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2025 BUDGET REVIEW

PUBLIC-SECTOR INFRASTRUCTURE AND PUBLIC-PRIVATE PARTNERSHIPS UPDATE

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PUBLIC-SECTOR INFRASTRUCTURE AND PUBLIC-PRIVATE PARTNERSHIPS UPDATE

INTRODUCTION

This annexure provides a review of planned public infrastructure spending and broader infrastructure reforms, including updates on the public-private partnership (PPP) regulatory framework amendments and the status of major capital projects.

Government seeks to facilitate a shift in the quantity and quality of infrastructure delivery by mobilising private-sector financing and technical expertise at scale. Several reforms are under way to strengthen public investment management and the associated value chain. Many of these involve pooling resources with the private sector in blended finance initiatives aimed at funding and implementing infrastructure projects more effectively. The reforms include improving the PPP regulatory framework, reviewing the institutional arrangements to fast-track delivery of strategic infrastructure, enhancing infrastructure monitoring and reporting (including on PPP contingent liabilities), and building a strong project pipeline. A comprehensive project pipeline appears at the end of the annexure.

The difference between public-sector infrastructure, PPPs and blended finance projects

Public-sector infrastructure refers to infrastructure that is for general public use, where the resulting service can be made available within the prescripts of legislation. A PPP is a contract between a public-sector institution and a private party, where the private party performs a function that is usually provided by the public sector and/or uses state property by agreement. Most of the project risk (technical, financial and operational) is transferred to the private party. The public sector pays for a full set of services, including new infrastructure, maintenance and facilities management, through monthly or annual payments. In instances where the public-sector asset has the potential to raise revenue – such as a toll road or a rail link – the private party would be responsible for these services through a user-pays PPP. In a traditional government project, the public sector pays for the capital and operating costs, and carries the risks of cost overruns and late delivery.

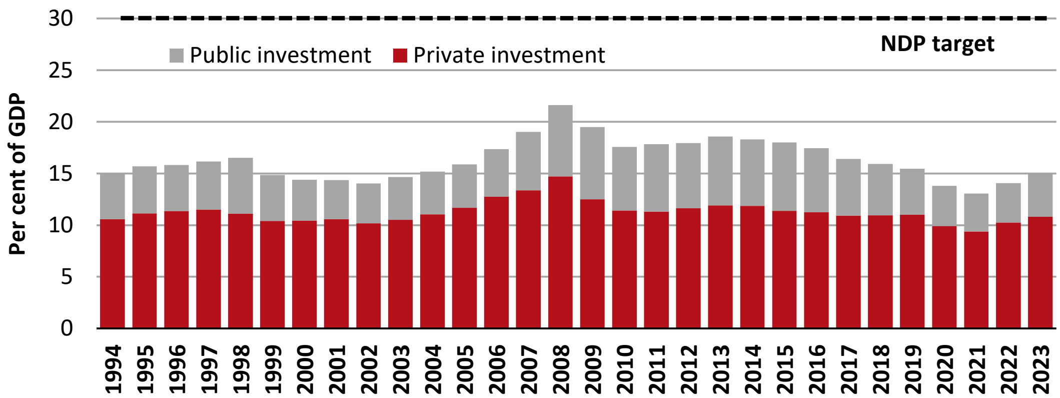
In this annexure, blending is defined as the strategic use of limited funds from the fiscus to mobilise financing from multilateral institutions, development finance institutions and the private sector to enhance the development impact of infrastructure.

TRENDS IN PUBLIC- AND PRIVATE-SECTOR INVESTMENT

In 2023, both public- and private-sector investment increased as a percentage of GDP. Public-sector capital investment increased from 3.8 per cent in 2022 to 4.1 per cent in 2023, while private-sector capital investment rose from 10.3 per cent to 10.8 per cent of GDP (Figure D.1). Yet, much faster growth is needed to expand the economy and reduce unemployment and poverty.

Over the past decade, weak growth, rising spending pressures, inefficient delivery and the financial support provided to state-owned companies have constrained government's ability to optimally invest in infrastructure. Between 2013 and 2023, public-sector capital investment averaged 5.1 per cent of GDP, while private capital investment averaged 10.9 per cent of GDP. Higher total investment, measuring 14.9 per cent of GDP in 2023, remains well below the National Development Plan target of 30 per cent. To reach this target, public-sector investment in infrastructure would need to grow to 10 per cent of GDP by 2030, while private-sector investment would need to grow to 20 per cent in 2030. Bridging the infrastructure investment gap requires developing innovative approaches to leverage private-sector finance, making the necessary regulatory changes and improving infrastructure planning across government to build a pipeline of projects. To unlock this potential, government has initiated broad reforms in infrastructure provision, discussed later in the annexure, to support economic recovery.

Figure D.1 Public- and private-sector capital investment as a share of GDP, 1994–2023*



**All GDP data in this annexure is recalculated in line with Statistics South Africa's 2021 rebasing and benchmarking exercise. It is therefore not directly comparable with GDP data from earlier budget documentation*
Source: Reserve Bank

PUBLIC-SECTOR INFRASTRUCTURE SPENDING HIGHLIGHTS

Table D.1 summarises government's infrastructure spending plans for the next three years at national, provincial and local government level, including state-owned companies and other public entities. Public-sector infrastructure spending over the 2025 medium-term expenditure framework (MTEF) period is estimated at R1.03 trillion. State-owned companies continue to be the largest contributor to capital investment, spending a projected R410.9 billion over the next three years. Provinces are expected to spend R215.9 billion on infrastructure over the same period, while municipalities are forecast to spend R200.8 billion.

Public housing built in provinces through the *human settlements development grant* is expected to total R49.2 billion. Although these assets are transferred to homeowners, this spending is a substantial government contribution to the built environment. Spending on economic infrastructure, mainly by state-owned companies, accounts for 81.5 per cent of the medium-term estimate. These funds are used to expand power-generation capacity, upgrade and expand the transport network, and improve sanitation and water services. Social services infrastructure accounts for 15.5 per cent of the total, with the two largest sectors, health and education, contributing 4.4 per cent and 5.5 per cent respectively.

