

# **Para-diplomacy in South Africa: A case study of Gauteng's Gautrain project, 2000-2010.**

by

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A mini-dissertation submitted in partial fulfilment of the requirements for the degree

Master of Diplomatic Studies

in the Department of Political Sciences at the

UNIVERSITY OF PRETORIA

FACULTY OF HUMANITIES

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**December 2014**

## **Acknowledgments**

I wish to acknowledge Professor Katabaro Miti for the professional supervisory support and guidance throughout the development and finalisation of the research report.

The Department of International Relations and Cooperation (Diplomatic Academy) has provided sponsorship for the Master of Diplomatic Studies programme. I acknowledge and appreciate the opportunity provided to me for further learning and education in the specialised field of diplomacy.

The study of the Gautrain project as a case study for the report would not be possible without the support of officials at the Gautrain Management Agency and the Chief Executive Officer, Mr Jack van der Merwe, in particular. The granted request for consultation with the Gautrain Management Agency regarding the development and implementation of the Gautrain project is indeed appreciated.

The enduring support from my family including my lovely wife, Vhahangwele Netshandama and my special kids has been unwavering during the past two years of the programme. I would like to thank you for the encouragement and patience you provided me as I was trying to be an improved and smarter professional.

***The Gautrain:***



The Gautrain: Source, Gautrain project, 2014/12/14

## Executive Summary

This Case study report focuses on the Gautrain Project, a developmental rapid rail network covering the three metropolitan cities of Johannesburg, Ekurhuleni and Tshwane in Gauteng Province, South Africa. The project was one of the 11 strategic projects identified by the provincial government to promote the province's economic competitive advantage. These were referred to as the Blue IQ projects and managed under the Department of Economic Affairs and Finance and the Blue IQ Agency. The aim of the Gautrain Project was to provide a world class rapid rail system, that is integrated into the wider provincial transport network.

To implement the Gautrain Project, the province started engaging in international interactions with other sub-state entities including the State of Bavaria in Germany and the Ile-de-France Region in France. This type of engagement is referred to as para-diplomacy in the field of international relations. This resulted in the creation of specific structures to manage provincial international engagements, including the provincial International Relations Forum and the Directorate: Stakeholder Management.

Bringing the Gautrain Project to fruition, the province needed R25 billion. Of the R25 billion needed for the project, R21.5 billion would come from the province and R3.5 billion from the private sector. To raise the R21.5 billion, the province had to enter into negotiations with the National Treasury. This resulted in the National Treasury granting R11.75 billion to the Gautrain project. The province had to raise an extra R9.75 billion. This it did through an inter-departmental loan of R4.2 billion and R9.8 million from the ABSA. The remaining amount is funded through the provincial Medium Term Expenditure Framework (MTEF) allocation.

The province then entered into a special public-private-partnership (PPP) arrangement for the Gautrain project. It signed a concession agreement with the Bombela Consortium (a group of private companies) to construct and run the Gautrain for twenty years. It also created a Gautrain Management Agency to oversee the concession agreement.

The construction of the rail link started in 2007 and the rail became operational in 2010. The successful operation of the Gautrain has led to proposals to extend the rail link to other areas.

The implementation of the Gautrain project has provided a learning curve for the province not only in terms of international engagement with other non-state actors, but also in terms of raising international investments and managing negotiations with national departments (in this case the National Treasury) and ensuring public support for its economic projects.

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## Chapter 1

### The Provincial Context of the Gautrain project

#### 1.1. The Gauteng Province

Gauteng is the smallest of South Africa's nine provinces<sup>1</sup> in terms of geographical size. It accounts for only 1.5% of the country's geographical area (17,010 of 1,219,090 sq km). However, it has the largest population of all the provinces estimated at 12.2 million in 2011 or 23% of the country's population (Statistics South Africa 2011). It is also the commercial and industrial centre of South Africa, contributing 35% of the National Gross Domestic Product (GDP) and accounts for 40% of South Africa's financial services. The province is truly urban and is constituted by three metropolitan cities, namely Ekurhuleni Metropolitan, City of Tshwane and City of Johannesburg (Gauteng Provincial Government, Gauteng Planning Division 2014).

In 1997, the Gauteng province identified eleven strategic economic infrastructure investment programmes (projects) in line with National Department of Trade and Industry's Development Plan (Blue IQ Annual Report 2008/09:4). The 11 projects were:

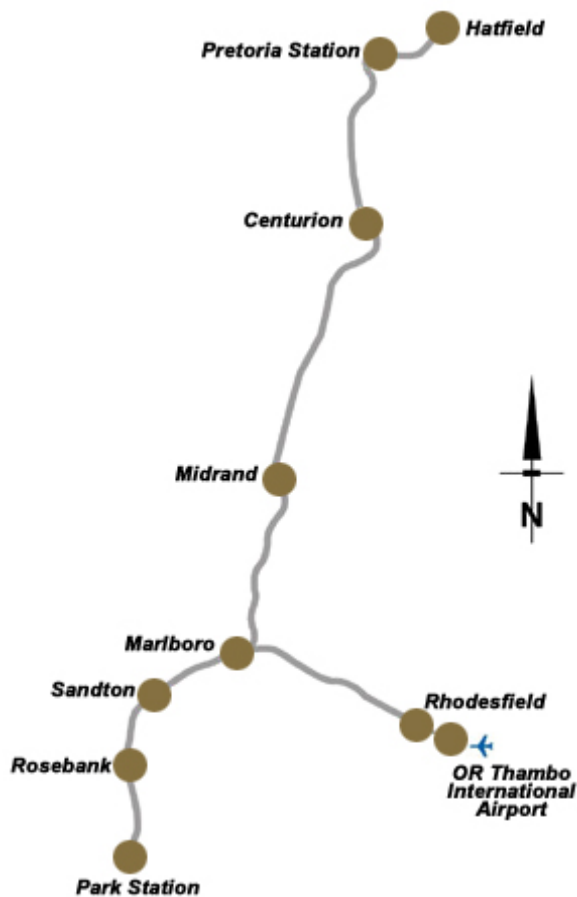
- The Gauteng Spatial Development Initiative (SDI)
- The Constitutional Hill project
- The Greater Newtown project
- The Blue Catalyst project
- The Automotive Industry Development Centre (AIDC) project
- The Supplier Park Development Company project (SPDC)
- The Innovation Hub (TIH) project
- The Oliver Tambo Industrial Development Zone (IDZ) project (previously Johannesburg International IDZ)
- The Cradle of Human Kind project
- The Dinokeng project
- The Kliptown project (The Walter Sisulu Square of Dedication)

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<sup>1</sup> The other eight provinces are: Limpopo, Mpumalanga, North-West, Northern Cape, Free State, Western Cape, Eastern Cape and Kwazulu Natal.

The study<sup>2</sup> deals with one of the 11Gauteng Spatial Development Initiative (SDI) generally known as the Gautrain. This project involved the establishment of a rail link between OR Tambo International Airport and the three main metropolitan cities as indicated in Chart one.

*Chart 1: Scope and Routes of the Gautrain project; Gauteng, South Africa*



Source: Gautrain Project, 2014/12/13

The stations of Centurion, Pretoria and Hartfield fall within the City of Tshwane. The Midrand, Marlboro, Rosebank and Park Stations are in the City of Johannesburg whereas OR Tambo Airport and Rhodesfield stations are in Ekurhuleni, constituting OR Tambo International Airport Industrial Development Zone (ORITA-IDZ).

<sup>2</sup> The study is based on documentary evidence already available in the National, Provincial Government websites and the Gautrain Management Agency website in particular. Where the documents are not readily available, access to documents was obtained through approved consultation with the Gautrain Management Agency, on 20 May 2014 and 7 July 2014 (See appendix 2).

The rail link between the OR Tambo International Airport and the three metropolises was expected to promote tourism, business and economic growth and lead to job creation in the province. It was also expected to alleviate road traffic congestion between the OR Tambo International Airport (Ekurhuleni Metropolitan), Johannesburg and Tshwane (van der Merwe et al 2001: 4).

The Gautrain project because of its complexity and financial outlay, took ten years from 2000-2010 to implement. It involved a lengthy process of continuous engagements between the province, the national government, various external funders and contractors, international governments, the metropolitan cities and other stakeholders. The province had to engage in international diplomacy, an arena that is often seen as the preserve of national departments. Provincial engagements in international diplomacy fall within the broad context of what has been identified as para-diplomacy. One therefore needs to discuss albeit briefly the general notion of para-diplomacy.

## **1.2 Para-diplomacy**

The term Para-diplomacy refers to non-central government actors' role in international relations. The term developed in the context of international activities of federal states such as Quebec in Canada, Bavaria in Germany, Catalonia in Spain, and Wallonia and Flanders in Belgium (Aquirre 2009:186; Criekemans:2009:38).

There are two terms used to describe non-central governments diplomatic and international relations: Proto-diplomacy and para-diplomacy. Proto-diplomacy entails non-central government policies that are not in sync with national government policies, for example separatist or secession practices.

Para-diplomacy on the other hand, refers to functional and political contact between and amongst non-central government actors with distant non-central governments and central governments on a variety of issues that include trade, and economic and cultural issues that do not challenge the central government's authority and policies. Para-diplomacy has a cooperative connotation between the central government and the non-central government actors (Duchacek 1990: 26-27).

It is important to note that globalisation has given rise to the emergence of the functionality of territorial spaces, meaning that territorial spaces, for example regions

and municipalities, are utilised for global functional competitive advantages, while resources and increased developmental projects are invested in their spaces to ensure competitive advantage (Aldecoa and Keating 1999:2). This is contrasted to the traditional notion of comparative advantage in international trade and development which was broadly conceived between countries (Hocking 1999:2). Furthermore, non-central governments are motivated by different economic, social (including cultural) and political factors in the international arena. The economic factors, for example, entail seeking investment opportunities and key markets in order to complement their competitiveness. This is also propagated through both an outward and inward investment approach (Keating 1999:4).

These developments however should neither be seen as an indication of the decline of the state nor as a zero sum gain at the expense of the traditional role of the state (Hocking 1999: 19). Palombara (as cited in Hocking 1999:19), for example, states that sharing of power and sovereignty between national government and regions can increase the power and influence of regions. An effective diplomat, for example must have a clear grasp of various actors in order to be able to manage the diplomatic challenges beyond the role of national government or what is called 'catalytic diplomacy' (Hocking 1999:20).

In the South African context, a number of studies have looked at how provinces have engaged in international diplomacy. For example De Villiers (1995:135-140) uses a comparative study of the Federal Republic of Germany, United States of America, Switzerland and Australia to draw lessons for South Africa's provincial international engagements. He looks at the constitutional powers of regions and federal states in these countries in terms of various international relations activities including signing of treaties. He concludes that most of the circumstances that have informed the role of federal governments in these countries could over a period of time influence the international activities of provinces in South Africa. Provinces have certain constitutional powers to govern and in asserting some of these powers they have to engage in international relations (De Villiers 1995:136). The fact that at least seven of South Africa's provinces shared borders with other African states requires that these provinces develop relations with governments outside national borders.

