# ADDRESS BY PRESIDENT CYRIL RAMAPHOSA AT THE SUSTAINABLE INFRASTRUCTURE DEVELOPMENT SYMPOSIUM OF SOUTH AFRICA, UNION BUILDINGS, TSHWANE, 23 JUNE 2020

Deputy President David Mabuza,

Minister of Public Works and Infrastructure, Ms Patricia De Lille,

Head of the Investment and Infrastructure Office in the Presidency, Dr Kgosientsho Ramokgopa,

Ministers, Premiers and representatives of local government,

Participants and Delegates,

Ladies and Gentlemen,

Good morning,

When we began our preparations for this symposium several months ago, the last thing on our minds was a global pandemic that would infect millions of people across the world and cause a massive loss of life.

We did not expect such an extensive and all-encompassing disruption of global financial markets, production, trade and commerce.

We certainly did not expect that our economy would shut down for such an extended time, that companies would close and that thousands of jobs would be threatened.

And we did not expect that public finances would be so severely damaged.

The coronavirus pandemic has triggered what is likely to be the deepest global recession in the post-World War II era.

Global economic prospects are highly uncertain, with unknowns about both the course of the disease and the economic impact.

Our country has not been spared from this economic devastation.

Disruptions caused by COVID-19 globally and locally have exacerbated South Africa’s economic vulnerabilities and dimmed growth prospects.

Growth is likely to fall by at least 7 percent in 2020, compared to an expectation of modest growth of around 1 percent before the pandemic struck.

A long period of slow recovery can be expected even when interventions to stem the transmission of the virus are relaxed further.

Now that South Africa's sovereign credit rating had been downgraded to sub-investment grade by all three major credit rating agencies, it will be more expensive for the government to raise money on international markets.

However, a deep domestic financial sector has helped to cushion some of these international capital flows and the efforts to safeguard the stability of the domestic financial sector has been at the forefront of the response to the current crisis

A combination of policy measures has ensured that the government continues to be able to fund itself through the domestic bond market at reasonable cost, stabilising yields, injection of liquidity, reducing market volatility and alleviating disruptions to the flow of credit to the real sector.

The result is that South Africa's financial system has remained relatively resilient despite the ongoing crisis.

Yet, the severe damage caused by this pandemic – and the damage it continues to cause – has not diminished our determination to drive an ambitious and sustainable infrastructure development programme.

To the contrary, the coronavirus pandemic has made infrastructure investment even more compelling, even more important and even more urgent.

That is why we have placed infrastructure at the centre of the stimulus our economy needs to achieve a sustainable recovery.

Even before the pandemic, South Africa's investment in infrastructure had been declining for several years, which, among other things, had caused great hardship for the construction and related industries.

But now, coronavirus has had a particularly severe impact on infrastructure service providers both for projects under development and under implementation.

As a result of the lockdown, they have seen a drop-in demand and revenue.

Buyers of infrastructure services have delayed procurement of new projects or cancelled projects.

Lenders and investors, in turn, are revisiting their decision to invest in infrastructure projects that were deemed bankable prior to the pandemic.

The cost of some inputs has increased while some inputs are, at least temporarily, not available due to disruptions in national, regional and global supply chains.

Lower revenues, higher costs and non-payment has resulted in layoffs, financial losses and cash shortages.

This requires that we not only push ahead to revive infrastructure investment, but that we rapidly move to increase the scale of our ambitions.

This crisis provides even greater impetus for the implementation of the key reforms necessary to transform the economy to support inclusive growth.

The Minister of Finance has put forward a package of reforms to address macroeconomic imbalances and boost long-run growth as the crisis eases to lower borrowing costs and provide additional space for infrastructure investment to occur.

The recovery package is intended to contribute to the speed at which South Africa can emerge from the crisis and improve the capacity of the economy to deliver sustainable inclusive growth.

Globally, both advanced and developing economies are looking to infrastructure as one of the key sectors to stimulate economic recovery efforts from the impact of COVID-19.

Infrastructure investment provides both short- and long-term economic benefits.

In the short term, it creates jobs and economic activity as roads, bridges, hospitals, schools, power plants and much else are built.

It gets construction and related services companies back to work, inducing them to hire staff and expand capacity.

As construction services are procured, government can assess project proposals on the employment impact to ensure the job creation impact is maximised.

Shovel-ready projects that have been fully developed for implementation will be the priority, ensuring ground is broken as soon as possible.

