



government  
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National Treasury  
REPUBLIC OF SOUTH AFRICA

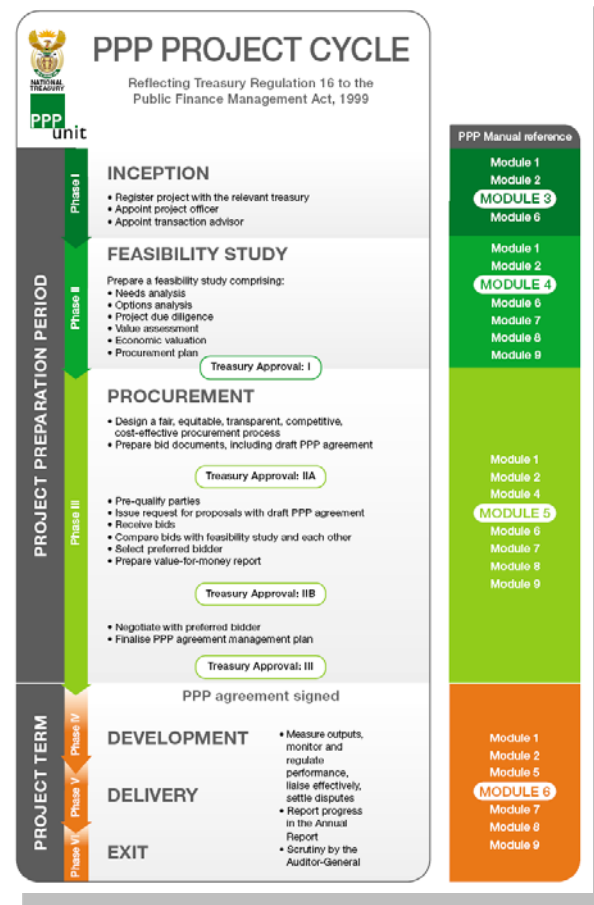
# Project Identification and Preparation in South Africa

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# OVERVIEW OF IDENTIFICATION AND PREPARATION PROCEDURES

- Three tests for a PPP:
  - **Affordability**
  - **Value for money**
  - **Appropriate risk transfer**
- Applied in a set PPP project cycle:
  - Inception
  - Feasibility
  - Procurement
  - PPP agreement management



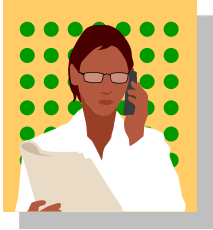
# OVERVIEW OF IDENTIFICATION AND PREPARATION PROCEDURES

- Worldwide, experience has shown there are certain requirements for successful PPPs
  - A functioning judicial/legal system
  - Capacitated, committed government officials
  - Demonstrated, capable private sector and
  - An enabling PPP framework

# SOUTH AFRICAN PPP PROJECT IDENTIFICATION PROCESSES & CHALLENGES

- Inception
  - Government Department *voluntarily* registers project with PPP Team
  - Meets with team to discuss
    - Nature, parameters of the project
    - Appointment of Project Officer
    - Procurement of Transaction Advisors
  - Procures Project Officer
  - Procures Transaction Advisor
  - Project Development Account is available

### 3. PROJECT OFFICER



- Project officer is institution's anchor and champion throughout the PPP project cycle. He/she:
  - Manages the appointment and work of the transaction advisor through feasibility and PPP procurement
  - Manages the PPP agreement for the project term, representing the institution
- Project officer may be appointed on contract or from within the institution
- Senior management position, reporting to the accounting officer/authority. Full-time job

## 5. WHAT IS A TRANSACTION ADVISOR?



- Typically a consortium of professional consultants, from one or more firms, which works collectively as a team
- Contracts with the institution through the lead firm
- The transaction advisor does all the detailed financial, technical, BEE and legal work required to prepare the institution for a PPP agreement from feasibility study to PPP agreement execution
- Time for procurement of Project Officer and Transaction Advisor – 6 to 12 months

# SOUTH AFRICAN PPP PROJECT IDENTIFICATION PROCESSES & CHALLENGES

- *Feasibility Study*
  - Needs analysis
  - Options analysis
  - Project Legal Due Diligence
  - Value Assessment
    - Public Sector Comparator (PSC)
    - Risk-adjusted PSC
    - Private Sector Reference
    - Value-for-Money determination
  - Economic Valuation
  - Procurement Plan
    - Environmental/other consents
- Treasury Approval (TA I)
- Only if TA I is granted may the project proceed to procurement as a PPP
- Time taken for feasibility study – 6 to 18 months

# CONCLUSION

- In this demand-driven process, it is necessary for a sponsoring department to equip itself of the necessary capacity to properly assess a particular project to determine whether it should be procured as a PPP
- Most often it is necessary to procure the Project Officer from outside the department because it is a full-time job
- The PPP Unit always requires the appointment of a transaction advisory team to advise the department through the various phases of the PPP project cycle
- The feasibility study is the most important undertaking in determining whether a project should be procured as a PPP or not. It is the anchor document as to which all other documentation must refer going forward.
- South Africa maintains a Project Development Account to assist departments in defraying the costs of a Project Officer and the Transaction Advisor