

# CESA INFRASTRUCTURE INDABA 2026

## PPPS AND THE ROLE OF A TRANSACTION ADVISOR IN INFRASTRUCTURE



Analyse  
Assess  
Activate

*Strategic & Technical Advisory*

National Treasury  
REPUBLIC OF SOUTH AFRICA

PRESENTED BY:

**THEMBA MDLETSHE**

***SENIOR PROJECT ADVISOR***

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# ELEMENTS OF A PPP PROJECT

- A PPP project has significant private sector involvement in at least 2 of the following elements:
  - **Design:** The private sector will be responsible for all or almost all design activities.
  - **Build:** The private sector will be responsible for construction
  - **Operate:** The private sector will be responsible for all or almost all activities related to the operation of the infrastructure asset.
  - **Maintain:** The private sector will be responsible for all or almost all maintenance of the infrastructure asset.
  - **Finance:** The private sector will be responsible for arranging private financing that will be used to ensure performance during the construction and/or maintaining/operating period of the project.

# DIFFERENT PPP MODELS

## *Contracting*

- Contract with private sector to design & operate public facility
- Asset financed & owned by public sector
- Key driver: transfer of design & construction risk
- **Suitability**: projects with small operating requirements & public sector wants to retain operating responsibility

## *Build, Operate & Transfer (BOT)*

- Contract with private sector to design & operate public facility
- For a defined period then hand over to public sector
- Financed by public sector & ownership with public sector for contract period
- Key driver: transfer of design, construction & operating risks
- **Suitability**: projects with significant operating content, e.g. water & waste projects

# DIFFERENT PPP MODELS, CONT'D

## *Design, Build, Finance & Operate (DBFO)*

- Contract to design, build, finance and operate facility for defined period
- Facility owned by private sector but revert to public sector at end of contract
- Key driver: utilisation of private finance over transfer of design, build & operating risks
- **Suitability:** project with significant operating content, e.g. roads, waste & water projects

## *Concession*

- As for DBFO but private sector recover costs from user fees
- Key driver: User pay principle & use of private finance
- Also transfer of risks as in DBFO
- **Suitability:** projects with opportunity for user charging, e.g. roads & non-domestic water

# CONCLUSION

- PPP project is a long term relationship between private sector & public sector to deliver an output – performance
- ***It is based on:***
  - Payment upon delivery: no delivery no pay
  - Risk allocation: who does what best
  - VFM: whole life costing
  - Competition to get best value
- Many available methods with pros & cons

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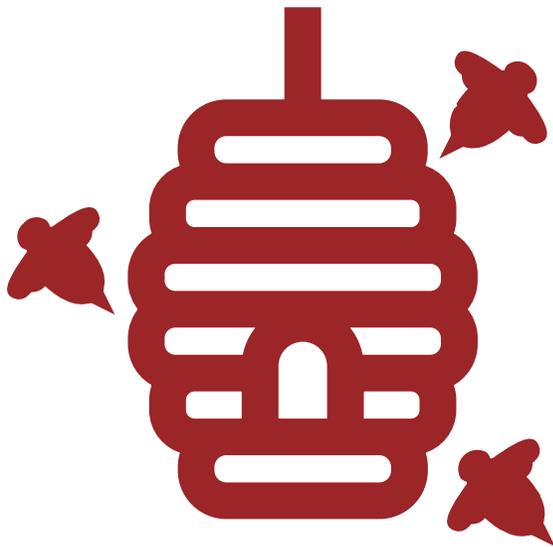
# TRANSACTION ADVISOR DEFINED

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- PFMA Treasury Regulation 16

*“Transaction advisor” means a person or persons appointed in writing by an accounting officer or accounting authority of an institution, who has or have appropriate skills and experience to assist and advise the institution in connection with a PPP, including the preparation and conclusion of a PPP agreement.*

