SAFHE 2026
SOUTHERN AFRICAN HEALTHCARE CONFERENCE
SYNERGY IN ACTION: SHAPING THE FUTURE OF HEALTHCARE TOGETHER

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BRIDGING THE INFRASTRUCTURE GAP

A Blended Finance and PPP Framework for Resilient Public Healthcare facilities in KZN

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WHAT THE PRESENTATION COVERS

1. The Problem: KZN's Infrastructure Financing Gap
2. National Policy Architecture (NIP 2050, SDG, NDP)
3. Three Futures for SA Infrastructure
4. South Africa's Investment Challenge (2016 – 2025)
5. Key Findings
6. Public Infrastructure Spending by Sector
7. The Efficiency Case for PPPs
8. Recent Policy Enablers for Blended Finance
9. Governance Indicators & The PHIDU Justification
10. A Blended Finance & PPP Framework
11. Policy Recommendations
12. Conclusion: Pathway to the Rising Sun Scenario

The Problem – A Legacy of Neglect

Indicator	1994	2024
KZN Maintenance Backlog	R0,5 billion	R12+ billion
Real Per Capita Infrastructure Spend	Peak 2004 - 2008	Below 2000 level
Infrastructure Grant Spend	-	15-25% annually
Health Share of Total Infrastructure Spend	-	Only 4-5%

The Paradox: Budget increases, but infrastructure deteriorates

"It serves no purpose to add to infrastructure if funds are not made available to maintain existing infrastructure." CSIR (1999)

Alignment with National Policy Architecture

National Infrastructure Plan 2050 (NIP 2050)

- 30-year vision for infrastructure development in SA
- "Smart infrastructure is crucial to our quality of life, and it is at the centre of our economy and society, powering our industries, creating high-quality jobs, and facilitating international trade." (DPWI, 2023, p. 8)

Sustainable Development Goals (SDGs)

- 72% of the 169 SDG targets (DPWI, 2023, p.8)
- Health Infrastructure integral to achieving SDG 3 (Good Health & Well-being)

National Development Plan (NDP) 2030

- 30% of GDP to be invested in capital
- Public sector investment must increase from 5,4% of GDP (2019) too 10% by 2030
- Private investment must rise from 12,5% of GDP to 20% of GDP (DPWI, 2023, p.13)

South Africa's Investment Challenge

Indicator	2016	2025	Change	NDP 2030 Target
GFCF to GDP Ratio (%)	17.5%	13.7%	-3.8 pp	30%
Public Sector Investment (%GDP)	6.3%	4.1%	-2.2 pp	10%
Private Sector Investment (%GDP)	11.2%	9.6%	-1.6 pp	20%
Gross Fixed Capital Formation (R billion)	R781 bn	R647 bn	-R134 bn	-
Construction Sector GVA (R billion)	R156 bn	R99 bn	-36%	-

- **Implications for Health**: Public investment declined by over a third. Health receives only 4-5% of total public infrastructure spending. The 12 billion backlog represents nearly one full year of national infrastructure allocation. (*Source: National Treasury (2026), Infrastructure Trends, pp. 4-5*)

3 Futures for SA Infrastructure

Dimension	The Rising Sun Over Mzansi	The Two Wolves within Mzansi	The Waxing Moon over Mzansi
Core Metaphor	Hope, aspiration, collective purpose	Internal struggle between good and evil	Fragmented governance, decline
Governance quality	High – transparent, citizen-focussed	Low- red tape, corruption	Very low – institutional collapse
Smart Infrastructure acceptance	High – full embrace of 4IR, PPPs flourish	High technology is adopted, but governance fails	Low – total disregard
Private Sector Role	Fully integrated	Limited, red tape constraints	Absent, investor withdrawal
Health Infrastructure Outcome	Well-maintained, equitable access	Limited to metros; rural neglect	Complete collapse
Economic Growth (by 2030)	4.17% CAGR	2.3% CAGR	1.07% CAGR
Poverty Trajectory (by 2030)	41.6%	Above baseline	57.5%

