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
• 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.