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Public-private partnership conceptual framework and models for the funding and financing of water services infrastructure in municipalities from selected provinces in South Africa

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Description / Abstract

This paper presents public-private partnership (PPP) framework models for funding and financing of water services infrastructure at local government (municipalities) level (sphere) in South Africa. Data were assembled from various stakeholders, viz., private and public sector institutions in the Gauteng and Limpopo Provinces of South Africa. The framework for PPPs identified three models, viz. state, hybrid and private sector models. In the 'state model' the water services value chain is 100% government funded and owned infrastructure. Government is a key player in infrastructure investment and inefficiencies within the public expenditure management systems are particularly detrimental, e.g., there are significant problems in spending of infrastructure budgets. In the 'private model' harnessing the significant potential for capital markets to finance water infrastructure, particularly local bond markets, is contingent on their strengthening and further development. Well-functioning and appropriately institutional investors (pension funds, insurance companies, etc.) would be natural sources of long-term financing for water services infrastructure because liabilities would better match the longer terms of water infrastructure projects. The 'hybrid model' is in the middle of the water services value chain, i.e., a partnership between government and the private sector. The use of this framework is essential in the including of the private sector in the implementation of water infrastructure development projects. The research results highlight the underlying principles that underpin, support, determine and confirm the success of the PPP models and value chain framework for local government water infrastructure in South Africa. Twelve key parameters were identified that would drive the success of any water services infrastructure PPP model. Even though PPP is an alternative procurement vehicle, PPP models are considered to be used as vehicles for addressing institutional challenges in local government. However, in most cases it has been indicated that lack of technical and financial skills and monitoring of the private operator are serious challenges.

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