



**MINISTER
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA**

Private Bag X149, **PRETORIA**, 0001 • the dti Campus, 77 Meintjies Street • Sunnyside, PRETORIA • Tel: +27 12 394 1006 • Fax: +27 12 394 0255
Private Bag X 9047, **CAPE TOWN**, 8000 • Tel: + 27 21 466 9800 • Fax: + 27 21 461 0428
e-mail: ministry@economic.gov.za • website: www.economic.gov.za

14 February 2012

PRESS RELEASE

SONA Debate, National Assembly, 14 February 2012. Minister Ebrahim Patel, Economic Development. CHECK AGAINST DELIVERY.**

Honourable Speaker
Honourable President and Deputy President
Honourable Members

Mr President, on Thursday you outlined an infrastructure plan that represents a bold, strategic and integrated platform to mobilise the state, private investors and the South African public behind a clearly articulated storyline of South Africa's opportunities.

It is the first step in creating a 10 to 20 year infrastructure project pipeline.

Our job in government is to ensure focussed, purposeful implementation.

Honourable Members, over the past four months, the Presidential Infrastructure Coordinating Commission – the PICC - identified

- what the key challenges to effective implementation are; and
- what we can do about it.

We drew on the infrastructure driver of the New Growth Path, the detailed work of the National Planning Commission, the inputs of all three spheres of government; and the needs of the private sector and communities.

We took account of the lessons of the 2010 World Cup infrastructure and the growing experience in the build programmes for the

- Gautrain
- Meduphi and Kusile power stations,
- the Freeway improvement programme and
- the major airport revamps.

We identified what worked well – such as a 2010 World Cup special law to fast-track regulatory issues – and what did not work well – such as cost-over-runs.

Above all, the lessons are to have a clear project scope, with binding time-frames and clearly identified responsibilities – who does what, by when, with what resources - and to solve problems expeditiously when they occur.

We know we can do it.

But we temper that confidence by acknowledging that it will be hard work; that there are challenges and we must honestly and frankly address them.

Honourable Members

We recognise, and will address, the skills challenge.

We completed an audit of scarce skills in key public institutions. The challenge is particularly in engineering, project management, financing, procurement and technical skills such as artisans, technologists and technicians.

To address this we have developed responses such as:

- A shared pool for utilising scarce skills across and between public entities.
- Rapidly increasing apprenticeships and practical training as Eskom and Transnet are now doing, and in the private sector, using the National Skills Accord
- A Skills Plan setting out the human resource requirements for each infrastructure project
- Attracting back South Africans with high-level engineering and project management skills, working on projects across the world.
- Easing immigration rules in infrastructure-linked scarce-skills categories.
- Developing partnerships with universities and other institutions in the built environment schools to produce the short- and long-term skills needs of the infrastructure programme. For example, Minister Nzimande and DHET are launching a new R 160m programme to increase engineering capacity at the University of Johannesburg. The 2 new universities planned as part of the PICC infrastructure roll-out will further accelerate capacity.

We see infrastructure however not only as a consumer of skills but also a training space and will set skills and apprenticeship targets in the project specifications.

Honourable Members

We will address the project management and regulatory delays challenges.

The infrastructure programme requires coordinated issuing of permits and licences, environmental impact assessments and resolution of land servitudes.

It requires tight coordination between the three spheres of government and with public entities.

We will place legislation before parliament during 2012 to address this, in the form of an Infrastructure Development Bill.

In addition, we seek to improve cooperative governance: the PICC includes the Premiers, metro mayors, SALGA and a number of Cabinet Ministers. It is therefore a forum able to take decisions to unblock delays.

We are developing focussed project management systems and clear performance dashboards to identify the state of progress with build-programmes to enable the 3 spheres to intervene early and decisively.

Honourable Members

We will address the funding challenges.

We need to think smarter as we plan our infrastructure programmes. Simply throwing money at challenges will not do it. At the same time, as we expand spending on infrastructure as a percentage of GDP, we must get more value for money.

A number of the components of the Infrastructure Plan have funding committed through the National Budget or the balance sheets of state-owned enterprises.

The Infrastructure Plan however requires reprioritisation across government, with a clear shift of spending from consumption to investment so that we lay the basis for our long-term prosperity, a matter taken up by Minister Gordhan in the MTBPS.

The IDC and the DBSA, working with the main state-owned enterprises and Minister Gigaba, will provide financial support within their mandate areas, creating a public-public partnership model – to drive infrastructure development.

The Presidential Infrastructure Summit will highlight opportunities open to the private sector.

We will work with retirement funds on opportunities for long-term infrastructure investment that match their long-term pension liabilities to members.

We will collaborate with international partners, including BRICS and GCC countries to tap capital from sovereign wealth funds and private investors.

We will address the challenges of containing costs of the build programme and combating corruption

Our experience in past programmes showed high levels of collusion between contractors that drove up prices of supplies and services. We faced avoidable industrial action on some of the projects.

We are in discussion with the private sector and organised labour to conclude an integrity pact as part of a broader Accord, to address the need for competitive pricing, firm action against public and private sector corruption and cooperative industrial relations. The competition authorities are ready to crack down on collusion and price fixing.

