



Topic:

Leveraging Partnerships and Macroeconomic Policy for Infrastructure Development

Speaker:

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INAUGURAL ANNUAL INFRASTRUCTURE

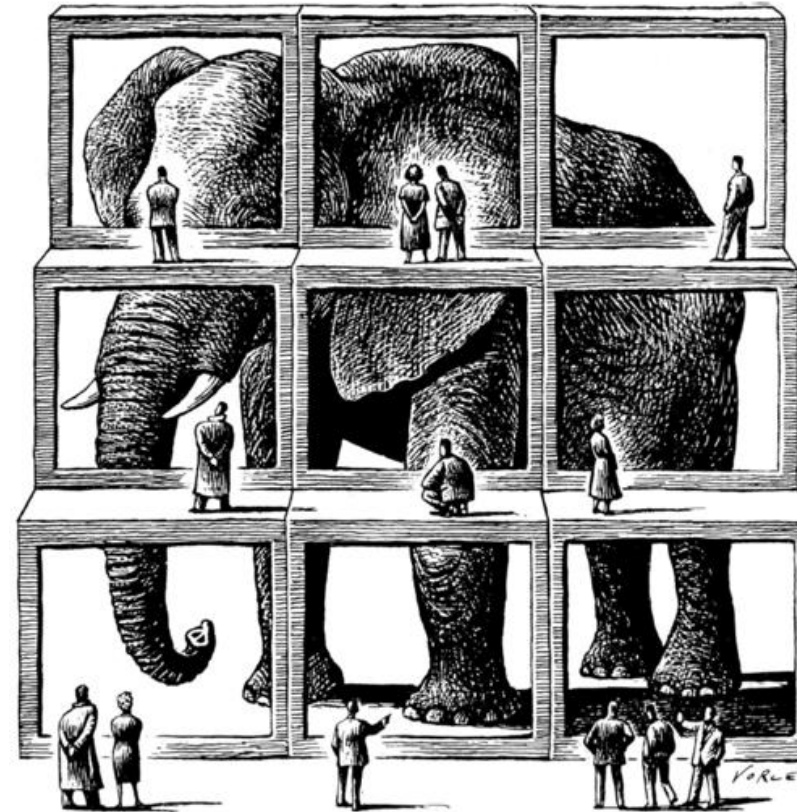
RESEARCH COLLOQUIUM

THEME: INTRICACIES OF THE INFRASTRUCTURE-LED ECONOMIC RECOVERY

07 MARCH 2023

- ❖ **The Impact of Infrastructure Investment**
- ❖ **The Construction Sector Post – Lockdown**
- ❖ **Effective Financial Strategies for Sustainable Water Services:** Current Obstructions and Potential Pathways around.
- ❖ **Infrastructure Delivery Management Flaws Hamstring Growth and Development**
- ❖ **Leveraging Partnerships and Macroeconomic Policy for Infrastructure Development**
- ❖ **Establishing the Link between Spatial Planning and Infrastructure Development**

CONTEXT MATTERS



Abstract



The African continent is facing many economic development challenges and infrastructure plays a vital role in accelerating and breaking barriers to economic advancement. With a limited fiscal budget allocation by governments towards infrastructure development, the success and failure of public infrastructure investment is also dependent on policies and public-private partnerships, among others.

This paper assesses the building of “cross-functional teams” in the form of public private partnerships in selected countries for greater collaboration with development financing institutions (DFIs) to advance infrastructure development as guided by macroeconomic policy. The paper follows quantitative and qualitative approaches of providing a platform for insights and recommendations towards leveraging partnerships and policies through DFIs for the development of infrastructure.