To help close the gap between available public resources and the growing infrastructure need, government's economic recovery plan includes immediate measures to boost investor confidence and longer-term reforms that promote sustained economic growth. Higher and more effective infrastructure spending is central to this plan.

Table D.1 Public-sector infrastructure expenditure and estimates

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	MTEF
R billion	Outcomes			Revised estimate	Medium-term estimates			Total
Energy	35.5	38.7	46.1	50.7	66.2	73.4	79.6	219.2
Water and sanitation	30.6	35.4	27.5	45.3	49.9	50.1	56.3	156.3
Transport and logistics	65.9	86.4	75.1	118.3	133.1	137.7	131.1	402.0
Other economic services	21.8	18.9	48.1	23.0	22.1	19.5	20.0	61.5
Health	16.4	11.9	13.1	14.5	15.6	14.8	15.0	45.5
Education	14.5	21.1	14.5	20.8	19.4	19.3	18.3	57.0
Human settlements[1]	13.4	14.3	21.3	17.8	17.3	15.6	16.3	49.2
Other social services	2.2	3.3	0.5	2.9	2.6	2.5	2.5	7.6
Administration services[2]	12.0	9.0	10.7	10.1	11.3	9.8	10.1	31.2
Total	**212.3**	**238.8**	**256.9**	**303.5**	**337.5**	**342.8**	**349.3**	**1 029.5**
National departments	12.5	13.2	14.2	15.0	15.0	12.6	12.6	40.1
Provincial departments	57.7	60.1	73.2	77.1	75.5	69.6	70.8	215.9
Local government	62.1	64.7	56.8	69.7	67.7	65.1	68.0	200.8
Public entities[3]	20.2	26.8	26.4	33.4	45.3	47.4	44.1	136.8
Public-private partnerships	6.5	6.0	6.8	7.1	7.9	8.4	8.7	25.0
State-owned companies[3]	53.4	67.9	79.4	101.2	126.0	139.8	145.1	410.9
Total	**212.3**	**238.8**	**256.9**	**303.5**	**337.5**	**342.8**	**349.3**	**1 029.5**

1. Human settlements includes public housing and bulk infrastructure amounting to R49.2 billion over the MTEF period
2. Administration services include infrastructure spending by the departments of International Relations and Cooperation, Home Affairs, and Public Works and Infrastructure, and Statistics South Africa and their entities
3. Public entities are financed by capital transfers from the fiscus and state-owned companies are financed from a combination of own revenue and borrowings
Source: National Treasury

SECTOR UPDATES

Water and sanitation

In the water sector, government is prioritising 11 strategic projects with an estimated value of R139.1 billion. These projects are expected to create about 20 000 jobs during construction and 14 000 jobs during operation. About 8 000 jobs have been created to date. Details on some of the projects are provided below.

The second phase of the Lesotho Highlands Water Project, which has an estimated capital investment of R42.1 billion, including the water delivery component for South Africa, is expected to be completed in 2028. The Trans-Caledon Tunnel Authority (TCTA) has raised about R24 billion from the Development Bank of Southern Africa (DBSA), the African Development Bank and the New Development Bank, among others, for this project. Construction is under way for the three main contracts (the Polihali Dam, the transfer tunnel from Polihali to Katse Dam and the Senqu Bridge). The dam and transfer tunnel are expected to be completed by June 2029. The project is estimated to be about 40 per cent complete.

The second phase of the Mokolo-Crocodile River Water Augmentation Project has an estimated capital investment of R12.3 billion. It is expected to be completed in 2030, providing about 75 million cubic meters of water annually to surrounding communities. The TCTA secured funding for the second phase from five local commercial banks (Investec Bank, Absa, Nedbank Corporate and Investment Banking, FirstRand Bank and Standard Bank) and two local development finance institutions (the DBSA and the Industrial Development Corporation). The project was structured around a blended finance portfolio, with an allocation from the fiscus for those components defined as social needs and a commitment from commercial users repaying for individual off-takes.

The uMkhomazi water augmentation project has an estimated capital investment of R24 billion, and construction is expected to be completed in 2032. The National Treasury approved an application for R12 billion through the Budget Facility for Infrastructure (BFI) to improve the affordability of the project. Credit enhancement mechanisms are being used to crowd in private-sector investment. The TCTA is negotiating the final water user agreements and framework agreements with recipient municipalities. Contracts for professional services providers for the 32-kilometre tunnel and the Smithfield Dam were awarded in May 2024 and September 2024 respectively. Both have commenced with their services.

The second phase of the Olifants River Water Resources Development Project has an estimated capital investment of R25 billion and is expected to be completed in 2030. The Department of Water and Sanitation has appointed Lebalelo Water User Association to implement this phase. The BFI provided half of the funding for the pipeline from Flag Boshielo Dam to the Sekuruwe water treatment works in Mogalakwena. Through the BFI, Phase 2D and 2F were approved for funding over the medium term.

The Berg River-Voëlvlei Augmentation Scheme has an estimated capital investment of R1.1 billion and is expected to be completed in 2027. Water supply agreements between the Department of Water and Sanitation and municipal and irrigation users have been signed. The department approved the water use licence application in December 2024. The procurement processes for the scheme will be concluded in 2025.

The rehabilitation of the Vaalharts-Taung irrigation scheme project was on hold from 2016 until the approval of project preparation support from the National Treasury in 2021. This led to the completion of the masterplan in June 2023. Based on the masterplan, the estimated capital cost for the project is R7.2 billion. The Department of Water and Sanitation and the DBSA signed the grant agreement on 17 October 2024. Work has commenced to develop a bankable feasibility study. The final overall project costs will be determined once the feasibility studies are concluded.

Energy

The overarching Independent Power Producer Procurement Programme has resulted in agreements for more than 8 588 megawatts (MW) of new generation capacity, totalling more than R280 billion in investment. To date, 6 331 MW are in operation and 2 257 MW are still under construction and expected to become operational in 2025/26.