Combating corruption will ensure that the hard-earned monies that South Africans pay in taxes do in fact go to rebuilding infrastructure and supporting service delivery. Specific anti-corruption measures will be identified and built into all processes.

Honourable Members

We will ensure that the infrastructure plan spurs job creation, industrialisation and economic and social development.

Jobs are our key economic goal and infrastructure can contribute in a number of ways: using labour-based construction methods; permanent jobs created in operating infrastructure ; and maintenance of existing and new infrastructure.

Jobs are also created in the supply of components for infrastructure.

And critically, jobs are created across the economy in mining, agriculture, manufacturing, the green economy and tourism and creative sectors by this programme.

In this context, I am pleased to inform honourable Members that working with Minister Oliphant, the Unemployment Insurance Fund has committed R2 billion for a “Development Bond” issued by the IDC, which supplies funding at prime less 3 percent for projects with high employment absorption – bringing the total UIF commitments since 2010 to R4 billion.

For the year as a whole, the IDC approved funding of R12,6 billion, unlocking a total of R26 bn of local and foreign investment.

On the R10 billion IDC Jobs programme announced in last year’s SONA, the projects approved to date will create 8 000 new jobs, mainly in manufacturing, agro-processing, textiles, mining and service-sectors.

Honourable members

Last year the economy created on average, 1 000 jobs a day, or 365 000 new jobs over twelve months. 179 000 jobs were created for the last three months of the year. However, our economy remains vulnerable to global economic performance and we need to increase domestic and regional demand, and infrastructure led growth to insulate us from global economic uncertainty.

Honourable members

We intend to include development targets in the project and tender specifications covering jobs; skills; industrialisation and local content; SME and empowerment; and greening the economy.

Industry must invest to build a strong industrial presence in selected infrastructure supplies, and use this as a platform to increase exports.

Yesterday morning the editor of the Cape Times welcomed the SONA under the heading 'Local is lekker' but added that "The PICC has ...an even more important task: to make sure that most if not all the tenders go to South African companies so that the billions of rands set aside ... does not ...leak out of the economy. Only then will the multiplier effect come into play, boosting jobs, consumption and investment and thus economic growth". We agree.

Selection of key projects must focus on rural development and strengthening the economic performance of the poorest provinces.

As we roll out the revamped S'hamba Sonke road maintenance programmes in rural areas, we will look at ways to integrate them with nationally-coordinated provision of water and sanitation, school-build programmes and health clinics. This will initially be done on a pilot basis in the 23 poorest, rural districts.

By promoting development in the five economic nodes announced in SONA, we intend to ensure that we do not rely only on growth in the two largest metros.

To support a dynamic small businesses sector, and bring more South Africans into the economic mainstream, government will specify support for the SMME role in infrastructure projects.

Mr President, you announced the new small business funding agency will be set up this year that incorporates Khula, the SA Microfinance Apex Fund (SAMAF), and the IDC's small business lending book.

It will be a wholly-owned subsidiary of the IDC, with a distinct public identity. We plan to launch the agency in the first week of April 2012. Following an injection of funds from the IDC as well as treasury allocations, the entity will have over R2 billion available for lending over the next three years.

We will address the challenge to integrate what we do across government, and with the private sector.

President Zuma announced key, strategic projects on Thursday –not a list of standalone activities but a coherent and integrated package.

For example, the Limpopo infrastructure development will be connected with urban planning to create the first post-apartheid new city with potential for green technologies in housing, community facilities and workplaces.

The Durban-Free State-Gauteng industrial and logistics corridor will not simply go through the Free State, but is planned to be a major stimulus for Free State industrial and agricultural development.

The Umzimvubu Dam will be accompanied by the building of the N2 Wildcoast Highway, to connect rural communities, link farms to markets and reduce transport times between the East London and Durban by about two hours.

The rail-line from Northern Cape is connected to a new private sector manganese sinter plant in the province, due to be completed by June.

Infrastructure can unlock Africa's consumer base of one billion people; its enormous reserves of oil, gas and minerals; large agricultural land and major rivers; a climate that can drive solar energy; a very long coastline that can facilitate trade; and very high projected growth rates over the next decade.

Finally, we will address the need to build a common vision behind the infrastructure plan.

Partnerships are at the centre of this programme.

The President referred to four social Accords concluded during 2012 – on skills, basic education, local procurement and the green economy. They help with the successful implementation of the Infrastructure Plan.

We commenced discussions with social partners on a broader Accord that addresses both infrastructure and jobs and hope to make progress during the first half of 2012. In short, Honourable members, we are seeking greater coherence, coordination and integration to our efforts and the vision outlined in the State of the Nation Address, provides the framework.

All this investment should not only create power stations and ports , but can set the platform which transforms our economy to make “Made in South Africa” an aspirational label for manufactured goods. Ultimately this is not only about concrete, but one of the building blocks of a “better life for all”.

Issued by Saleem Mowzer
Special Advisor to Minister Ebrahim Patel
Economic Development Department
Mobile: 082 808 8135
Email: smowzer@economic.gov.za and smowzer@iafrica.com