

GAUTENG WASTE MANAGEMENT INDABA

GAUTENG PROVINCIAL TREASURY

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GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

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GROWING GAUTENG TOGETHER

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BUDGET LIMITATIONS AND THE NEED FOR ALTERNATIVE DELIVERY MODELS

Fiscal Constraint and Budget Limitations

- Gauteng departments and municipalities continue to face significant fiscal constraints, limiting their ability to fund new infrastructure and maintain existing assets through traditional budget allocations.
- The continued growth for the demand of infrastructure investment inclusive of maintenance versus the current supply places a substantial obligation on Departments and municipalities to consider alternative funding options and delivery modalities.

Unfunded Mandates in Municipalities

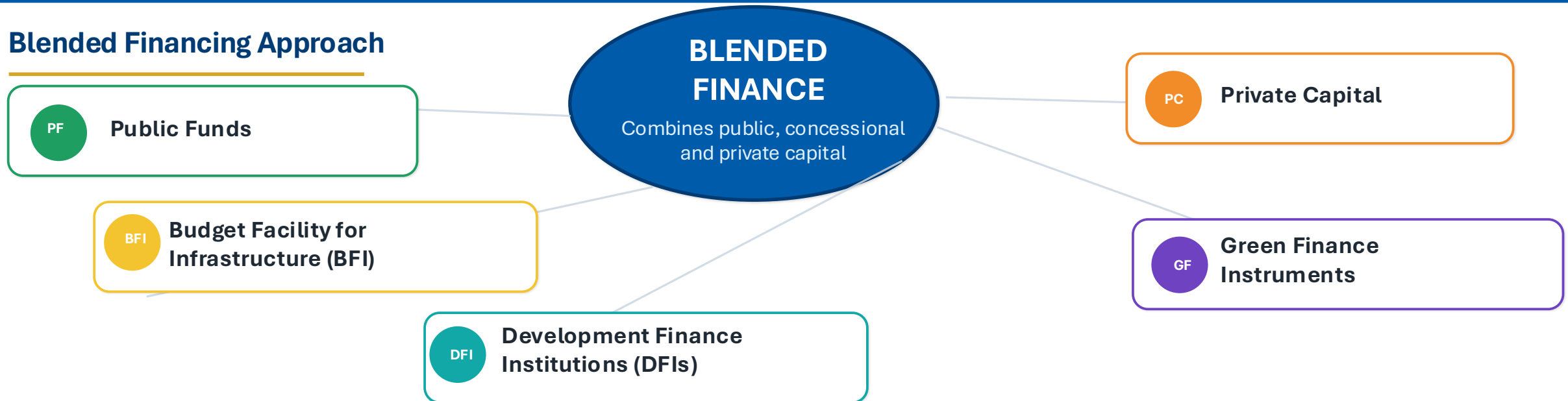
- Municipalities are often confronted with inadequate budgets due to shortfalls in uncollected revenue
- Uncollected revenue or shortfalls are mainly due to economic challenges, inefficient collection systems
- Acceptance of mandates that are not funded is one of the key challenges impacting on service delivery in municipalities.

Need for Alternative Delivery Models

- There is substantial evidence that the province/municipalities experiences many challenges in completing infrastructure projects within planned timeframes and estimated project costs.
- Against this backdrop, it is important to consider how PPPs and alternative delivery models can be used to overcome these challenges and unlock better infrastructure and service delivery outcomes.

ALTERNATIVE FINANCING MODALITIES

Blended Financing Approach



Strategic Value for Infrastructure Delivery

Reduces Fiscal Pressure

Uses public funds to crowd in private and concessional capital.

Improves Affordability

Spreads the funding requirement across multiple financing sources.

Enhances Bankability

Makes infrastructure projects more attractive to investors and lenders.

Blended finance brings together public, concessional and private funding to unlock infrastructure delivery while improving affordability and investor confidence.

PPPS AS STRATEGIC INFRASTRUCTURE DELIVERY MODEL

CORE MESSAGE

PPPs are not merely a source of finance. They are a strategic delivery model that combines private capital, expertise, innovation and operational capability with public-sector objectives and accountability.

