

PPP QUARTERLY

PUBLIC PRIVATE PARTNERSHIPS

Innovative infrastructure and service delivery by South African national and provincial government and public entities.

September 2003 Number 12

THE DTI SIGNS UP FOR A FLAGSHIP CAMPUS

Within budget, and in less than one year from contract signature, some 2 400 staff will move into a striking, modern PPP campus on Nelson Mandela Drive, Pretoria. August 8th, 2003 brought closure to planning, bidding and negotiating for the optimum design, financing, construction and operation of a world-class facility to house the family of institutions that report to the Minister of Trade & Industry.

The private partner to the Department of Trade and Industry (the dti) for the pioneering 25-year deal is Rainprop consortium, made up of WBHO, Atterbury Property Holdings, Parkdev SA, Rebserve, Propnet, Zwelinzima Holdings, Prop5, Rainbow Construction, Women' Development Bank Investment Holdings, and the Association for People with Disabilities.

Trade and Industry Minister, Alec Irwin was present to congratulate the parties. "We are going to do something new and very good this year. We are going to change the nature of government such that the citizens feel the change," he said.

Reminiscing about the mandate he was originally given by the Minister for this initiative, the dti Director General, Alistair Ruiters, paid tribute to the many people who have played an important role in bringing the project to fruition, and to the winning consortium. "Our main quest is to deliver better services to the public, and today marks the beginning of a twenty-five year marriage. Rainprop and the dti here make a commitment, and we look forward to a rosy future."

Piet Jordaan, the CEO of Rainprop, is equally upbeat: "We aimed during the past two years to rise above the self-interest of the individuals and team that we're part of, and demonstrate the ability to make proposals and judgments that are in the best interest of the client, which is the dti and National Treasury. The dti will from April 2004 start occupying a truly extraordinary Campus from an architectural and operational point of view".

Total capex investment on the main site is R550 million for the campus consisting of seven new buildings. This includes a R75 million building at private party own risk,



three renovated existing buildings to house a training center, a high security ICT center, a large capacity crèche, and consequential adjacent site construction by third parties of a health and fitness center and a special purpose conference center. Total bulk development is approximately 52 000 square meters, with an underground garage for 1 200 cars.

Financing for the consortium was arranged by Standard Corporate & Merchant Bank (SCMB), involving 80% debt and 8% equity. The dti's direct contribution is 12%. Net present value of the unitary charge payable by the department for the complete, fully serviced working environment over the contract period is R870 million, 30 per cent of which represents the facilities and operational management component of the project.

SCMB says it is proud to be a principal partner in this landmark transaction. "Of particular importance was our ability, through our SME initiative, to provide innovative financing solutions to the HDI stakeholders in a trans-



NATIONAL TREASURY

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action of this magnitude”, said SCMB Director Greg Babaya. “Lessons learned by all parties will lay a basis for more streamlined process in future PPPs,” he said.

Built on land owned by the Tshwane Metropolitan Council, the project is expected to add significant value to city revitalisation and to bring in new rates revenue for the local authority.

The dti was one of the first government departments to initiate a PPP solution to its work environment needs following the promulgation of PPP regulations in 2000.

The project was launched with the appointment of advisors in January 2001, Treasury approval was given six months later for the feasibility study, which set detailed bench-marks for the services, price and affordability limits of the solution which the dti sought. A request for qualifications – undertaken in two phases – was issued from August of the same year. After a rigorous engagement between the dti and the market to clarify the dti’s vision and output requirements for a ‘transformational, work-smart, serviced environment that would have direct productivity gains for government’, ten pre-qualified parties were given Treasury-approved bid documents in November 2001.



Sealing the deal on 8th August, from left, the dti Director General, Alistair Ruiters, Rainprop Consortium CEO, Piet Jordaan, and Tshwane Metro City Chief Operating Officer, Wonder Nkosi.

Three consortia submitted comprehensive proposals to the dti in March 2002 and were evaluated against the feasibility study benchmarks and each other. Six months of negotiation followed between the dti and its preferred bidder, at which point it was acknowledged that a value-for-money solution was not being achieved.