De Villiers further notes that although provincial constitutional powers and competencies are clearly defined, the 'spill over effect' of South Africa's international

agreements to provinces would require that a process be established to ensure that provinces participate in the foreign policy development and implementation processes.

Geldenhuys, (1998:4-7) on the other hand looked at the constitutional mandate and competencies of provinces in international relations and used these to examine how provinces are conducting international relations. While the list of constitutional competencies, as they are outlined in Schedule Four and Schedule Five of the South African Constitution make no specific reference to the international role of provincial powers, the reality is that most foreign policy issues, for example issues related to the knowledge economy and environment, have implications for provinces and force them to participate in the foreign policy process.

There are functional areas that are concurrently shared between the provinces and national government in terms of policy initiation and implementation. These include trade, industrial promotion, provincial public enterprises (infrastructure departments and agencies) and environment. This means that provinces have to be incorporated in the country's global and regional trade negotiations and implementation (Steytler 2003: 249). In fact in some instances, the nature of these agreements represents the interests of provinces (Geldenhuys 1998:12, 18).

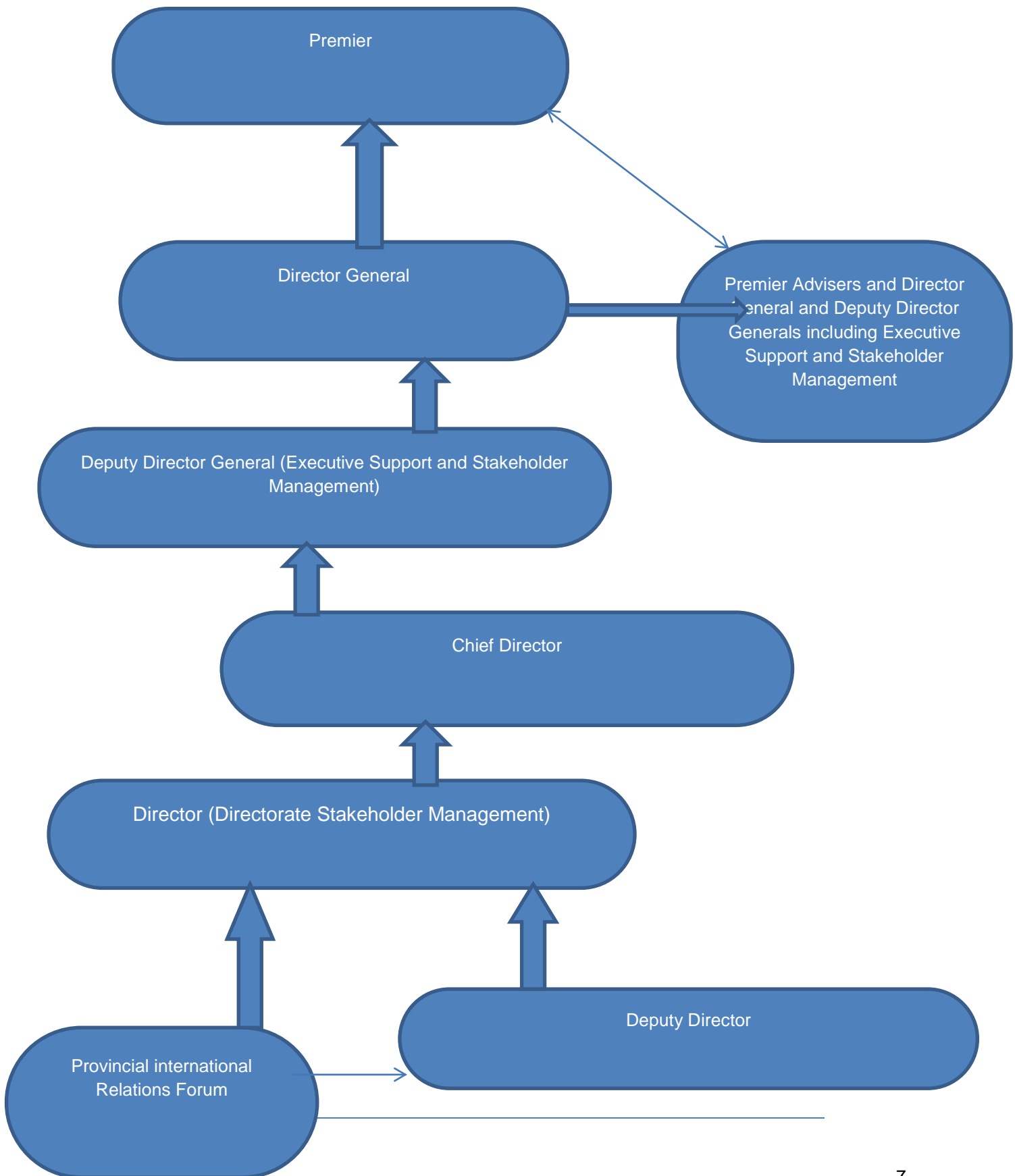
The reality is that South Africa's provinces and their agencies have developed and implemented economic strategies to engage in the global economy to leverage their global competitiveness. Provinces with a wider pool of resources and more diversified economic activities, such as Gauteng and the Western Cape do participate more effectively in international relations (Fritz 2013: 237-238).

Because of this, provinces have been forced to develop structures to deal with their international engagements. The Gauteng province, in part because of the Gautrain project, has evolved complex structures to handle its international involvements.

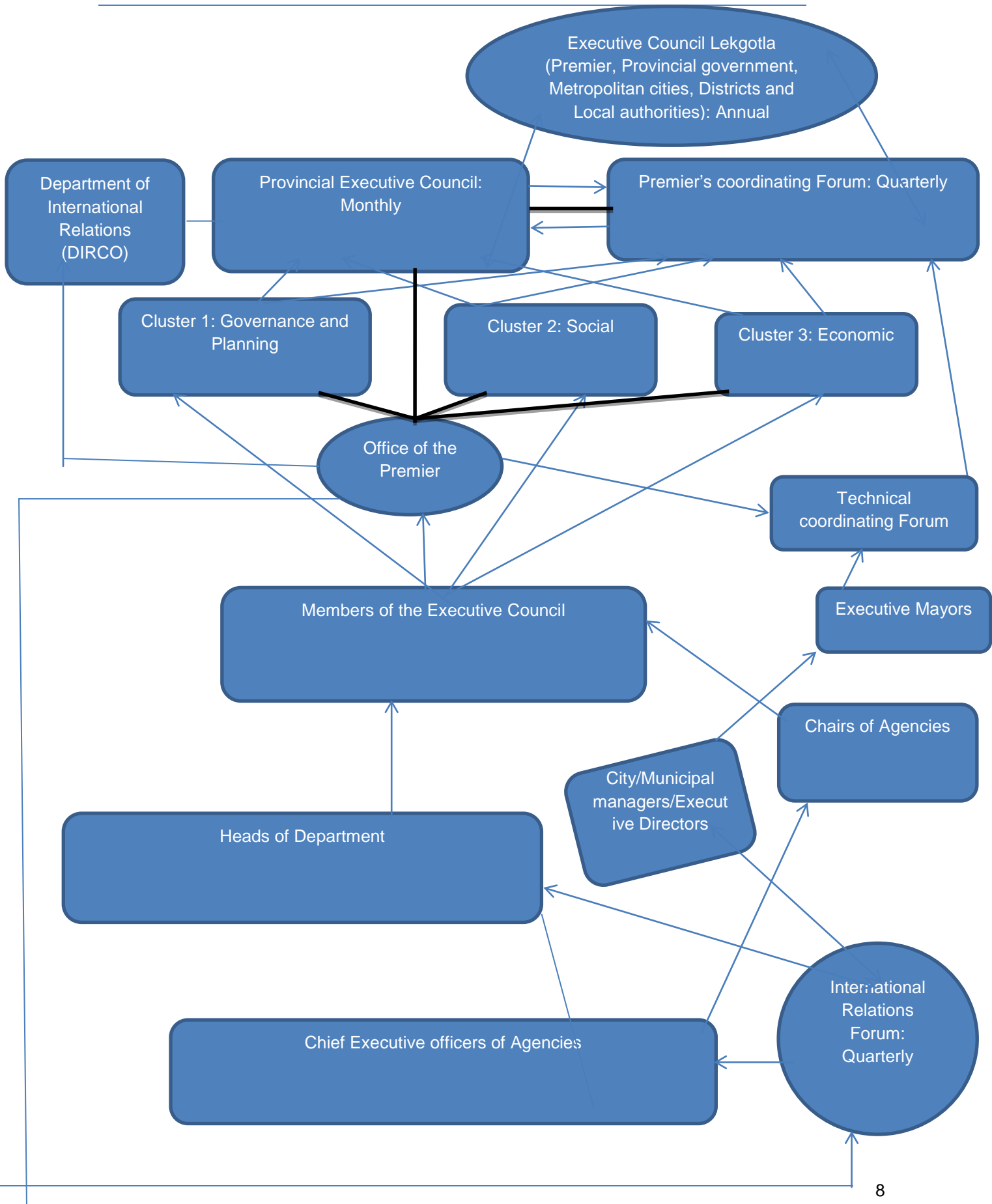
### **1.3 Provincial structures to handle international engagements**

The Gauteng Province has over time developed specific structures and framework to handle its international engagements as illustrated in Charts two and three below. These structures are all centred on the Office of the Premier as the constitutional head of the province:

**Chart 2: Gauteng international Relation Governance Structure (Office of the Premier)**



**Chart 3: Provincial International Relation Programme Process Flow and Framework**





In the case of the Office of the Premier (*Chart 2*), the Branch: Executive Council and Stakeholder Management has been created to manage and coordinate international relations and partnerships across the province. The Branch is supported by a Deputy Director General, a Chief Director, a Director and an Assistant Director (Office of the Premier Annual Report 2013/14: 9, 27). The Deputy Director General reports directly to the Director General on provincial international relations issues, programme and projects. The senior managers in the Branch (the Deputy Director General, the Chief Director and the Director) are supported by office managers and personal assistants (Chief Director and the Director) (Office of the Premier Annual Report 2013/14).

The provincial Director General reports directly to the Premier on international relations issues. Both the Director General and the Branch Deputy Director General have direct interaction with the Premier's advisers and the Chief of Staff on international relation issues and on decisions that are recommended to the Premier. However, informal interactions do take place between officials below the Deputy Director General provided this is supported by formal communication through the formal reporting channels indicated in the Charts above. The process of seeking decisions or approvals from the Director General and the Premier however makes use of formal submissions from the Director, Chief Director and the Deputy Director General depending on the nature of decisions required on international and diplomatic initiatives (Office of the Premier Annual Report 2013/14).