STRATEGIC CONTRIBUTION

- 1 Infrastructure Development** Deliver critical infrastructure and address infrastructure backlogs.
- 2 Economic Growth** Mobilise private investment, stimulate economic activity and support job creation.
- 3 Resource Optimisation** Leverage expertise, innovation and operational efficiency while promoting responsible use of public resources.

DELIVERY STRUCTURES

Traditional Procurement

Build-Operate-Transfer | BOT

Design-Build-Finance-Operate-Transfer
| DBFOT

Design-Build-Operate-Finance | DBOF

PRESENTATION FOCUS

- PPP rationale and characteristics
- South African legislative framework
- Funding and investment considerations
- Risk allocation and critical success measures

PPP PROJECT LIFECYCLE



SUCCESS DEPENDS ON

Effective contract management

Appropriate risk allocation

Effective stakeholder management

Lifecycle governance and oversight

MUNICIPAL WASTE SYSTEM HIERARCHY AND FUNDING OPTIONS FOR SOLID WASTE

KEY MESSAGE

To operate and sustain solid waste management systems effectively, local governments must explore new, reliable, and self-generated funding sources that support essential improvements and long-term operations.

SOLID WASTE MANAGEMENT HIERARCHY

- REDUCE**
Reduce what you can. Sensitize and encourage households and business to reduce with clear incentives..
- RE-USE**
Re-use what you can . Municipal promotional campaigns to encourage re-use of material to reduce waste.
- RECYCLE AND COMPOST**
Composting biodegradable waste, which accounts for over half of the waste in low-to-middle-income countries, can generate significant revenue.
- CREATE ENERGY**
Landfills present revenue-generating opportunities by producing biogas and electricity from decomposing biodegradable waste. Typically waste-to-energy technologies.

WASTE LAND FILL CONSIDERATIONS

- 1 TRANSPORTATION**
Fuel costs and maintenance costs for tipping trucks are critical costs to manage and should be supplemented by reduce and re-use measures.
- 2 LANDFILL FEES AND FREQUENCY**
Tipping fees and frequency should be supplemented by other measures such as reduce, re-use.
- 3 OPTIMISATION OF EXISTING BUDGETS**
Optimize existing budgets through cost avoidance measures to increase efficiencies in the system,.
- 4 EXPLORE ALTERNATIVE FUNDING SOURCES**
Alternative funding sources could include BFI, Green Finance, venturing into Public Private Partnerships (PPPs).

AVAILABLE FUNDING SOURCES FOR SOLID WASTE

- 1 Municipal Waste Collection Tariffs**
Often fixed and not sufficient and requires cross-subsidization from LGE and Grant Funding, penalties.
- 2 Local Government Equitable Share and Grant Funding**
These are pre determined sources from National Government, not sufficient unless reduce and re-use measures are utilized to reduce tipping fees at private land fill sites..
- 3 PPPs, BFI , Blended Finance**
Municipalities are encouraged to appoint a team of professionals/experts to carry out Feasibility Studies or Business Cases to explore viability of waste solution and CoJ's Waste-to – Energy..
- 4 Green Finance and Carbon Credits**
These sources of finance are typically dependent on proposed waste solution compliant with conditions attached to green finance and carbon credits.

