SOUTH AFRICA’s INFRASTRUCTURE INVESTMENT PLAN

The Flywheel to the Economic and Growth Recovery Plan

Approved: Cabinet: Wednesday 27 May 2020

PRESENTATION TO JOINT COMMITTEE MEETING

WEDNESDAY 24 JUNE 2020

09H00 – 11H30

Overview and Strategic Intent of SA’s Infrastructure Investment Plan

Minister Patricia De Lille, MP

Elaboration on the Process Flow, Infrastructure Project Pipeline, SIDS Methodology and Implementation Mechanisms

Dr Kgosietshe Ramokgopa

Closing Remarks

Deputy Minister Noxolo Kiviet, MP
# Problem Statement

## Towards Building a Credible Infrastructure Pipeline

## Infrastructure’s Role in SA’s Economic Recovery

## Mechanisms to Transform Infrastructure Implementation in South Africa

### Immediate-Term Infrastructure Projects

### Summary Snapshot: Immediate-Term Projects

### Infrastructure Projects Process Flow

### Medium-Term Infrastructure Projects

### Long-Term Infrastructure Projects

### Closing Remarks
Problem Statement

Infrastructure as a Catalyst for an Economic Rebound

☑ Many countries in the world, including South Africa, have implemented massive fiscal and monetary interventions to ease the economic decline due to COVID-19.

☑ History has shown that:
  - There has been a substantial underspend by all spheres of government and SOEs on infrastructure;
  - There has been no clear national direction and strategy for infrastructure;
  - The oversight has been scattered and in the wrong place

☑ In this time of crisis, a clear focus is needed on targeted infrastructure investment and implementation which forms part of the economic growth and recovery in the immediate, medium and long term. This is the primary way in which to bring the country out of the severe recession.
  - The identification of projects across regions and sectors to which the funds can be best allocated, and categorizing them for immediate, medium and long-term implementation
  - Approval and implementation of legal, technical and financial mechanisms that will fast-track the implementation of sustainable infrastructure in accordance with the Sustainable Infrastructure Development Symposium (“SIDS”) Methodology
  - Promote increased funding from the private sector or agencies
  - Establishment of Infrastructure South Africa - the single point of entry for all Infrastructure assessment, verification strategic development management and investment facilitation.
South Africa’s Current Economic Reality

Infrastructure / Construction Sector

- SA is far from NDP target for public sector infrastructure investment
- Investment by general government (GG) down 0.8% on average in real terms between 2014 and 2019. State owned enterprises (SOEs) down by 4.9% on average
- Massive underspending in infrastructure by all spheres of government and SOEs
- Construction Industry has been the most severely impacted on by the downgrade in the economy and COVID-19
- -14.2% Contraction in the Construction Sector (2x the next lowest – Manufacturing Sector)
- Highest job losses have been in the Construction Sector

Moody’s downgraded SA’s foreign and local currency sovereign credit rating to Ba1 – can further hamper economic recovery

<table>
<thead>
<tr>
<th></th>
<th>Moody’s</th>
<th>S&amp;P Global</th>
<th>Fitch</th>
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<tbody>
<tr>
<td><strong>Foreign currency</strong></td>
<td>Ba1 (1 notch below)</td>
<td>BB (2 notch below)</td>
<td>BB+ (1 notch below)</td>
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<td><strong>Outlook</strong></td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
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<tr>
<td><strong>Local currency</strong></td>
<td>Ba1 (1 notch below)</td>
<td>BB+ (1 notch below)</td>
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Total underspend (2014/15 - 2018/19) R’ bn

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<tbody>
<tr>
<td>SOE</td>
<td>109,06</td>
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<tr>
<td>GG</td>
<td>38,29</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>147,35</strong></td>
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Towards Building a Credible Infrastructure Pipeline
As at April 2020

177 Projects submitted, 55 projects post feasibility stage (28 Construction, 20 tendering, 7 operation)

Total investment value of more than R1.6 TRILLION
- Estimated gap of funding required R217 BILLION

Employment opportunities ~ 1.6 million

NOTE
The SIDS Pipeline is currently not of Infrastructure Projects that are on the Fiscus. These are additional infrastructure projects within the identified sectors that require funding.
Geographic Spread of Project Pipeline
55 Immediate SIDS Projects
Building a Credible Infrastructure Pipeline
As at June 2020

- 276 Projects submitted, 88 projects post feasibility stage

- Total investment value of more than R2.3 TRILLION
  - Estimated gap of funding required R502 BILLION

- Reported employment opportunities ~ 1.88 million (direct & indirect)