*Detailed study available

Session Objectives



- ❖ To discuss challenges and barriers faced by South Africa and the Rest of Africa in advancing infrastructure development.
- ❖ To share on successful public infrastructure investment.
- ❖ To assess the role of “cross-functional teams” in the form of public private partnerships in greater collaboration with development financing institutions (DFIs) to advance infrastructure development
- ❖ To share conclusions and recommendations on use of DFIs and to advance infrastructure development



Outlook



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



**ANC NEC Lekgotla
January 2023**

DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA



Energy Crisis:

- ✓ **Intervention 1:** Fix Eskom and improve the availability of existing supply system stability and increase generation capacity
- ✓ **Intervention 2:** Enable and accelerate private investment in generation capacity
- ✓ **Intervention 3:** Accelerate procurement of new capacity from renewables, gas and battery storage
- ✓ **Intervention 4:** Businesses and households to invest in rooftop solar
- ✓ **Intervention 5:** Fundamentally transform the electricity sector to achieve long-term energy security

2023 SA FATF GREYLISTING

- ✓ Reputational damage
- ✓ Effectiveness in combatting financial crimes like *corruption, money-laundering & terror financing; below international standards.*



Corruption has made our world a more dangerous place. As governments have collectively failed to make progress against it, they fuel the current rise in violence and conflict – and endanger people everywhere. The only way out is for states to do the hard work, rooting out corruption at all levels to ensure governments work for all people, not just an elite few.

Delia Ferreira Rubio
Chair, Transparency International



Corruption Perception Index Report:
Score of 43: *“The perceived levels of public sector corruption in 180 countries/territories around the world”.*

- ✓ Facilitate vibrant economic growth: resilient infrastructure
- ✓ Government will implement mega and catalytic infrastructure
- ✓ New cities
- ✓ Construct government buildings & maintenance
- ✓ Integrated transport and corridors.



Public sector Wage Bill

- ✓ 2022/2023 - R690 billion
- ✓ 2023/2024 - R701.2 bn (Unions - 10% increase may effectively push the state's wage spend to R770 billion)

SA crime stats: Q3 2021/22 vs Q3 2022/23

2021/22 vs 2022/23	Oct-Dec 2021	Oct-Dec 2022	Change
Contact Crimes	164 953	184 020	11.6%
Contact-related Crimes	31 621	32 187	1.8%
Property-related Crimes	91 450	98 004	7.2%
Other Serious Crimes	101 820	112 580	10.6%
Total public reported	389 844	426 791	9.5%
<i>Crime detected as a result of police action</i>	54 608	60 169	10.2%
Total	444 452	486 960	9.6%

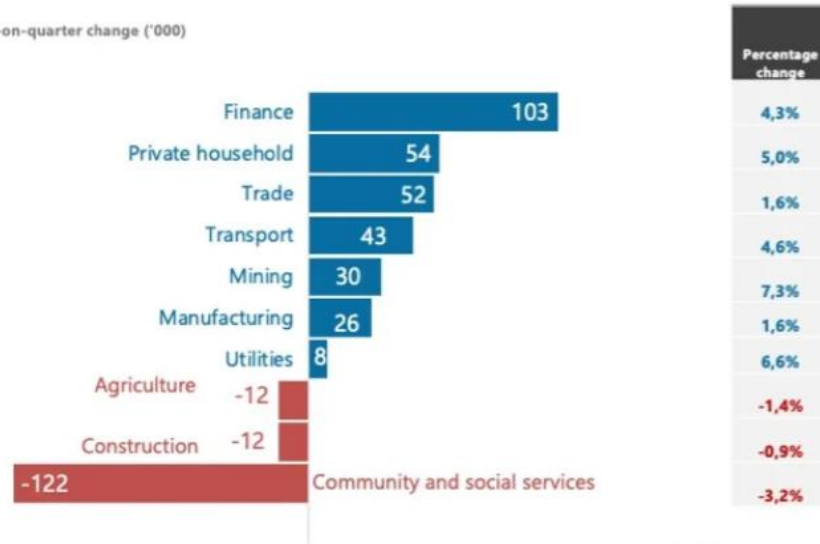
South Africa's Employment Overview Q4 2022/23



