

# PRACTICAL INSIGHTS INTO SUCCESSFUL STUDENT HOUSING APPLICATIONS

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higher education  
& training

Department:  
Higher Education and Training  
REPUBLIC OF SOUTH AFRICA

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SAFE

VACCINATE TO SAVE SOUTH AFRICA

TOGETHER WE CAN BEAT CORONAVIRUS



# PRESENTATION OUTLINE

1. Introduction
2. Background
3. RSA Student Housing PPP
4. Kenyan Experience: Student Housing PPPs
5. PPP: South African Context
6. GTAC Assessment Process
7. Non-Recommendable Applications
8. Ideal Way-forward & Conclusion

# 1. INTRODUCTION

## Department of Higher Education and Training (DHET)

- Oversees RSA Post-School Education and Training, which includes public universities
- All infrastructure programmes (*incl SH*) located under Branch P
- Directorate - Infrastructure Support: Assesses university infrastructure related applications
- PPPs & Long-Term Leases are assessed through GTAC
- Focus is on affordability by institutions and their students (*NSFAS allowance as benchmark*)
- Assessment process shifted to early involvement of GTAC

## Government Technical Advisory Centre:

- National Treasury entity reporting directly to the Minister of Finance
- Technical Advisory Services: National & Provincial Departments, Municipalities, and Public Entities
- 4 Units & 2 PMUs: TA Services & PPP Unit, Capital Projects Appraisal Unit, Institutional Development Support Unit, Public Expenditure & Policy Analysis, Jobs Fund & Municipal Financial Improvement Programme

## 2. BACKGROUND

### **Construction, Long-Term Lease & Purchasing of immovable property:**

- Higher Education Act requires Ministerial approval if above 5% benchmark

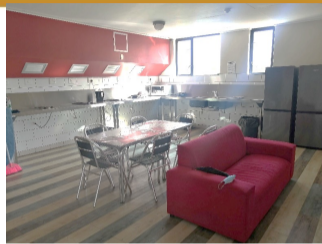
### **Student Housing PPPs:**

- 2015 Student Housing Policy requires Ministerial approval. Some PPPs may trigger the requirement(s) of the Higher Education Act

### **Documentation Required:**

- Letter to the Minister (*signed by the VC*)
- Copy of Council approval
- AFS for 2 years immediately preceding Council approval
- Business/project plan
- Independent feasibility study
- Draft agreement(s)
- Supporting documentation required by GTAC

# 3. RSA STUDENT HOUSING PPP



## 4. KENYAN EXPERIENCE: STUDENT HOUSING PPPs



Project name	Contracting Authority	Value (Million)
Egerton University PPP Accommodation Project	Egerton University	6000 KES - 60 US\$
JKUAT PPP Hostel Project	Jomo Kenyatta University of Agriculture and Technology	2499 KES - 24.8 US\$
Kenya Technical Teachers College (KTTC) PPP Student Accommodation Project	The Kenya Technical Trainers College (KTTC)	5600 KES - 55 US\$
Kenyatta University Students Hostels	Kenyatta University (KU)	1165.9 KES - 14.13 US\$
KSG Embu PPP Hostel Conference Complex Project	The Kenya School of Government (KSG)	1150 KES - 13.3 US\$
Machakos University PPP Hostel Project	Machakos University College Projects	5400 KES - 60 US\$
Mamlaka Undergraduate PPP Hostel Project	The University of Nairobi (UoN)	5978.86 KES - 53.1 US\$
Maseno University PPP Hostel Project	Maseno University	135000 KES - 1350 US\$
Moi University PPP Hostels Project	Moi University	2100 KES - 21.1 US\$
Postgraduate and International Student Hostels on Harry Thuku Road, University of Nairobi	The University of Nairobi (UoN)	6350 KES - 61.6 US\$



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## 5. PPP: SOUTH AFRICAN CONTEXT

### Public Private Partnerships (*South African definition*)

- Contract between Public and Private party
- Private party performs an institutional function and/or uses public party's property
- Transfer of financial, technical and operational risk to the private party
- Private party benefits through unitary payments by the institution and/or user fees
- Transfer of asset to the public institution

# 6. GTAC ASSESSMENT PROCESS

## 2 Types of Student housing and infrastructure applications

- Public Private Partnerships
- Long-Term Leasing arrangements

## Documentations required for review

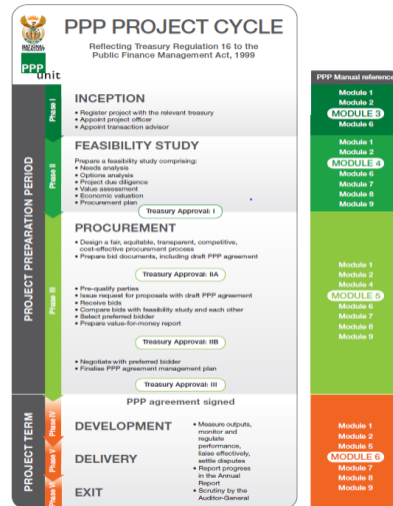
- Independent Feasibility Study: Needs analysis, options analysis, project due diligence, value-assessment, economic valuation & procurement plan
- Financial models: Public Sector Comparator, PPP reference model, Affordability assessment
- Risk matrix
- Draft agreements



# 6. GTAC ASSESSMENT PROCESS (continues...)

## What are we concerned with

- Institution's affordability for project term
- Risks taken on by the institution that could affect the fiscus (*risk transfer*)
- Institution's & private partner's ability to manage and deliver project successfully
- Value for money (*costing & project terms*)
- Alignment between: Financial Model, feasibility study & draft contract



# 7. NON-RECOMMENDABLE APPLICATIONS

## Submissions fall short in displaying the following

- Non-independent feasibility study
- Inadequate justification for the project
- Inadequate demand analysis (*overstated revenue*)
- Inadequate exploration of technical and procurement options
- Use of inexperienced private parties (*PPPs & Student accommodation project lifecycle*)
- Inability to prove institutional capacity to implement & manage project successfully
- Inability to demonstrate affordability, value for money and risk
- Private partners who do not have any skin in the game
- Incomplete/inaccurate applications (*too many gaps*)
- Lack of alignment between supporting documentation (*poor quality application*)

## 8. IDEAL WAYFORWARD & CONCLUSION

### By the Institutions

- Appointment of capable transaction advisor & private partner
- Adequate development of justification for project as PPP
- Internal approvals and confirmation of finances
- Secure the site & municipal approvals
- Perform market sounding exercises
- Perform demand studies
- Engage DHET/ GTAC as a sounding board (*early in the process*)
- Obtain tangible commitment from critical stakeholders

## 8. IDEAL WAYFORWARD & CONCLUSION (continues...)

### Government-led reforms

- Alignment by different Government Departments in the value-chain
- Student housing and academic buildings toolkit
- Development of templates and guidelines
- Amendment of Norms and Standards for student accommodation
- Ongoing advice prior to formal submission to DHET
- Marketing of PPPs for Educational Infrastructure

# Questions?



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# Thank You!

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