Sector allocation of projects submitted:

- Human Settlement: 71
- Transport: 64
- Water and Sanitation: 42
- Other: 34
- Agriculture and Agro-processing: 33
- Energy: 25
- Digital: 7

*Other
- 11 - Environmental
- 1 – Tourism
- 1 – Mining
- 21 – still to be allocated
Geographic Spread of Project Pipeline
As at June 2020

KwaZulu-Natal: 57
Gauteng: 40
Eastern Cape: 38
Limpopo: 37
Western Cape: 23
National: 19
Mpumalanga: 18
Free State: 16
Northern Cape: 16
North West: 12
SA’s Economic Growth Recovery Plan

A Unique & Innovative Approach to Infrastructure

SA Inc & Cross-border Infrastructure Projects
- Promote Regional Integration & Sectoral Integration
- Infrastructure Interdependencies

Unlock National Priorities
- Network Industries
- Agriculture & Agro-Processing
- Human Settlements
- + Potential to Add More Categories

Development Impact
- Job creation
- Spatial inclusivity
- Transformation
- Addressing needs
- Infrastructure Value Chain

SA Inc & Cross-border Infrastructure Projects
- Promote Regional Integration & Sectoral Integration
- Infrastructure Interdependencies

Mechanisms to Expedite Implementation
- Legislative reforms
- Streamlined Processes
- Performance and Payment Expedited
- Enforcement
- Matrix Construction Management System
- Intergovernmental coordination
- Universal Urban Management Income Grant

Leverage Public & Private Sector Funding + Realign Public Sector Infrastructure Funding
- Innovative funding mechanisms
- Blended finance tools
- Government Budget for Infrastructure
- Infrastructure Grants

Institutional Implementation Capacity
- Capacity of State to Manage Catalytic Projects
- Leverage Private Sector Expertise
- Mechanisms to fast-track implementation
- Training & Capacitation

Sustainability
- NDP, NSDF & new NIP
- Sustainable Development Goals
- Technology Innovation
- 4th Industrial Revolution throughout the Infrastructure Lifecycle
The President stated that it cannot be business as usual. The legal, financial and technical mechanisms that are developed and approved must therefore be innovative, streamlined and enabling Infrastructure Implementation and Investment in SA’s Economic Growth Recovery Plan to be rapidly and sustainably implemented.
### IMMEDIATE-TERM

**Infrastructure Projects and Programmes**

<table>
<thead>
<tr>
<th></th>
<th>Programme</th>
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<tbody>
<tr>
<td>1</td>
<td>Deep Dive into 55 SIDS Projects</td>
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<tr>
<td>2</td>
<td>Welisizwe: Rural Bridges Programme</td>
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<tr>
<td>3</td>
<td>Rural Roads Upgrade Programme</td>
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<tr>
<td>4</td>
<td>Upgrading and Repair of Township Roads in Municipalities</td>
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<td>5</td>
<td>PV and Water Savings on Government Buildings Programme</td>
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<td>6</td>
<td>Temporary Hospital at Tshwane Show Grounds</td>
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<tr>
<td>7</td>
<td>DPWI 2020/21 FY Infrastructure Projects, Salvokop Precinct &amp; JPC/DPWI SLA for GBV</td>
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<tr>
<td>8</td>
<td>Special Project 1: Comprehensive Urban Management Programme</td>
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<tr>
<td>9</td>
<td>Special Project 2: Digitising of Government Information</td>
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<tr>
<td>10</td>
<td>Special Project 3: War-on-Leaks Programme</td>
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<tr>
<td>11</td>
<td>Special Project 4: Innovative Building Materials and Removal of Alien Vegetation</td>
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<tr>
<td>12</td>
<td>Special Project 5: National Upgrading Support Programme</td>
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<tr>
<td>13</td>
<td>Special Project 6: Solar Water Initiatives</td>
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<tr>
<td>14</td>
<td>Special Project 7: Student Accommodation</td>
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<tr>
<td>15</td>
<td>Special Project 8: SA Connect</td>
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### SUMMARY SNAPSHOT: IMMEDIATE-TERM