Seven of the 11 preferred bidders under the Risk Mitigation Independent Power Producer Procurement Programme had signed agreements for projects totalling 578 MW by the end of December 2023. Three projects were in operation (150 MW) in November 2023, and three projects were under construction (278 MW) by the end of December 2024.

The fifth bid window of the Renewable Energy Independent Power Producer Procurement Programme focused on onshore wind and solar photovoltaic (PV) projects. Eleven projects under the fifth bid window (1 159 MW), with investment of about R31 billion, were under construction by the end of December 2024.

The sixth bid window resulted in the procurement of 1 000 MW of solar PV from six preferred bidders. Two of these projects, totalling 360 MW with investments of about R6.7 billion, reached commercial close by December 2024. The four outstanding projects are expected to reach commercial close by April 2025. The total investment associated with these four projects is about R9.7 billion.

The seventh bid window of the Renewable Energy Independent Power Producer Procurement Programme was launched in December 2023 for 5 000 MW of new generation and storage capacity, alongside the second bid window for 615 MW of battery storage capacity under the Battery Energy Storage Independent Power Producers Procurement Programme and the first bid window for 2 000 MW under the Gas Independent Power Producer Procurement Programme.

Four preferred bidders (360 MW) under the first battery storage bid window reached commercial close in December 2024, attracting investments of about R10 billion. Commercial close of the one outstanding project (153 MW) is expected by March 2025, with investment of about R6.7 billion. Eight preferred bidders under the second bid window were announced on 23 December 2024. The investment associated with these projects is about R12.8 billion. The projects are expected to reach commercial close by the second half of 2025. The third bid window was launched on 28 March 2024 for 616 MW of battery storage capacity. It closed on 29 November 2024. Bids are being evaluated and are expected to be awarded in 2026/27.

The Department of Electricity and Energy is working on bid windows 7.5 and 8 of the Renewable Energy Independent Power Producer Procurement Programme, taking into consideration mechanisms to optimise available grid capacity, system requirements and the 2019 Integrated Resource Plan. The department mandated the Independent Power Producers Office to implement the pilot programme under the Independent Transmission Infrastructure Procurement Programme to involve the private sector in expanding and strengthening the country’s transmission network and related infrastructure. A request for information was published on 12 December 2024.

The Embedded Generation Investment Programme supports projects with a total capacity of 741 MW, comprising 300 MW of solar PV and 441 MW of wind power. These committed projects represent an investment value of R21 billion. The pipeline includes a 240 MW wind farm and solar PV projects totalling 300 MW under development in the Western Cape and Mpumalanga.

Transport and logistics

The transport sector gazetted 20 strategic integrated projects valued at about R126 billion.

The South African National Roads Agency Limited is improving the capacity of several routes on toll and non-toll networks. Thirteen projects with a combined value of about R40 billion have been prioritised and will create over 10 000 jobs during construction. Five projects worth about

R2.5 billion have been completed. Ten projects, valued at R36 billion, are under construction, including the N3 Cato Ridge to Dardenelles, N3 Dardenelles to Lynnfield Park, N3 Ashburton to Murray Road, N2/N3 EB Cloete Interchange, N2 Mtentu Bridge and N2 Msikaba Bridge, N3 Lynnfield Park to Ashburton, N3 Murray Road to New England, N3 Key Ridge to Hammarsdale, N3 Westville Viaduct to Paradise Valley Interchange and N2 Umdloti to Isipingo. Projects that are expected to be completed in the first quarter of 2025/26 are N3 Lynnfield Park to Ashburton, N3 Cato Ridge to Dardanelles and N3 Dardanelles to Lynnfield Park.

The Small Harbours Programme aims to revitalise harbours in the Western Cape and develop new harbours in the Northern Cape, the Eastern Cape and KwaZulu-Natal. Infrastructure South Africa is in the process of procuring the services of a professional service provider to develop spatial economic development frameworks for these Tier 1 and Tier 2 small harbours. The Tier 1 harbours are Port Nolloth, Port St Johns and Port Edward. From the initial 22 sites identified for the spatial economic development framework under Tier 2, five sites – two in KwaZulu-Natal, two in the Eastern Cape and one in the Northern Cape – are undergoing project development.

Under Project Ukuvuselela, the Gauteng-Eastern Cape high-capacity rail freight corridor for automotive volumes was gazetted in December 2022. The project is a catalyst for a R16 billion investment by Ford Motor Company SA in the City of Tshwane and will also facilitate the upgrading of the port of Gqeberha. The project aims to stimulate the automotive industry, which has been negatively affected by capacity constraints in the port of Durban and poor performance on the Container Corridor rail link. The construction phase of the project will yield an estimated 10 000 short-term jobs.

The high-capacity rail freight line is an expansion of the existing SouthCor rail infrastructure, which extends from Waltloo and Kaalfontein in Gauteng to Gqeberha through the Free State and the Eastern Cape. The project is at the bankable feasibility stage. In conjunction with Infrastructure South Africa, the Infrastructure Fund, DBSA and the Industrial Development Corporation, Transnet received R2 billion from the BFI to upgrade the rail and port infrastructure.

Digital infrastructure

The digital infrastructure sector consists of four strategic integrated projects: the Space Infrastructure Hub, the digitisation of government records, SA Connect Phase 1, and the MeerKAT and Square Kilometre Array (SKA) project.

The national Space Infrastructure Hub is a R4.4 billion project by the South African National Space Agency. It aims to increase the availability and use of Earth observation data. The agency received R1.2 billion from the BFI for the first phase of the project. The funding enabled the agency to complete the required site characterisation studies and construct a key infrastructure component at Matjiesfontein ground station. The Matjiesfontein site is a key component of the Space Infrastructure Hub as it will serve as a satellite tracking and telemetry site. It will also be used for deep space communication by the National Aeronautics and Space Administration as part of its upcoming lunar exploration programme. The requirements and procurement of the outstanding elements that form part of phase 1 are being finalised.