The dti’s reserve bidder, Rainprop, was called in April 2003, and within a record-breaking 27 weeks, involving rigorous and detailed engagement on each risk item, the deal was struck.

Driven by fixed delivery dates, aggressively managed through numerous unexpected hurdles – including the need for an environmental clean-up on site, and the management of early works – the R870 million project will have gone from concept (January 2001) to occupation (April 2004) in 39 months.

“Rainbow Construction, a leading black empowerment company is privileged to be part of the Rainprop consortium which has been awarded the 25-year concession for the dti campus. This has accorded Rainbow:

- A 10% share in the concession company, which will produce substantial returns on a R1,5 million equity investment;
- A 42% share of the construction joint venture, which will translate into a R100 million construction sub-contract, enabling Rainbow to invest in:
 - addition plant by the purchase of a potain tower crane to the value of R1 million;
 - additional IT equipment to be used on site by the quantity surveyors;
 - additional transport in the form of a new 7 tonne truck;
 - additional technical and supervisory staff through the employment of engineers, quantity surveyors, foremen and associated site personnel.

“Rainbow has also assisted in the further empowerment of BEE companies through interest-free loans to provide equity for their investments. The companies which benefited from these are Zwelinzima, the Association of People with Disabilities and the Women’s Development Trust.”

Chris Jiyane, CEO Rainbow Construction.

“The question may well be asked why a non-profit organisation such as the Association for People with Disabilities would be involved in Rainprop Consortium, erecting a structure for the Department of Trade and Industry in Sunnyside?

“The answer is that people with disabilities, as with woman, children and the aged, are a designated group and need to share in opportunities for self-betterment. The Association’s involvement in Rainprop ensures protection of the concerns of people with disabilities. Not only will accessibility of the building be monitored, but employment of people with disabilities in the project will comply with directives stipulated in the Employment Equity Act. As shareholders of the Consortium, the Association will certainly benefit financially, enabling further developmental projects in the region.

“As the Association was unable to buy its own shares, the more affluent partners stepped in to finance it for them – yet again an example of outreach to and involvement of people with disabilities!”

Laetitia Botha, Director of the Association for People with Disabilities.

HUMANSDORP DISTRICT HOSPITAL CELEBRATES CO-LOCATION DEAL

Eastern Cape Health department and Afrox Healthcare, together with empowerment company Seasons Star Trading 123, signed a ground-breaking PPP on 27 June 2003, setting new and innovative standards for district health care in the province.

The MEC of Health, Bevan Goqwana, Afrox MD, Mike Flemming and Seasons Star Trading MD, Xola Makapela were given resounding signing support by a joyous group of health-care workers, local and district officials, and community members who gathered at the Humansdorp hospital to usher in the deal.

Both Dr Goqwana and Mr Flemming reflected on the nature of the project and the long-term commitment of both parties to pooling their expertise and resources to ensure the sustained delivery of cost effective, quality medical care to the district.

The Humansdorp partnership enables medical practitioners to see both public and private patients at the same hospital facility. Where the Humansdorp project is particularly unique is that Afrox is responsible for providing all non-clinical services at the public hospital over the 20-year period, including all facility maintenance. The assets revert thereafter to the health department in a well-maintained and equipped condition.

The private consortium is led by Metropol Hospitals, a member of Afrox Healthcare, one of the largest private hospital groups in sub-Saharan Africa, while the empowerment shareholder, Seasons Star Trading 123, is led by provincial businessmen Xola Makapela and Mike Xego.

Over and above the significant BEE equity stake, which grows from 25% to 40% over the concession period, the consortium has contractually committed itself to substantial targets in BEE construction contractors and suppliers. A minimum 40% of all supply value, excluding pharmaceuticals, will be obtained from BEE sources.

Construction will cost R15 million, of which R13,5 million will be contributed by the consortium and R1,5 by the Department of Health.

To meet the growing demand for services by private patients, the consortium will operate the new private facility attached to the existing hospital. Patients will have access to the same standards of health care in both the public and private sections of the new hospital. Some areas of management and training will be shared, which will also reduce costs and contribute to improved services.