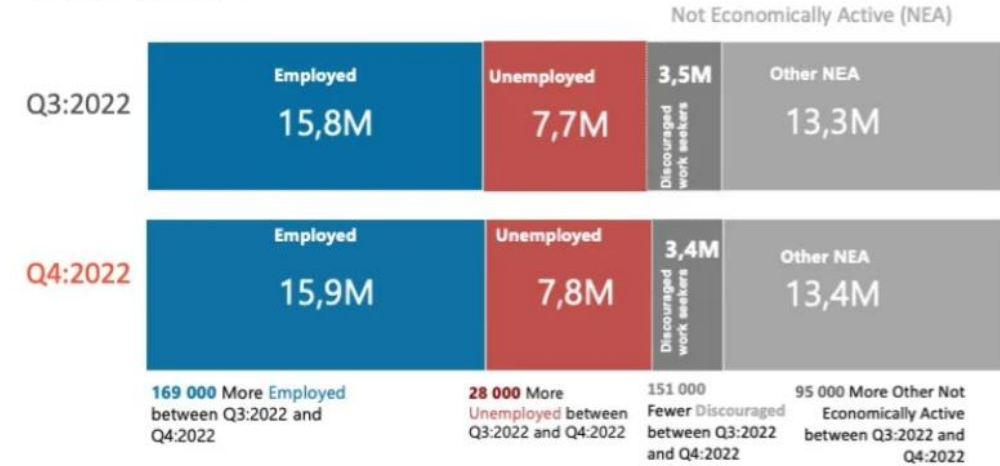
Employment **increased by 169 000** in Q4:2022 compared to Q3:2022.

Employment changes by industry, Quarter-on-quarter change ('000)

Increases in employment were mainly in **Finance, Private households and Trade**



There were about **28 thousand** more people who were unemployed in Q4:2022 than in Q3:2022



Development Banks



Pioneers in development banking such as Arthur Lewis (1954), Albet Hirshman (1950s – 1960s), Gunnar Myrdal (1957) Paul Rosentein-Rodan (1943) and Raul Prebisch (1919-1949) supported growth theories and models of development economists of the 1950s. The concept of capital investment was advocated as the means to achieve accelerated economic growth, furthermore, the creation of development banks was considered the solution to the problem of alleviating the shortage of development financing (Bruck, 1998:1).

One may argue that development banks by their very nature are risk inclined and function as catalysts in unlocking infrastructure and mobilisation of funding. Ncube and Lufumpa (2017:583-614) state that these Funding Institutions (FIs) had or have the main objective of financing industrial development projects including infrastructure projects. In addition, there are FIs which were designed to provide term loans for projects with long gestation; all established through state sponsorship.



Infrastructure is critical in **unlocking inclusive economic growth** for the emerging economies within the continent. It is also pivotal to **achieving the sustainable development goals** which aim to **reduce unemployment, poverty and inequality**, address **climate change** and ensure **prosperity for countries and all citizens** who live in them. <https://www.dbsa.org/about-us/our-strategy>

DBSA Infrastructure Focus

- ✓ Local Government Support
- ✓ Energy
- ✓ Information and Communications Technology
- ✓ Transport
- ✓ Water and Sanitation
- ✓ Education
- ✓ Health



The Development Bank of Southern Africa (DBSA) acts as a *catalyst for unlocking infrastructure and mobilisation of funding*, the catalysation strategy unlocks infrastructure development by being an enabler through funding and development projects.