# DUTIES OF A TRANSACTION ADVISOR



- The transaction advisor in a PFMA project does –
  - Detailed financial, technical, BEE and legal work required to assess the project's suitability for procurement as a PPP and prepares the Institution for implementation thereof
  - Conducts the feasibility study to a standard that will enable TA I
  - Prepares all bid documentation (RFQ, RFP, Draft PPP Agreement) that will enable TA IIA
  - Implements the PPP procurement process to enable TA IIB
  - Implements the conclusion of the negotiations and prepares all required documentation to enable TA III
  - Completes the close-out report and case study

## DUTIES -- CONTINUED

- The adviser in an MSA/MFMA project does –
  - Detailed financial, technical, BEE and legal work required to conduct the MSA § 78 (1) internal mechanism assessment
  - Conducts the MSA § 78 (3) feasibility study to a standard that also meets MFMA § 120 (4) and the Municipal PPP Regulations, including public notice and obtaining “views and recommendations” of specified institutions, to obtain TVR 1
  - Prepares Council documentation to obtain “in principle” decision, where a PPP is recommended

## SKILLS REQUIRED

Project finance. In MSA/MFMA projects, corporate finance skill may also be required

Contract and administrative law

Human Resources/Industrial Relations (HR/IR)

Insurance

Project management

Procurement management

All other relevant disciplines relevant to the project –

construction, facility management, IT, security,

transport

# TYPICAL TRANSACTION ADVISORY TEAM

- TA team typically composed of a lead firm that sub-contracts for the project-specific additionally required expertise
  - *Project Director* – a senior executive in the lead firm.
  - *Team Leader* – a principal in the lead firm who reports directly to the Project Director.
  - *Project Finance Lead* – a principal in the lead firm with extensive project/corporate finance expertise.
  - *Legal Lead* – usually a sub-contractor from a major law firm, with extensive alternative service delivery/PPP expertise.
  - *Human Resources/Industrial Relations, BEE*
  - *Technical Disciplines* – these are key members of the transaction advisory team, as they provide valuable technical input

## TYPICAL TRANSACTION ADVISORY TEAM, CONTINUED

- *Technical Disciplines* – these are key members of the transaction advisory team, as they provide valuable technical input to the team during the feasibility study in terms of the needs assessment, options assessment and for MSA/MFMA feasibility studies, the internal mechanism assessment. They also are key to developing the output specifications to be included in the feasibility study. If a decision is made to procure a PPP, they provide the necessary technical language for the output specifications included in the bid documents and they assist in the technical evaluation of the bid responses at both the RFQ and RFP stages. During negotiations, they often lead the negotiations on specific technical matters. They relate to their counterparts on the government's project team.

# TYPICAL TRANSACTION ADVISORY TEAM, CONTINUED

- *Technical Disciplines* – technical disciplines that have been required in South Africa include –
  - Construction of specialised buildings – office accommodation, hospitals, pharmaceutical warehouses and schools
  - Facility management of specialised buildings
  - IT for specific applications, all of which must be SITA-compliant
  - Vehicle fleet management
  - Toll roads
  - Public transport
  - Potable water facilities construction and operation
  - Waste water facilities construction and operation
  - Municipal solid waste collection
  - Municipal solid waste landfill design, construction and operation

# RESOURCES

- There are many resources available to transaction advisors to assist in meeting the challenges
  - The Public Private Partnership Manual.

All transaction advisors should be completely conversant with the Manual
  - The Municipal Service Delivery And PPP Guidelines

Persons interested in become municipal advisors will find this guidance of great assistance
  - The staff at the PPP Unit

While the Institution/municipality is the primary focus of the Senior Project Advisors, they can steer you in the right direction
  - Established TA firms

If you have specialised expertise, a great way to get into the field

# CONCLUSION

- Transaction advisors/advisers are essential to the successful assessment and procurement of a PPP
- The cadre of experienced TAs in South Africa is growing
  - It is not necessary to be a big firm to be a successful advisor to government
  - Private sector staff formerly working for private parties in PPPs are entering the ranks of advisors
- A “team spirit” is essential, as is the ability to work with diverse disciplines
- The growing cadre of TAs has required the PPP Unit to upgrade its own expertise in order to regulate and advise



THANK YOU

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