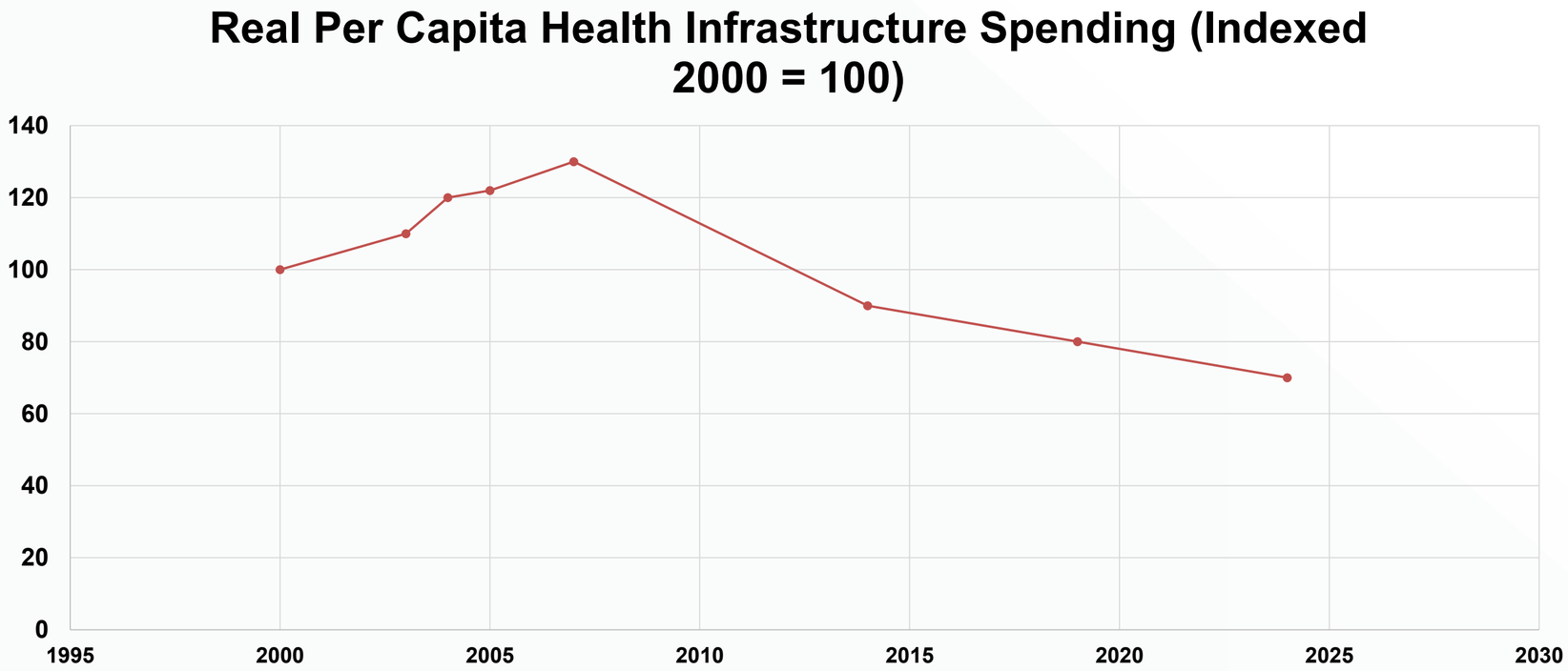
3 Futures for SA Infrastructure...cont

- *Based on two crucial uncertainties—infrastructure governance and acceptability of smart infrastructure—the DPWI's scenario planning exercise (2023) offers three feasible futures for infrastructure development towards 2050*
- **Critical finding:** "Divergent perceptions of risk between the public and private sectors impede infrastructure investment in South Africa. Attracting more private capital through PPPs is one of the most frequently advocated strategies for closing infrastructure funding gaps." (DPWI (2023), p. 12)

Key Finding # 1 - Stagnating Real Per Capita Health Infrastructure spending 1994 - 2024