The South African Radio Astronomy Observatory received R1.3 billion from the BFI for the SKA data-hosting infrastructure project. This funding will cover the financial gap in construction, ensuring that the observatory can meet the required deadlines for delivering identified infrastructure elements. The Science Processing Centre and SKA Regional Centre Buildings, the Science Operations Centre Building and other components are at an advanced stage of the procurement process.

Agriculture and agro-processing

In partnership with multilateral development banks, the Department of Agriculture, Land Reform and Rural Development received a R9.9 million grant from the Middle-Income Country Technical Assistance Fund to prepare feasibility studies to attract finance to develop two agri-parks in the Free State and the North West. These pilot studies will be used to champion the revitalisation of the Rural Infrastructure Agri-Parks Programme and facilities to support access to fresh produce and other markets. A PPP financial structure is being explored for the two agri-parks.

The Marine Tilapia Industry Incubator Project in the Eastern Cape aims to establish a commercial marine tilapia industry. It was developed by the Eastern Cape Rural Development Agency and is supported by the Eastern Cape Department of Rural Development and Agrarian Reform and Infrastructure South Africa. An estimated R2.5 million has been allocated for feasibility, market demand and cost-benefit analysis studies, and overall business case development.

Human settlements

The human settlements portfolio has 17 strategic integrated projects: six integrated residential development programmes, nine social housing projects and two high-impact private-sector-led developments. Together, these projects have a total investment value of R163.1 billion and will provide housing for over 154 000 people. To date, 10 172 of the target of 154 000 housing units have been completed. The portfolio is projected to create over 285 000 jobs during development. To date, 39 056 short-term jobs have been created.

In collaboration with provinces and municipalities, the Department of Human Settlements expects to deliver about 86 000 fully subsidised houses over the medium term through an allocation of R43.5 billion to the *human settlements development grant*. A further R28.4 billion is allocated to the *urban settlements development grant* for metropolitan municipalities to implement bulk and related infrastructure projects.

PUBLIC-SECTOR INFRASTRUCTURE REFORMS

Over the past few years, the National Treasury has led reforms to strengthen the identification and prioritisation of projects, project planning and appraisal, funding, procurement and implementation readiness of the infrastructure project pipeline.

The National Treasury, the Department of Public Works and Infrastructure (DPWI) and the Infrastructure Fund are undertaking complementary reforms to strengthen the infrastructure value chain. The National Treasury is leading the review of the setup of the institutional value chain and spearheading initiatives to crowd in private investment. The DPWI is developing the second phase of the National Infrastructure Plan, focusing on distributed infrastructure aimed at making services more accessible to businesses and communities. Infrastructure South Africa is working to unblock policy and regulatory obstacles to build a credible and bankable pipeline of projects. The BFI is being strengthened to develop a pipeline of projects that can attract funding and financing, support the use of alternative delivery models and manage fiscal exposure and risks. The Infrastructure Fund is increasing skills and capacity in the structuring of blended finance projects, where most of the financing will come from the private sector.

Review of infrastructure delivery ecosystem and crowding in private-sector investment

The National Treasury is undertaking initiatives to catalyse greater private-sector participation and improve spending and delivery outcomes. These include introducing dedicated financing instruments to source funding from international financial institutions, development finance institutions and others to reduce the cost of borrowing, access technical assistance and improve accountability. As outlined in the 2024 *Medium Term Budget Policy Statement* (MTBPS), the National Treasury is piloting new models of funding and financing infrastructure, which are at different stages of development, such as the infrastructure funding platform, a credit guarantee vehicle and private-sector funding for transmission infrastructure.

The review of the institutional arrangements to fast-track project planning, financial structuring to enable early financial closure and delivery of projects is at an advanced stage. In the 2024 MTBPS, the National Treasury indicated its intention to combine project preparation support, transaction advice for PPP projects and ringfenced financing from government borrowing in a single structure. This unified approach will bring together the PPP office and Capital Projects Appraisal Unit in the Government Technical Advisory Centre and the capabilities in the Infrastructure Fund located in the DBSA. The memorandum of agreement that will govern their operations will be signed in 2025, with the consolidation of these functions expected to commence in the current year.

The expected outcomes are clearer institutional arrangements to deliver strategic infrastructure and a streamlined public investment management system leading to a stronger pipeline of credible infrastructure projects; faster, more efficient and cost-effective delivery of infrastructure; and greater access to various forms of financing, including more private-sector investment.

Budget Facility for Infrastructure

The BFI is a multi-disciplinary facility for large infrastructure projects to be appraised, evaluated and linked to the budget process for the allocation of resources. It brings together experts across government to make recommendations on the technical feasibility and readiness of infrastructure projects. By improving the planning, technical assessment, budgeting and execution of large infrastructure projects, the BFI supports quality public investments. The facility has helped build a pipeline of projects that have undergone rigorous technical analysis.

Since inception, there have been eight BFI windows, with R52.9 billion allocated in windows 6, 7 and 8. To improve the preparation and packaging of projects, the BFI has enabled the establishment of project preparation facilities. Projects that require preparation assistance from the BFI are referred to these facilities.

As part of the current reforms, the BFI is being reconfigured to run multiple windows. Project submissions will be evaluated quarterly rather than annually, as is currently the case. The same appraisal methodology will be used, but financing decisions will be separated from the budget process to determine the most effective financing mechanism for each project. This could include government guarantees, appropriations, PPPs or other fiscal tools. This is expected to improve efficiency and the allocation of fiscal and project risk.

The eighth window for the 2025 Budget process piloted the reconfigured system of appraisal and financing. Table D.2 shows the projects that have been approved for funding and execution.