**Job Opportunity and Rand Value Investment**

Projects & Programmes 1-15: 1-3 Month Commencement

<table>
<thead>
<tr>
<th>No</th>
<th>Project / Programme Name</th>
<th>Potential Jobs Created</th>
<th>Rand Value of Investment</th>
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<tbody>
<tr>
<td>1.</td>
<td>55 Immediate SIDS Projects (Tendering, Construction &amp; Operating)</td>
<td><strong>340 000</strong> Job Opportunities</td>
<td><strong>R23 billion</strong></td>
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<tr>
<td>2.</td>
<td>Welisizwe: Rural Bridges Programme</td>
<td><strong>1280</strong> Construction <strong>3840</strong> Operations</td>
<td><strong>R151,12 million</strong></td>
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<td>3.</td>
<td>Rural Roads Upgrade Programme</td>
<td><strong>4000</strong> Construction <strong>80</strong> Operations</td>
<td><strong>R701.5 million</strong></td>
</tr>
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<td>4.</td>
<td>Upgrading and Repair of Township Roads in Municipalities</td>
<td><strong>3 400</strong> Construction</td>
<td><strong>R560.2m</strong> (excl. materials)</td>
</tr>
<tr>
<td>5.</td>
<td>PV and Water Savings on Government Buildings Programme</td>
<td><strong>117 000</strong> Up-skilling <strong>146 000</strong> Jobs</td>
<td><strong>R7.2 billion</strong> over 10 years</td>
</tr>
<tr>
<td>6.</td>
<td>Temporary Hospital at Tshwane Show Grounds</td>
<td><strong>350</strong> Construction Jobs</td>
<td><strong>R 1.156 billion</strong></td>
</tr>
<tr>
<td>7.</td>
<td>Special Project 1: Comprehensive Urban Management Programme</td>
<td><strong>52 000</strong> EPWP Jobs</td>
<td><strong>R 3.760 billion</strong></td>
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<td>8.</td>
<td>Special Project 2: Digitising of Government Information</td>
<td><strong>10 000</strong> Jobs</td>
<td><strong>R 1 billion</strong></td>
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<td>9.</td>
<td>Special Project 3: War-on-Leaks Programme</td>
<td><strong>15000</strong> Artisan, Plumbers, Water Agents</td>
<td><strong>R3.5 billion</strong></td>
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## SUMMARY SNAPSHOT: IMMEDIATE-TERM

**Job Opportunity and Rand Value Investment**

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<td>10</td>
<td>Special Project 4: Building Materials &amp; Remove Alien Vegetation</td>
<td>10,000 EPWP Clearing Vegetation 5,000 Builders</td>
<td>R1.9 billion</td>
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<tr>
<td>11</td>
<td>Special Project 5: National Upgrading Support Programme</td>
<td>10,000 Jobs / Contractors</td>
<td>R5 billion</td>
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<tr>
<td>12</td>
<td>Special Project 6: 600,000 Solar Water Geysers</td>
<td>Apprenticeship Training 3,000 4,000 Jobs</td>
<td>R95 million</td>
</tr>
<tr>
<td>13</td>
<td>Special Project 6: 500,000 Bonded Housing Solar Water Geysers</td>
<td>8,000 Jobs</td>
<td>R2.5 billion p.a.</td>
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<tr>
<td>14</td>
<td>Special Project 7: Student Accommodation</td>
<td>36,590 Jobs</td>
<td>R250 million</td>
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<tr>
<td>15</td>
<td>Special Project 8: SA Connect</td>
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<td>R600 million</td>
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<td></td>
<td><strong>TOTAL</strong></td>
<td>+/- 769,540 Jobs Created</td>
<td><strong>R51.374 BILLION</strong></td>
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### Infrastructure Projects on the 2020/21 Financial Year Budget

- **R 267.1 BILLION FISCUS**
- **R 112.6 BILLION PRIVATE SECTOR INVESTMENT**
- **R 379.7 BILLION**

- **55 SIDS Projects**
Infrastructure Projects Process Flow
The New Way of Working

National Departments
Provincial Government
Local Government
SIDS Projects
SOEs

Comprehensive Infrastructure Project Pipeline

Infrastructure Investment Management & Oversight over the IF

National Infrastructure Plan

Assessment of Infrastructure Projects terms of SIDS Methodology

INFRASESTRUCTURE MECHANISMS
Legal, Technical & Financial Mechanisms
Ease of Doing Business in the Built Environment Space
Performance and Payment Expedited
Intergovernmental Co-operation & Enforcement at All Costs
Infrastructure Value Chain & Priority Implementation Mechanisms
Construction Implementation Matrix System, etc.

