KWAZULU-NATAL PROVINCE
TREASURY
REPUBLIC OF SOUTH AFRICA

PARTNERING FOR INCLUSIVE DEVELOPMENT

May 2025

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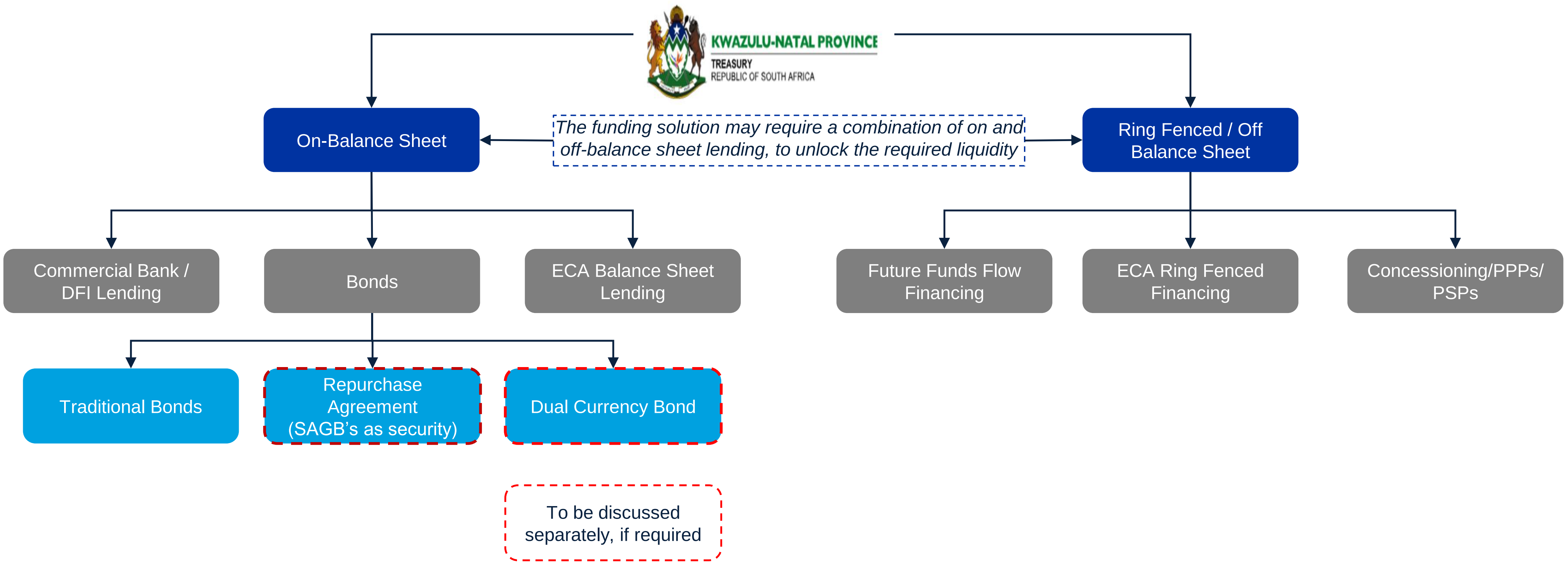

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POTENTIAL FUNDING SOLUTIONS

- **Tried and tested solutions**
- A combination of funding solutions are available to implement PPP projects, which are highlighted below as well as detailed in the following slides.
- The ultimate financing option, or combination of finance instruments, selected will be informed by a financing strategy that best optimizes risk allocation for the contemplated project across project parties.

PARTNERSHIPS WITH THE PRIVATE SECTOR

- Given the Design, Build, Finance, Operate, Maintain, Transfer (“DBFOMT”)or BOT or Concession Contract nature of the public private partnerships (“PPP”) envisaged for implementing projects, it is contracted that the **Private Party cannot maintain outright ownership of the concession as it will need to be transferred to the Provincial Government / Municipality** as the Contracting Authority at maturity of the concession.
- Key contractual provisions to be agreed will need to ensure that the revenue generation model of the project over the concession period adequately compensates the investors and finance parties during the fixed concession period.
- In the event of any premature termination of the concession, events of default which will be clearly articulated in the project agreements, the termination payments that will materialize will need to reflect adequate compensation for revenue earned and the ability of the project assets to be included in the security arrangements.
- Termination values and payments payable and/or receivable to a Project Party at a point in time will be reflective of compensating for returns generated up to a point in time relative to the opportunity costs of forgone returns.
- The requirement for Government support will be determined by the project cashflows and the ability to sustain debt. In any event government will typically be liable under law for its legal performance obligations
- **ALLOWS FOR LONG-TERM FINANCING – [15] YEARS +.**

EXPORT CREDIT AGENCY BACKED SOLUTION

- It is likely that there will be capital equipment and services procured internationally/regionally to implement the project.
- The components of the project which are imported internationally or from outside of the country are eligible for preferential financing terms, to incentivize the exports of the country of origin. These will be contained in the Export Credit Cover documentation.
- Standard Bank is able to work with contracting authorities and/or the project company to assess the viable geographical locations from which capital equipment can be sourced for the project. This will be jointly with the project contractors as they will bear the primary responsibility of sourcing equipment under their respective construction and/or engineering, procurement and construction (“EPC”) contracts.
- Export Credit Agencies (“ECAs”) have minimum content requirements that will need to be met before any Export Credit Cover benefits can be availed.
- The payment terms of Export Credit Agencies often require a down payment of circa [15]% to be made by the buyer upfront.
- **ALLOWS FOR LONG-TERM FINANICNG UP TO 15-YEARS**

