

# PUBLIC-PRIVATE PARTNERSHIPS

## Enabling & Enhancing Service Delivery

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### SPECIAL PROJECTS

# What is a PPP?

- Service Contract
  - A contractual arrangement between a public entity and private sector entity
  - Private sector entity performs a departmental function according to an output based specification
  - For a significant period of time
  - Involving substantial transfer of risk to private sector entity

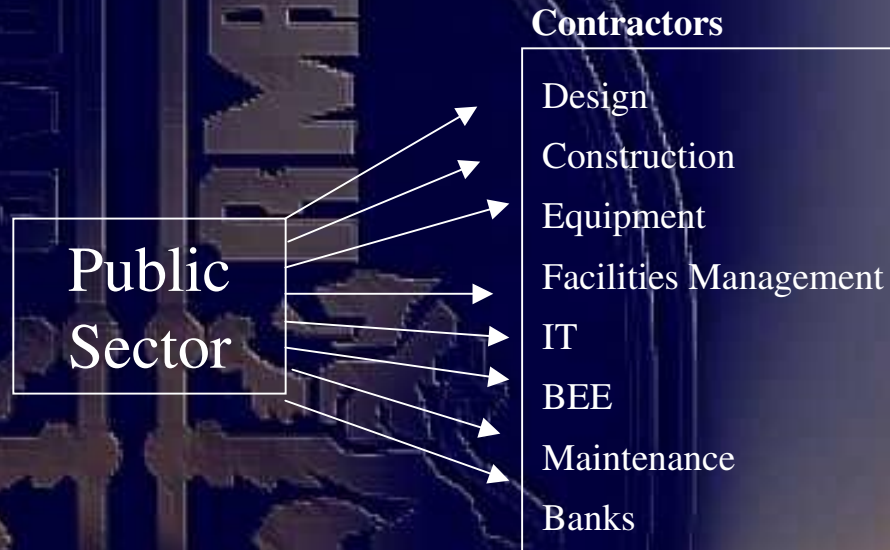
# Evaluation Criteria

Project must be:-

- Affordable
- Provide good value for money
- Transfer appropriate technical, operational and financial risk

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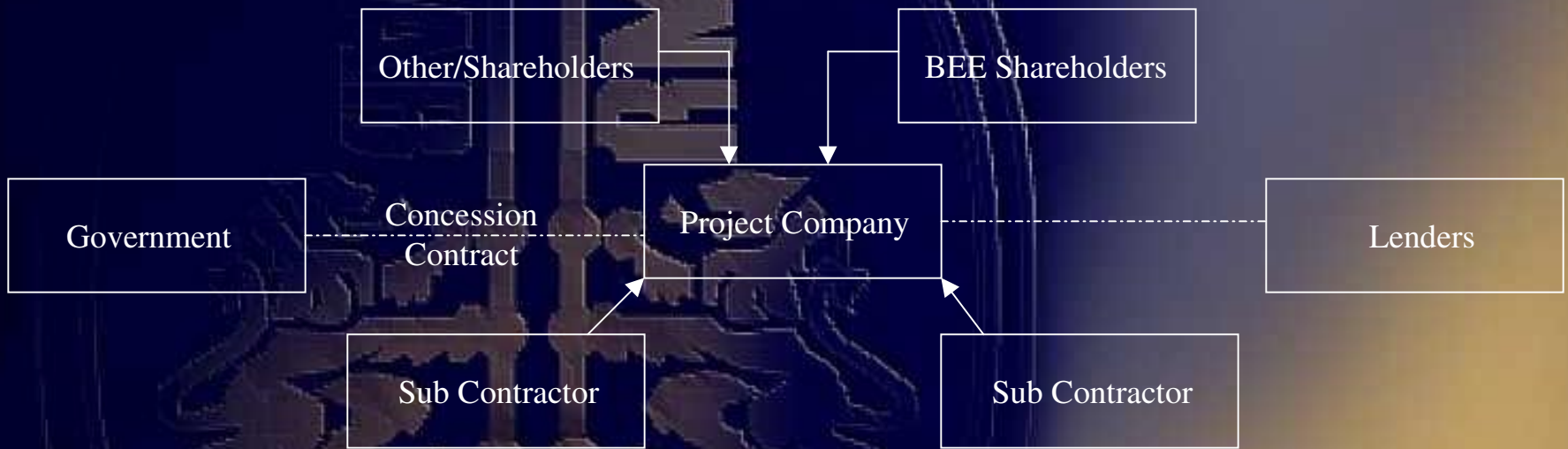
# Traditional Procurement vs PPP



- Short term input based contracts
- Variable pricing structure

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# Typical Project Finance Structure



Participants: Contractors  
Operators  
Consultants  
Empowerment Groups  
SMMEs  
Banks

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# *PPP Contractual Structure*

- Contractual arrangement with one party
- Fixed long term contract
- Agreed output specification
- Single payment
- Off balance sheet
- Limited recourse financing, no government guarantees

Risk transfer and  
value for money

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# Risk Transfer

	Risk	Public Sector	Private Sector
1. Technical	– design/specification		✕
2. Completion	– time/overruns/performance		✕
3. Operating	– costs/capability/efficiency		✕
4. Economic	– inflation/interest rates/ exchange rates	✕	
5. Financial	– credit risk/gearing/returns		✕
6. Shareholders	– skill/commitment		✕
7. BEE	– skills transfer/funding		✕
8. Political/Regulatory	– wars/nationalisation/ change in laws (tax, VAT, exchange control)	✕	

# *Why use PPP's?*

- **Strategically**
  - focus resources on strategic functions
  - service delivery option
- **Operationally**
  - benefits incl:-
    - efficiency gains, output focus, economies from project integration
- **Financial Management**
  - better public finance management
  - predictable expenditure
  - more reliable budget

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# PPP Process

- Feasibility demonstrating affordability, value for money and risk transfer