OPERATIONAL EFFICIENCY

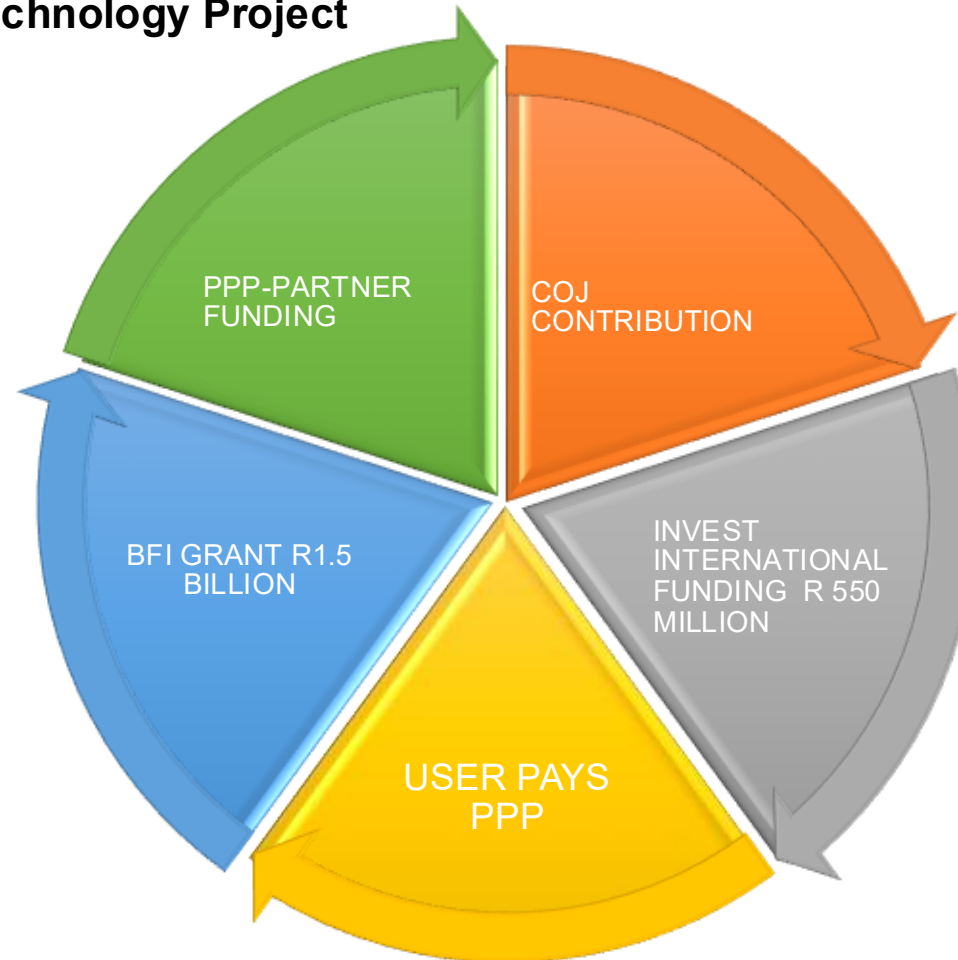
Before exploring new funding sources, existing budgets can be optimised through cost-avoidance measures and increased efficiencies within current systems,

FUNDING OPTIONS FOR SOLID WASTE-EXAMPLE OF BLENDED AND HYBRID FINANCE MODEL

City of Johannesburg Alternate Waste Treatment Technology Project

The combination of the various funding partners and the chosen funding/payment mechanism ensures that a once unaffordable project becomes a potentially viable project.

Note: Project still to go to Procurement



BLENDDED/ HYBRID FINANCING

BLENDDED FINANCING

- A blended finance model may combine:
 - Public funds
 - Budget Facility for Infrastructure (BFI),
 - Development Finance Institutions (DFIs),
 - private capital
 - Green finance instruments .
- This model reduces fiscal pressure and improves affordability by leveraging public funds to crowd in private and concessional capital.
- It enhances project bankability, making infrastructure projects more attractive to investors and lenders.

OPTIONS TO FUND BUSINESS CASES / FEASIBILITY STUDIES

Scientific Business Cases / Feasibility studies are costly, and Departments/ Municipalities need to be assisted. The following items are key cost drivers:

- Optimize existing studies and reports to test the readiness of project bankability.
- Environmental Impact Studies
- Financial Model

Procuring Institutions supported by GPT can apply for funding Business Cases and Feasibility Studies on condition that the cost can be recouped at Financial Close of a project.

South African Institutions:

- DBSA
- Infrastructure Fund (DBSA)
- National Treasury GTAC
- National Treasury PPP Unit (ISA, IFISA)
- MISA
- IDC

Typical Funding Requirements

- Alignment with Government priorities and infrastructure plans
- Approved project concept/ business need
- Accounting Officer or Municipal Manager support
- Preliminary affordability and funding strategy
- Socio-economic impact and value for money
- Implementation readiness and governance arrangements
- Typical outputs: Business Case, Feasibility Study, Risk Assessment
- Procurement Strategy and Implementation Plan

