

PROCUREMENT STRATEGIES & DELIVERY MODELS

**“Opportunity for industry and economic
growth”**

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18 March 2025

OUTLINE

- DBSA mandate in infrastructure
- Sectors covered by DBSA
- S.Africa's National Development Plan 2030
- MTBPS 2024 – Enabling approach
- What are the issues & key Questions?
- MTBPS 2024 – Enabling approach
- Procurement Strategies & Delivery mechanisms
- Opportunity areas for Private Sector Participation
- Example opportunity in Energy Sector
- Conclusion

OVERVIEW OF DBSA INTEGRATED SERVICE OFFERING

Our Mandate

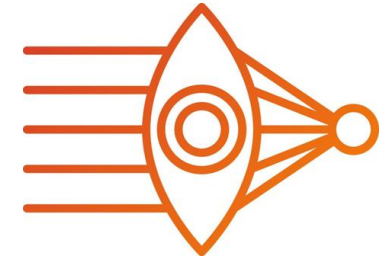
- ✓ Promoting economic development & sustainable growth
- ✓ Promoting human resource development & institutional capacity building
- ✓ Mobilising financial & other resources from the national and international private and public sector
- ✓ Facilitating sustainable development projects and programme in S.Africa and wider African continent

Our Vision:

A prosperous and integrated resource efficient region, progressively free of poverty and dependency



PLAN	PREPARE	FINANCE	BUILD	MAINTAIN
Municipal assessments Bulk Infrastructure plans Infrastructure planning advice	Project Identification Feasibility assessments Technical assistance Programme development Project preparation funds	Long-term senior and subordinated debt Corporate and project finance Mezzanine finance Structured financing solutions	Managing design and construction of projects in education, health and housing sectors Project management support	Supporting maintenance/ improvement of social and economic infrastructure projects



Our target is on growing the Gross Fixed Capital Formation of South Africa and the region to address the triple challenges - *unemployment, poverty and inequalities*

SECTORS COVERED BY DBSA

Transport & Logistics,
Energy & ICT
Water & Sanitation,
Rail & Ports,
Social Housing,
Student Accommodation,
Education, Health

Development instruments:

- Job Opportunities
- Economic Empowerment
- Procurement spend
- Community empowerment

S.AFRICA'S NATIONAL DEVELOPMENT PLAN TARGET



- South Africa's National Development Plan targets to increase fixed investment spending to 30% of the GDP by 2030, and recent data (*Stanlib Economist*, 11 Feb 2025) currently fixed investment spending at 14.8% of GDP with private sector making up 10.6% and public 4.2%

WHAT ARE THE ISSUES S.AFRICA IS GRAPPLING WITH ON INFRA INVESTMENT

Our economy needs infrastructure to:

- *Facilitate increased productive capacity of our economy*
- *Enable thriving cities*
- *Connect markets*

- Under-investment in infrastructure proved to be the derailer – *investment levels low and maintenance programme lagging behind*
- Increasingly, governments are under tremendous pressure to deliver public infrastructure and provide services to the people
- Slow economic growth inflicts fiscus constraints creating funding gap
- Inability of municipalities to increase borrowing due to poor credit worthiness

WHAT ARE THE KEY QUESTIONS

Key Questions:

- Does the pace of infrastructure delivery need to depend solely on budget allocations or are there alternatives?
- What does government need to do to accelerate the pace of development and delivery of social and blended finance infrastructure?

Are there opportunities for CESA members in the following:

- Preparing bankable projects
- Pledging of municipal and provincial conditional grants
- PPPs and the Infrastructure Fund
- Greater use of Concessional Funding at a sovereign level, linked specifically to infrastructure

MTBPS 2024 – ENABLING APPROACH



The policy statement (MTBPS) outlines strategy anchored on FOUR pillars to lift the economy to a higher and more inclusive growth path:

- One is maintaining macroeconomic stability;
- Two is implementing structural reforms;
- **Three is supporting growth-enhancing infrastructure;** and
- Four is building state capability.

Minister of Finance “Pillar three is about effective infrastructure investment, to boost economic activity and enable higher growth over the medium term. In this regard, we are **implementing reforms that will create conditions to attract greater private sector participation.**”

The reforms include:

- Mobilising significant private sector financing and technical expertise to augment the limited public sector capacity and capability.
- **Amending the PPP regulations to simplify requirements for undertaking these projects.** The amended Treasury Regulation 16 will be published before the end of November 2024 for implementation in 2025/26. The Municipal PPP Regulations will be finalised by June 2024.

PROCUREMENT STRATEGIES & DELIVERY MECHANISM

Using PPPs to leverage private sector resources as alternative delivery & funding instrument for infrastructure projects

- Risk Sharing arrangements and affordability
- Social value and efficiency gains
- On time and on cost delivery

PROCUREMENT STRATEGIES & DELIVERY MECHANISM

Different types of PPP model contracts depending on a variety of aspects such as the level of risk transfer, the type of project, desired results, and investment level.

PPP Models	Description
Build-Own-Operate (BOO)	At the end of a BOO concession agreement, the original agreement may be renegotiated for a further concession period (similar to BOT but private entity owns the facility).
Build-Operate-Transfer (BOT)	The private entity builds the facility to meet the public agency's requirement. The private entity provides design, construction, financing, operation, and maintenance during the concession period.
Build-Own-Operate-Transfer (BOOT)	Ownership of the facility rests with the private entity until the end of the concession period, at which point ownership and operating rights are transferred to the public agent at no cost.
Build-Transfer-Operate (BTO)	The private entity finances a facility and upon completion, transfers legal ownership to the public agent. The agent then leases the facility back to the private entity under a long-term lease to operate the facility.
Design-Build-Finance-Operate (DBFO)	The private entity partner finances the project and is granted a long-term right of access of about 30 years. The DBFO partner is given specified service payments during the life of the project.

IMMEDIATE OPPORTUNITIES FOR INDUSTRY PARTICIPATION

Technical
assistance,
capacity
building
and
deployment
of support
to client

- Project Preparation and structuring capacity - growing need for bankable projects
- Transaction support and contract management
- Climate change and disaster management

EXAMPLE OPPORTUNITY FOR INDUSTRY – ENERGY SECTOR

- S.Africa Transmission Development Plan of 2024 highlight the need to construct 15,500 km of new transmission lines & 133,000 MVA of transformer capacity in 10 years. Est at R290 bn
- *Opportunity for preparing bankable projects, skills & expertise*

CONCLUSION

- CESA and its members must make inputs in the review of the PPP regulations and lobbying – *published for comment in Feb 2023, deadline 15 April 2025*
- Industry must continue to provide thought leadership and innovate mechanisms outside traditional procurement – *advocate for unsolicited bids*
- South Africa needs support of the Private Sector and Development Finance Institutions to increase the uptake of PPPs for accelerated infrastructure development and making significant impact on the economy and job creation

Thank you – *lets move*
South Africa forward