SANPARKS TOURISM SUMMIT

PUBLIC PRIVATE PARTNERSHIP TOOLKIT FOR TOURISM

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GTAC
Analyse
Assess
Activate
Strategic & Technical Advisory

National Treasury
REPUBLIC OF SOUTH AFRICA

Contents

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1. BACKGROUND

- **Process that began in 2004** and culminated in 2005 with a series of consultative workshops
- **Stakeholders in the tourism industry were involved** –

  conservation institutions around the country, private sector, NGO's, DEAT and other government departments
- **The PPP manual and standardized** provisions could not be summarily used to tourism PPP projects
- **Intention is to boost this sector** of the economy and make it easier for institutions and the private sector to enter into tourism – related partnerships on state property managed by National and Provincial government institutions.

2. WHAT IS A PPP?

- Treasury Regulation 16 to the PFMA defines a PPP:
  - Contract where private party performs an institutional function and/or uses state property for commercial purposes
  - Private party assumes substantial financial, technical and operational risks
  - Private party receives a benefit (service tariff or user fees or both) from institution budget or public or both

- Three regulatory tests for all PPPs:
  - Affordability
  - Risk transfer
  - Value for money

3. COMMUNAL AND PRIVATE LAND

The definition of a PPP in Treasury Regulation 16 specifies, inter alia, that a PPP involves the commercial use of **state** property.

where:

- The private/communal land form part of a protected area managed by the institution,
- The institution has statutory rights or obligations to provide tourism amenities and /or to commercially develop the protected area and,
- The institution have a contractual right from the owner to commercially develop the area.

CONTINUE;

- Then it is a PPP by the virtue of the private party performing an institutional function.

- In that scenario it is recommended that an institution apply to the relevant treasury for an exemption from Treasury Regulation 16 and allow the terms of co-management agreement to take precedence

- The co-management agreement should, nevertheless attempt to follow best practice set by the Toolkit, as applicable.

4.THE ROLE OF GTAC AND TREASURY

PPP Unit had both *Technical Assistance* and *Regulatory* Roles

- **GTAC Provide technical advise:**
  - Throughout the project cycle
  - Procuring Transaction Advisors
  - Procuring Project Officers
  - On project procurement and implementation

- **Regulatory role is within National Treasury Budget Office**
  - Approving feasibility studies to permit procurement as a PPP
  - The development and issuance of tender documents
  - The selection of the preferred bidder
  - Approving the execution of the negotiated PPP Agreement
  - Approving material variations and amendments to executed PPP Agreements
- Team in GTAC will provide only technical assistance

5. THE PPP PROJECT CYCLE: APPROVALS

- Regulated PPP cycle with treasury approvals:

  TA I for feasibility study
  TA IIA for procurement documents
  TA IIB for value for money report
  TA III for final terms of PPP agreement

- PFMA and Treasury Regulation 16 apply to national and provincial government
- MFMA and its regulations apply to municipalities

- PPP Practice Notes issued by Treasury i.t.o PFMA:
  - *PPP Manual, 2004*
  - *Standardised PPP Provisions, 2004*
  - *PPP Toolkit for Tourism, 2005*

6. PROCESS FOR TOURISM PPPs

- *The Toolkit's approach:*
  determine which PPP route to follow by projected value of capital investment and assessment of project risks

- *Key building blocks:*
  strategic fit and institutional capacity

- *Inception and Pre-feasibility phases critical*
  (**Toolkit Module 1**)

SMALL CAP AND LARGE CAP

- *Small cap route:*
- <R10m capital investment; few employees; relatively low turnover (**Toolkit Module 2**)

- *Large cap route:*
- >R10m capital investment; sizable turnover; relatively high project risks; suitably long contract periods (**Toolkit Module 3**)

PPP PROJECT CYCLE FOR TOURISM PPPs

NATIONAL TREASURY

PPP unit

Reflecting Treasury Regulation 16 to the Public Finance Management Act, 1999

PROJECT PREPARATION PERIOD

Phase I

INCEPTION

- Prepare strategic plan for commercialisation
- Apply for project registration

PRE-FEASIBILITY

- Pre-feasibility study
- Motivation for small cap route or large cap route
- Possible application for exemption from treasury approvals

Phase II

SMALL CAP ROUTE	LARGE CAP ROUTE
FEASIBILITY	**FEASIBILITY**
Institution Approval I*	Treasury Approval I**
• Issue-based feasibility	• Comprehensive feasibility

Phase III

SMALL CAP ROUTE	LARGE CAP ROUTE
PROCUREMENT	**PROCUREMENT**
• Prepare bid documents	• Prepare bid documents
Institution Approval IIA*	Treasury Approval IIA**
• Issue bid documents • Evaluate bid • Select preferred bidder	• Issue bid documents • Evaluate bid • Select preferred bidder
Institution Approval IIB*	Treasury Approval IIB**
• Negotiation • Management plan	• Negotiation • Management plan
Institution Approval III*	Treasury Approval III**
• Sign PPP agreement	• Sign PPP agreement

PROJECT TERM

Phase IV

DEVELOPMENT

Phase V

OPERATIONS

Phase VI

EXIT

- Measure outputs, monitor and regulate performance, liaise effectively, settle disputes
- Report progress in the Annual Report
- Scrutiny by the Auditor-General

* If exemption from treasury approvals is granted.