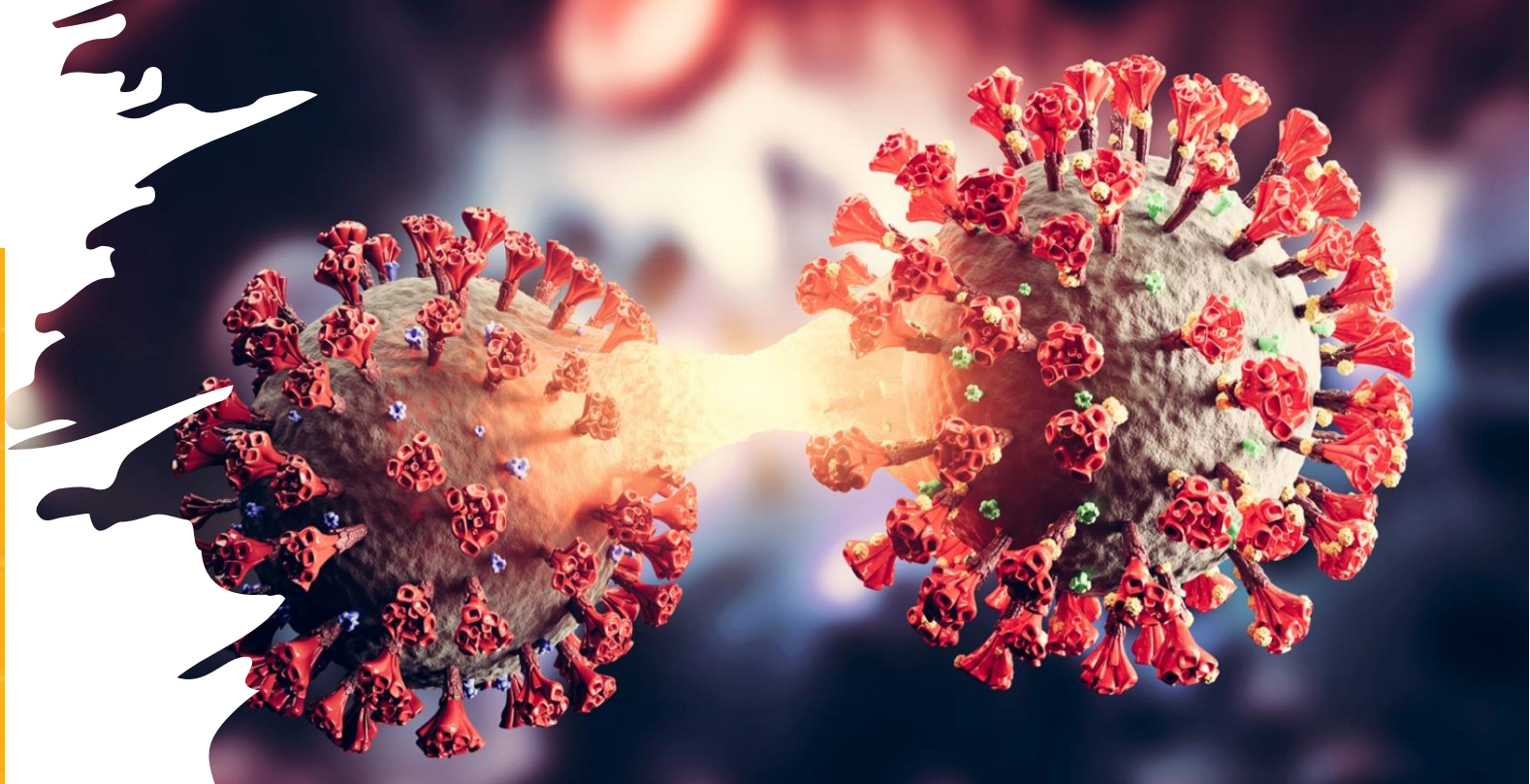
Example: BRICS as a Collaborative Framework



2013 eThekweni Declaration, BRICS with African leaders with the theme, *Unlocking Africa's potential: BRICS and Africa Cooperation on Infrastructure*

BRICS and African leaders strengthened cooperation between the BRICS countries and the African continent:

*“Recognising the importance of regional integration for Africa’s sustainable growth, development and poverty eradication, the importance of support for the Continent’s integration processes is reaffirmed. Within the framework of the New Partnership for Africa’s Development (NEPAD), we support African countries in their industrialisation process through stimulating foreign direct investment, knowledge exchange, capacity building and diversification of imports from Africa. We acknowledge that infrastructure development in Africa is important and recognise the strides made by the African Union to identify and address the continent’s infrastructure challenges We will seek to stimulate infrastructure investment on the basis of mutual benefit to support industrial development, job-creation, skills development, food and nutrition security and poverty eradication and sustainable development in Africa. We therefore, reaffirm our support for sustainable infrastructure development in Africa”. **BRICS’ Member country DFIs.***



Covid-19 Pandemic and other global headwinds did not create Africa's development challenges. They only exacerbated the symptoms of fundamental structural weakens in African economies. In fact, economic headwinds provide opportunities for economies that have the capacity to adapt and innovate to benefit from the post crisis markets.

SA'S TOP SOCIO-ECONOMIC CHALLENGES



INEQUALITY



UNEMPLOYMENT



POVERTY

SA GDP



DECLINING ECONOMIC GROWTH



DECLINING INVESTMENT



COMPOUNDED BY



CREDIT RATINGS DOWNGRADES



OTHER STRUCTURAL CHALLENGES



COVID-19 PANDEMIC



FISCAL CONSTRAINTS



“The private sector is widely acknowledged, including by donors and **multilateral organisations**, to play a **critical role in socio-economic development**. For example, the **Organisation for Economic Development (OECD)** highlights private sector development as a **key component of poverty reduction and development (OECD 2006:74)**. In the work of Sen and te Velde (2009) on State-business relations in Africa, clear linkages were established between effective relations of State institutions with the private sector and enhanced economic growth”.