The quality of upgrade to the public hospital, carried out by the consortium, will be consistent with standards of the private facilities, and will include: enlargements, refurbishments and improvements to the hospital entrance and administration area, the access roads and parking, the maternity unit, and the casualty and outpatient department. New consulting rooms, a dentistry room, two new operating theatres, radiology and laboratory units, and an HIV/Aids counseling room will be built and equipped.

Residents of the district will benefit from better access to diagnostic and treatment services, obviating the need to travel for these to Port Elizabeth, and the project will create more employment opportunities in the Humansdorp area.

The Eastern Cape is the second province in the country to use co-location PPPs as a means of improving levels of service through private sector investment and efficiencies. The logic behind such PPPs is simple: the public sector hospitals have spare capacity and urgently need investment and improved operational efficiencies. The private sector seeks to offer more affordable services in an environment where healthcare costs in the private sector are rising at a rate that outstrips inflation.

It is in neither the public nor the private sector's interest, nor is it in the general public interest, to develop separate high-cost private hospitals where local public hospitals have spare capacity and need private sector participation.



Health MEC
Bevan Goqwana
at the signing ceremony.



Left: Humansdorp hospital plan.
Above: Negotiating teams .

EASTERN CAPE A FLEET AHEAD

The Eastern Cape Department of Transport has achieved financial closure on its PPP Fleet Management project, signing a five-year contract on 4 August 2003 with Fleet Africa Eastern Cape (Pty) Ltd, following strongly competitive bidding.

"The Eastern Cape is a pioneer in a contract of this magnitude, and can provide invaluable lessons for other Provinces", says department head, Zola Gabede, who spear-headed the initiative and crafted the innovative bid requirements.

The private consortium formed for this contract, made up of Fleet Africa (Pty) Ltd and empowerment partner Kei Fleet Solutions, raised 100% asset financing for the deal from Rand Merchant Bank. It will buy out the existing government fleet, replace it with new, well-maintained and managed, appropriate quality vehicles, and lease the government garages from the province for the duration of the contract.

Fleet Africa's MD, Warren Thompson says his company is proud to have been selected. "The Eastern Cape's decision to address its fleet needs in this manner is going to have significant down-stream benefits for the province and for empowerment in particular," he said, noting further that Fleet Africa (Pty) Ltd is also 30% owned by empowerment group Peu Investments.

Kei Fleet Solutions, an Eastern Cape-based, black-owned company, is a 25% shareholder in the private consortium Fleet Africa Eastern Cape, and has an initial 25% stake in the sub-contracting arrangements. Chairperson, Lumko Mhlauli is upbeat that the arrangement negotiated by his company stands apart from many other empowerment deals. "We are not passengers in this contract," he says. "Kei Fleet Solutions has an active role in the operations of the business through its engineering, fuel supplier, fleet operations and other concerns. In addition, we intend involving a range of SMMEs in the sub-contracting, and plan to extend our role beyond 25% in the down-stream opportunities."

The new fleet facility will cost the province its budgeted sum of R131 million per annum, with efficiency and control savings anticipated to be significant. Service delivery risk, to agreed standards, is wholly with the private partner, governed by a strict penalty regime.

The challenge of accommodating the existing government garage staff was overcome with the negotiated transfer of all employees, under the same employment terms and conditions, to the private partner.

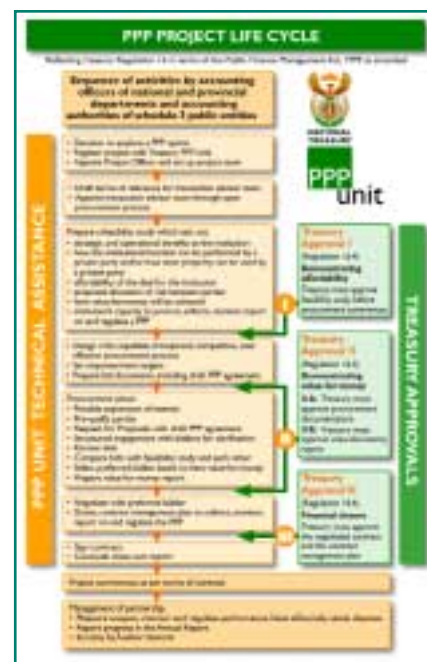


From left: Zola Gabede, Head & Accounting Officer of the Department of Transport; Bheki Shongwe, Deputy Managing Director of FleetAfrica and Warren Thompson, Managing Director of FleetAfrica