Period	Real Per Capita spending Trend	Index (2000 = 100)	Key Policy Context
1994 - 1999	Gradual increase from low base	75 → 96	Post-apartheid inheritance; RDP clinic-building
2000 - 2004	Steady growth to peak	100 →120	HRP gains momentum
2005 - 2007	Peak infrastructure investment	127→ 130	HRP at full implementation
2008 - 2010	Sharp decline begins	129 →114	Global financial crisis, maintenance ratio falls to 48%
2011 - 2014	Continued decline below baseline	109→ 98	Austerity; NHI White Paper; falls below 2000 levels
2015 – 2019	Sustained low levels	96→ 89	Fiscal pressure; pre-pandemic low
2020 – 2022	Further decline	88→ 86	COVID-19 diverts resources
2023 - 2024	Modest recovery begins	91→ 95	HFRG increased

Key Finding #1 – Stagnating Real Investment



- **Summary**: 34% decline from peak 2007 to trough (2021); below 2000 levels for 10+ years despite 42% population growth

Public Infrastructure Spending by Sector (R billion) – 2022/3 – 2028/9

Sector	2022/23 (Outcome)	2025/26 (Revised)	2028/29 (MTEF)	MTEF Total	Share Total
Transport & Logistics	86.4	130.7	134.4	417.6	39.2%
Water & Sanitation	35.4	62.7	63.2	185.2	17.4%
Energy	38.7	59.2	70.3	213.6	20.0%
Education	21.1	19.1	19.5	58.5	5.5%
Health	**11.9**	**15.8**	**14.6**	**43.5**	**4.1%**
Human Settlements	14.3	18.1	16.7	48.4	4.5%
Other	31.0	39.6	31.0	99.7	9.3%
Total	238.8	345.2	349.7	1066.4	100%

- **Interpretation**: Health infrastructure receives only **4-5% of total public infrastructure spending** – far below the estimated need given the R12 billion maintenance backlog in KZN alone (*National Treasury (2026), Infrastructure Trends, p. 7)*

Key finding # 2- KZN Maintenance Backlog Growth (R billion)

Year	Estimated backlog	Growth Rate (CAGR)	Context
1994	R0.5 bn	-	Post-apartheid inheritance
2004	R2.0 bn	14.9%	Post-HRP initiation
2009	R3.5 bn	11.8%	Global financial crisis
2014	R6.0 bn	11.4%	Fiscal austerity period
2019	R9.0 bn	8.4%	Pre-pandemic assessment
2024	R12.0 bn	5.9%	Current estimate

The compounding effect: Each year of neglect increases future remediation cost exponentially. As the CSIR (1999) noted using road infrastructure as an analogue; maintenance is **sixteen times cheaper than reconstruction.**

Key finding # 3- The Capacity Gap Paradox

Consistent Underspending despite Massive Need

Financial Year	Grant Allocation (R billion)	Estimated Underspending (R billion)	Underspending Rate
2018/19	7.2	1.4	19.4%
2019/20	7.5	1.6	21.3%
2020/21	8.1	1.8	22.2%
2021/22	8.3	1.5	18.1%
2022/23	8.5	1.5	17.6%

Not a funding gap – a capacity gap rooted in:

- Poor planning and project preparation
- Insufficient technical skills (engineers, project managers)
- The **recurrent-cost dilemma** (provinces fear new assets they cannot afford to operate)
- Fragmented accountability between Public Works and Health *(National Treasury Provincial Budgets and Expenditure Review, various years)*

The Efficiency Case for PPPs – Evidence from Auditor-General Findings

Finding Area	Auditor-General Outcome	Implication
Cost Overruns	A significant proportion of public infrastructure projects exceed budget	PPPs transfer cost overrun risk to private partner
Project delays	Chronic delays in public sector delivery	Private partners are contractually incentivised to meet timelines
Quality Deficiencies	Irregular expenditure and poor workmanship common	Performance-linked payments ensure quality compliance
Project Preparation	Weaknesses in appraisal and selection processes	Private sector brings specialised expertise to project development
Contract Management	Poor oversight of construction contracts	PPPs integrate design, build, operate, maintain into single contract

Global Barometer Headlines Scores (National Treasury, 2026, p.13): South Africa's infrastructure governance scores lag behind international comparators, particularly project preparation, procurement, and contract management – precisely the areas where private partners bring specialised expertise.

