Ramaphosa aims to crowd in private resources for infrastructure

Photo by GCIS
President Cyril Ramaphosa

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President **Cyril Ramaphosa** has placed the creation of a public-private infrastructure fund at the heart of an economic stimulus and recovery plan, otherwise constrained by South Africa's serious fiscal constraints.

In unveiling the plan during a briefing at the Union Buildings in Pretoria on Friday, Ramaphosa reported that the South Africa Infrastructure Fund would be established immediately, supported by an executive team within The Presidency, comprising individuals drawn from the public and private sectors

The unit will seek to consolidate and coordinate infrastructure initiatives across all three spheres of government and will include individuals with expertise in engineering, project design and project management. Over the coming three years, it is estimated that some R400-billion will be invested in public infrastructure projects.

The fund would be partly capitalised by government, with details to be provided in the Medium-Term Budget Policy Statement (MTBPS), which will be delivered on October 24 by Finance Minister **Nhlanhla Nene**, who flanked Ramaphosa at the presentation of the plan. The briefing was also attended be Economic Development Minister **Ebrahim Patel**, Public Enterprises Minister **Pravin Gordhan** and Cooperative Governance and Traditional Affairs Minister **Zweli Mkhize**.

The fund will also seek to mobilise non-governmental resources, including from domestic and international development finance institutions, including the New Development Bank (NDB) of the Brazil, Russia, India, China and South Africa bloc, as well as domestic pension funds and commercial banks.
Ramaphosa said the fund would be a "blended finance" instrument, comprising both equity and debt. Part of the debt could be raised through the issuance of bonds, possibly through a facility available through the NDB. The South African president drew some parallels between the proposed South African fund and India's $3-billion National Investment and Infrastructure Fund Limited.
The South Africa Infrastructure Fund would also be promoted at the upcoming Investment Conference, scheduled to take place in Johannesburg on October 25 to 27.
The CEO Initiative immediately welcomed the proposed South Africa Infrastructure Fund, which it said presented an opportunity to effect tangible change through the private sector partnering with government by investing in our country's infrastructure.
The balance of the economic stimulus and recovery plan relies on three components:

- Delivering policy certainty in the areas of tourism, mining, telecommunications and agriculture;
- A R50-billion reprioritisation of the national Budget away from underperforming programmes to ones that would have the highest growth and employment spin-offs.
- And addressing urgent backlogs in education and health, as well as municipal social infrastructure improvement.

Crucially, all the initiatives would be pursued within the existing fiscal framework, with Ramaphosa acknowledging that government had limited fiscal space to increase spending or

borrowing. It was, thus, “imperative that we make sure that the resources that we do have are used to the greatest effect”.
In its response to the plan, the CEO Initiative said it was particularly encouraged by the undertaking from the President and Minister of Finance that this stimulus plan would be implemented by "reallocating existing resources, as well as embracing other forms of financing through partnerships, rather than adding to the sovereign debt level.”

POLICY COURSE CORRECTION

Mining investment is expected to be stimulated through the finalisation of Mining Charter Three, as well as the withdrawal of controversial amendments to the Mineral and Petroleum Resources Development Act. Ramaphosa also confirmed that separate legislation for the regulation of the oil and gas industry would be drafted through the government’s legislative process.
Government would also overhaul the prevailing visa regime, which has been blamed for undermining tourism growth in recent years. Ramaphosa reported that difficulties in obtaining business and tourism visas had even been raised by President **Xi Jinping** during recent bilateral meetings between South African and China.
As part of the stimulus package, a process would be initiated in the coming few weeks, for the allocation of high-demand radio spectrum to enable licensing. “This will unlock significant value in the telecommunications sector, increase competition, promote investment and reduce data costs,” the President said.
In agriculture, where investment was also being undermined by the current debate on changing the South African Constitution to allow for land expropriation without compensation, Ramaphosa announced the appointment of an advisory panel on land reform, which would guide the Inter-Ministerial Committee on Land Reform chaired by Deputy President **David Mabuza**.
The ten-person panel would advise government on the implementation of “a fair and equitable land reform process that redresses the injustices of the past, increases agricultural output, promotes economic growth and protects food security”.
The panel will be chaired by social entrepreneur and public policy and development planning specialist Dr **Vuyokazi Mahlati** and will also include: Professor **Ruth Hall**, a researcher and professor

at the University of the Western Cape's Institute for Poverty, Land and Agrarian Studies; Professor **Mohammed Karaan**, Professor in Agricultural Economics at Stellenbosch University; Advocate **Tembeka Ngcukaitobi**, a lawyer, public speaker and author whose current work for the Legal Resources Centre and Johannesburg Bar spans public law, labour law and competition; **Bulelwa Mabasa**, an admitted attorney with more than 16 years' experience; Dr **Thandi Ngcobo**, CEO and founder of the Dr J L Dube Institute of the University of KwaZulu-Natal; agricultural economist **Wandile Sihlobo**, who is head of research at the Agricultural Business Chamber of South Africa; **Daniel Kriek,** a Free State farmer and President of AgriSA; **Thato Moagi**, a young, emerging farmer and entrepreneur; and **Nick Serfontein**, the chairperson of the Sernick Group.

In parallel, "blended finance" would be mobilised from the Land Bank, Industrial Development Corporation and commercial banks for transactions to create employment opportunities in the agricultural sector over the next three to five years.

"A significant portion of the funding will go towards export-oriented crops that are highly labour intensive. Government will finalise the signing of 30-year leases to enable farmers to mobilise funding for agricultural development."

Meanwhile, Nene and his department had been given the responsibility of overseeing a reprioritisation of the Budget to liberate R50-billion in resources for initiatives aligned to the recovery plan. Nene said his department was working on the details of this reprioritisation, which would be released as part of the MTBPS.

Ramaphosa said resources would also be redirected towards addressing immediate challenges in health and education, with additional funds to be allocated to addressing the "dire state of sanitation" at many public schools and ensuring the completion of 1 100 sanitation projects in the current financial year.

"To address some of the shortages in our hospitals, funding is being made available immediately to buy beds and linen, while the Minister of Health and the National Health Council will immediately fill 2 200 critical medical posts, including nurses and interns," the President said.

REACTION
The CEO Initiative said it supported the measures outlined today by Ramaphosa for reviving the economy and creating a more investor-friendly environment. "If implemented with urgency, we believe these changes will significantly aid our shared goal of sustainable and inclusive growth," co-convenor **Jabu Mabuza** said, adding that the plan demonstrated the political will to make the reforms needed in order for the economy to perform at its optimal level.

The CEO Initiative praised the announcement made outlining amendments to the visa regime, as well as the clarity and certainty provided to the mining sector and the unlocking of value in the telecommunications sector. "While many challenges remain, these measures would go a long way towards making our economy more competitive compared to our emerging market peers," said Mabuza.

The reprioritisation of spending towards investments in agriculture and rural economies, also received support, as did the appointment of an advisory panel to help the government achieve fair and equitable land redistribution.
However, the official opposition was more skeptical, arguing that the reprioritisation of R50-billion was unlikely to have a major impact on economic growth and job creation. The Democratic Alliance noted that the R50-billion adjustment was not new money and would be funded by redirecting expenditure within the existing Budget over the medium term between 2018/19 and 2020/21.
"The fact is that the R400-billion that will be allocated to the infrastructure fund is also not 'new money' and had already been allocated to expenditure on public infrastructure in the existing budget over the medium term between 2018/19 and 2020/21," the party added.
Meanwhile the Economic Freedom Fighters dismissed the plan as "nothing new" and an attempt at salvaging an economy based on the preservation of "white monopoly interests".