EXPANDED PPP GUIDELINES IN PRODUCTION

National Treasury's PPP Unit is substantially updating and expanding the 2001 official *PPP Guideline Manual*, incorporating many project lessons of the last three years and providing practical, easy-to-read assistance with a variety of templates for users. The new Manual will be available in printed and electronic form early in 2004.

Volume 1 will contain twelve chapters of guidance for every step and key aspect of the PPP life-cycle. Volume 2 will comprise *Standardised PPP Provisions*, setting out detailed explanatory requirements and standard clauses for PPP contracts.



The twelve chapters of Volume 1 are:

- PPP law in South Africa:** An explanation of the regulatory environment for PPPs, with extracts from relevant legislation and regulations. The PPP life-cycle chart, reflecting the law, will guide the reader through the remainder of the Volume.
- Project Finance for PPPs:** An introductory guide for newcomers to this financing tool used widely in PPPs, setting out National Treasury's position on its application to public sector infrastructure and service delivery.
- PPP Inception:** Project registration, appointment of Project Officer, template job description, project management guidance, budget identification, ethics and code of conduct.
- PPP Transaction Advisors:** How to appoint and manage advisors, with template terms of reference, advisor bidding process and bid evaluation, template advisor contract.
- Project Development Facility:** How state institutions can apply for project development funding to support PPP preparation.
- PPP Feasibility Study:** National Treasury's requirements for establishing project affordability, value-for-money benchmarks and initial risk allocation, with method explanations and templates.
- PPP Procurement:** Best practice processes, step-by-step, with templates.
- Black economic empowerment in PPPs:** National Treasury policy, score-card, application of the law, for both advisory services and for private party structure and delivery.
- PPP Contract Management:** Guidance for managing agreed rights and obligations, and for optimising long-term PPP relationships.
- PPP Close-out report and Case Study:** Template formats for each.
- Auditor General requirements for PPPs:** Compliance obligations, and oversight measures.
- Accountant General standards for PPPs:** Instructions to state institutions for PPP accounting norms.

Suggestions for adding value to the guidelines can be e-mailed to sue.lund@treasury.gov.za

CLOSED DEALS UNDER PPP REGULATIONS (SINCE MAY 2000): AS AT SEPTEMBER 2003

PPP type indicated by combination of private party risk for: D: design; F: finance; B: build; O: operate; T: transfer of assets back to government
BEE: Black economic empowerment; VFM: value for money