Key Finding #4 – The Principal-Agent Problem

Fragmented Accountability Across Departments

Entity	Role	Incentive	Problem
National Treasury	Allocates funds	Fiscal discipline, budget control	Distant from service delivery realities
Department of Public Works and Infrastructure	Infrastructure delivery	Complete construction projects	No accountability for health outcomes
Department of Health	Service delivery	Patient care, clinical outcomes	No total control over infrastructure quality
Provincial Treasury	Provincial budget control	Limit recurrent expenditure	Discourages accepting new assets (recurrent cost dilemma)
Municipalities (where applicable)	Local infrastructure	Varies	Further fragmentation

Consequence: No single entity is accountable for **lifecycle asset management.** Maintenance is nobody's priority – until a crisis occurs.

Recent Policy Enablers for Blended Finance (2025 – 2026)

Policy Innovation	Effective date	Description	Relevance to Framework
Amendments to Treasury Regulation 16	June 2025	Reduce procedural complexity; clarified institutional roles; streamlined PPP processes	Supports standardised PPP contract templates (Component 3)
Infrastructure Finance & Implementation Support Agency (IFISA)	1 April 2026	Consolidates project preparation, appraisal, and PPP functions into a single institutional home	Aligns with proposed PHIDU – a dedicated, technically mandated unit
Sovereign Infrastructure Bond	December 2025	Raised R11,8 billion; supports infrastructure as standalone asset class	Potential source of concessional capital for blended finance (Component 2)
Budget Facility for Infrastructure	Quarterly from 2025/26	Considers proposals quarterly instead of annually	Accelerates project approval – critical for PPP implementation
G20 Infrastructure Working Group Deliverables (Nov 2025)	2025	Toolkit from cross-border infrastructure; report on blended finance de-risking; framework for planning practices	Provides international best practice for blended finance structuring

Source: National Treasury (2026), Infrastructure Trends, pp. 11-12)

Governance Indicators – Why a Dedicated Unit (PHIDU) is Necessary

Governance Dimension	South Africa's Performance	Implication for Health Infrastructure
Infrastructure for Good Barometer – Governance & Planning	Lowest scoring thematic area (National Treasury, 2026, p.14)	Precisely the functions PHIDU would perform
Public Capital & Infrastructure Performance (2000 – 2021)	Increased spending but no proportional improvement in outcomes	Indicates systemic inefficiencies in project selection, execution, maintenance
World Bank Regulatory Quality	Declining over past two decades	Need for insulated, technically mandated delivery units
World Bank – Government Effectiveness	Declining over past two decades	Reinforces case for PPPs and dedicated implementation capacity
Auditor-General – Infrastructure Audit Findings	Persistent irregular expenditure, cost overruns, delays	Private sector partners bring specialised expertise and accountability

Conclusion: The PHIDU is not an optional extra- it's a necessary institutional response to documented governance weaknesses. ***(Source: National Treasury (2026), Infrastructure Trends, pp. 11-12)***

The Solution – A Blended Finance & PPP Framework

Four Interlocking Components

Component	Function	Policy Enabler
PHIDU	Provincial Health Infrastructure Development Unit – “Intelligent Client”	Aligns with IFISA (National Treasury, 2026)
Blended Finance	Layered capital stack (concessional + commercial + equity)	Supported by G20 blended finance toolkit (2025)
Standardised PPP Contracts	Pre-approved templates for facility types	Enabled by Treasury Regulation 16 amendments (June 2025)
Performance-Linked Payments	Tie remuneration to service delivery outcomes	Aligns with PPP best practice

Goal: Mobilise private capital within a watertight public-interest framework

A Blended Finance and PPP Framework for KwaZulu-Natal

Four Interlocking Components. One Integrated Pathway to a Healthier, More Resilient KZN.