Infrastructure investment is also an important signal to the economy that investment and expansion is happening, which improves consumer and business confidence, leading to increased economic activity.

In the long run, infrastructure investment increases the capacity of the economy, reducing the cost of transport and the capacity and reliability of key services like electricity and municipal services.

This enables more efficient supply chains, increases productivity and drives sustainable economic growth and a faster pace of job creation.

Government should also invest in infrastructure to enable businesses to accelerate employment and grow the economy, which will also allow government finances to stabilise and recover.

Infrastructure investment should present good value-for-money to the taxpayer, be delivered on time and provide quality services to the public.

Government is looking at policies that facilitate economic recovery, such as introducing stimulus packages that boost government's infrastructure spending; creating financing instruments that provide liquidity, bridge financing or debt restructuring instruments as well as guarantee products and funds.

Development finance institutions are expected to support the creation of these instruments.

We will further encourage proposals from private developers for sustainable and resilient infrastructure projects, offering a clear and expedited path for their approval.

We will seek to prioritise proposals for infrastructure sectors that are important to economic recovery and resilience, including energy, transportation, health care and digital infrastructure

The SIDS process has prioritised key network industries for investment, specifically energy, water, transport and ICT infrastructure.

These sectors have proven to have superior multiplier effects.

They introduce greater efficiencies in the economy, promote spatial justice and have capacity to absorb skills.

We decided to also include agriculture due to its employment absorption capacity.

The upstream agro-processing opportunities it offers could lead to revitalisation of rural economies.

Integrated human settlements is another area of focus in the SIDS process.

Our promise of providing decent housing to low-income communities is not complete.

We are fashioning innovative building technologies and financing instruments to allow the private sector to participate in the low-income housing market.

In the course of implementing the projects, we will pursue ambitious transformation targets that will help to remake ownership and production patterns by allowing for meaningful participation of designated groups in the entire value-chain of the project lifecycle.

We will use this programme to support black infrastructure service providers in much the same way as we have supported the emergence of black industrialists.

This is an industry which needs to be transformed, in terms of ownership, participation, capabilities and skills.

South Africa has enormous capacity for infrastructure development.

Our task is to blend the skills and experience of seasoned and even retired professionals with a new generation who have the qualifications but would benefit greatly from mentoring and support.

We are also determined to root out the corruption and collusion that has plagued this sector over many years.

This must be seen as an opportunity to build and maintain infrastructure in a different way, transparently, efficiently and with effective accountability.

The process leading to this symposium has been revealing in many ways.

The public and private sectors have collaborated in producing a credible and robust project pipeline.

Clear policies and institutional frameworks and bankable investment opportunities are critical to incentivise private investors.

Domestic business investor sentiment is a key first-mover that will help crowd-in foreign investors and portfolio investors.

Therefore, we are listening to our domestic private sector needs and requests to deal with blockages to greater investment.

In addition to financing, the private sector has an important role to play as builders and operators of public infrastructure.

These functions can add considerable value to the public if the right procurement and contracting processes are followed to ensure low prices and appropriate allocation of risks.

As we work at strengthening this new found relationship with the private sector, government will work towards addressing investment policy uncertainties, accelerating SOE reforms and formulating necessary infrastructure policy reforms.

Particular attention will be given to enhancing state capacity and skills improvement.

We are reconfiguring the public sector infrastructure ecosystem to allow for a seamless consideration and packaging of projects.

The creation of a consistent and predictable project assessment methodology across all of government and the establishment of a single widow of entry for project preparation and packaging is key to our success.

Working with the private sector we will invest in the creation of both the technical and financial engineering capacity in the state.

The SIDS process has convinced us that this is possible.

The submission and evaluation of 276 projects over a period five months with significant project preparation success confirms that with more time and additional effort more projects could be taken to financial close.

We are institutionalising the SIDS methodology as a new way of packaging and preparing projects for funding.

This methodology will determine three pathways for project funding: commercial funding, blended financing and fiscal allocation.

Let me thank the multilateral development banks, the development finance institutions, the commercial banks, organised business and infrastructure-oriented organised bodies for contributing resources to the success of the SIDS.

We look forward to an enduring relationship that will propel our economic recovery effort.

This symposium is laying a path for South Africa after coronavirus and well into the future.

It represents a new beginning for infrastructure development – a new beginning that promises inclusive growth, development, transformation and, above all, hope for a better tomorrow for all our people.

I thank you.

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