

2026 Western Cape Economy Innovation Awards – Explanatory Document

Innovation: Western Cape Government Alternative & Blended Finance (ABF) Framework (2025)

Nominated Organisation: Western Cape Provincial Treasury

1) Executive summary and Introduction

The ABF Framework is a one-of-a-kind provincial system that lets the Western Cape Government (WCG) move money outside of the government budget. It does this by combining public funds with private, development, and philanthropic finance to speed up the delivery of infrastructure and high-impact social programs. It includes a full set of policies, a 14-step process for preparing and approving projects, a screened ABF pipeline, and a new way for institutions to govern themselves (TPLCC and PLCC). All of this is in line with the PFMA/BPPGA and works with the WCG's annual budget cycle (MTEF) and the IDMS/WCIIP stage gates. In short, it is a systemic change that opens up new investment for jobs and growth while keeping the economy stable.

2) The issue that the ABF Framework addresses (context)

South Africa's slow growth, tight budgets, rising public debt costs, and backlogged infrastructure have all slowed down investment and service delivery. At the same time that they need it the most, provinces like the Western Cape are under pressure to use conditional grants and have little room in their budgets. Provincial development needs cannot be met by traditional funding alone at the scale and speed that is needed. The ABF Framework was made to responsibly grow the Province's financing toolbox by bringing in outside capital and expertise while keeping the Province's balance sheet safe and making sure that it follows all the rules set by the PFMA, BPPGA, and Treasury.

3) The new idea behind the ABF Framework

There are four innovations in the Framework that work together:

(i) Financing Policy Architecture. Clear definitions for alternative and blended finance; legally grounded principles (additionality, outcomes orientation, fiscal sustainability, transparency, accountability, legal compliance); and rules for risk allocation, contingent liabilities, debt management and guarantees.

(ii) 14 Stage Project Preparation & Approval Process: This is a full provincial lifecycle for ABF projects that works with the MTEF (PG MTEC 1 & 2), IDMS, and the WCIIP 2050 pipeline. Only projects that are bankable, affordable, and legally compliant can go to market.

(iii) ABF Pipeline & Screening: A central pipeline of potential projects and a TPLCC screening tool that checks for policy alignment, developmental impact, readiness, risk, instrument fit, and institutional capacity before resources are committed.

(iv) Governance: TPLCC and PLCC. A new way of running things: the Technical Provincial Loans Coordinating Committee (TPLCC) does technical screening and due diligence, while the Provincial Loans Coordinating Committee (PLCC) keeps an eye on things and makes sure that no department approves transactions that could affect the Province's finances. LCC approvals and National Treasury involvement are built in at the right times.

4) How It Works (toolkit and pathways for instruments)

The Framework offers both on-balance-sheet and off-balance-sheet options, such as technical assistance, viability gap grants, outcome-based financing (SIBs/outcomes funds), partial risk/credit guarantees (through DFIs), blended funds, PPPs, DFI/commercial loans, hybrid capital structures, ring-fenced revenue loans, and provincial bonds (with National approvals). The Framework requires an analysis of affordability and the management of contingent liabilities. Annexures provide a selection guide and risk allocation norms.

5) Results Chain Narrative (answers to a–j in a way that makes sense)

a) Target business groups. The Framework is meant for businesses that rely on reliable public services and infrastructure, such as small and medium-sized enterprises (SMEs) and large companies in logistics, manufacturing, agribusiness, tourism, ICT, renewable energy, construction, and professional services. It is also meant for social service delivery partners, such as ECD providers.

b) Numbers already reached. Departments have started working on ABF-aligned projects in transport, energy, water, digital, and social infrastructure. These projects are now in the ABF pipeline for technical screening and bankability. As these reach financial close, hundreds to thousands of suppliers (contractors, consultants, operators) and broader value chains benefit, while end users gain from improved infrastructure performance.

c) How businesses get it. Businesses get it through competitively procured ABF projects and open market engagements. These help businesses get ready for investments, make deals clearer, and lower bid uncertainty and transaction costs.

d) What businesses get better at. Planning, bidding, and investing with confidence. They have better pipeline visibility, more consistent documentation, better treatment of demand/revenue risk, and higher chances of closing a deal, all of which lower wasted bid costs and let companies grow.

e) How performance gets better. More reliable infrastructure cuts down on downtime and logistics problems; faster capital expenditures boost demand in the construction and supplier sectors; a crowded finance sector supports more investment and jobs; and efficiency gains lower life cycle costs.