INTEGRATED FRAMEWORK

1 PROVINCIAL HEALTH INFRASTRUCTURE DEVELOPMENT UNIT (PHIDU)

- Dedicated, technically mandated unit within KZN DoH
- Staffed with engineers, project managers and finance specialists
- Insulated from political interference
- Responsible for project identification, procurement and contract management
- Acts as the "intelligent client" engaging private partners on equal footing

ALIGNED WITH IFISA

IFISA — Provincial counterpart to IFISA (launched 1 April 2026) ensuring coordinated, technically competent infrastructure delivery.

2 BLENDED FINANCE STRUCTURING

1. CONCESSIONAL CAPITAL	DBSA, Infrastructure Fund, DFIs De-risks "unbankable" components in rural and underserved areas
2. COMMERCIAL DEBT	Domestic banks Finances standardised, revenue-generating components with predictable cash flows
3. EQUITY & MEZZANINE FINANCE	Infrastructure investors, pension funds, impact investors Aligns interests with performance and asset longevity
4. OUTPUT-BASED AID	Public subsidy tied to verified outcomes Subsidises access for poor and vulnerable communities

RISK-APPROPRIATE FINANCING

Guarantees and credit enhancements de-risk projects and mobilise private capital (G20 Blended Finance Report 2025)

3 STANDARDISED PPP CONTRACT TEMPLATES

- Pre-approved, transparent contract structures for facility types
- Reduce transaction costs and accelerate procurement
- Embed lifecycle maintenance obligations

FACILITY TYPES COVERED

- District Hospitals
- Community Health Centres
- Primary Care Clinics

ENABLED BY REGULATION 16 AMENDMENTS (JUNE 2025)

Reduced procedural complexity, clarified roles, and streamlined PPP processes across spheres of government.

4 PERFORMANCE-LINKED PAYMENT MECHANISMS

- Ties private partner remuneration to verified service delivery outcomes and asset condition
- Rewards outputs and outcomes—not inputs
- Creates financial consequences for neglect and incentives for sustained quality

KEY PERFORMANCE AREAS

- Facility availability (uptime)
- Clinical service delivery
- Asset condition & maintenance
- Patient safety & experience
- Health outcomes

ALIGNING PRIVATE INCENTIVES WITH PUBLIC HEALTH GOALS

Breaking the "build–neglect–rebuild" cycle.

RISING SUN OVER MZANSI

Better Infrastructure. Better Health, Better Lives.

EQUITABLE ACCESS	SUSTAINABLE ASSETS	FISCAL SUSTAINABILITY	HEALTH OUTCOMES
Quality health services for all communities	Well-maintained facilities that last	Value for money and responsible public spending	Improved health and well-being for KZN

Public Purpose. Private Efficiency. Shared Value. | Integrated Governance. | Smart Finance. | Measurable Impact. | A Healthier KZN for Generations.

Component 2 – Blended Finance Structuring

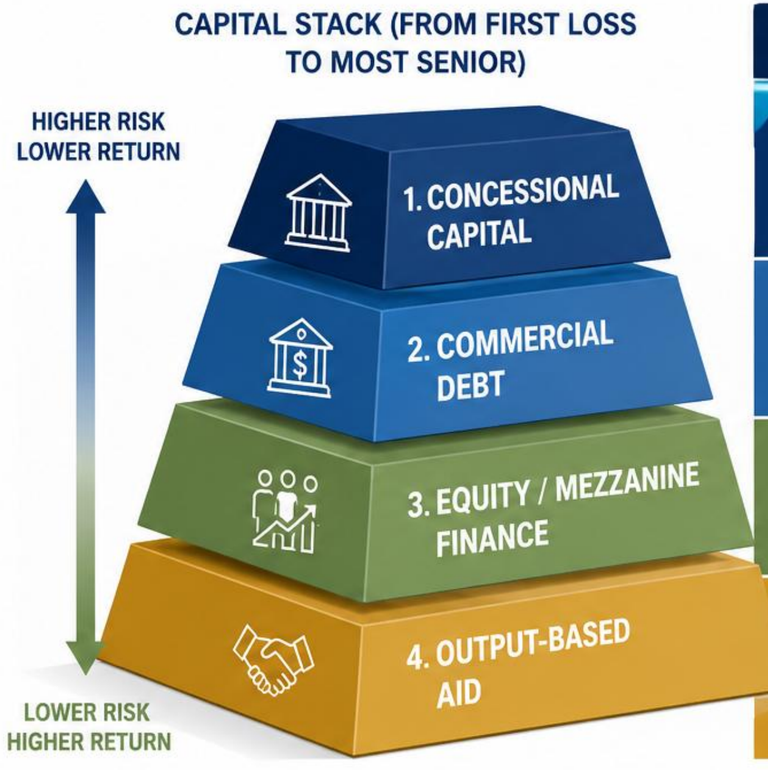
A layered Capital Stack Based on Risk-Appropriate Financing