The Branch: Executive Support and Stakeholder Management also coordinates provincial international relations activities and the provincial international relations programme in consultation with provincial departments and provincial government entities (Office of the Premier Annual Report 2013/14: 27), (*Chart three*). Consultation with municipalities by the province on matters of international relations is voluntary and is facilitated through the Provincial International Relations Forum. The Provincial International Relations Forum is coordinated by the Office of the Premier and is constituted by international relations practitioners from departments, provincial agencies and municipalities. The Forum discusses issues of provincial international relations coordination, development and implementation of the provincial international relations programme and other provincial international relations initiatives. The Forum reports and makes key recommendations to relevant

decision making structures for consideration and approval (Gauteng International Relations Framework 2011).

The Branch Executive Support and Stakeholder Management, through the Directorate: Stakeholder Management, coordinates an annual provincial international relations programme in consultation with sector departments, provincial state owned agencies and municipalities (Gauteng International Relations Programme 2013/14). The programme is approved first by the Chief Executive Officers (CEO) of provincial agencies, Heads of Departments and Members of the Executive Council in their respective agencies and departments. The approved programme is submitted to the Office of the Premier for consolidation and recommended to the provincial Executive Council reporting cycle for approval. The Provincial Executive Council reporting cycle entails meetings of Heads of Department, Members of the Executive Council with Heads of Department and the Premier meetings with Members of the Executive Council. The programme is eventually approved by the provincial Executive Council (Members of the Executive Council and the Premier) (approved Executive Council Governance Framework 2013/14).

The provincial programme is also considered by the Premier's Coordinating Council. The Council comprises the Premier, Members of the Provincial Executive Council and Executive Mayors (Gauteng Provincial Government 2013/14). The Premier's Coordinating Council reporting cycle entails the provincial Deputy Director General's and Municipal Manager's technical committee meetings and the Premier's and the Executive Mayor's Coordinating Council meeting (approved Executive Council Governance Framework 2013/14).

The annual programme covers a spectrum of strategic issues for international engagement and partnership by the province. The strategic issues for international partnerships are linked to core programmes in the annual performance programmes and to strategic agendas for departments and, agencies in the financial year or over a period of three years and outer years. The Office of the Premier verifies and consolidates the programme after interaction with officials in the departments and agencies. The inputs on the programme from departments and agencies are also approved by the respective Heads of Departments, Chief Executive Officers and the Members of the Executive Council for submission to the Office of the Premier, (Gauteng Provincial Government 2013).

The consolidation of the provincial international relations programme by the Office of the Premier entails putting together information as submitted by departments and by agencies for submission to the Executive Council for approval. This includes an analysis in terms of how the programme improves the implementation of existing agreements, partnership programmes and intergovernmental relations networks. Existing national agreements and foreign policy and diplomatic agenda areas are also considered. The country's foreign policy agenda to Africa, individual regions and countries are also considered and prioritised. The relevant department or agency may be then be advised on further improvement of the programme in terms of the strategic implications of the international relations programme in relation to both provincial outcomes and the national foreign policy agenda and diplomatic initiatives (Provincial International Relations Programme 2013/14).

The programme would cover a range of priority areas for international partnerships including capacity development partnerships in the areas of green economy, green energy and waste management, education and training for youth, integrated road and transport sharing of good practice, sharing of forensics and crime scene management, investment in the ICT sector, sharing of best practice through skills training and transfer in the area of integrated planning, clothing and textile sector, learning on initiatives such as the industrial development zones, tourism infrastructure investment and marketing the province as a destination of choice for tourism, medical technology and hospital training exchange programmes (Provincial International Relations Programme 2013/14).

The partnership areas in relation to capacity support and exchange programmes have been successful as they receive immediate and mutual understanding in the agreements or projects with counter-part regions. The partnership programme with Katanga for instance in the area of Sport, Arts and Recreation and with Shanghai on skills and capacity training in the public service and tourism infrastructure investment are good examples (Gauteng Provincial Government 2013). The area of trade and investment has required follow-up processes in terms of existing projects or existing opportunities in the economy. The mutual projects are normally identified and communicated. The various reports on international visits are developed and lead investment areas are identified.

The adopted and considered programme through either the Executive Council or the Premier's Coordinating Council is tracked and monitored by the Branch: Executive Support and Stakeholder Management on a monthly and quarterly basis. This in turn is reported to the Executive Council and the Premier's Coordinating Council for consideration. The monitoring and tracking of the reports entail the planning processes on international trips, receiving incoming delegations, and hosting and attending international events (Gauteng International Relations Framework 2011). The understanding of international and diplomatic initiatives and issues raised in the planning and reporting process is informed by the provincial strategic priorities raised in the international relations programme, the provincial developmental outcomes and the provincial International Relations Framework.

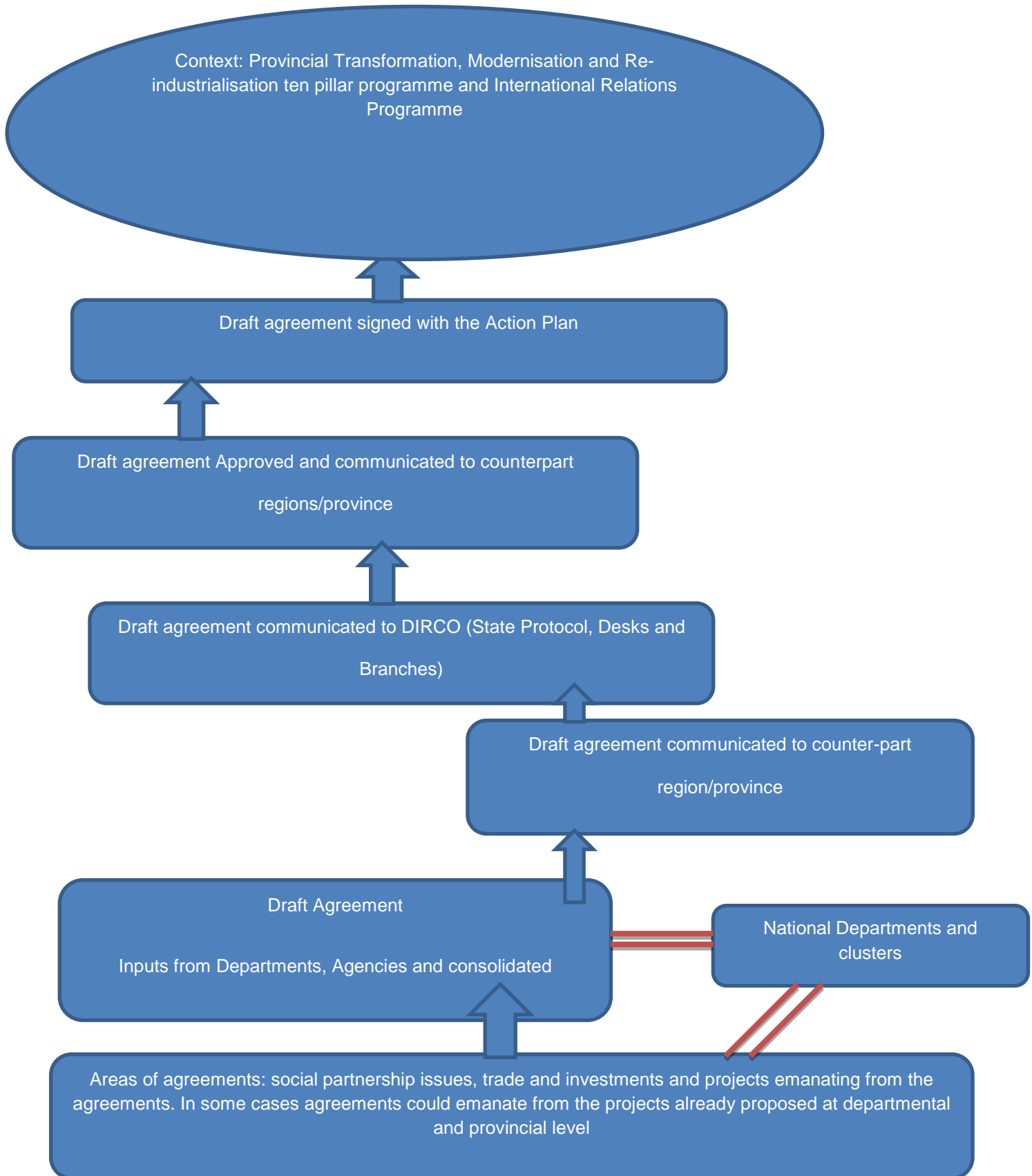
The planning process for international visits or incoming visits is done in consultation with the national Department of International Relations and Cooperation on existing international relations (Gauteng Administrative Guidelines for International Relations processes 2012). This is normally communicated through country profiles and projects that express existing international relations between the two countries or relevant regions that the province would want to pursue a partnership with (Measures and Guidelines for the enhanced Coordination of South Africa's International Engagements 2008). The objectives of provincial international engagements are also communicated through the Department of International Relations and Cooperation and the relevant diplomatic missions. In most cases, the diplomatic missions provide support in relation to the strategic nature of issues raised for international engagement in consultation with relevant stakeholders (government departments and business partners) in host countries (Measures and guidelines for the enhanced coordination of South Africa's international engagements 2008).

After the international trip or hosting of an international delegation or event, the delegation produces reports in line with both provincial and national reporting formats. The report covers partnership issues discussed during the meetings and areas of recommendations or international engagements (Measures and Guidelines for the enhanced Coordination of South Africa's International Engagements 2008). The reports are communicated to both the Office of the Premier and the Department of International Relations and Cooperation. The reports are used for future reference

and for sharing diplomatic initiatives including investment, trade and social partnership projects across governments and within spheres of government.

What has finally emerged in practice in the provincial international engagements is the signing of twinning agreements. Chart four below indicates the provincial twinning agreements process flow and framework.

Chart 4: Provincial twinning agreement process flow and framework:



Twinning agreements or memoranda of understanding are instruments developed and agreed to between two provinces or regions to facilitate common areas of partnerships. They are non-binding written statements with clearly defined areas of mutual cooperation and they reflect mutual political and strategic commitments between provinces, agencies and their counter-parts (Gauteng International Relations Framework, 2011). They are symbolic in formalising para-diplomatic relations between provinces, agencies and their counter-parts.

In Gauteng province, the process of developing a twinning agreement is facilitated in line with strategic opportunities identified in the provincial international relations programme. The content of an agreement is informed by prior research conducted on compatible and complementary areas with counterpart regions or provinces, analysis of existing agreements and projects and outcomes of the reports on international visits and hosting of international delegations (Gauteng International Relations Framework 2011). The draft twinning agreement is developed by the Office of the Premier in consultation with provincial departments and agencies. The Office of the Premier consolidates inputs for the draft and communicates the approved inputs to the counter-part region. The draft is communicated to the counterpart region through the Department of International Relations and Cooperation's (DIRCO) protocol to finalise mutual understanding on the issues. After this process and when the draft twinning agreement is finalised with the counterpart regions, the province communicates the draft to DIRCO's state law advisors to confirm the compliance of the agreement to the Constitution and to national guidelines on signing treaties and agreements (Department of International Relations and Cooperation 2008). State Law Advisors' inputs would then be included in the final draft for communication to the counter-part region through DIRCO and the relevant Mission. The process however, is a mutual one as it requires that the feedback from the counter-part region is taken into account until the mutual understanding on the content of the agreement is reached. The two parties may then agree on the venue and the date to sign the agreement.