** Unless exemption from treasury approvals is granted.

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POSSIBLE EXEMPTIONS FROM TREASURY APPROVALS

- Treasury Regulation 16.10.1
- Proviso's: institutional capacity and internal application of the criteria of affordability, value for money and risk transfer (in-house approvals process)

- Exemptions most likely for small cap tourism PPPs

- May be given for large cap tourism PPPs if institutional experience and capacity

CO-MANAGEMENT AGREEMENT?

- No template – left to the institution and the community to decide
- Could be concluded on four critical points
- The quality and quantum of conservation management to be provided by the conservation manager, the costs involved, and how failure to perform to agreed standards will be handled
- How the revenues and the costs from tourism or other uses of the land are to be shared between the landowner and the conservation manager
- How the necessary feasibility studies for, procurement and management of contractual relationships with third party private sector investors and operators will be collaboratively handled in support of both parties' rights and obligations

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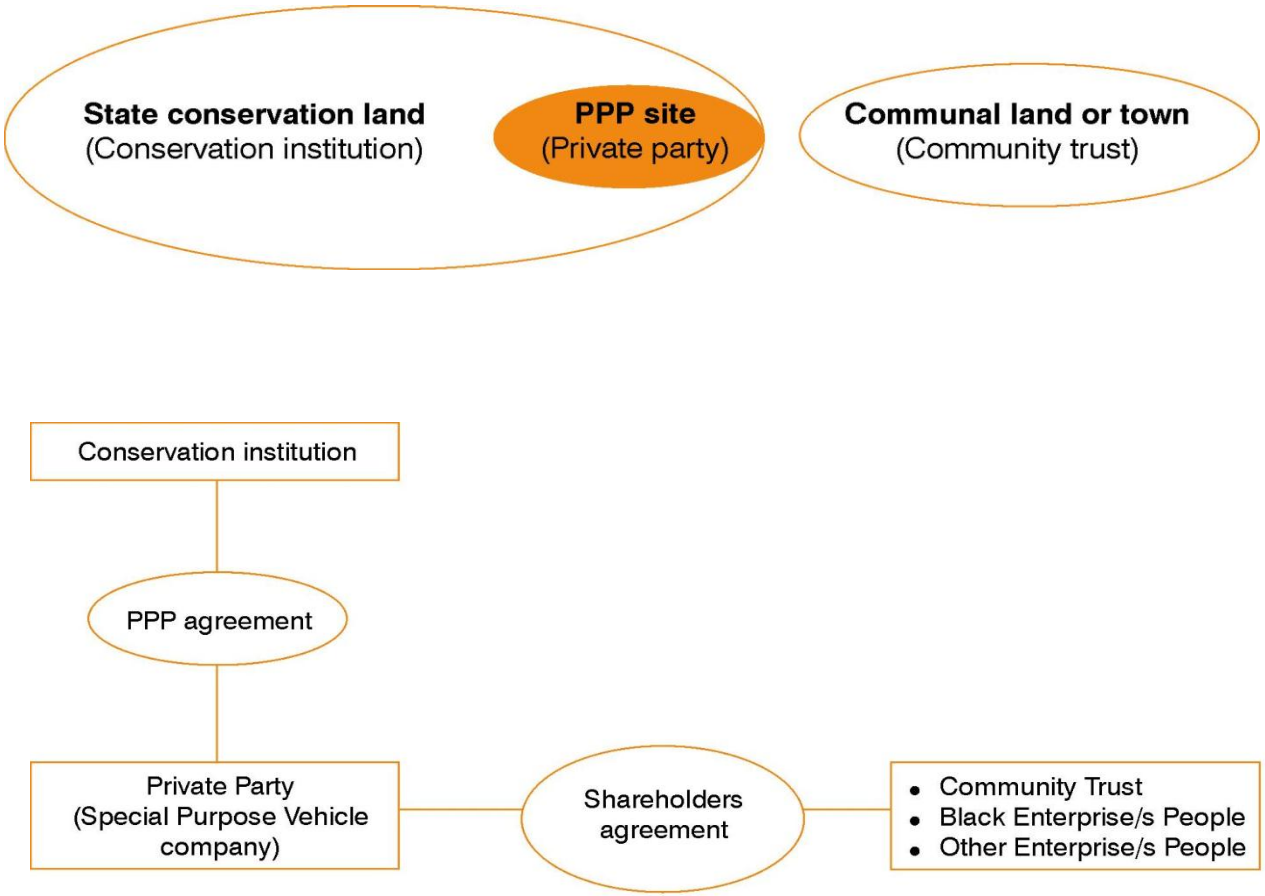
BBBEE AND COMMUNITY IN PPP