Layer	Capital Source	Risk Profile	Application
1. Concessional Capital	DBSA, National Treasury Infrastructure Fund, International DFIs	Higher risk, lower return	De-risks “un-bankable” components (rural facilities, CHCs)
2. Commercial debt	Domestic banks	Moderate risk, moderate return	Standardised, revenue-generating components
3. Equity/Mezzanine Finance	Pension funds, impact investors, infrastructure funds	Variable	Aligns investor interests with performance
4. Output-Based Aid	Government subsidies, development partners	Tied to outcomes	Subsidises access for poor communities, ties payments to verified service delivery

Principle: Each capital source assumes the risks it is best equipped to manage. Public resources are strategically deployed to address market failures and ensure equity outcomes.

Supported by: G20 Report on Blended Finance De-Risking Measures (2025); World Bank (2022)

A Layered Capital Stack Based on Risk-Appropriate Financing



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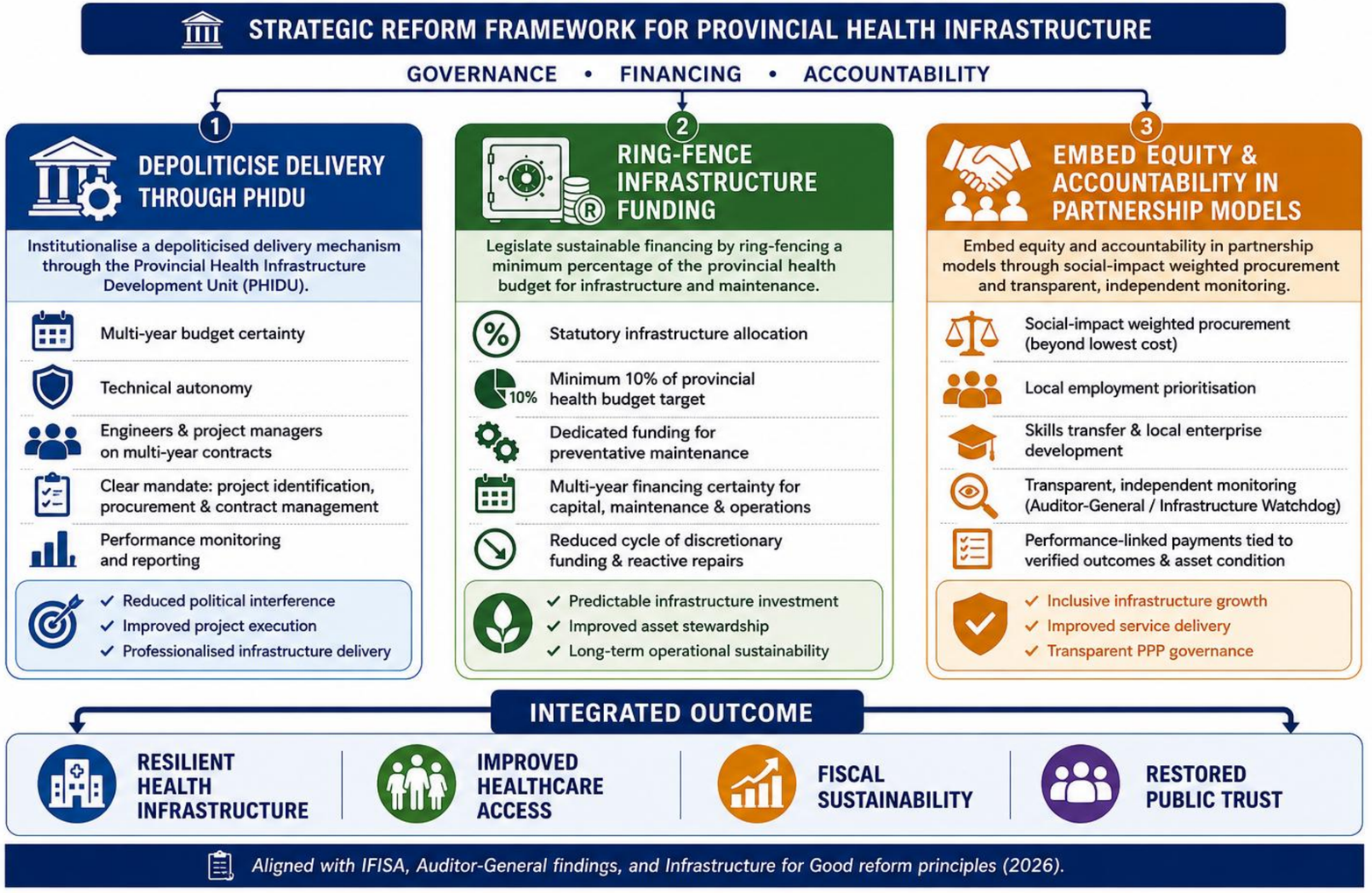
POLICY IMPLICATIONS AND RECOMMENDATIONS