By Catherine Grant Makokera (2015: 118)

Report Part Title: A Case Study of South Africa

Report Title: Promoting Stability and Development in Africa

Report Subtitle: How to Foster Cooperation between Public and Private Sectors



Sustainable Development Goal 17 - Partnerships



The **SDG Goal 17**, recognises multi-stakeholder partnerships as important vehicles for mobilizing and sharing knowledge, expertise, technologies and financial resources in order to support the achievement of the sustainable development goals in all countries, particularly developing countries. It further seeks to encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.



Partnership Barriers & Challenges to advancing Infrastructure Development: SA and African Continent

The undermentioned aspects are some of the current challenges:

1. Country Legislative environments

- ✓ Ease of doing business

2. Governance Structures

- ✓ Hierarchy/rank layers and policies that present delays and in approvals.

3. National Development Plans (NDPs)

- ✓ Absence of or not clearly defined in some countries.

4. Mandates

- ✓ Complimentary of Strategic partners.

5. Capacity Building/Training

- ✓ Memorandum of Understanding (MoU) or Memorandum of Association (MoA).



Leverage Partnerships – DFI Perspective



- 1. Advantages for Leveraging Public-Private-Partnerships and maximise on associations with co-values to lock, attract and retain customers/clients to provide infrastructure delivery:**
 - ✓ Increase in Accountability,
 - ✓ Sharing of Costs, Risks, and yielding of impact/benefits for public good
 - ✓ Partnership collaboration encourages co-dependence and builds alliances for better developmental results
 - ✓ Strategic and Smart Partnerships
- 2. Identify Priority Sectors/Industries that require infrastructure capacity for Economic Growth for Inclusive and Sustainable Economic Development**
- 3. Improve Trade relationships and policies**
- 4. Financial architecture – Catalyse and Mobilize funding**
- 5. Impact investment - Different funding instruments ring-fenced for impact) – Angel funding, philanthropic funding, concessional funding etc.**
- 6. Capacity Building: Technical Skills, expertise, experience and knowledge**

Infrastructure Development – DFI Stories



Infrastructure Development – Global DFI

Sanusi (2012) is of the view that the DFIs need to be granted operational autonomy in order to reposition themselves for envisioned performance. However, in the case of **Brazilian National Bank for Economic and Social Development (BNDES)** which is one of the largest development banks in the world, the banks' focus as a national development bank is on **funding the investment projects and exports of large Brazilian companies**. In their paper, Torres and Zeidan (2016:97) argue that since its foundation in the 1950s, BNDES has undergone something of an evolution in its functions. The bank continues to play its **original role as a provider of long term credit to industry to overcome capital scarcity and market failure**.

According to Sanusi (2012:7), **“BNDES provides an example of how a DFI could play a vital catalyst role by its use of the tool of counter-cyclical lending not only to overcome the global financial crisis of 2008/9 but also using the response to the crisis to turn around the country's economy**. It is worthy of note that in Brazil, the BNDES have been **involved in financing industrialisation** to such a large degree that since the 1950s, *there has not been a single major undertaking involving Brazilian capital that has not come about without the support of the BNDES”*.



Infrastructure Development – African DFI

The African Development Bank's (AfDB) Strategy outlines five main channels for the Bank to deliver its work and improve the quality of growth in Africa.