In terms of established provincial practice, only the Premier signs agreements or memoranda of understanding on behalf of the province. The Members of the Executive Council may only sign action plans or project plans to implement agreements. Almost all agreements concluded in the province are signed by the

Premier unless formally delegated. For instance, the Gauteng-Bavaria Action Plan on the implementation of the agreement between Gauteng and the Free State of Bavaria was signed by the Member of the Provincial Executive Council for Education and her counterpart in Bavaria as delegated by the Gauteng Premier and by the President of the State of Bavaria respectively (Gauteng Provincial Government 2011).

The initiation and the implementation of agreements is a two-way process and the agreement may be signed in either one of the two regions or provinces or communicated through correspondence for signatures. The agreement may be initiated by the counter-part region and the province would be responding to the counter-part region's initiatives through DIRCO and the relevant diplomatic missions. The agreement-signing process initiative may come directly from the counterpart region.

It is within the above context of the provincial international engagements that one has to discuss the Gauteng Spatial Development Initiative (Gautrain project).



## Chapter 2

### The Gauteng Spatial Development Initiative (Gautrain project)

#### 2.1. Project Initiation

The Gautrain project can be traced back to the twinning agreement signed between the Gauteng province and the State of Bavaria (Germany) on 9 November 1995 and the agreement signed between the Region of Ile-de-France and the Gauteng province on 15 September 1997. The agreement with Bavaria covered several mutual areas of cooperation including “trade and investment, and science and technology and cooperation between organisations and companies of the contracting parties” (Gauteng-Bavaria Agreement 1995: 1-2). The agreement was further endorsed in 1997 and was used to secure a pre-feasibility study by a German consultant Darsch Konsult in 1998 for the Gautrain project. The pre-feasibility report was funded by the Free State of Bavaria, and was completed in September 1999 (van der Merwe 2001: 1). The report concluded that the Gautrain project was feasible in economic terms and sustainable, but that a proper and long term study needed to be conducted (Gautrain Inception Report 2000).

The agreement with Ile-de-France covered mutual areas such as “transportation entailing integrated public transport infrastructure, establishment of the transport coordination authority, tourism and preparation for the 2010 World Cup” (Gauteng-Ile-de-France agreements 2001 and 2007). The servicing of the agreement was also characterised by the sharing of best practice with the Ile-de-France Transport Authority (STIF). STIF is an integrated transport authority of Ile-de-France. The governance model of STIF was an important model to benchmark best practice on. This included the role of the president of Ile-de-France as the president of STIF and the participation of shareholders and other stakeholders with clearly defined conflict of interest issues. The strategically coordinated governance agenda of STIF in the interest of the Ile-de-France transport system as a whole served as sound comparative practice for the Gautrain project. This included lessons learned on the integrated single ticketing systems and economic empowerment of youth (unemployed and schools children, indigent people) through integrated ticketing transport system (Gauteng-Ile-de-France agreements 2001 and 2007).

The Gauteng Premier made the first official announcement on the Gautrain project at the provincial Intergovernmental Lekgotla in 1999. The provincial intergovernmental

Lekgotla is an annual meeting of the Premier, Members of the Executive Council and Executive Mayors of the three metros and municipalities in the province. The meeting develops intergovernmental strategic issues and adopts an intergovernmental relations programme of action for the following 5 years (Gauteng Provincial Government 2014). Officially the project started in February 2000 with the creation of a consortium of international and domestic consultants. These included the Khuthele Projects, Arcus-Gibb, the Lebone Engineering, APS Plan Africa on Spatial Development and Equinox (van Der Merwe 2001: 2).

The consultants were to develop an inception report to act as a framework for carrying out a comprehensive feasibility study. The inception report was submitted to the provincial Executive Council (Cabinet) in June 2000 (Gautrain Inception Report 2000). This defined the legal, policy and risk parameters of the project including financial risks, route determination and its impact on ridership and life cycle costs, patronage and income (Gautrain project, 20 May 2014).

The initiation report was followed by a comprehensive feasibility study completed in 2001. The study concluded that the Gautrain project was:

- Financially and economically feasible
- Accepted and supported by the politicians and larger community
- Financially affordable by government
- Environmentally sustainable; and
- Financially worthwhile for government, users and investors (Gautrain project 2014).

An independent environmental sustainability and sensibility study was then carried out. This involved consultation with communities and extensive interactions between the provincial Department of Agriculture, Conservation and Environment and the Department of Public Transport, Roads and Works on technical rail routes engineering in the context of environmental impact considerations (Gautrain project 27 November 2014). This was a lengthy process that started in January 2002 and was completed in 2007. This mainly focused on rail routes and their expected impact. The central element of the Gautrain project, however, was the securing of the funding for the project. This is discussed in the following section.

## 2.2 Gautrain project financing

The success of the Gautrain project depended on raising sufficient funds to bankroll the project. The provincial fiscal resources depended partially on central government budget allocations through the inter-governmental fiscal framework. Both National Treasury and the Finance and Fiscal Commission (FFC) play a critical role in this area. During the 1999 to 2001 financial years, 17% of the Gauteng budget allocation came through the FFC recommendations and the National Division of Revenue (DORA) allocation. The FFC recommendations consider various variables for provincial allocation including the size of the population, access to schools, health care and other social services (National Budget Review 2000).

The Gauteng province, with its strategic aspiration as a smart and globally competitive city region took advantage and used these resources for economic productivity purposes. The initiative included the use of the FFC- Annual Division of Revenue Act (DORA) allocation for investment in the 11 adopted Blue IQ projects and the allocation was only reserved for capital expenditure investment (ring fenced) in the Provincial Treasury account (Gauteng Department of Finance and Economic Affairs, Budget Vote 2003/4-2005/6:1-3). The budget allocation had substantially increased from the financial years 2003-2004 to financial years 2005/2006 from R1.415.640 to R2.832.310 (Gauteng Department of Finance and Economic Affairs, Budget Vote 2003/4-2005/6). The province would then use the FFC-DORA fiscal allocation as part of strategic capital investment projects through a public private partnership (PPP) driven projects (Gauteng Department of Economic Affairs and Finance, Budget Vote 2003/4-2005/6).

National Treasury insisted that 80% of provincial budgets go to social services such as health, education and water. Only 15% could be used for infrastructure investment. The 20 years expenditure projection for the Gauteng Province indicated that 87 percent of the budget would go to social services. On the basis of these projections, the Gautrain project was then considered unaffordable for the province on its own.

In terms of Chapter 6 of the Public Finance Management Act of 1999, the Gautrain project had to be registered as a public private partnership project. This is a contractual arrangement whereby a private party working with government in the

execution of a project forms part of a department's service delivery or administrative functions and assumes the associated risks, (National Treasury 2000). A National PPP Strategic Framework was developed in 1997 following the National Cabinet approval and appointment of an Interdepartmental Task Team on public-private partnerships (National Treasury 2000: I).

Apart from that, the Gautrain project was considered a capital intensive project. This meant that National Treasury had to play an active role and exercise its enabling and regulatory function. This was to ensure that the province and the country were not trapped into indebtedness due to an unsustainable investment project. The project was therefore subjected to various stages of National Treasury's approval regimes. These included feasibility requirements, procurement and contracting requirements and the use of Tender Approval sets 2A (TA2A), 2B (TA2B) and 3 (TA3)<sup>3</sup>. Each of these tenders involves the public publication of a tender and a competitive bidding process; the negotiation between the competitive bidders and the government and the establishment of a funding mechanism for the project. This is expected to ensure project affordability, value for money and minimisation of risk to the public sector (Gautrain project, 20 May 2014).

The total project cost was estimated at R25 billion. Of this, R3.5 billion was to come from the private sector and R21.5 billion from government. But as the Gauteng Province could not afford the entire R21.5 billion, the Minister of Finance and National Cabinet in November 2005 approved a R11.75 billion grant to the project (National Treasury and the National Assembly Debate, National Treasury Budget Vote 2006). No conditions were attached to this national grant except that the project should be managed through the public-private-partnership process and through sound and effective governance systems.

The province had to raise R9, 75 billion. Of the R9.75 billion, 5 billion had to be paid before the Concessionaire Contract to implement the project could be signed. The province did not have the money to meet this requirement and needed to go through the National Treasury Loan Certification Committee (LCC) in order to borrow the funds. The LCC is constituted by the National Minister of Finance and the 9

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<sup>3</sup> The funding arrangement, including the private sector funding model through the ridership guarantee, was also concluded at this stage.

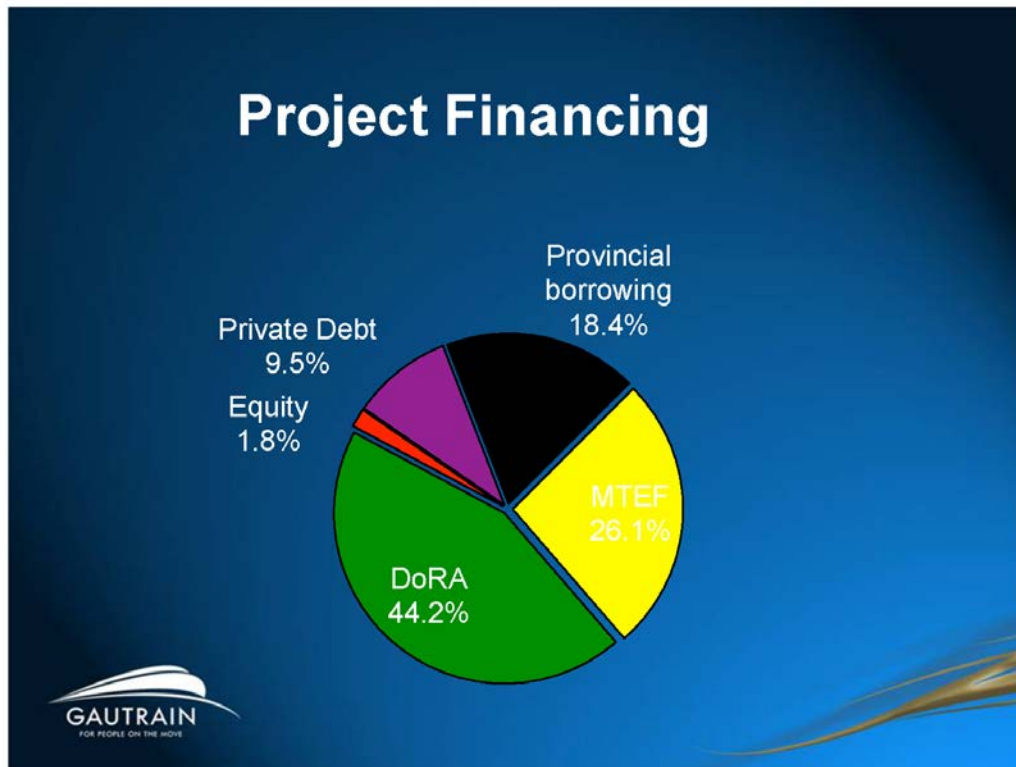
provincial Members of the Provincial Executive Council (MEC's) dealing with fiscal issues (Intergovernmental Fiscal Relations Act, No. 97 of 1997).

