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OPINION

Revamping SA's infrastructure: Solutions for a crumbling system

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SOUTH Africa's deteriorating infrastructure is crying out for intervention, with the Financial and Fiscal Commission calling for a complete rework of the country's fragmented public-private partnership (PPP) framework to unlock desperately needed investment.

The commission has recommended that the ministers of Finance and Public Works and Infrastructure replace the current disjointed PPP system with a clear, unified framework that distinguishes PPPs from traditional procurement and establishes transparent risk-sharing rules.

Despite PPPs being employed since the 1980s, uptake has declined significantly, dropping from R10.7 billion in 2011/12 to just R7.1bn in 2022/23.

This worrying trend has raised urgent questions about how to reignite infrastructure's role in economic growth while strengthening the contribution of public-private partnerships.

"The key finding is that PPPs are poorly defined in legislation," said Gianni Delle Donne, researcher at the Financial and Fiscal Commission, in a briefing on the division of revenue for the 2026/27 financial year.

"Unless PPP regulations are clarified and strengthened, private sector participation will remain limited, and government will carry unsustainable



WATER and energy infrastructure should be prioritised as sectors with the greatest impact on growth and sustainable development. | Supplied

risks," she said.

Between 2013 and 2023, provinces and municipalities contributed R1.1 trillion – approximately 50% of South Africa's total public infrastructure spend – proving that sub-national governments are major drivers of infrastructure investment, not merely implementers, Delle Donne's research showed.

However, PPPs accounted for only R50bn, or a mere 2.2% of total public spending during this period.

Over the 2024 medium-term

expenditure framework, PPPs are projected to remain at just 2% of the pipeline, while provinces and municipalities will contribute 42%, she added.

"The key takeaway is that there is scope for PPP to be scaled up to bridge the funding gap," Delle Donne said.

A significant challenge lies in contingent liabilities and the burden of risk.

National and provincial governments, as the main contracting parties, often carry the financial burden when parties default on PPP obligations, exposing the fiscus to high termination risks, said Delle Donne.

Delle Donne noted that, too often, PPPs resemble traditional procurement, where government retains most of the risk, while feasibility studies are weak or politically driven.

Case studies revealed that competitive bidding with clear risk allocations, transparent communication, stakeholder buy-in, realistic scope-setting and financial discipline are all essential for PPP success, said Delle Donne.

Water and energy infrastructure should be prioritised as sectors with the greatest impact on growth and sustainable development.

There should also be robust risk-sharing mechanisms and enforceable contracts to ensure PPP agreements have fair risk allocations that protect both government and the

private sector while reducing contingent liabilities.

On strengthening sub-national government's contribution to infrastructure-led growth, the commission noted that while public infrastructure investment has improved service delivery access, progress remains uneven, with some provinces advancing rapidly while others face structural challenges requiring targeted interventions.

Analysis of the Public Transport Network Grant showed fluctuating allocations with a significant decline in 2020/21.

Spending performance, though improved, remains below full achievement – a clear indicator of ongoing challenges in fund absorption and efficiency of project implementation at local government level, said Delle Donne.

To address these issues, the recommendation is that a sub-national infrastructure coordination framework is established to streamline development at provincial and municipal levels, reducing fragmented planning, duplication and inefficient resource allocation.

Another proposal is to introduce a performance-linked feedback mechanism in all provincial and municipal incentive grants, creating a direct and transparent link between performance and funding to ensure grants operate as true incentives rather than entitlements.