Five operational priorities:

- ❖ Infrastructure development
- ❖ Regional economic integration
- ❖ Private sector development
- ❖ Governance and accountability
- ❖ Skills and technology

Three areas of special emphasis:

In implementing its ten-year Strategy, and as an integral part of the two objectives, the Bank will pay particular attention to

- ❖ Fragile states
- ❖ Agriculture and food security
- ❖ Gender



The Ghana Scaling-Up Renewable Energy Program (SREP) Mini grid and Net metering with Solar PV project involves the development of 35 mini grids in the Volta Lake region and the deployment of 12,000 units of roof-mounted net-metered solar PV systems for public institutions, Small and Medium-sized Enterprises (SMEs) and selected households within the Electricity Company of Ghana (ECG) and Northern Electricity Distribution Company (NEDCO) networks. The project will also involve the deployment of up to 11,000 stand-alone solar home systems within the lake side and island communities of Ghana. The overall project cost is estimated at USD 85.18 million comprising the Mini grid component (US\$40.29 million) and the Net metering component (USD 44.89 million) and will be financed through African Development Fund (ADF) (US\$ 27.39 million); Climate Investment Fund (CIF) –US\$ 28.49 million; Government counterpart funding amounting to US\$16 million; and the Swiss State Secretariat for Economic Affairs (SECO) amounting to US\$13.30 Million. SECO's contribution was approved by the Operations Committee in November 2021. The project will be implemented over a 4-year period.

- Starting date: **24-JANUARY-2022**
- Bank's funding: **26 million**
- Project status: **Pipeline/identification**
- Sector: **Power**

One Stop Border Post (OSBP) - Public infrastructure investment



One-Stop Border Post (OSBP) Bill of 2022
– Home Affairs and Infrastructure/Partners

Programme for Infrastructure Delivery in Africa (PIDA), adopted in 2012 by the African Union (AU) and its associated Priority Action Plan (PAP) by prioritizing the continental programme to address infrastructure deficit hampering Africa's competitiveness in the global economy. African Development Bank (AfDB) is the Executing Agency for the Programme for Infrastructure Development in Africa (PIDA); the programme designed as successor to the NEPAD Medium to Long Term Strategic Framework (MLTSF).



The golden thread of leveraging partnerships is evident in the strategic alliance for the unlocking of Africa's corridors, i.e. North South, Central, Nacala, Beira Corridors. In this case for discussion would be the implementation of transport projects in PIDA (PAP) hampered by the inefficient borders. The acceleration of this process is pioneered by the One Stop Border Post (OSBP) concept. This concept refers to the legal and institutional framework, facilities and associated procedures that enable goods, people and vehicles to stop in a single facility in which they undergo necessary controls.



The process is carried out while observing applicable regional and national laws to exit one state and enter an adjoining state. The advantage is reduced time, costs of delay and border crossing along major corridors in the ECOWAS, COMESA, SADC and EAC communities. The OSBP concept is a form of partnership by the regional communities and use of Public Private Partnerships as one of the many tools of trade facilitation, regional integration and economic development. Source: One Stop Border port Source Book, 2nd Edition, May 2016.



Macroeconomic Policy: Supporting Just Communities and Energy Transitions



A bottom-up, multisector, national and provincial simulation of South Africa's economy

1. Local Government – Constitution & Smart Partnerships

A bottom-up, multisector, national and provincial simulation of South Africa's economy

- ❖ An investment area where the DBSA holds extensive expertise - all *three sectors of local government metros, secondary and under-resourced municipalities.*
- ❖ **Investment in Municipal Debt** through *various funding instruments*
- ❖ **Development Subsidy** – *Grants and Master Plans* (Water, Sanitation, Electricity, Stormwater and Infrastructure investment Plans).

1. **Provincial Government** - Infrastructure Mandate

2. **National Policies** e.g. NT, Public Works, COGTA and National Departments



1. **International and Regional Policies:** Financial Services to leverage funding as an enabler e.g., AfDB, BRICS/NDB, World Bank, IMF



Legislative Environment & Partnerships



Energy Crisis:

Removing barriers to new generation capacity and unlocking energy from many different sources.

NERSA registration process

Removal of the requirement for a Power Purchase Agreement

Roof Top Solar

Tax incentives for residential and commercial installations

Just Community & Energy Transitions

Policies that address the triple threats.

Electricity Regulation Amendment Bill

Enable private investment



Social, Industrial and Economic Policy

Leverage on existing Policies

Leverage existing Policies

Drive structural transformation

Strong Fiscal Policy

Structural issues

Prevent Economic Growth

Public Sector

Wage Bill

Governance & Accountability

Split Political Vs Administrative

National Development Plan: *Eliminate poverty and reduce inequality by 2030*, (Triple threats of Inequality, poverty and **unemployment**).