The Provincial Treasury asked for a R4.2 billion loan as it had a surplus in its balance sheet (Department of Finance and Economic Affairs Budget Vote, 2008/2009). A loan agreement was then signed between the National Treasury and the province. National Treasury then borrowed the money through its open market borrowing facility (Gauteng Management Agency 2014). The Provincial Treasury would only pay the R9.8 million differences through its surplus balance sheet. However, during the 2007/2008 financial year, the province went through a budget deficit and it could not afford to pay the R9.8 million (Gauteng Department of Finance 2010). The Provincial Treasury went back to the National Treasury Loan Certification Committee (LCC). The National Treasury refused to provide further loans to the Provincial Treasury and advised the province to borrow money through the open market.

The Provincial Treasury and the Gautrain Management Agency then approached the Development Bank of South Africa (DBSA) for a R9.8 million short-term loan. The contract was a one year rolling contract, renegotiated. The parties however, went further to the domestic open financial market (bidding) to sell the loan signed with the DBSA. The bid was won by ABSA Bank and the rest of the amount would be paid through the provincial Medium Term Expenditure Framework allocation (Gautrain project, 7 July 2014).

In the final analysis the Gautrain funding was divided as shown in Chart five:

Chart 5: Sources of funding, Gautrain project



Source, Gautrain Management Agency, 2014/12/10

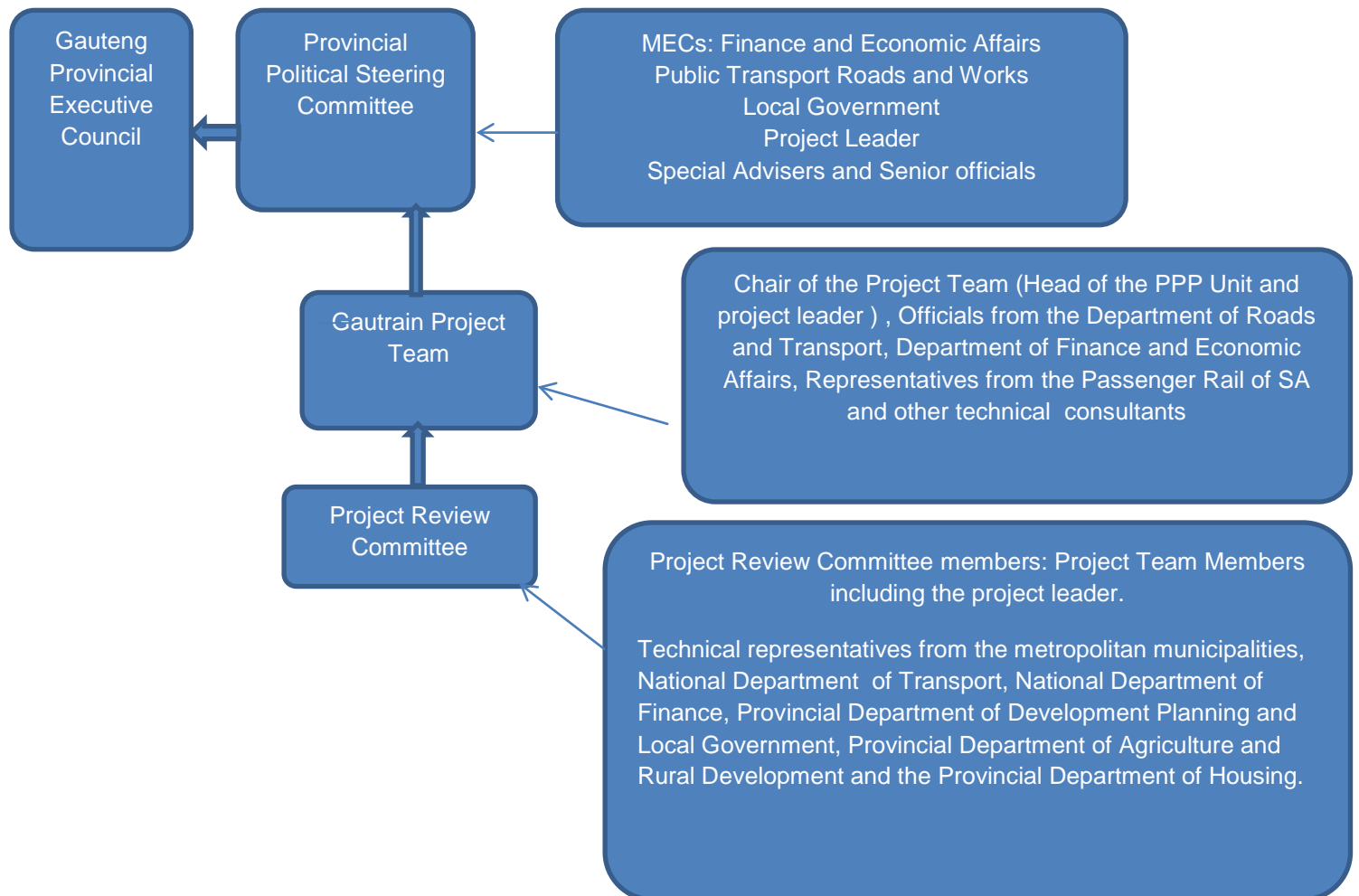
The public funding through the national grant, the provincial medium term expenditure (MTEF) allocation and public sector borrowing (national open market facility and provincial borrowing) constituted 90% of the funding arrangement for the project. The provincial borrowing was indeed an exception as provincial borrowing in both the domestic and international market under the Borrowing Powers of Provincial Governments Act No. 46 of 1996 is treated with circumspect.

Once the matter of funding was settled, the next matter of importance was the management of the Gautrain project.

### 2.3 Management of the Gautrain project

The management and institutional structures of the Gautrain project was different from the initiation phase of the project (1997-2005) and the implementation phase of the project (2006-2010). The first phase was managed by the Gautrain Project Team and the second phase by the Gautrain Management Agency and the Bombela Consortium. The province created specific institutional arrangements to manage the project. Chart six shows the governance structure for the first phase:

Chart 6: Provincial governance structure for the project (1997-2005)





The structure included the Project Review Committee whose membership is constituted by the Project Team Members, the Gautrain Project Review Committee and the provincial Political Steering Committee. The Political Committee reported to both the Premier and the Executive Council. The political head of the Provincial Project team also accounted and reported to the Provincial Legislature.

Since the inception of the project, the interaction between the provincial technical team and the political committee were mainly represented by the MEC's for Finance and Economic Affairs as chairs of the Gautrain project and the Head of the Gautrain project. When the Department was later split into the Department of Economic Development and the Department of Finance, the MECs for Finance remained chairs of the Gautrain project (Jensen 2012: 29-32).

The role of the project team leader was also very important in the interaction with international stakeholders including international investors and development partners. The role included facilitating meetings between international consultants, the Provincial Technical Committee and the political committee either in South Africa or abroad. The consultation process would also result in huge costs for the province. This would include spending resources for international consultant's travels, accommodation and other logistics to South Africa as in most cases this was considered cheaper than sending the entire Gauteng team for consultation abroad. The head of the Gautrain project would also facilitate briefings of the political committee at short notice, (Jensen 2014).

The provincial institutional arrangement reflected the nature of the Guatrain project as a special and a strategic arrangement outside the normal operations of government and individual departments. The political interaction between the provincial committee and the National Treasury was not necessarily institutionalised. However, there was a shared understanding of the national priorities at both provincial and national leadership level or what is called a 'good alignment on political and policy matters. The Minister of Finance would also report to National Parliament regarding the project on a continuous basis (Gautran project, 7 July 2014).

The provincial Department of Economic Affairs and Finance together with the team from the National Treasury sought to ensure that the project was affordable and



sustainable. In fact, the senior National Treasury technical officials were seconded to the Provincial Treasury. These officials constantly sought advice and approval from the Minister of Finance. The advice was also sought from the Government Guarantee Committee and the Fiscal Liability Committee of the National Treasury (National Treasury, Divisions 2014).

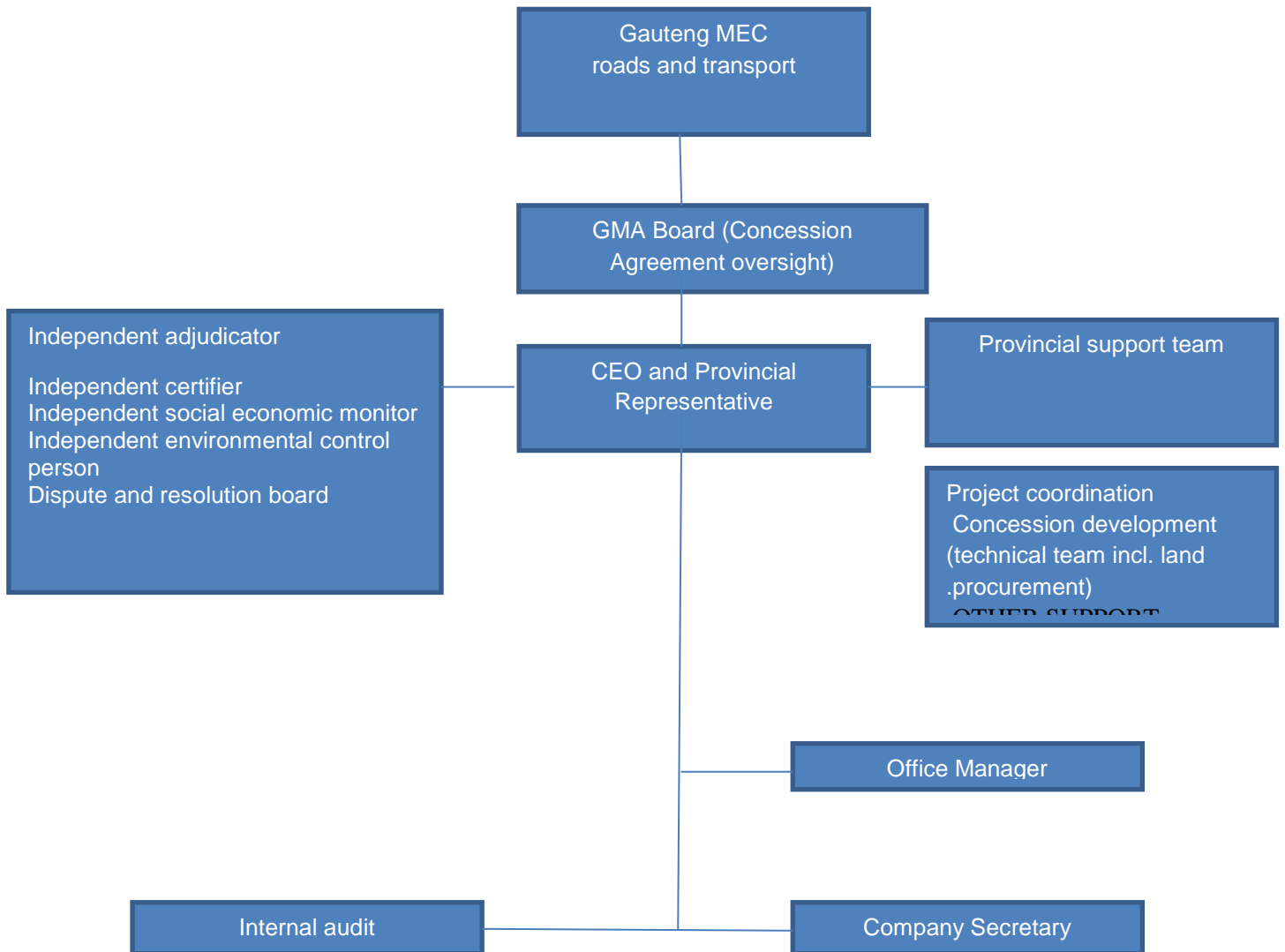
During the period 2005 to 2006, the provincial Department of Finance and Economic Affairs was split into the Department of Provincial Economic Development and the Department of Finance. The provincial PPP Unit and the management of the Gautrain project however remained under the Department of Finance.