Toward Sustainable and Equitable Health Infrastructure Delivery in KwaZulu-Natal



Cross-cutting priority: Build state capacity to be an "intelligent client"- not a struggling builder

Traditional Procurement vs Public-Private Partnership (PPP) Model

Building Sustainable Public Infrastructure

TRADITIONAL PROCUREMENT

"Build It and Hope It Lasts"

Aspect	Traditional Model
Primary Goal	Complete construction
Contract Period	3–5 Years
Funding	Government capital budget
Design	Government procures separately
Construction	Separate contractor
Maintenance	Separate annual budget allocation
Risk	Mostly borne by government
Accountability	Spread across multiple departments
Payment	Upfront construction payments
Success Measure	Project completed on time

PUBLIC-PRIVATE PARTNERSHIP (PPP)

"Build, Maintain and Perform"

Aspect	PPP Model
Primary Goal	Long-term asset performance
Contract Period	20–30 Years
Funding	Combination of public & private capital
Design	Integrated with delivery
Construction	Integrated responsibility
Maintenance	Contractually mandatory
Risk	Shared with private partner
Accountability	Single responsible delivery partner
Payment	Linked to performance outcomes
Success Measure	Asset quality over entire lifecycle

KEY DIFFERENCES

Focuses on construction	Focuses on outcomes
Annual maintenance battles	Maintenance built into contract
Government carries most risks	Maintenance built into contract
Government carries most risks	Risks allocated to best manager
Short political cycle	Long asset lifecycle
Fragmented accountability	Single-point accountability
"Build-Neglect-Rebuild"	"Build-Maintain-Perform"

Typical Outcome

Build → Open Facility → Maintenance Deferred → Infrastructure Deteriorates → Rebuild Again

Result:

- ❌ Growing maintenance backlogs
- ❌ Cost overruns
- ❌ Fragmented accountability
- ❌ Short-term decision-making

WHY PPPs

WHY PPPs MATTER FOR HEALTHCARE

- Hospitals stay functional longer
- Maintenance becomes mandatory, not optional
- Lifecycle costs are managed upfront
- Better facilities support better patient outcomes
- Public funds leverage additional private investment

Typical Outcome

Design & Build → Operate & Maintain → Performance Monitoring → Continuous Upkeep → Longer Asset Life → Better Public Services

Result:

- ✅ **Lifecycle sustainability**
- ✅ **Predictable maintenance**
- ✅ **Better value for money**
- ✅ **Improved service delivery**

THE BIG IDEA

Traditional Procurement asks: "Can we afford to build it?"

PPP asks: "Can we afford to own, operate, and maintain it for the next 30 years?"

Structured Survey Questionnaire

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Thank you / Q&A