INFRASTRUCTURE & INVESTMENT OFFICE IN PRESIDENCY / HEAD: INFRASTRUCTURE SA

PICC Technical Task Team
BFI Project Assessment Process

Monitoring, Evaluation and Review & Comprehensive Information Management System for Infrastructure

Gazetting & Monitor Strategic Integrated Projects (SIPs) process into the Infrastructure Development Act, No 23 of 2014

PROJECTS READY FOR FUNDING

Infrastructure Projects are Commercially Viable
Commercial Banks, MDBs, DFIs

Infrastructure Projects require Blended Financing
Send to Infrastructure Fund for Funding into criteria set by ISA

Infrastructure Projects to be funded solely by the Fiscus
National Treasury to allocate funding to Departments, SOEs, Infrastructure Grants, etc.

If an Infrastructure Project/Programme is to be prioritised it will be classified and gazetted as a SIP in terms of the Infrastructure Development Act. Department, Province, Municipality or SOE will then be able to utilise the expedited mechanisms. ISA, through the Presidential Coordinating Commission Structures will then facilitate the process to expedite delivery.

Note. There is a single point of entry for infrastructure, as has been agreed, under the banner of the Presidential Infrastructure Coordinating Commission Council, which is chaired by the President, along with the Minister of Public Works and Infrastructure, who is the Executive Authority. ISA is the administrative support and functionary. This diagram depicts that administrative workflows.
The Implementation of the Plan
A New, Streamlined and Accountable Partnership

SA’s INFRASTRUCTURE INVESTMENT PLAN is bold, very focused on implementation. It has, however, also introduced the mechanisms that are needed to ensure this prioritised implementation in the immediate, medium and long term. In this context, the partnership between the public and private sector is very important, especially when it comes to the implementation of sustainable, fit-for-purpose infrastructure.

This Plan has been built around key, fundamental principles that we should all be aware of and abide by as it is not business as usual - we are essentially in a war situation.
The Implementation of the Plan
A New, Streamlined and Accountable Partnership

- CLEAR DELIVERY TARGETS related to value for money and need
- TRANSPARENCY in relation to performance
- ACCOUNTABILITY of professionals and contractors as well as government – if it can be done for private sector developments it can be done for public sector infrastructure
- MONITORING, REVIEW, INSIGHTS AND INFRASTRUCTURE INTELLIGENCE
- TRANSFORMATION AND SPATIAL JUSTICE will no longer be just rhetoric
- SKILLS TRANSFER, EMPOWERMENT AND JOB CREATION are at the forefront of the plan – it is not just part of the construction process but how we UPSKILL OUR NATION
- USE NEW TECHNOLOGY and the GREEN ECONOMY
Development and Promulgation of the IDA Regulations/Guidelines/Manual

Review of NIP and Development of new National Infrastructure Plan 2045

Rural Development Innovative Activities

Restructuring EPWP to include mainstreaming, Women’s Maintenance Teams and Social Compacts

Monitoring, Evaluation, Insights and Intelligence
The **Infrastructure Vision, Objectives and Implementation Strategy for South Africa** is to be determined and set up front. This will then ensure both stability and consistency in the planning, investment, implementation and maintenance of infrastructure in the short, medium and long term. It will also restore the confidence of the private sector and the construction industry. The Vision will further bring certainty to communities who have been needing basic infrastructure for many years.
LONG-TERM
Infrastructure Projects and Programmes

1. Long-Term SIDS Projects that are currently in pre-feasibility
2. Additional projects that come through the Comprehensive Infrastructure Pipeline Process
3. Submission to the Infrastructure Investment Committee
   - Commercial
   - Blended Financing – Infrastructure Fund
   - Social Infrastructure / Fiscus
4. Infrastructure-related Training and Capacitation Programmes consolidated under ISA
5. Incentive within the context of the 4th industrial revolution and the green economy
6. Focus on revenue generation and infrastructure lifecycle management across the value chain
7. Continued focus on job creation, with a specific focus on SMMEs, EMEs, youth, women and persons with disabilities
8. Additional projects identified in the National Infrastructure Plan 2045
SOUTH AFRICA’S INFRASTRUCTURE INVESTMENT PLAN is big, bold, targeted and implementation oriented in the immediate term. This is the primary way in which to bring the country out of the severe recession.

It should, however, not be seen as just having a national government agenda. This is quite the opposite – the Plan is a complete, all encompassing infrastructure agenda, for the benefit of our communities and it will only work if we work together, in partnership with all stakeholders.

Further, as we have explained, SA’S INFRASTRUCTURE INVESTMENT PLAN has numerous technical, financial, legislative and developmental reforms that Cabinet has approved and that are relied on for infrastructure implementation to be prioritised. These reforms will not be possible if we are not on the same page.

Thank you all for your time. We trust that we will be able to work together to ensure infrastructure implementation is prioritised, in accordance with the our country’s development goals.