbody>
</table>

Source: Castalia
Appendix C: Questions for Interviews

Questions for Implementing Agencies

- What major infrastructure initiatives are required in your sector?
- What proportion these initiatives do you expect to be able to implement?
- What approach will you use to implementing those projects you expect to be able to implement?
- What are the main barriers stopping you from implementing the other projects, and how could these barriers be overcome?
- What is your understanding of a Public Private Partnership?
- What do you perceive as the benefits, and the disadvantages, of using PPP arrangements in the sector(s) for which your department is responsible (or municipality for which you are responsible)?
- Are there ideological barriers to PPPs, is there political resistance, is there suspicion of private sector, and why (for example, a common perception may be that PPPs make services more expensive for the poor)?
- Which specific attributes and skills are required from the various contracting parties in order to embark on and complete successfully a PPP project, compared to a standard contract?
- Do you think that the regulation of the PPP contracts implemented in your sector is adequate? If not is it due to an inadequate regulatory framework, a lack of capacity and skills or an inadequate understanding of the regulator role?
- Has your department (or province or municipality) pursued PPPs?
  - If not, why not?
  - Has it closed transactions?
  - Has it attempted transactions which then were not completed for one reason or another? Why were the transactions not completed?
- What risks are most appropriate to transfer to the private sector as part of a PPP?
  - What risks have you typically transferred to the private partner in completed PPPs?
  - Ideally, what risks would you like to transfer to the private sector in a PPP?
• Has or would your agency consider developing PPPs initiated by private developers?
  – What safeguards would need to be in place, or what conditions would need to hold in order for you to consider such privately sponsored projects?

• Beyond PPPs, how else are private firms involved in providing your department (or municipality) with services or providing services directly to the sector your department oversees?
  – Why aren’t these services provided as PPPs (e.g., they were in place before the PPP program, they fall outside the scope of the PPP program)?
  – Why have these arrangements worked better or worse than PPPs?

• What do you perceive as the most significant obstacles to implementing PPPs in South Africa, and in your particular sector?
  – Are some of the obstacles internal to your agency? Which?
  – Are some of the obstacles a function of the PPP procurement and implementation process in South Africa? Which?

  – What other obstacles exist?
  – Where in the PPP life cycle do these obstacles most often manifest themselves?
  – Legislative and regulatory obstacles, for example the Public Finance Management Act (PFMA) or Municipal Finance Management Act (MFMA)

• What do you think should be done to improve upon South Africa’s PPP program in the sector (or municipality) for which you are responsible?

• Awareness of National Treasury PPP Unit and Manual
  – Have you used or considered using them?
  – What is your opinion of the role played by Treasury PPP Unit?

Questions for Transaction Advisors

• Who are your clients?

• What do you perceive as South Africa’s major unmet infrastructure needs?

• What do you think it would take to meet these needs?

• What do your clients understand by the term “Public Private Partnership”?

• What do your clients perceive as the benefits or disadvantages of using PPP arrangements?
- Which specific attributes and skills are required from the various contracting parties in order to embark on and complete successfully a PPP project, compared to a standard contract?

- Do you think that the regulation of the PPP contracts implemented in the sectors you are exposed to is adequate? If not is it due to an inadequate regulatory framework, a lack of capacity and skills or an inadequate understanding of the regulator role?

- What PPPs have you worked on or are you working on?
  - Which of them have closed?
    - Of those that have closed, what problems did you experience in the process of preparing the transaction?
    - What worked well and what did not throughout the transaction preparation and tender?
  - Which of them have not closed and why not?

- What do you perceive as the most significant obstacles to implementing PPPs in South Africa?

- Where in the PPP life cycle do these obstacles most often manifest themselves?

- What do you think should be done to improve upon South Africa's PPP program?

- Are some sectors “right” for PPPs and others not? If not, why not?

- To what extent can improved use of PPPs address South Africa's unmet infrastructure needs, and to what extent are other approaches needed?

- In your opinion which infrastructure sector represents the best practices for PPP in South Africa?

**Questions for Private Partners and Financiers (potential or existing)**

- What role would you typically have, or propose to have in a PPP (project promotion/development, construction, operation, financing, etc)?

- What infrastructure or other public services do you provide?

- What do you perceive as South Africa's major unmet infrastructure needs?

- What do you think it would take to meet these needs?

- What is your understanding of a Public Private Partnership?

- Which specific attributes and skills are required from the various contracting parties in order to embark on and complete successfully a PPP project, compared to a standard contract?
Do you think that the regulation of the PPP contracts implemented in the sectors you are active with is adequate? If not is it due to an inadequate regulatory framework, a lack of capacity and skills or an inadequate understanding of the regulator role?

Why do you or would you enter into a PPP?

In which sectors do you, will you have entered into PPPs in South Africa?
  - Are there some sectors in which you will not consider PPPs, and if not, why not?

At what level of government (municipal or federal) do you, will you have entered into PPPs in South Africa?
  - Is there some level of government (municipal or federal) in which you will not consider PPPs and if not, why not?

What conditions must prevail for you to consider entering into a PPP?

What risks are you willing to take on as part of a PPP arrangement?

Do government agencies seem ready to transfer the “right” risks to the private partner in a PPP? Or do they attempt to transfer too much, or too little risk to private operators?

Have you attempted transactions which then were not completed for one reason or another? Why were the transactions not completed?
  - Have you ever proposed a PPP idea to a public agency? Was the idea carried forward, and if not, why?
  - In general, are there sufficient opportunities for the private sector to develop PPP ideas? What obstacles exist?

What do you perceive as the most significant obstacles to implementing PPPs in South Africa, and in the sectors in which you work, in particular?
  - Where in the PPP life cycle do these obstacles most often manifest themselves?
  - Have you entered into PPPs arrangements elsewhere? How does the experience compare?

What do you think should be done to improve upon South Africa’s PPP program in the sectors in which you most often work?

To what extent can improved use of PPPs address South Africa’s unmet infrastructure needs (in the sectors with which you are familiar), and to what extent are other approaches needed?

In your opinion which infrastructure sector represents the best practices for PPP in South Africa?