Project and government institution	PPP type Contract duration Date Financial Close	Project Officer	Private Partner	BEE as % of equity and sub contracting	Financing and Arrangers	Transaction Advisors to government	Value to gvt (NPV of unitary charge)	NPV of benefit to government
1. Fleet Management Northern Cape Dept Transport, Roads and Public Works	DFO 5 years November 2001	Tshego Motaung (053) 839-2109	Pemberley Investments (Pty) Ltd comprising: Imperial Holdings and Africa Kosini	Equity: 25% Sub-c: 25%	Equity: 100%	Deloitte & Touche	R181 million	N/a
2. Inkosi Albert Luthuli Hospital KwaZulu-Natal Dept Health	DFOT 15 years December 2001	Herman Conradie (033) 395-2019	Impilo Consortium (Pty) Ltd comprising: Mbekane Health & Wellbeing, AME International, Vulindlela Holdings, Siemens, Drake & Skull, Oname	Equity: 40% Sub-c: 40%	Debt: 70% Equity: 20% Gvt contribution: 10% Rand Merchant Bank	PricewaterhouseCoopers; White&Case; EC Harris; Aloecap; Hiltron	R4.5 billion	N/a
3. Eco-tourism Manyeleti 3 sites. Limpopo Dept Finance, Economic Affairs, Tourism	DFBOT 30 years December 2001	Charles Maluleke (015) 288-0049	Koko Moya Wilderness Trail (Pty) Ltd; Tinswala Lodges (Pty) Ltd; Pungwe Game Reserve (Pty) Ltd	Equity: 30% 30%, 40% Sub-c: 30%, 30%, 40%	Equity: 100%	DBSA; White & Case	N/a	R25 million cash
4. Universitas and Pelonomi Hospitals co-location Free State Dept Health	DFBOT 16,5 years November 2002	Mr Shuping (051) 430-8989	Community Health Management/ Netcare consortium	Equity: 40% Sub-c: 40%	Equity: 100%	Ignis; Naude's Attorneys	N/a	R43 million cash plus R38 million in form of upgrade
5. Information Systems Department of Labour	DFBOT 10 years December 2002	Deon Haasbroek (012) 309-4551	Siemens Business Solutions Consortium	Equity: 30% Sub-c: 25%	Equity: 100%	KPMG	R1.5 billion	N/a
6 Chapman's Peak Drive toll road Western Cape Dept Transport	DF (part) BOT 25 years May 2003	Ben Veldman (021) 483-2004	Capstone 252 (Pty) Ltd comprising: Concor, Thebe Investments, Marib Holdings, Haw & Ingles	SPV: 30% Design & construct sub-c: 10% Ops & maintain sub-c: 50%	Debt: 44% Equity: 10% Government contribution: 46% Rand Merchant Bank	Ignis; Jeffares & Green; Hofmeyr, Herbstein & Gihwala; Intertoll; Decathlon	N/a	R450 million in form of capital works and operations
7. State Vaccine Institute Department of Health	Equity partnership 4 years April 2003	Gerrit Muller (021) 312-0717	Biovac Consortium	Equity: 15% Sub-c: n/a	Equity: 100%	PricewaterhouseCoopers; Deneys Reitz	N/a	R15 million in systems investment, plus NPV vfm of R60 million over current spend
8. Humansdorp District Hospital Eastern Cape Dept Health	DFBOT 20 years June 2003	Eugene Jooste (040) 609-3702	Metro-Star Hospital (Pty) Ltd comprising: Metropal Hospital and Season Star Trading 123	Equity: 25% increasing to 40% Construct sub-c: 50% Ops & maintain sub-c: 40%	Equity: 90% Government contribution: 10%	Ignis; PHI Attorneys	R18.9 million	R15 million upgrade plus R34 million cash
9. Fleet Management Eastern Cape Dept Transport	DFO 5 Years August 2003	Mr M Nkalane (043) 604-7425	Fleet Africa Eastern Cape (Pty) Ltd	Equity: 25% Sub-c: 25%	Debt: 100% Rand Merchant Bank	Deloitte & Touche	R553 million	N/a
10. Head Office Accommodation Dept of Trade & Industry	DFBO 25 Years August 2003	Peter Aborn (012) 310-1564	Rainprop Consortium comprising: WBHO, Atterbury Property Holdings, Parkdev S.A., Rebsenve Facility Management, Propnet, Zwelinzima Holdings, Prop 5 Corp, Rainbow Construction, WDB Investment Holdings, PDSA	Equity: 55% Design & Construct sub-c: 43% Facilities Manage sub-c: 50%	Debt: 80% Equity: 8% Government contribution: 12% Standard Corporate & Merchant Bank	Ignis, Utho Capital, Ledwaba Mazwai/ Masons, B.I. Assoc.	R870 million	N/a

