



NATIONAL TREASURY

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PRESS STATEMENT

The Minister of Finance is pleased to issue the *Code of Good Practice for Black Economic Empowerment in Public Private Partnerships*.

South Africa's public service delivery record has been enriched through PPPs in recent years, and the PPP project pipeline continues to grow, both in numbers and in the innovative value-for-money solutions it contains. PPP projects worth more than R18 billion are in operation in a wide range of sectors to date, and more than 50 more are registered in the PPP pipeline. Importantly, PPPs are proving to be excellent vehicles for achieving broad-based black economic empowerment. In the PPPs concluded to date, black equity has been successfully achieved at between 25% and 40% of the private parties' shareholding, and sub-contracting in these deals has gone to a similar percentage of black enterprises. Small and medium enterprises are benefiting at local levels, and black management control is being sought and extended in all the projects.

The *Code for BEE in PPPs* sets a clear BEE framework for both public and private parties engaging in PPPs, creating certainty and ensuring a consistent approach. It gives practical guidance to institutions on how to achieve BEE in the transaction advisor teams that government appoints for these complex projects. For a PPP, the *Code* provides a balanced scorecard with indicative targets and weightings for each element of the private party's equity structure, management, subcontracting and local socio-economic impact. The *Code* also guides institutions on how to make appropriate decisions about BEE targets during the feasibility and procurement phases. *Standardised PPP Provisions*, issued in March this year, gives the precise contract terms which government expects to conclude in PPPs, including BEE provisions, which reflect the scorecard of the *Code*.

It should be noted that the *Code* does not ignore the significant challenges we face in securing sound BEE in PPPs. In identifying the difficulties, we have therefore also

committed government to three important interventions, which will roll out in the year ahead: Firstly, we are investigating the establishment of an equity facility that will lower the cost of capital to black shareholders in PPPs. Secondly, we are designing this facility in such a way that it will support independent financial and legal advice to black enterprises bidding for, negotiating and implementing PPP projects. Thirdly, we are establishing an internship programme to actively grow the number of experienced black transaction advisors in South Africa's PPP market.

The *Code for BEE in PPPs*, and these specific support interventions, will go a long way to further strengthening PPPs' contribution to BEE.

The *Code* has been finalised taking into account all comments received from both public and private parties since it was issued as a draft in December 2003. It is now issued as a PPP Practice Note in terms of section 76(4)(g) to the Public Finance Management Act. All PPPs pursued by institutions in terms of Treasury Regulation 16 to the PFMA must now apply the provisions of this *Code* in the inception, feasibility and procurement phases of the PPP project cycle, and in the provisions of the PPP agreement.

The Minister of Finance has also submitted the *Code* to the Minister of Trade & Industry with a request that he consider issuing it in terms of the Broad-based Black Economic Empowerment Act after advice from the BEE Advisory Council, once the Council has been established in terms of the BBBEE Act.

Copies available on www.treasury.gov.za
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