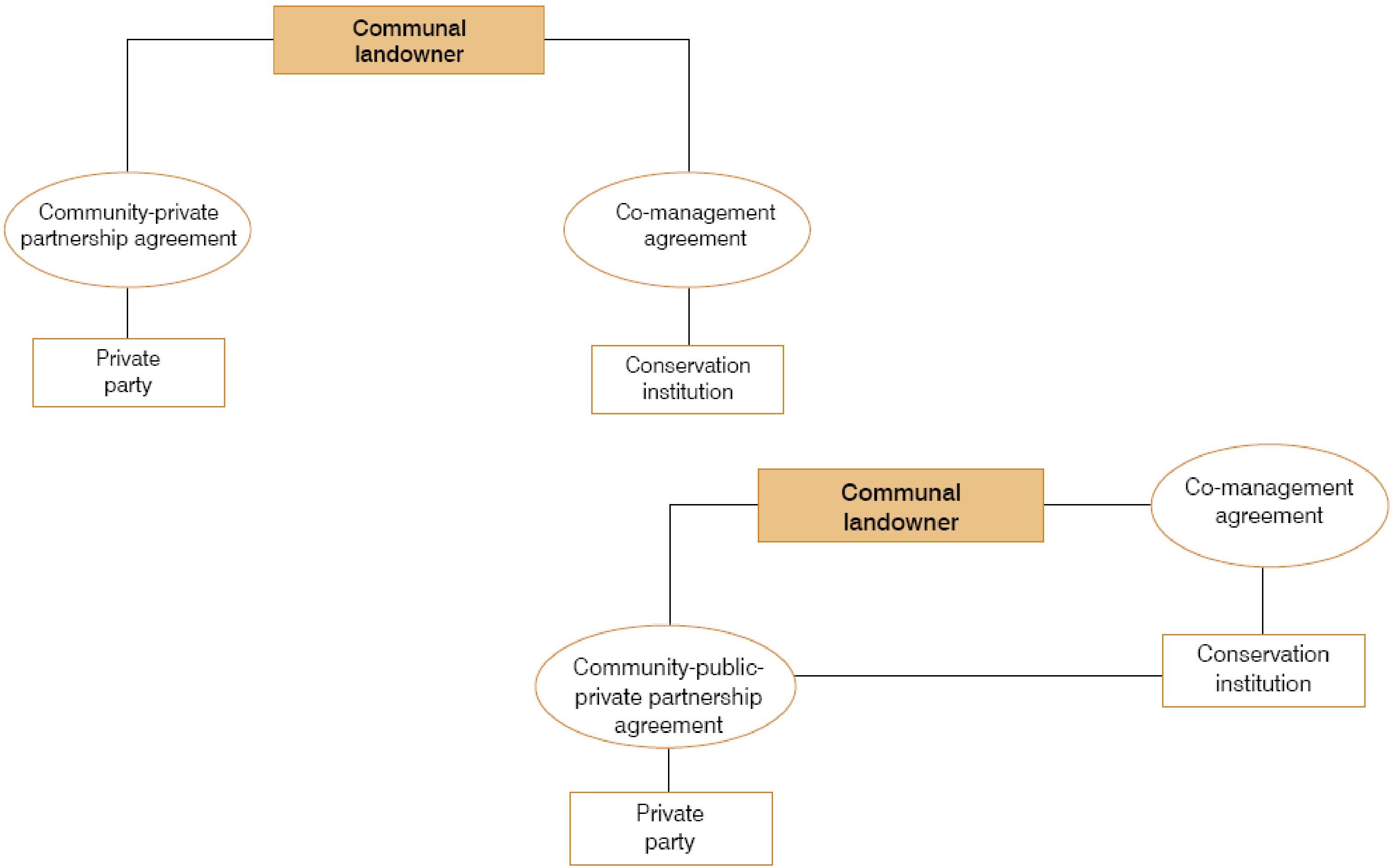
COMMUNAL AND PRIVATE LAND

- Treasury Regulation 16: PPP typically involves the commercial use of state property

- But sometimes, institution performs institutional functions through co-management agreements, on communal/private property which is protected.

- In these cases, the Toolkit provides for:
  - Co-management agreement back-to-back with a community–private party agreement
  - Co-management agreement back-to-back with a community–public–private partnership agreement

COMMUNAL AND PRIVATE LAND



7. CONCLUSION

- The toolkit tries to simplify the process of contracting between Government Institution and Private Sector Investor
- Intention is to boost the sector with clear contractual process
- Ensure community empowerment
- Create enabling investment climate to the sector

Thank you

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