Table D.2 Projects approved for funding in Window 8 of the BFI

	2025/26	2026/27	2027/28	MTEF
Cape Town Container Terminal Expansion (Phase 2B)	320	888	92	1 300
Health Technology for the Tygerberg Hospital Redevelopment PPP	–	–	295	295
City of Johannesburg Alternative Waste Treatment Technology	–	578	533	1 111
Student Housing Infrastructure Programme		306	951	1 257
NECSA's Multi-Purpose Reactor	403	440	414	1 257
OMMP 2D and 2F Raw Water Pipeline, WTWs, Reservoirs and Ancillary Reticulation Infrastructure	1 500	1 000	700	3 200
Siloam District Hospital	858	259	–	1 117
Ukuvuselela: Gauteng-Eastern Cape High-Capacity Rail Corridor	209	1 800	–	2 009
eThekwini Non-Revenue Water (NRW) Project	56	109	101	266
Total	**3 346**	**5 380**	**3 086**	**11 812**

Source: National Treasury

Currently, infrastructure allocations in the MTEF period are only visible and assured for a three-year period. From a risk allocation perspective, fiscal support to a blended finance project should ideally be transparent and assured over the project life cycle.

Improving transparency in infrastructure delivery and reporting

The National Treasury extended the scope of the infrastructure reporting model from April 2021 to include national government. The model aims to enhance transparency and uniformity by providing project details so that infrastructure budgets can be analysed and spending can be reviewed across all spheres of government. Substantial progress has been made towards fully institutionalising national government reporting by the end of March 2025. The reporting process has also identified the need for awareness and implementation of the infrastructure delivery management system in national government. This area will be prioritised in the 2025 MTEF to enable alignment between planning (budgeting and procurement) and implementation processes. Selected municipalities will pilot the use of a customised infrastructure reporting model during the 2025 MTEF period before it is rolled out to the rest of the municipalities.

Infrastructure Fund

The Infrastructure Fund's role is to maximise the contribution of private-sector investors in blended finance projects while facilitating early financial closure. Since its establishment, the fund has made significant progress in supporting the financing of infrastructure projects. Since 2021, the fund has helped package and finance 26 blended finance projects and programmes with a capital value of R101.6 billion across the water and sanitation, human settlements, student accommodation, transportation, health and municipal energy sectors.

Table D.3 summarises these projects and programmes. Of this, R37.1 billion has been approved through the BFI. Private-sector contributions total an additional R53.9 billion.

The approved projects and programmes in the human settlements sector are expected to deliver about 34 400 units of housing, water and sanitation projects will deliver about 500 000 megalitres of water per year, and the student accommodation programme is anticipated to provide about 13 700 beds when completed. The transport projects are expected to facilitate trade between South Africa and other countries. They include refurbishing six land ports to streamline the movement of people and goods; increasing Cape Town Harbour's terminal handling capacity to 1.4 million 20-foot equivalent units to improve operational efficiency; and building 1 000 kilometres of rail network to increase trade through automotive exports while reducing road congestion.

The Alternative Waste to Energy Treatment Technology Project will provide an alternative waste disposal approach that reduces environmental damage while innovatively generating energy by converting 500 000 tons of solid waste per year at a dedicated waste-to-energy facility.

Table D.3 Blended finance projects

Sector	Project	Quantity[1]	Capital costs (R million)	Approved BFI (R million)	Expected private-sector funding (R million)	Other grants/ equity (R million)	Progress to date
Human settlements	Hospital Street Social Housing Project	1 056 units	388	88	–	300	Construction
Human settlements	Goodwood Station Social Housing Project	1 055 units	457	152	–	305	Construction
Human settlements	Midrand Heights Social Housing Project	305 units	163	64	–	99	Due diligence
Human settlements	Lufhereng Mixed Use Development Project	32 000 units	7 700	3 400	2 150	2 150	Construction
Water and sanitation	Phase 1: Olifantspoort and Ebenezer Water Supply Programme	20 075 ML	4 600	1 400	2 000	1 200	Construction
Water and sanitation	Phase 1: uMkhomazi Water Augmentation Project	300 000 ML	24 000	12 000	12 000	–	Procurement
Water and sanitation	Moretele North Klipvoor Bulk Water Supply Scheme	15 330 ML	5 200	1 900	2 600	700	Procurement
Water and sanitation	Pilanesberg Bulk Water Supply Scheme	45 990 ML	2 900	1 800	1 100	–	Construction
Water and sanitation	Olifants Management Model Programme Phase 2B and 2B+	95 995 ML	6 300	2 400	3 429	471	Financing
Water and sanitation	eThekwini NRW	22 266 ML	1 109	379	169	561	Procurement
Water and sanitation	Olifants Management Model Programme Phase 2D and 2F[2]	95 995 ML	7 000	3 200	3 500	300	Financing
Transportation	Ports of Entry	6 land ports	9 100	–	9 100	–	Procurement
Transportation	Ukuvuselela	1 000 km	7 009	2 009	5 000	–	Procurement
Transportation	Cape Town Container Terminal	1 400 000 TEU	2 801	1 300	–	1 501	Financing
Student housing	Tshwane University of Technology	1 089 beds	1 089	338	210	541	Procurement
Student housing	University of KwaZulu-Natal	973 beds	973	200	188	585	Withdrawn
Student housing	Gert Sibande TVET College	504 beds	504	188	109	207	Awaiting ministerial approval
Student housing	Majuba TVET College	477 beds	477	174	103	200	Awaiting ministerial approval
Student housing	Lephalale TVET College	1 200 beds	462	341	73	48	Financing
Student housing	Sekhukhune TVET College	1 500 beds	600	465	72	63	Financing
Student housing	Vhembe TVET College	1 300 beds	514	399	62	53	Financing
Student housing	Central University of Technology	2 000 beds	610	178	181	251	Financing
Student housing	Walter Sisulu University	3 200 beds	1 040	446	112	482	Financing
Student housing	Northlink TVET College	1 500 beds	468	346	63	59	Financing
Energy	CoJ AWTT	500 000 TPA solid waste	5 740	1 600	4 140	–	Public participation and request for qualification (RFQ)
Health	Tygerberg	893 beds	10 378	2 302	7 500	576	Treasury Approval 2A (TA IIA): RFQ stage
Total			**101 582**	**37 069**	**53 861**	**10 652**	

1. The quantity for human settlements is units, the quantity for student accommodation and health is beds, the quantity for water and sanitation is megalitres per annum (ML), the quantity for energy is tons per annum (TPA) and the quantity for transportation is kilometres (km) and twenty-foot equivalent units (TEU)

2. Phase 2D and 2F are designed to take the full capacity of water as was catered for in the existing Phase 2C pipeline. They will not be counted as part of the total to avoid double counting

Source: Infrastructure Fund Unit and Project Preparation Division

PUBLIC-PRIVATE PARTNERSHIPS

Implementing recommendations from the PPP review

The National Treasury is advancing the implementation of recommendations from the comprehensive review of the PPP regulatory framework across all three spheres of government. Recommendations are being implemented to improve the PPP policy, legal and regulatory framework; strengthen institutional arrangements; and improve the reporting of fiscal risks and contingent liabilities. The changes are expected to drive higher confidence and investment in PPPs as well as greater private-sector participation.