PROJECTS IN DEVELOPMENT REGISTERED WITH NATIONAL TREASURY PPP UNIT – SEPTEMBER 2003

National Departments	Project Officer	Project	Status	Preferred Bidder	Transaction Advisors
1. Dept Arts, Culture Science & Technology	Peter Pedlar (012) 337-8587	Head Office Accommodation Services	Transaction Advisors to be appointed.		Not yet appointed
2. Dept Defence	Gen Bobo Moarane (012) 339-5517	Defence Intelligence Head Office Accommodation Services	Transaction Advisors to be appointed.		Not yet appointed
3. Dept Defence/Armscor	Kevin Hanafey (012) 428-3472	Simons Town Naval Dockyard	Pre-feasibility business case underway.		PricewaterhouseCoopers
4. Dept Defence South African Military Hospitals	Brig Gen H Wallis (012) 671-5244	Various hospitals	Feasibility study underway.		Ignis Consortium
5. Dept Education	Carmen Coetzee (012) 312-5661	Head Office Accommodation Services	Negotiations.	Sethekgo Consortium	KPMG
6. Dept Environmental Affairs & Tourism	David Lefuso (012) 310-3627	Head Office Accommodation Services	Feasibility Study underway.		Kagiso Financial Services
7. Dept Foreign Affairs	P. Bolinck (012) 351-0200	Head Office Accommodation Services	Treasury Approval I withdrawn. Process re-visited.		Ignis; Decathlon; Ledwaba Mazwai/Masons.
8. Dept of Home Affairs	Gareth Warner (083) 257-0275	IT – HANIS	Feasibility Study underway.		PricewaterhouseCoopers; AloeCap; White & Case
9. Dept Justice	Alan Mackenzie (012) 315-1019	IT Cash Hall Payment System	Feasibility Study underway.		Ernst & Young; CSIR
10. Dept Social Development	Selwyn Jehoma (012) 312-7647	IT SOCPEN System	Inception stage.		Not yet appointed
11. Dept Transport	Themba Nkosi (012) 309-3597	IT Road traffic offences system	Feasibility study underway.		Deloitte & Touche
12. Dept Water Affairs & Forestry	Christo Marais (021) 405-2200	Working for Water secondary industries	Revised Treasury Approval I and IIA – August 2003.		KPMG; Stellenbosch University; Edward, Nathan & Friedland; Nosipho
13. National Intelligence Agency	Ellen Molekane	Head Office Accommodation Services	Inception stage.		Not yet appointed
Provincial Departments	Project Officer	Project	Status	Preferred bidder	Transaction Advisors
14. Eastern Cape Dept Health	Lulu Peteni (040) 609-3763	Pharmaceutical Management & Distribution	Feasibility Study in progress. Treasury Approval I due September 2003.		PricewaterhouseCoopers; White & Case, Utho Capital; LEAP Architects
15. Eastern Cape Dept Health	Eugene Jooste (040) 609-3702	Grahamstown & Port Alfred Co-location	Feasibility Study in progress. Treasury Approval I due September 2003.		Ignis; PHI; EC Harris; Annette van der Merwe; Peter De Boere
16. Free State Dept Education	Sandra de Kock (051) 430-8989	Schools	Feasibility Study underway.		KPMG; Ashira; HLM-SV Architects; Africon
17. Free State Dept Health	Mr. Shuping (051) 405- 4818	New build hospitals in Trompsburg and Lady Brand	Feasibility Study underway, Treasury Approval I September 2003.		Ignis; EC Harris; PHI
18. Free State Dept Transport	Strover Maganedis (051) 405-4697	Fleet Management	Treasury Approval IIB September 2003.		Ernst & Young; Deloitte & Touche
19. Free State Dept Social Development	Dr. Shirley Havenga (051) 409-0635	IT Grants payment system	Revised Treasury Approval I and IIA June 2003.		Ernst & Young
20. Gauteng Dept Transport	Gautrans (011) 355-7300	Gautrain Rapid Rail Link	Revised Treasury Approval I given. Treasury Approval IIA for phase2 RFP. Bids close September 2003.		Khutshel; Arcus Gibb; Kagiso Financial Services
21. Gauteng Dept Agriculture, Conservation, Environment & Land Affairs	Michael Worsnip (011) 355-1400	Cradle of Humankind World Heritage Site	Negotiations.	Fumeaux Stewart Gapp Consortium	PricewaterhouseCoopers; White & Case