Once the Gautrain project reached the implementation phase, a special Gautrain Management Agency was created. The Provincial Legislature passed the Gautrain Management Act on 6 December 2006. This was signed by the Premier on 9 December 2006. This was in line with recommendations by the National Treasury and approval of the recommendations by the provincial Political Steering Committee to establish the agency (Gautrain Annual Report 2010).

## **2.4 The Gautrain Management Agency**

The operational and strategic functions of the agency are carried out by the Chief Executive Officer, who reports to the Board. The Board reports to the Member of the Executive Council for Roads and Transport (Gautrain Annual Report 2010). The Member of the Executive Council reports both to the Provincial Executive Council and the Provincial Legislature. The Provincial Legislature however may summon all public entities to report to the Legislature (Gauteng Provincial Legislature 2014). Chart seven provides the organisation structure of the Gautrain Management Agency.

Chart 7: Gautrain Management Agency (GMA)



Source: Gautrain Management Agency, 2014/12/08

The Chief Executive Officer of the Gautrain Management Agency has remained the same since the establishment of the agency on the 6 December 2006. The agency is supported by team leaders, most of whom were members of both the provincial PPP Unit and the National Treasury PPP Unit including the Gautrain Project Team Leader during the initiation and the implementation of the Gautrain project (Jensen 2012: 35).

The Gautrain Management Agency Board ensures that the Gautrain Bombela Concession Company strictly implements the Concession Agreement entered into between the province and the company in 2007.

The first Board was appointed in 2007/2008 financial year but became operational in January 2009. The Board has 9 Members. These included the chairman, who was the CEO of the Blue IQ projects; the former Director General of the Gauteng Province during the years 2005-2009; the former project leader of the Gautrain project who is also the current CEO of the Gauteng Management Agency. Other board members include representatives from the Cross border transport agency; the New Africa Consulting (NAC) and a private consultant on transport and private consultant on built environment. The remaining members are from the Bombela Consortium (Gauteng project 19 December 2014).

Gautrain however is managed by the Bombela Consortium under the Concession Agreement signed with the Gauteng Province in 2007.

## **2.5 The Bombela Consortium and the Concession Agreement**

The creation of the Bombela Consortium and the signing of the Concession Agreement was the product of a very long process of getting the private sector to buy-in and participate in the Gautrain project. After the pre-feasibility study by Darsch Konsult in 1998, funded by the State of Bavaria, and the Inception report in 2000 as well as the Comprehensive Study Report in 2002, the province set out to interest private sector investors in taking part in the project. This included the Premier's visit to several countries in Europe, including Germany, France and the United Kingdom in August 2001.

On this visit the Premier was accompanied by Members of the Executive Council of Economic Affairs and Finance; Transport, Roads and Works; the Gautrain project Leader and the CEO of the Gauteng Blue IQ at the time. The purpose of the visit was to hold discussions with development agencies and investors. The approach was to introduce the project to international investors and the international market. At the time, the investment needs for the project were considered to be technical, legal and financial.

During this European trip discussions were held with the Rothchild Group (Germany), Sir Alexander Gibb and the Williams Consulting Group (United Kingdom). At this point in time domestic private investors and partners had started to be mobilised. These included Kagiso Financial Services with assistance from

Rothschild, Ledwaba Mazwai and the British firm Masons (which became Princent Masons) on the legal side.

The Premier's trip to Europe was followed by the South African Transport Conference hosted between September 16 to 20 2001. The conference specifically focused on the processes to be followed for the Gautrain project including discussions on route determination, passengers demand and revenue. Comparisons were made between the proposed project and the European new rail link initiatives (van der Merwe 2001). This was followed by the Gautrain Investors Conference hosted by the Gauteng Province together with the three metropolitan cities in September 2001. The conference was attended by more than 400 delegates, domestic and international investors and international organisations. Potential international investors at the conference included France (Astrom), Germany (Siemens), Singapore, Canada (train builder Bombardier) Japan and the United Kingdom (United Kingdom trains operator Virgin Trains). The two day conference was addressed by the Gauteng Premier and the national Minister of Transport.

The conference focused primarily on addressing the requirements for a tender process including other pre-qualification needs and expectations from various potential investors (Gautrain project 25 November 2014).

The investors' conference opened the way for the bidding and procurement process for the Gautrain project. The first pre-qualification request for proposals was advertised in February 2002 and enlisted various responses from potential bidders. It was from this group that a list of pre-qualified bidders was drawn and presented to the Gautrain Political Committee at the beginning of April 2001. The final drafts of the request for proposal were presented to National Treasury and the Political Committee at the end of April 2002. This included instruction to bidders, specification documents and the draft Concession Agreement. The announcement of the list of pre-qualified bidders took place in May 2002. After that a request for proposal document, Treasury Authorisation II (2), was obtained from National Treasury after which the request for proposal was developed. These documents were submitted to the pre-qualified bidders to prepare proposals and initial design for the project, (Jensen 2012: 47).

Each bidding company was required to have a consortium consisting of at least a rolling stock company, a civil engineering contractor and a rail operator and BEE partner. On the basis of the criteria set, the pre-qualified bidders consortium included the following:

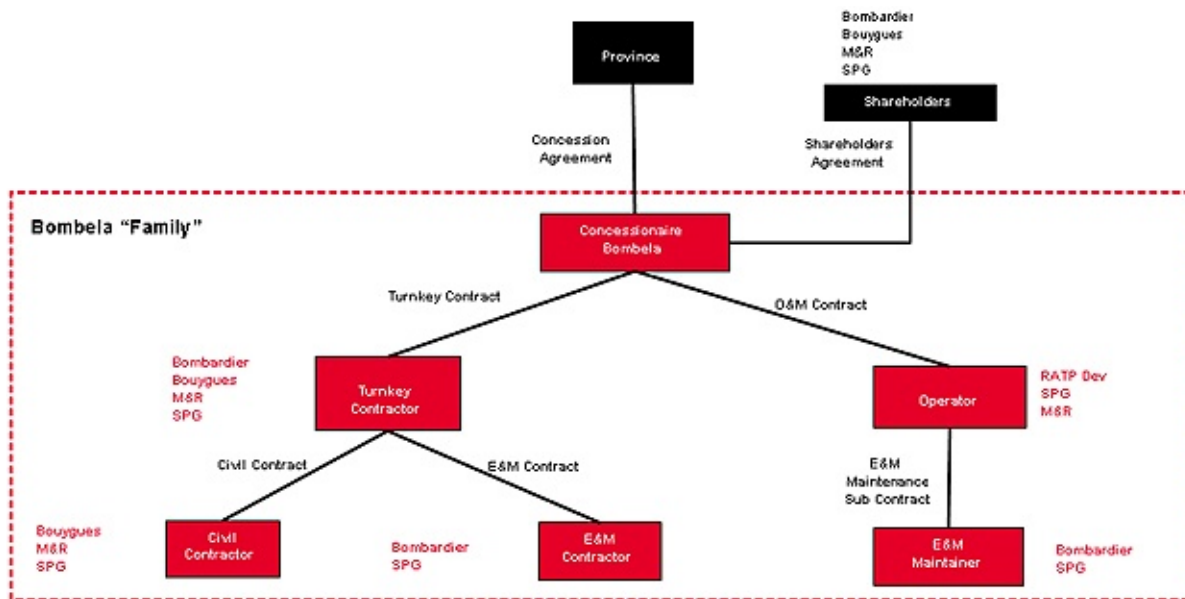
- Bombardier, a Canadian company as the rolling stock manufacturer
- Bouygues and Murray and Roberts, a Spanish and a South African company
- Draganos Group and Grinaker-LTA as the civil construction companies
- RATP Development, a French rail and metro operator as the Rail Operator
- Strategic Partnership Group (SPG)<sup>4</sup> as the BEE partner. The group was formed in 2002, with 12 companies. The companies are constituted by groups from disadvantaged communities including professionals, youth, women, organised black business and black managers with a wide range of expertise in including construction, financial services, transportation and mining. Currently it has four black directors and three of them including the chairperson sit on the Bombela Steering Committee.

The final outcome was the creation of the Bombela Consortium and the signing of the Concession Agreement between the company and the province. Chart eight below indicates the various features of the Bombela Concession Agreement and of stakeholders. What needs to be noted here is that it took fourteen months from July 2005 to September 2006 to finalise the Concession Agreement. To enable work to start on the project an Enabling Works Contract was signed in May 2006. This was followed by the signing of the Concession Agreement in September 2006 (Jensen 2012: 82-83).

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<sup>4</sup> The Broad based economic empowerment (BBEE) arrangement was considered holistic as partnership is both with the main concessionaire partners and subcontractors on different services to be provided, for example the Bombardier Group and the Isithimela Group on track laying. Negotiating investment equity issues and buy-in from both domestic and international investors was central to the success of the Gautrain project to ensure socio-economic empowerment.

**Chart 8: Bombela Concession Agreement and Shareholders**



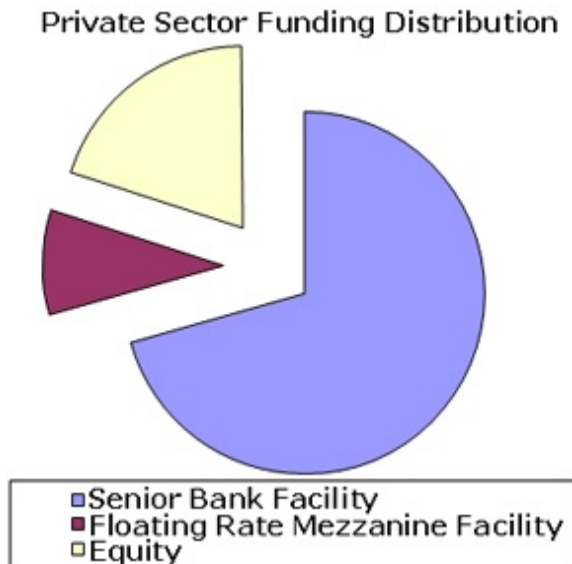
Source: Gautrain Project, 2014/12/08

In terms of the agreement, the Concession Company (Bombela) holds the 20-year concession to design, build, part-finance and operate the Gautrain Rapid Rail Link. Bombela manages the client (Gauteng Provincial Government) interface and provides an integrated solutions approach for the implementation of the Gautrain project through the public private partnership governance model (Gautrain Project 2014/ 11/09).