Department of Planning Monitoring and Evaluation - The Medium-Term Strategic Framework 2019–2024

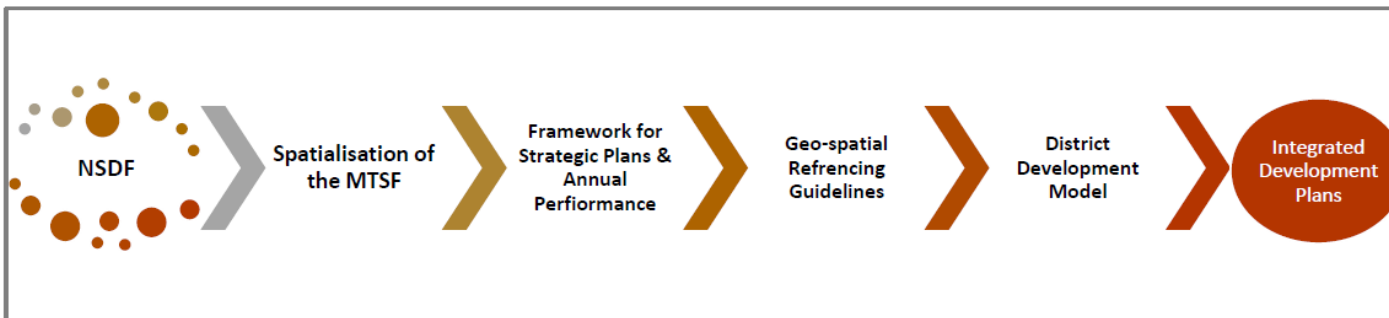
The MTSF Map Series provides a visual spatial representation of the MTSF through GIS-based maps plotting the location of MTSF interventions and indicators. The MTSF further provides the basis for the spatialisation of government interventions through the geo-spatial referencing of all projects to enable their location in the context of the national spatial logic. The DPME Geo-spatial Referencing Guidelines (GRG) guide the provision of credible spatial data on projects. The GRGs are linked to the Revised Framework on Strategic Plans and Annual Performance Plans, which requires that government entities spatialise their annual plans in accordance with the spatial dimension of the MTSF.

The diagram below (Figure 3) demonstrates the manner in which the spatialisation of the MTSF is intertwined with the District Development Model (DDM) and the development of One Plans. The DDM was introduced by the sixth administration as the primary implementation approach towards achieving the electoral mandate and overall development goals in an integrated, efficient and coherent manner in district and metropolitan spaces. Through the DDM, interventions identified in the MTSF find expression in district-level impact zones.

Identified interventions and projects are geared to address specific developmental challenges in a district and thereby ensure contextual appropriateness. The cascading nature of the spatial dimension from the national strategic level to the district space indicates a spatial golden thread that connects the spheres of government within the parameters of a South African spatial logic. The spatialisation of the DDM is captured through the geo-spatial referencing of government projects and the provision of project lists, including infrastructure projects, in the annexures of the Annual Performance Plans. These geo-spatially referenced projects and lists are mapped and plotted against district locations and spaces indicating the spatial location of projects and interventions per district and further cascaded into the Integrated Development Plans (IDPs) of municipalities.