As highlighted in the 2024 Budget, amendments were drafted to the National Treasury Regulation 16 (NTR 16) and the Municipal PPP Regulation 309, which govern PPPs. The National Treasury issued these amendments for public comment on 19 February 2024 and the public commentary process closed on 15 April 2024. The National Treasury has made good progress in addressing the recommendations related to changes in the legal and regulatory framework.

A communication will be issued in response to all public comments received on NTR 16. The amendments to the Municipal PPP Regulation 309 require more time because of procedural processes, including consultation with Parliament. These amendments will be finalised by June 2025.

The final amendments to NTR 16 were issued on 7 February 2025. The summary of the amendments is as follows:

- NTR 16 rationalises the approvals for smaller projects with a threshold of R2 billion that exempts projects from Treasury Approvals IIA and IIB.
- The PPP Advisory Unit's roles and responsibilities have been defined in the amendments to support institutions in the planning and procurement process for PPPs and to fast-track the conclusion of PPP projects to reach financial close.
- The amendments provide a clear delineation of the institutional roles and responsibilities of the PPP advisory function and the regulatory function.
- A new provision empowers national departments to establish dedicated units tasked with adopting a programmatic approach to support PPPs on behalf of other organs of state within the strategic sectors under their jurisdiction. The PPP Advisory Unit will collaborate closely with these departmental units to ensure effective coordination and execution of PPP initiatives.
- The legislative amendments provide mechanisms to track, report and manage fiscal commitments and contingent liabilities (FCCL) through the reporting requirements of Treasury Approvals I, IIB and III.
- The provisions for granting exemptions to NTR 16 have been improved to ensure good governance.

- The provision about applications from institutions seeking approvals for amendments to PPP agreements has been improved and clearly explained to ensure good governance.
- The amendments include a clear framework for receiving and processing PPP unsolicited bid proposals together with incentives to ease entry for the private sector.

The amendments are effective from 1 June 2025. This timeline has been set to allow sufficient time for institutions to familiarise themselves with the amendments as well as the enabling FCCL and unsolicited bid proposal guidelines that support these changes. In addition, institutions will receive training on the new amendments before their effective date.

To complement the recently issued amendments, the National Treasury will update the PPP manual to reflect the new amendment requirements as well as the modules recommended for revision, as outlined in the PPP review. Additionally, sector-specific toolkits are being developed, starting with priority sectors such as water and sanitation, tourism, electricity and accommodation. These updates are expected to be completed in 2025/26.

The legislative changes are not sufficient in crowding in private-sector investment. The National Treasury is working on various enabling mechanisms to support the legislative amendments. This includes:

- **Improving the policy framework:** The PPP ecosystem is being reviewed as part of a larger reform programme, as discussed above.
- **Strengthening the regulatory function:** The National Treasury will continue to strengthen the capacity of its regulatory function, which oversees and approves all PPPs, as this function is important for gatekeeping, timely approvals, transparency and fiscal oversight.
- **Exploring financial support mechanisms:** Further work is being done to explore options to bridge the affordability gap for PPP projects through budget processes. Funding mechanisms and other interventions need to be in place early to minimise delays in moving projects from contract to financial close.

CONTINGENT LIABILITIES

Contingent liabilities arise when there is a potential obligation that may materialise depending on the outcome of a future event. These liabilities are incurred if the contingency is likely to occur and the amount of the liability can be reasonably estimated. The materialisation of such liabilities, along with the associated costs, can significantly impact the budgets of institutions. Therefore, it is crucial to disclose all contingent liabilities, as they can have substantial implications for public finances. National and provincial PPP agreements are guaranteed by the Minister of Finance. These create a contingent liability for the national fiscus. This highlights the importance of carefully managing and monitoring contingent liabilities to ensure fiscal stability and transparency.

The National Treasury ensures that contingent liabilities arising from contracts are acceptable and monitors these liabilities. The National Treasury reviews and approves contingent liabilities of national or provincial PPP projects at the Treasury Approval III stage.

The legislative amendments to NTR 16 strengthen the reporting requirements and compliance relating to fiscal commitments and contingent liabilities.

There are various categories of contingent liabilities, depending on whether the termination is the result of private-sector default, government default or *force majeure* – an event beyond the party's control. Compensation depends on the reason the contract ended, but termination due to government default usually results in the greatest compensation. Table D.4 shows potential termination amounts for national and provincial departments and public entities. Total contingent liabilities amount to R11.4 billion for 2024/25.

Table D.4 Contingent liabilities by category[1]

	Termination for private party		Termination for force majeure		Termination for government default	
R million	**2023/24**	**2024/25**	**2023/24**	**2024/25**	**2023/24**	**2024/25**
National departments' exposure	2 722.3	1 719.5	3 093.2	2 858.1	3 832.7	3 211.6
Provincial departments' exposure	455.1	157.2	709.6	90.3	2 720.7	2 721.6
Public entities' exposure	217.1	184.5	184.1	156.4	272.6	272.6
Total	**3 394.5**	**2 061.2**	**3 986.9**	**3 104.8**	**6 826.0**	**6 205.8**

1. Municipalities are an autonomous sphere of government so their liabilities are not part of the fiscus
Source: National Treasury

Estimated contingent liabilities for PPPs that are likely to accrue to government if contracts are terminated due to government default decreased from R6.8 billion in 2023/24 to R6.2 billion in 2024/25. This decline was expected as government continues to pay off debt and equity owed to the private sector and as the contract terms of PPP projects end. National departments account for the greatest exposure, amounting to R3.2 billion in 2024/25. Head office accommodation projects and the Gautrain Rapid Rail Link project are the biggest contributors to government's exposure to contingent liabilities. Government manages the risk emanating from PPP contingent liabilities by closely monitoring each party's performance against their contractual obligations and enforcing regulatory requirements.