The Bombela Concession Company shareholders are (Gautrain Project 2014/ 11/09):

- Murray & Roberts Limited – which is a South African engineering, contracting and construction services company.
- Strategic Partners Group – Strategic Partners Group (SPG) as a BEE partner, with 25% shareholder in the Bombela Concession Company.
- Bombardier UK – a world leader in the aerospace and rail transportation sectors.
- Bouygues Travaux Publics – one of the world’s top global design and build civil engineering and building contractors.
- The J&J Group – is a French investment holding and management company
- Absa Capital, a division of Absa Bank Ltd and a subsidiary of Barclays Bank PLC, one of South Africa’s largest financial services organisations.

These stakeholders provided the private sector funding for the project. This funding included a small portion as equity and the remaining majority from banks as indicated in Chart nine.



Source: Gautrain Project, 2014/12/08

Although the above shareholder entities are primarily Bombela's founding shareholders, there are other shareholder entities that operate at different levels within the Bombela contractual structure. These other Bombela entities are:

- The Bombela Operating Company (BOC) which has been established to operate and maintain the Gautrain system.
- The Bombela Turnkey Contractor (TKC) which has been established to manage the delivery of the rail systems, major civil infrastructure, as well as the integration of the electro-mechanical works.
- Bombela Civils Joint Venture (CJV) which is responsible for the design and implementation of the civil works component.
- Bombela Electrical & Mechanical Works (E&M) which is responsible for the design, manufacture and installation of railway components and deliverables such as track work (Gautrain Project 2014/ 11/09).

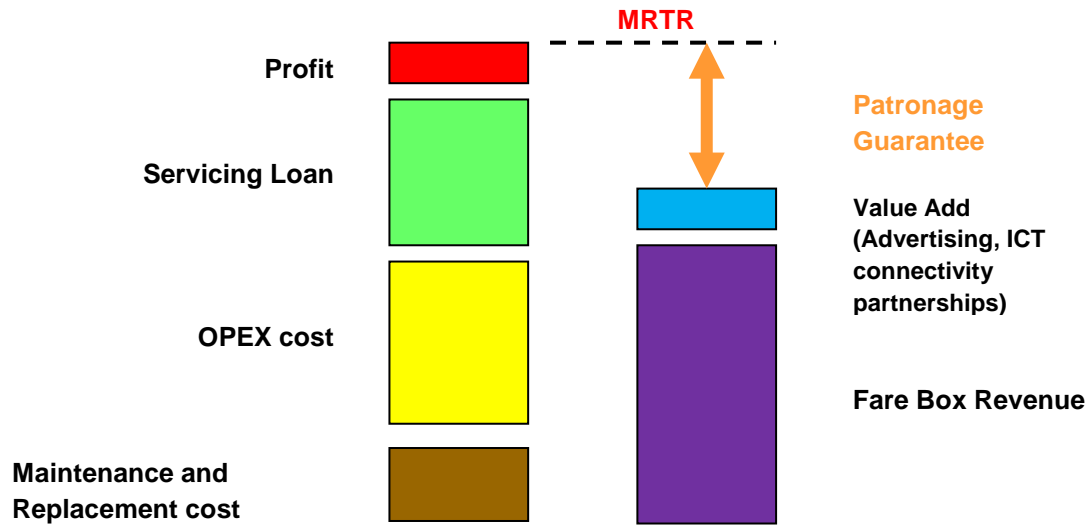
The issue of risk sharing between government and the private sector as represented by the Mbombela Consortium was central in the finalisation of the agreement hence the R4.2 billion loan agreement signed between National Treasury and the Province

as part of upfront payment to the Consortium. This has included the 'patronage guarantee' which formed part of the Comprehensive Feasibility Study affordability report and approval by both the Gauteng Provincial Government, National Treasury and the Cabinet in 2006 (Gautrain Management 2014/12/10). Patronage Guarantee is regarded as a mechanism to assure the Concessionaire of covering its operating, maintenance and private sector portion of the capital costs or the Minimum Required Total Revenue (MRTR).

The patronage guarantee is linked to the number of passengers using the system and the fares they pay as this determines the sustainability of the system. The rationale is that the ridership guarantee would decline as fare-box income increases (tickets through use of the trains). The 50:50 profit sharing between the provincial government and Bombela would then be employed once the fare box reached the level where all Bombela costs were covered (van der Merwe 2014: 2). The maximum patronage guarantee in 2005 was R980 million. The patronage cost is part of the provincial Department of Transport and Roads annual budget (R2.2 billion in 2012) for the Gautrain which include construction costs (R1.2 billion), operational and support costs for the Gauteng Management Agency (R382 million) and the loan repayment cost (ABSA and the National Treasury loans of R389 Million (Gautrain project 2014). Charts ten and eleven below illustrate the funding and risk sharing model between government and the private sector.

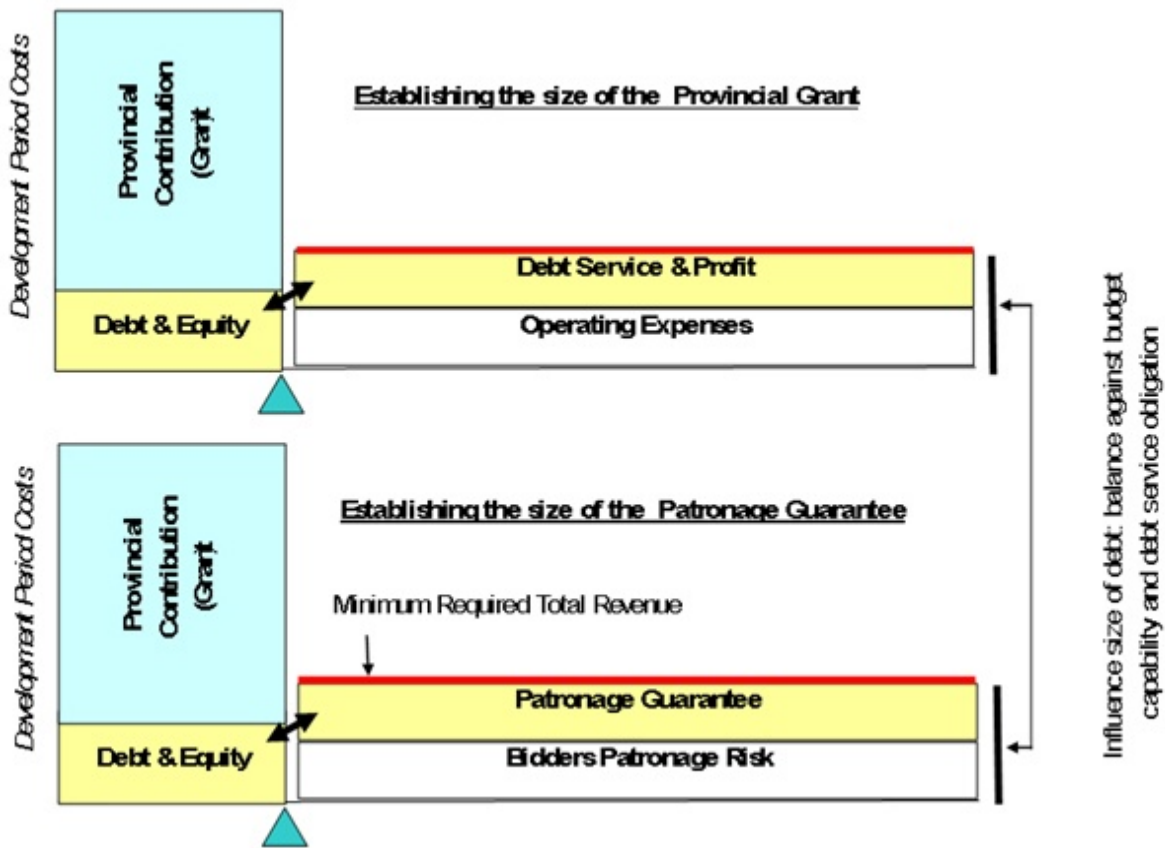


Chart 10: Gautrain funding and risks sharing model



Source: Gautrain Project, 2014/12/08

Chart 11: Gautrain funding and risks sharing model



Source: Gautrain Project, 2014/12/08

## 2.6 Construction and Operation of the Gautrain

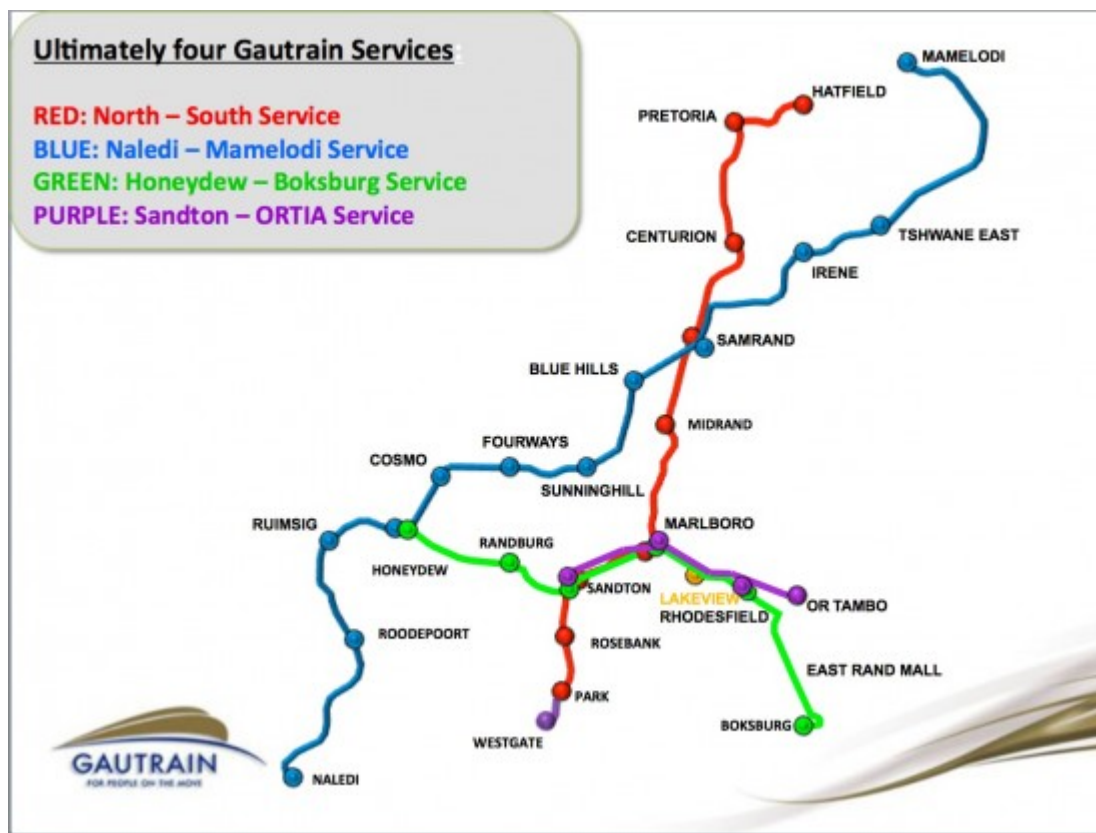
The construction of the Gautrain rail link between OR Tambo International Airport and the three metropolises officially commenced on 4 February 2007. This mainly involved the construction of the tunnelling and the building of stations. Parallel to the construction was the design and manufacturing of the rail cars. The first two completed cars arrived in Durban from the Bombardier plant in Derby, United Kingdom on 1 December 2008. The first four trains were tested at the Gautrain depot in Midrand following the arrival of the first completed train from Derby, United Kingdom on 3 February 2009 (Jensen 2012:108-109).

