

## **Rethinking the value of infrastructure in South Africa**

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The National Development Plan (NDP) notes that to “*achieve sustainable and inclusive growth by 2030, South Africa needs to invest in a strong network of economic infrastructure*”. And, as we are a little more than a decade away from the targets set for 2030, now is the time to take stock of investments to date, current and planned infrastructure projects.

The need for infrastructure investment and development has not gone away. In fact, it is more apparent than ever – built projects are levers which should be used to drive growth within the economy. I believe that this is still possible, even in the country’s current economic climate, and that South Africa still offers immense opportunity for investment and infrastructure development.

What we need, however, is a change in focus to leverage on opportunities that will show immediate economic contributions in the short-term, without compromising their adaptability to incorporate new technologies. In this way, we could effectively future proof the country’s infrastructure networks and ensure an attainable long-term vision of sustainable and inclusive growth.

### ***Building confidence in the new guard***

Despite wide-felt market optimism, there seems to remain some reservations within the private sector on how the country will fair under the new leadership of President Cyril Ramaphosa.

There are a number of influencing factors causing the private sector to be ‘*a bit shy to invest, right now*’. Political and environmental uncertainty, reduced planned expenditure by government on large scale infrastructure projects, and the stretched balance sheets of state-owned enterprises (SOEs) - which also continue to come under public scrutiny – are all contributors.

That being said, there are investors keen to develop and get involved in projects across the country. Overall, the private sector needs stability – which will come from clear government policy and leadership – in order to feel confident about investing. The market is eagerly awaiting clarity on some key policy issues and the new guard’s turnaround strategies for the SOEs.

### ***Regional integration to deliver on opportunities and projects***

In my view, we are not leveraging on regionally integrated opportunities within the Southern Africa or SADC region to stimulate mutually beneficial opportunities and growth as well as we could be.

If we look just within the power industry, for example, there is a huge concentration of investment in power projects in South Africa to grow the country’s power outputs. Therefore, within the SADC region, focus could be placed on developing trade corridors and investing in building transmission and distribution lines to transport the power – rather than each country looking to invest in power infrastructure development independently.

Some progress towards this is being achieved by the Southern African Power Pool (SAPP), which is currently driving a number of transmission interconnector projects. These projects link or strengthen power interconnections between various countries in the SADC region, with the intention to create a large power pool that will offer countries with a power deficit the facility to import power, and those with excess power the options for exporting their surplus energy.

Similarly, regional cooperation and collaboration can play an enormous role in developing a robust gas-to-power industry that currently does not exist in Southern Africa.

For instance, as Mozambique sits on the precipice of major infrastructure projects around its gas fields – from gas-to-power stations, transmission and distribution lines between the north and south side of the country, and pipelines to export gas assets – South Africa is ideally placed to support the development of these projects.

To put this in context, as Medupi and Kusile Power Stations have come online, there is a substantive contingent of skilled people who need to be mobilised. Currently, investment into and development of mega power infrastructure projects in South Africa – whether coal, gas or nuclear base-load generation plans – is on hold. Without a continuation of projects in the country, we face a very real risk of losing these crucial skills as these professionals seek valuable employment opportunities in other markets.

Through improved regional collaboration between Mozambique and South Africa, South African skilled professionals could bring their experience to work on the projects in Mozambique, not only to help build the gas industry but to transfer needed major infrastructure project skills to local teams. If done correctly this will enable upskilling within the neighbouring country, developing regional expertise to deliver on these projects as a priority.

Additionally, looking at these projects collectively and as part of a regionally integrated plan - rather than looking at each project in isolation – will support the development of the gas-to-power industry within South Africa, thus supporting the co-creation of a regional industry.

### ***Focus placed on social infrastructure***

The national Government has looked at ways to curb spending over the next three years in an effort to reduce the national budget deficit. And, although there are fewer public projects coming through the pipeline, funding has been allocated in the 2018/19 National Budget for facilitating social infrastructure development. This particularly includes education and healthcare.

In relation to this, we are seeing some projects being procured through the Development Bank of South Africa (DBSA), which is already involved in a number of projects to build schools, hospitals and clinics. The private sector, and public private partnership (PPP), are also driving a number of projects within these sectors. It's encouraging to see that, despite more subdued growth in the mainstream economy, these developments are still coming to ground.

In the short- to medium-term, boosting social infrastructure can have a significant influence on growth in the country. From immediate development opportunities, to improving access to services, they have a powerful impact on quality of life for those previously excluded from the mainstream economy. And, the impact of these projects on society is easily measurable and complementary to the state's vision for long-term, sustainable and inclusive growth.

Though not traditionally included under the 'social infrastructure' heading, telecommunications certainly must be considered a social and growth enabler. And with expansive private sector fibre and Wi-Fi roll-out projects underway across the country, digitalisation presents incredible opportunities for South Africa to leapfrog some of the traditional development trajectories.

While in its infancy in South Africa, improving cost effective Internet access and adopting digital technology could drive radical changes that can boost access to social infrastructure in the short- to medium-term, such as e-Learning and e-Health services, for example. Furthermore, in the long-term, embracing disruptive innovation as part of the process to deliver complex and sustainable projects presents opportunities to implement changes now that will

transform how we view and use infrastructure, ensuring that it is enriched and futureproofed.

For now; there is some promise for investment underway in primary, secondary and tertiary infrastructure development. Public and private sector driven infrastructure projects range across transport, power, water, healthcare and education – which, although more localised, are interchangeable with the country's long-term infrastructure objectives.

To continue driving investments into each of these sectors, increased engagement and collaboration between public and private sectors must become a priority. It is only when government, private sector and labour work in unison towards common objectives that we'll be able to push the boundaries and develop a truly strong network of economic infrastructure. A futureproofed network that will deliver long lasting benefits for communities, industries and the economy – and will ensure a future where our society can thrive.