Improving the quantification of fiscal risks and contingent liabilities

The recommendations from the PPP review have underscored the need to enhance the reporting and monitoring of FCCL. This requirement has been reinforced through the revised legislative amendments to NTR 16, which mandate institutions to report on fiscal risks and contingent liabilities exposure.

Increased private-sector participation highlights the need for the National Treasury to better understand and manage fiscal risks associated with externally financed public projects. Effectively identifying, assessing, managing and reporting fiscal risks and contingent liabilities have become essential for designing new project financing methods and monitoring and reporting on existing projects.

In response to this, the National Treasury will issue FCCL guidelines that establish a shared understanding of the methodology for reporting fiscal risks, commitments and contingent liabilities. Additionally, the National Treasury will provide the necessary templates and training to ensure that institutions are equipped to regularly report on their financial commitments and contingent liabilities arising from PPP projects.

PPP projects going to the market

There are 35 PPP projects at different stages of development: 11 projects are in the inception phase, 11 are in the feasibility study phase and 13 are in the procurement stage. This distribution highlights the ongoing interest and commitment of public-sector institutions in the PPP market. Given budget constraints, the PPP model offers a viable alternative for these institutions to access private-sector financing and expertise.

Additionally, the amendments to the PPP regulatory framework will enable greater private-sector participation in public-sector infrastructure projects by reducing the procedural complexity in implementing PPPs. The creation of two pathways for PPPs, one for high-value projects and a simplified version for low-value projects, will incentivise the commencement of smaller PPP projects.

Brief details on some notable projects are outlined below.

Redevelopment of Ports of Entry Project

The R9.1 billion project aims to reduce delays experienced by passengers and vehicles at six inland borders that South Africa shares with its neighbouring countries. This will facilitate the efficient movement of goods to improve regional trade. The Department of Home Affairs will enter into a PPP agreement with a private party to design, build, operate and finance the redevelopment of the identified ports of entry.

The Department of Home Affairs has made significant progress in the procurement process, with the request for proposals submission period now closed. Both the department and the Border Management Authority are evaluating the submissions, with support from various stakeholders such as the National Treasury, the DBSA, the Infrastructure Fund and Infrastructure South Africa.

Gautrain Rapid Rail Link System

The Gautrain Rapid Rail Link System is an 80-kilometre rapid rail system in Gauteng, linking the cities of Johannesburg, Tshwane and Ekurhuleni. The current Gautrain concession ends in March 2026. The provincial government intends to implement new arrangements to ensure continuity of the current service while improving the quality, affordability, accessibility and sustainability of the system.

This project is at the evaluation stage and is expected to reach the stage of application for Treasury Approval IIB in 2025/26. The project should reach financial closure towards the end of this financial year.

Inkosi Albert Luthuli Central Hospital

The Inkosi Albert Luthuli Central Hospital is an 846-bed referral hospital that serves the whole of KwaZulu-Natal and part of the Eastern Cape. The 15-year PPP agreement is coming to an end, and the provincial government is undertaking a new PPP arrangement to ensure continuity of the current service while making improvements to the system. The project reached financial closure in 2024/25, and the new PPP agreement was signed on 28 May 2024. The project is now in its implementation stage.

Government Precincts

The R18.1 billion Salvokop Government Precinct is a mixed-use development that includes the construction of offices for four national government departments in Pretoria's inner city. Four PPP projects are registered for this precinct, each at different stages of development. These include Home Affairs at the Treasury Approval I stage, Correctional Services and Social Development at the feasibility study stage, and Higher Education at the inception stage.

The subsequent phases will include other commercial uses by the private sector and mixed typology housing. The government precinct will be supported by other land uses, including residential, office, commercial, retail, recreational and services.

MAJOR CAPITAL PROJECTS

Infrastructure Fund project pipeline

Table D.5 outlines possible blended finance projects under consideration by the Infrastructure Fund with a capital value of about R135.7 billion. Most of these projects will be submitted for funding consideration to the BFI. If approved, the BFI may provide gap funding or structure other financing instruments for them.

Table D.5 Project pipeline

Project name	Sector	Project description	Estimate of potential total investment (R million)	Progress to date
Lanseria Wastewater Treatment Works	Water and sanitation	The project entails the planning, design and implementation of the Lanseria wastewater treatment works and associated bulk outfall sewer. The objective is to construct and commission a module of 50 Ml/day (Ml/d) as part of a programme to deliver 150 Ml/d	3 400	Addressing gaps raised by 2022 BFI. Resubmission in 2025
Beitbridge - Musina Water Transfer Scheme	Water and sanitation	The project entails the construction of a pipeline (about 20km) crossing the Limpopo River from Beitbridge to Musina with bidirectional capacity to transfer 15 million m^3/annum (41 Ml/d) of treated water from Beitbridge WTW to the terminal reservoirs in Musina	2 000	Feasibility study stage
Ngqura Manganese Export Terminal Project	Transport	Development of a world-class 16 million ton per annum (mtpa) manganese export facility at the port of Ngqura to complement 6mtpa from the port of Saldanha to cater for projected demand of 22mtpa	10 000	Addressing gaps raised by 2022 BFI. Resubmission in 2025
Nkuna Smart City Mixed Use Development	Human settlements	Nkuna Smart City is a mixed-use development that is being developed on 119 hectares of land and consists of an industrial park, warehousing, shopping centre, public- and private-sector offices, intermodal facility, petrol station, drive-thru food outlets, university campus, schools, hotel, private hospital, business park, residential walk-ups and single stands	3 100	The project was registered with ISA and is expected to be in the early business case stage. The project consists of 10 phases, with two already completed. A cost-benefit analysis is under way
Cornubia Boulevard Development Project	Human settlements	Cornubia is a greenfield integrated human settlement development that will incorporate a variety of land uses, including mixed-income residential, industrial, commercial, open space, education and other amenities, as well as the associated bulk infrastructure services	25 000	Phase 1 of the project has been completed and phase 2 is currently at feasibility study stage
eThekwini Avoca Node Phase 2	Human settlements	The programme is located on a 350-hectare site in the northern corridor of the metro in KwaZulu-Natal. It consists of the Brickworks, Northfield and Caneridge developments and will provide for industrial and social housing needs	12 000	Advanced project preparation. Processes are in place to submit the project to the BFI in 2025
Total			**55 500**	