However, only about fifteen rail cars were manufactured and assembled in Derby. The greater part of the rolling stock, about 81 cars were manufactured at the Union Carriage Works in Nigel, Gauteng South Africa. This formed part of skills transfer

and local empowerment that covered the training of local technicians to assemble rail cars at the Union Carriage and the Wagon Partnership (the UCW Partnership) (Jensen 2012:107).

The Gautrain project has been fully functional since 2010. The success of the current operations has led to new proposals for the extension of the rail link to other areas of the province as indicated in Chart twelve:

Chart 12: New proposals for the extensions of the Gautrain rail link



Source: Gautrain project, 2014/12/16

## Chapter 3

### Lessons from the implementation of the Gautrain project

The conceptualisation and implementation of the Gautrain project has raised a number of important issues around provincial international engagements (para-diplomacy). The most important of these are: the centrality of twinning agreements between the province and other special entities like autonomous regions and cities; the development orientation of provincial international engagements; the emergence of public-private partnership in the implementation of internationally linked projects; the creation of specialised agencies to manage internationally linked projects; the institutionalisation of structures to manage international engagements; the management of relationships and interactions between the province and national departments and the central role of the Premier in the international engagement processes. What follows is a brief discussion of each of these.

**3.1 Twinning Agreements:** The Gautrain project as noted above was a product of twinning agreements between the Gauteng Province and the State of Bavaria Germany and the region of Ile-de-France, France. To operationalise these agreements a set of implementable projects were developed. The twinning agreements are generally broad covering many areas of mutual cooperation with no specific time frames. It is important to find means of concretising these agreements before they are signed. The long time it took to concretise the Gautrain project and implement it should act as a learning curve and the need to be more concrete in elaboration and signing of twinning agreements.

**It is recommended** that projects related to the provincial twinning agreements should be properly planned and executed. This should not come as an after-thought in the implementation of twinning agreements. This should be communicated and negotiated with both domestic stakeholders and international partners during initial phases of the twinning agreement process. This would avoid signing of twinning agreements that are under-serviced or with no strategic developmental purpose. The mutual review process of the twinning agreements should therefore be linked to the planning and implementation of agreed key projects.

**3.2 Development orientation of international interaction:** The Gautrain project formed part of the Blue IQ development projects identified by the province in 1997. Increasing the competitive advantage of the province and attracting foreign investment appear to be the main focus. The Gautrain project was initially seen as a growth catalyst for tourism development in the province but its implementation and its proposed extension indicate that it has helped develop growth nodes around its stations. Growth and attraction of foreign investment is in line with the national focus of what has been termed economic diplomacy. There is however a need to synchronise the national and provincial economic developmental agenda.

**It is recommended** that the provincial development orientation of international engagements should demonstrate the broader developmental impact for the country as a whole in terms of the image of the province and the country as an attractive centre for investment and trade. The projects would then receive more traction and strategic support by the national government and departments. The choice and criteria for provincial developmental projects should therefore be clearly identified and defined for sharing and communicating with potential domestic, international partners and investors.

**3.3 The promotion of public-private partnership as an investment model:** The public-private-partnership has been strongly promoted by National Treasury as a means to mobilise private investment but also as an efficient risk sharing model. This has led to agreements with a number of international development organisations such as the PPP United Kingdom, the DFID (the British Development Agency, the USAID (the United States Development Agency) and the GITZ (the German Development Agency), (National Treasury 2014). These played an important role not only in the establishment of the Gauteng Provincial PPP Unit but also in the mobilisation of the funding for the Gautrain project. The GITZ provided a full-time person to work on the project with a contribution of R200, 000. USAID provided a five year support programme for the Gauteng project that included the secondment of 3 personnel to the project and the provision of \$2million.

In the end, a special public-private partnership was established for the Gautrain project through the signing of the Concession Agreement between the Bombela Consortium and the Gauteng Provincial Government. The fact of the matter is that most of the actual investment for the Gautrain was done through the public purse -

National Treasury R10.75 billion; the provincial government R10.75 billion with the private sector contributing R3.5 billion (a mere 1.8 percent) through private equity investment equivalent of the project. Further the province had through the Minimum Required Total Revenue (MRTR) to subsidise the operations of the Bombela Company until a certain level of profitability had been reached. In 2012 this amounted to R2.2 billion. The public-private partnership appears to favour more the private partners whose investments and profits are guaranteed in advance. One has to find a balance over these partnerships.

**It is recommended** that both the provincial and national risk-profile of investible projects, especially projects that arise through or out of twinning agreements, should receive aggressive appraisal, interventions and communicated to both domestic and international investors. One needs to develop a funding model and partnership model that does not increase fiscal burden to the public. It is also recommended that upon its expiry in fifteen years from now, the bidding process and the concession agreement should be negotiated with this understanding. Private sector investors and domestic investors in particular would have to appreciate enabling spill over opportunities created by government driven projects and provide direct financial contributions to the projects.

**3.4 The creation of management agencies:** The province has decided to use management agencies to implement its development projects. Once the Blue IQ projects were identified under the Department of Economic Affairs and Finance, a Blue IQ agency was created to oversee their implementation. Once the Gautrain project was ready to take off, the Gautrain Management Agency was created in 2006 mainly as a go between the province and the Bombela Consortium. Those who initially constituted the Gautrain Management Team now became the Gautrain Management Agency and the team leader became the CEO of the agency. The funding of the agency still comes directly from the budget allocation of the provincial Department of Roads and Transport.

**It is recommended** that common standard governance arrangements and guidelines on projects with implications on international engagements should be developed. This will promote sharing and consolidation of appropriate skills and knowledge. It will also reduce the risks of mushrooming of agencies in the province which create fiscal burdens. The creation of agencies or public entities to manage

projects should make both governance and fiscal sense as in the Gautrain project. However, although continuity and stability is required in the initiation and implementation of projects, the continuation of similar officials in the same capacities in running agencies creates conflict of interest challenges and governance perceptions that the province is striving to eradicate. The Office of the Premier should play a leading role in developing and promoting common standard governance arrangements and guidelines on projects with implications on international engagements.

**3.5 Institutional structures of international engagement.** The Gautrain project has acted as a spur for the creation of structures dedicated to provincial international engagement. Two such structures is the provincial International Relations Forum, which is constituted by senior officials and international relations specialists from Departments, Municipalities and Agencies and the Directorate: Stakeholder Management that directly manages and coordinates the international relations and strategic partnerships in the province. Despite these two dedicated structures, there has equally emerged a more complex programme process flow and framework as indicated in Chart three. This has arisen because of the project-based nature of most of the provincial international engagements. One has therefore to bring in as many stakeholders into the process as possible because projects have to be properly planned, negotiated, implemented and monitored.

**It is recommended** that the Office of the Premier's should provide institutional and skills capacity to manage international relations in the province. The Directorate Stakeholder Management is currently under-staffed to manage the process. Sufficient staff needs to be employed to manage strategic regions and countries identified through the provincial radical Transformation, Modernisation and Re-industrialisation (TMR) programme for the Fifth Administration (2014 to 2019). The process of developing a provincial international relations strategic posture and programme, twinning agreements and consolidated projects requires sustained capacity to do analysis, research on regions and countries for cooperation, and planning and monitoring the implementation of twinning agreements and projects.

The successful conduct of international engagements requires partnerships with the private sector. This requires knowledge and skills to manage both private sector interests and government development interests. The relevant skills sets to manage



this complex relationship through negotiations and complex arrangement such as concession agreements need to be developed. This also requires the ability of officials to interact and manage diplomatic contacts, communication and engagements within the broader developmental agenda of both the province and the country.

**3.6 The management of relations and interactions between the province and the national departments:** The Gautrain project like other Blue IQ projects, had a lot of financial implications. This made the National Treasury the main department to engage with throughout the process. This is rather revealing of the role that the National Treasury plays in provincial international engagements. In the process of initiation and implementation of the Gautrain, there was constant engagement with the National Treasury. In fact, the National Treasury transferred some of its personnel to the Gautrain project to ensure not only financial accountability of the project but also to deal with project related risks in particular departments. Engagements with other departments such as the Department of Roads and Transport, The Department Environmental Affairs and the Department of Land Affairs and Agriculture were mainly on the basis of the need to comply with existing legal frameworks.

**It is recommended** that the mechanism for provincial interaction with national departments on projects and developmental interventions with international implications should be developed and should involve a continuous appraisal and thorough understanding of both provincial and national policies and strategies. This includes existing agreements and projects signed by the national government and departments. A continuous dialogue and institutional mechanisms would need to be developed to ensure that both provincial and national interests are supported and addressed in the initiation of international agreements and projects.

**3.7 The central role of the Premier and provincial leadership:** One needs to acknowledge the central role played by the Premier and the provincial leadership in the entire development process of the province. It is the Premier and the provincial leadership initiative, drive and foresight that set the main areas of international engagement and how this is to be conducted. The Gautrain is indeed a testimony to this. What needs to be noted is that Premiers and provincial leadership, like national leaders tend to change over time even though they leave the mark on the province.



The governance and reporting of provincial international engagements also need to be managed and supported through adequately capacitated, professionally trained and competent bureaucracy and systems to ensure continuity and preserve institutional memory.

**It is recommended** that the political leadership and vision should be clearly documented to ensure continuity. This calls for shared and communicated political agenda between the province and national government that would ensure continuity in the face of leadership changes that are inevitable.

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**5. Appendix 1:** Letter of Approval 2014, Case Study Report Proposal, University of Pretoria, 29 August 2014.

**6. Appendix 2:** Letter of Approval 2014, Consultation with the Gautrain Management Agency, 20 July 2014.