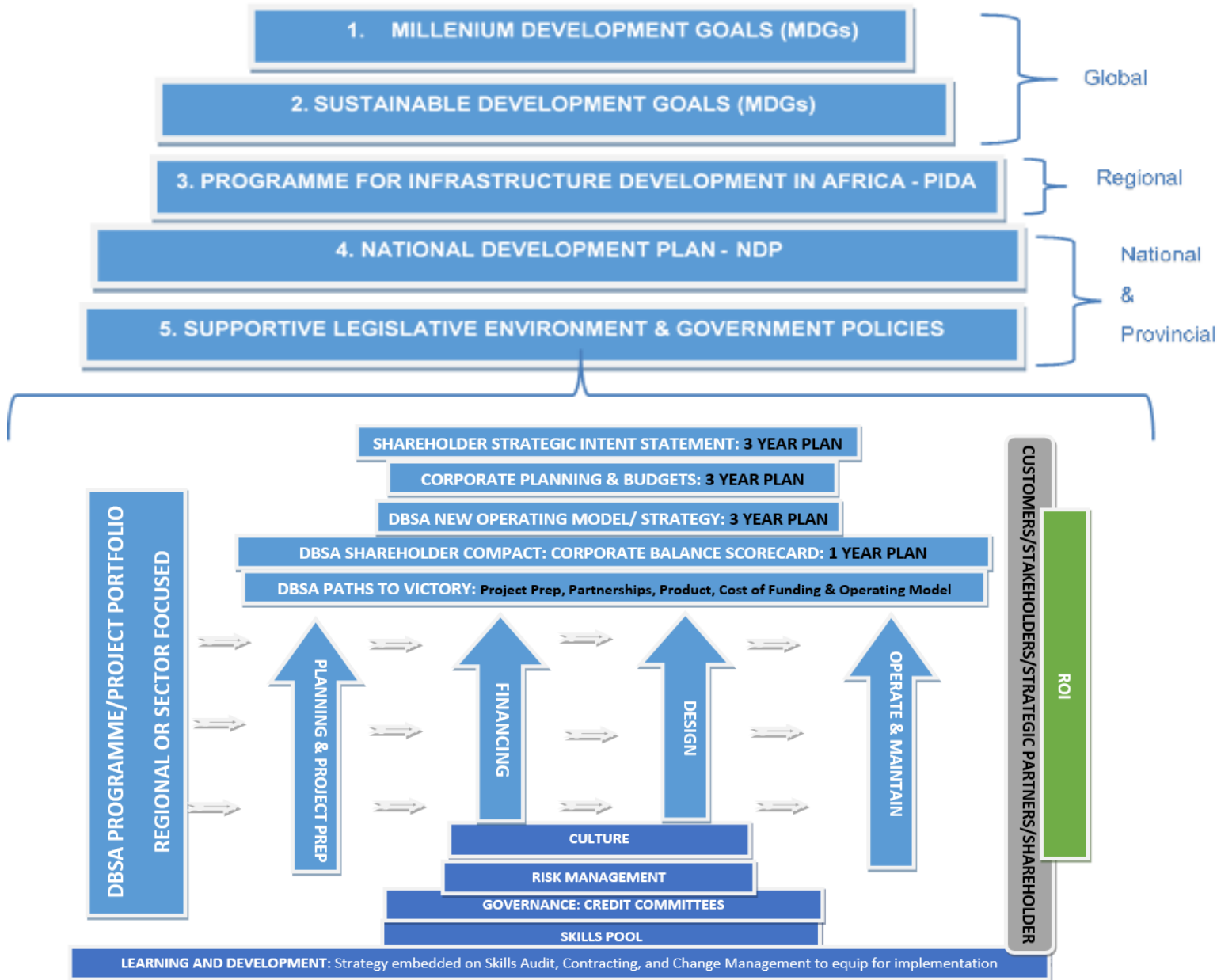


Figure 3: The spatial planning process in support of the DDM



Revised includes elements of **implementation, coordination, resourcing, partnership and social compacting** is a significant shift from the previous framework. The approach is results-driven and seeks to ensure transparency and accountability in the implementation of government programmes.

Infrastructure Development Partnerships Framework for DFIs



Example: SA DFI - DBSA



Conclusion



As per the reviewed literature under Leveraging Partnerships; the answer to unlocking customer/public value is in collaboration with an enabling legislative environment in order to deliver on mandates to stakeholders, customers and shareholders. In summary Brock (2003) states the following as key in successful stakeholder relationships:

- ❖ Shared Risk
- ❖ Shared Resources
- ❖ Shared Rewards
- ❖ Shared Vision
- ❖ Shared Values



DFIs in their nature crowd in funding from Commercial Banks, Multilaterals, Export Credit Agencies (ECAs), Advisory Companies, Private Equity Funds, Sovereigns and Wealth Funds. For DFIs, partnerships are a breeding ground for infrastructure pipeline development, a solution for infrastructure deficit and an *Africa Rising* story.

It is the view of the researcher that the proposed research will have the following ***three main contributions; Infrastructure pipeline development, sustainable growth in Africa through partnerships associated with development finance*** and lastly; a ***framework that guides and provides a holistic governance structure to accelerate infrastructure development.***

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- ❖ [Final Revised MTSF 2019-2024 2021.pdf \(dpme.gov.za\)](#)
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