BALANCE SHEET

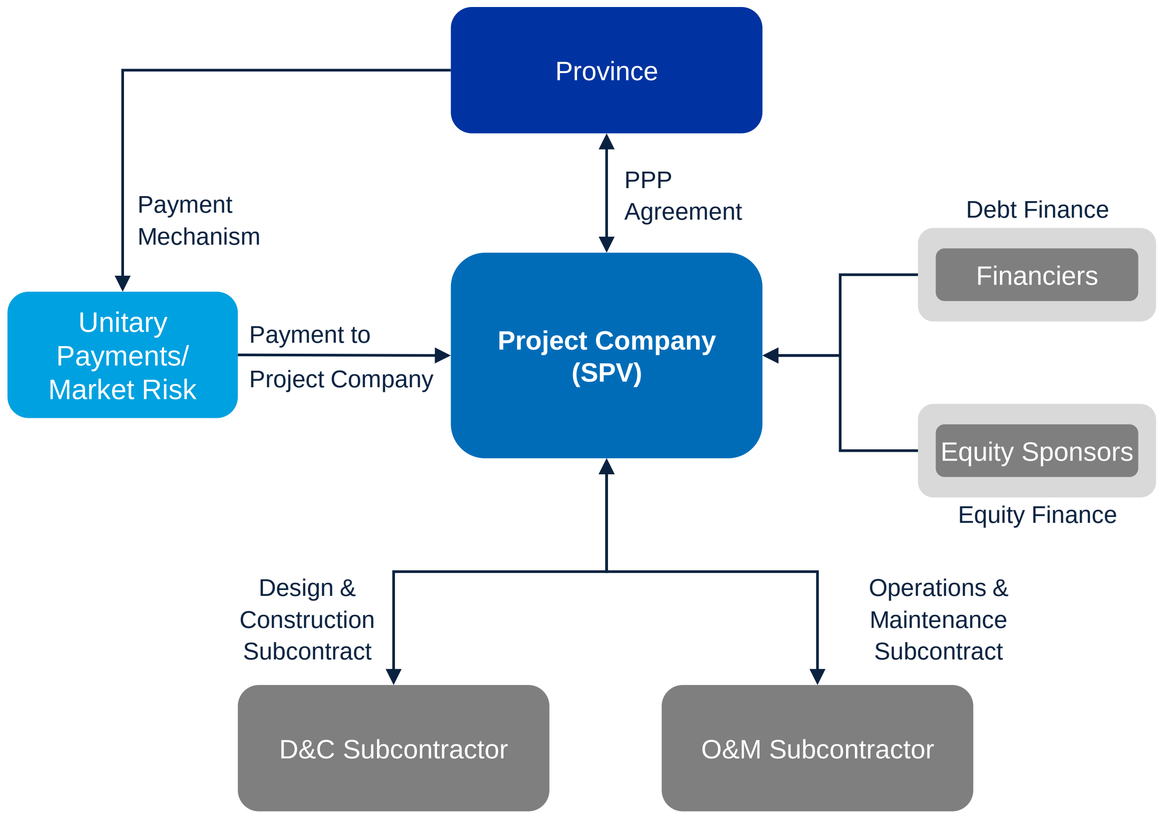
- With the assumption that the “transfer” provision of the envisaged PPP arrangement is to maintain ownership of the Project Assets, the most expedient way in which to finance the project would be through the balance sheet of the province/municipality.
- Lenders and investors would need to analyze and assess the financial position of the Borrower to avail any funding, that would be payable.
- The operations and/or maintenance of the Project would be entered into via separate contractual arrangements including but not limited to leasing arrangements etc.
- **TERM FINANCING OF UP TO [7-10] YEARS**

CONCESSION MODEL

Key considerations

- **What is a Concession – a right of use for a pre-defined period – NOT privatisation**
- Concessioning allows for significant private sector involvement for development and operations.
- Benefit is that private sector raises capital to fund the projects, so no direct impact on fiscus. Government also benefits from upside.
- Allocation of risk to those best placed to manage risks.
- Means that all project counterparties are held accountable for their role in delivering the project, e.g. performance bonds.
- The concession model presented is as follows:
  - Government Agency attributes to a Special Purpose Vehicle ("SPV" or "Concessionaire") a concession for a period of [30] years;
  - The Concessionaire will be responsible for the design, build, finance, operate and maintenance of the Project;
  - The Concessionaire will be responsible for the collection of revenues, depending on the nature of the concession; or
  - Province / Municipality can pay the SPV an availability based payment in the form of an annual unitary charge.
- Up to [15] years debt tenor.
- Credit enhancement through the likes of the Mulilateral Investment Guarantee Agency ("MIGA"), GuarantCo and Development Finance Institutions ("DFI") risk sharing solutions may be appropriate; ECA solutions also possible.

DBFOMT Model



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