Provincial Departments		Project Officer	Project	Status	Preferred Bidder	Transaction Advisors
22 . Kwa-Zulu Natal Dept Economic Development and Tourism		Mel Clark (031) 310-5400	Dube Trade Port	Feasibility study underway.		PricewaterhouseCoopers; EC Harris; SDG; Siwendu & Partners
23 . Kwa-Zulu Natal Dept Transport		James Mlawu (082) 803-7779	Vukuzakhe Plant Park Depot	Transaction Advisor to be appointed.		Not yet appointed
24 . Limpopo Dept Health		Clifford Motsepe (015) 295-8163	Polokwane hospital Renal Dialysis	Transaction Advisor to be appointed.		Not yet appointed
25 . Limpopo Dept Health		Clifford Motsepe (015) 295-8163	Ellisras, Phalaborwa & Duivelskloop Co-location	Transaction Advisors to be appointed.		Not yet appointed
26 . Limpopo Dept Health		Clifford Motsepe (015) 295-8163	Provincial Linen Management Services	Transaction Advisors to be appointed.		Not yet appointed
27 . Limpopo Dept Health		Clifford Motsepe (015) 295-8163	Accommodation for clinical staff at various hospitals	Transaction Advisors to be appointed.		Not yet appointed
28 . Mpumalanga Dept Education		Jan Kriel (013) 766-5122	Schools	Transaction Advisors to be appointed.		Not yet appointed
29 . Northern Cape Dept Economic Affairs & Tourism		Dave Perkins (083) 255-8833	Namaqualand Mariculture Park	Transaction Advisors to be appointed.		Not yet appointed
30 . Northern Cape Dept Housing & Local Govt and Dept Agriculture, Land Reform, Environment & Conservation		Peter Wakein (082) 553-8692	Eco-tourism: 10 business sites	Transaction Advisors to be appointed.		Not yet appointed
31 . Northern Cape Dept Public Works & Transport		Tshego Motaung (053) 839-2109	Provincial Government Office Accommodation Services	Treasury Approval IIA – September 2003.		Ignis
32 . North West Dept of Transport		Teboho Molaba (018) 387-4709	Fleet Management	Draft Feasibility Study.		Deloitte & Touche
33 . Western Cape Dept Health		Japie Du Toit (021) 483-5844	Hermanus hospital co-location project	Negotiations.	Mediclinic Holdings	Ignis
34 . Western Cape Dept Health		Japie du Toit (021) 483-5844	Swellendam hospital co-location project	Treasury Approval I application due September 2003.		Ignis; PHI
35 . Western Cape Dept Health		Japie du Toit (021) 483-5844	Conradie Hospital replacement	Feasibility Study underway. Treasury Approval I due September 2003		KPMG; Africon; Deneys Reitz Consortium
36 . Western Cape Dept Health		Japie du Toit (021) 483-5844	Eerste River Hospital-Facility Management	Treasury Approval I application due September 2003.		Ignis; EC Harris; PHI attorneys
Public Entities		Project Officer	Project	Status	Transaction Advisors	Transaction Advisors
37 . Eastern Cape Mayibuye Transport Corporation		André de Vries (043) 604-7424	Bus company restructuring	RFP withdrawn August 2003.		Deloitte & Touche
38 . Greater St Lucia Wetlands Authority		Terri Castis (083) 309-3587	Eco-tourism: 14 business sites	Treasury Approval II(B) due October 2003.		White & Case; Delano Caras
39. Mpumalanga Parks Board		Abe Sibiyi (013) 759-5307	Eco-tourism: 21 business sites	Transaction Advisors to be appointed.		Not yet appointed
40 . National Housing Finance Corporation		Luthando Yutula (011) 644-9872	Rental Housing	Feasibility Study underway.		Not yet appointed
41 . South African Revenue Services		Roger Khouri (012) 422-5200	IT-Container inspection	Transaction Advisors to be appointed.		Not yet appointed
42 . Western Cape Nature Conservation Board		Adnaan Abrahams (021) 483-4874	Eco-tourism: 15 business sites (10 small and medium, 5 large) on 12 reserves	Treasury Approval II(B) due September 2003.		Dynacon Technologies; Bell; Dewar & Hall; Busico
		INCEPTION	FEASIBILITY	PROCUREMENT	NEGOTIATIONS	