Table D.5 Project pipeline *(continued)*

Project name	Sector	Project description	Estimate of potential total investment (R million)	Progress to date
Nelson Mandela Bay N2 Nodal	Human settlements	The programme consists of various residential and non-residential components and bulk services to be delivered around the Baywest Mall. It will deliver a mix of land uses, including residential units across different market segments (fully subsidised to upper-middle-range private developments), large-scale retail, commercial and office facilities, and light industrial and warehousing facilities	19 700	Early project preparation. Processes are in place to submit the project to the BFI in 2025
Southern Farms Human Settlements Project	Human settlements	The development has capacity to deliver a smart city with 11 014 dwelling units for over 8 000 poor families and 3 000 middle-class families, retail facilities, transport hub, offices, hotel, light industrial centre, agricultural area, recreational area, educational facilities and health facilities	9 700	The project was submitted to the BFI and unsuccessful. Gaps are currently being addressed to resubmit in 2025
Leeuwpoort Integrated Human Settlements Project	Human settlements	The project is on a 1 300-hectare site with a variety of land uses, including mixed-income residential, industrial, commercial, open space, education and other amenities. It is in Ekurhuleni across three sub-township extensions: Rieger Park, Park Dene and Sunward Park	15 600	The project was submitted to the BFI and unsuccessful. Gaps are currently being addressed to resubmit in 2025
First Land Mixed Use and Agri-hub	Agriculture	First land precinct is a mixed-use development by Atterbury. The project aims to develop a state-of-the-art fresh produce hub and agri-hub for Gauteng	10 762	The project was submitted to the BFI and unsuccessful. Gaps are currently being addressed to resubmit in 2025
6 District Municipalities Project Preparation Interventions*	Water and sanitation and energy	To improve the integrity of the bulk water and sanitation infrastructure in selected priority district municipalities, to improve supply reliability	1 600	Feasibility studies being completed
Chris Hani Baragwanath Academic Hospital	Health	Construction of a PPP central hospital facility with the private sector	10 000	Feasibility study is currently under way
George Mkhari Academic Hospital	Health	Construction of a PPP central hospital facility with the private sector	10 000	Feasibility study is currently under way
Joburg Fresh Produce Market	Agriculture	The project entails the refurbishment work and modernisation of the JFPM to be a "smart facility" to fulfil current and future needs, and ensure sustainability and that it is fit for purpose. The market needs an upgrade and expansion of its existing infrastructure	2 820	Feasibility study is currently under way
Total			**135 682**	

Source: Infrastructure Fund

Pipeline of other major public-sector projects

Table D.6 summarises other major public infrastructure projects, some of which are public-private partnerships.

Table D.6 Pipeline of other major public-sector projects

Project name	Project stage	Project description	Estimated project cost
Salvakop Precinct PPP Project	Various	A mixed-use development that includes the construction of offices for four national government departments in Pretoria's inner city	R18.1 billion
Kopanong Precinct PPP Project	Procurement	Construction of Gauteng Provincial Government office to consolidate administration function of 19 buildings in the Johannesburg CBD	R6.5 billion
Phase 2 - Rural Bridges Programme	Various	Construction of rural bridges in various parts of the country	R12 billion
KwaMashu Wastewater Treatment Works	Feasibility	Design, finance, build and operate wastewater treatment works in KwaMashu, eThekwini Municipality	R1.2 billion
City of Cape Town Water Desalination	Feasibility	Desalination of sea water for bulk and reticulation	R2.5 billion
Limpopo Central Hospital Project	Implementation	Construction of a new 488-bed central hospital in Polokwane, which will form part of an academic health complex attached to the University of Limpopo's medical school	R4.5 billion
Gauteng Rapid Rail Network Extension Parts 1 and 2	Procurement	A two-phase extension of the existing Gautrain rail system	R65.4 billion
Midvaal Electricity Distribution Project	Procurement	Refurbishment and expansion of the existing distribution lines owned by the municipality	R1 billion
Small Harbours Development Programme	Implementation	Upgrading and refurbishment of 12 proclaimed fishing harbours in the Western Cape, and nodal-based refurbishment and development of new harbours in the Northern Cape, Eastern Cape and KwaZulu-Natal	R7.1 billion
Expansion of the MyCiTi Bus Rapid Transit System in Cape Town	Implementation	Expansion of the MyCiTi bus rapid transit system in Cape Town	R7.1 billion
Belhar Regional Hospital	Concept design	Construction of a 550-bed regional hospital	R4.6 billion
Klipfontein Hospital	Concept design	Construction of a new hospital to replace the GF Jooste Hospital	R4.3 billion
Berg River Voëlvlei Dam Pipeline BRVAS (Western Cape)	Construction	Construction of a weir and abstraction works with a pump station on the Berg River, with a 6.3-km-long pipeline to the Voëlvlei Dam	R1.1 billion
Lower uMkhomazi Bulk Water Supply Scheme	Construction	Construction of an off-channel storage dam at Ngwadini, construction of two weirs within the uMkhomazi River, raw water transfer to a 100 Ml/d water treatment plant at Craigieburn and potable water infrastructure to supply the South Coast Quarry Reservoir	R 6.2 billion

Source: National Treasury

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