f) What the solution is. A provincial system (policy + process + pipeline + governance + tools) that lets WCG start, evaluate, structure, and approve blended finance projects in a way that is legal, cheap, and ready for investment.

g) What makes it new here. The first provincial ABF framework that is clearly linked to PSP 2025–2030, Growth for Jobs 2023–2035, and WCIF/WCIIP 2050, with touchpoints for the budget process and formalised governance (TPLCC/PLCC).

h) What makes it better than before. Before, departments didn't have a clear, legally sound way to handle alternative finance. The ABF Framework now makes project preparation a regular part of the process, reduces the risks of market engagement, makes approvals clearer, manages contingent liabilities, and protects long-term fiscal sustainability. This boosts investor confidence and speeds up execution.

i) How the solution is made available. Through provincial adoption, departments submit ideas to the ABF pipeline, pass TPLCC screening, complete feasibility with PT support, and—if necessary—

seek PLCC/Cabinet endorsement and National LCC concurrence before procurement/financial close.

j) Viability & Longevity (5–10–10+ years). The Framework is multi-decadal, built into WCIF 2050/WCIIP 2050, aligned with PSP and G4J, and backed by standard risk, affordability, and debt management practices. This means that it will have a lasting effect for at least 10 years as instruments and pipelines grow.

6) Proof and Verifiability (what we can give)

- The approved ABF Framework (2025) includes all the rules, procedures, pipelines, governance, and instrument guidance, as well as appendices on how to choose instruments and the PPP cycle.
- Governance records: Terms of reference/records that set up TPLCC and PLCC; plans for keeping the pipeline in good shape with DoI's WCIP Delivery Unit.
- Process artefacts include concept note templates, pre-feasibility and feasibility requirements, screening criteria (Figure 7), and advice on how to balance affordability and risk.
- Proof of integration: clear connections to PSP 2025–2030, Growth for Jobs 2023–2035, WCIF/WCIIP 2050, and MTEF engagements (PG MTEC 1 & 2).
- Case references: the experience of the Western Cape SIB/IBIF; national and local case studies (like green bonds and lessons learned from public-private partnerships) used to help choose the right instruments and design the right risks.

7) Risk management, affordability, and compliance (why it's good for the economy)

The Framework puts fiscal responsibility first. It tells the party best able to handle the risk to take it on, requires an analysis of affordability (cash flow obligations over the life of the project), and requires the recording and monitoring of Section 66 commitments and contingent liabilities. The Constitution and the PFMA say that all direct borrowing needs the approval of the National LCC and the National Minister of Finance. There are clear rules about what you can't do, like borrowing money without permission or taking on debt that isn't Rand. The method strikes a balance between ambition and caution, protecting the Provincial Revenue Fund while allowing capital to flow in.

8) Expected Economic Impact (why it meets the award criteria)

- Scale of Impact: The Framework helps investment, productivity, and employment by unlocking alternative capital into economic enabling infrastructure (transport, energy, water, digital) and social programs. This addresses key G4J pillars and provincial bottlenecks.
- Number of Beneficiaries: Hundreds to thousands of businesses in the Western Cape will benefit directly or indirectly as ABF projects reach financial close and construction and operations begin. The community will also benefit from better services.
- Novelty/Newness: This is the first time a provincial framework has used global blended finance practices in a South African provincial legal and fiscal context. It has new governance (TPLCC/PLCC), a 14-step process, and a formal ABF pipeline built into planning and budgeting.

9) Sustainability and Longevity (how it will last)

The Framework will last because it is institutionalised (policy text + governance + process + pipeline), included in long-term plans (WCIF/WCIIP 2050), aligned with PSP/G4J, and follows the law. It is modular and can be updated. The Provincial Treasury can issue instrument handbooks and circulars and make changes based on pilot projects, market feedback, and changing National guidance, which keeps the system useful for more than 10 years.

10) Conclusion: Why this deserves an award

The ABF Framework is a public sector innovation that works as a system and a catalyst. It makes a financial problem into an investment chance by bringing in outside money while keeping tight control over spending and governance. It directly helps the Western Cape reach its long-term economic goals by speeding up infrastructure, adding services, and creating jobs, all while protecting the public purse. It shows how a province can come up with new ways of doing things, policies, and institutions to get results that traditional budgeting can't get.