STANDARDISED PPP PROVISIONS ELICIT HUGE MARKET RESPONSE

Close to 300 pages of private sector comments on the draft 350-page *Standardised PPP Provisions* have streamed into National Treasury following its launch by Finance Minister Trevor Manuel in June. The PPP Unit is encouraged by the very thorough input, and is holding public hearings with respondents on 3rd September to begin engagement on the complex issues. Further consultation sessions are anticipated thereafter.

"This intensive process is designed to ensure that the final document represents the most appropriate risk-share possible between government and the private sector in future PPPs," says the PPP Unit's Uven Bunsee. "It is natural that a fair bit of constructive jostling will characterise the debate,

but it will no doubt deepen our understanding of each other's needs.

"The key contractual issues challenge PPP practitioners, not only in South Africa, but internationally, and this is encouraging," says Bunsee. "It means that South Africa is tackling these at an early stage, in a collaborative fashion."

The core discussion list includes, amongst others: guidance vs prescription, deviation from market practice, taxation, warranties, indemnities, insurance, project assets, latent defects, penalties, defaults, compensation on termination, liquid market, step-in, re-financing.

Progress on finalising *Standardised PPP Provisions* will be updated on www.treasury.gov.za

SOUTH AFRICAN PPPs ON THE MOVE

Three important PPP deals, in the health, accommodation and fleet sectors, reached closure in the third quarter of 2003, bringing the total number of South African national and provincial PPP projects now in operation to 17. Another 42 registered projects are in active development.

Projects registered with National Treasury by national and provincial institutions, per phase, September 2003:



PROJECT DEVELOPMENT FACILITY: APPLICATIONS OPEN

The PPP Unit is pleased to announce that the Project Development Facility (PDF) is now operational.

The PDF is funded by National Treasury from the 2003/2004 financial year. It will disburse funds for project preparation costs to pre-approved projects in accordance with strict criteria, and will recover these from the PPP projects on financial close.

To minimise risk of projects not reaching financial closure, only PPP projects that have received Treasury Approval I (i.e. have approved feasibility studies) in terms of Treasury Regulation 16, will be funded, although application can precede such approval and there is a mechanism for funding special cases.

Any institution (that is, a national or provincial department or a schedule 3 public entity) that has a project registered with the PPP Unit is invited to apply.

Application forms and explanatory documents are available from william.dachs@treasury.gov.za

How to contact:

National Treasury PPP Unit: Tel: (27-12) 315-5741 Fax: (27-12) 315-5477
Email: nelisiwe.mtsweni@treasury.gov.za www.treasury.gov.za

National Business Initiative PPP Programme: Tel: (27-11) 482-5100 Fax: (27-11) 388-0167
Email: faye@nbi.org.za www.pppcentre.com

AN ONGOING HIT:

PPP FOUNDATION TRAINING 2003-2004

Dates: 11-12 November 2003
9-10 March 2004

dates for three further courses in 2004 to be announced.

Place: Johannesburg

Cost: public sector R1 500 +VAT
private sector R2 300 +VAT

Travel and accommodation are not included in these prices

This acclaimed introduction to South African PPPs has been run by the PPP Unit and the NBI since 2001, attracting over 600 people to date, and it continues to be booked up in advance. The practical two-day session is packed with useful and inspiring material. Enthusiastic presenters explain the regulatory framework for PPPs, how to appoint and manage advisors, how to do a PPP feasibility study, how to run sound PPP procurement, how to structure empowerment in PPPs, gives a short introduction to project finance, explains key PPP contracting terms, and introduces PPP contract management principles. The two days are interspersed with current South African case studies presented by speakers who have done the deals, and participants are given short assignments to consolidate learning.

BY POPULAR DEMAND:

INTRODUCTION TO PROJECT FINANCE

Dates: 9-10 September 2003
25-26 November 2003

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