FW DE KLERK FOUNDATION

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INFRASTRUCTURE South Africa

2030 NDP

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INFRASTRUCTURE SOUTH AFRICA OVERVIEW

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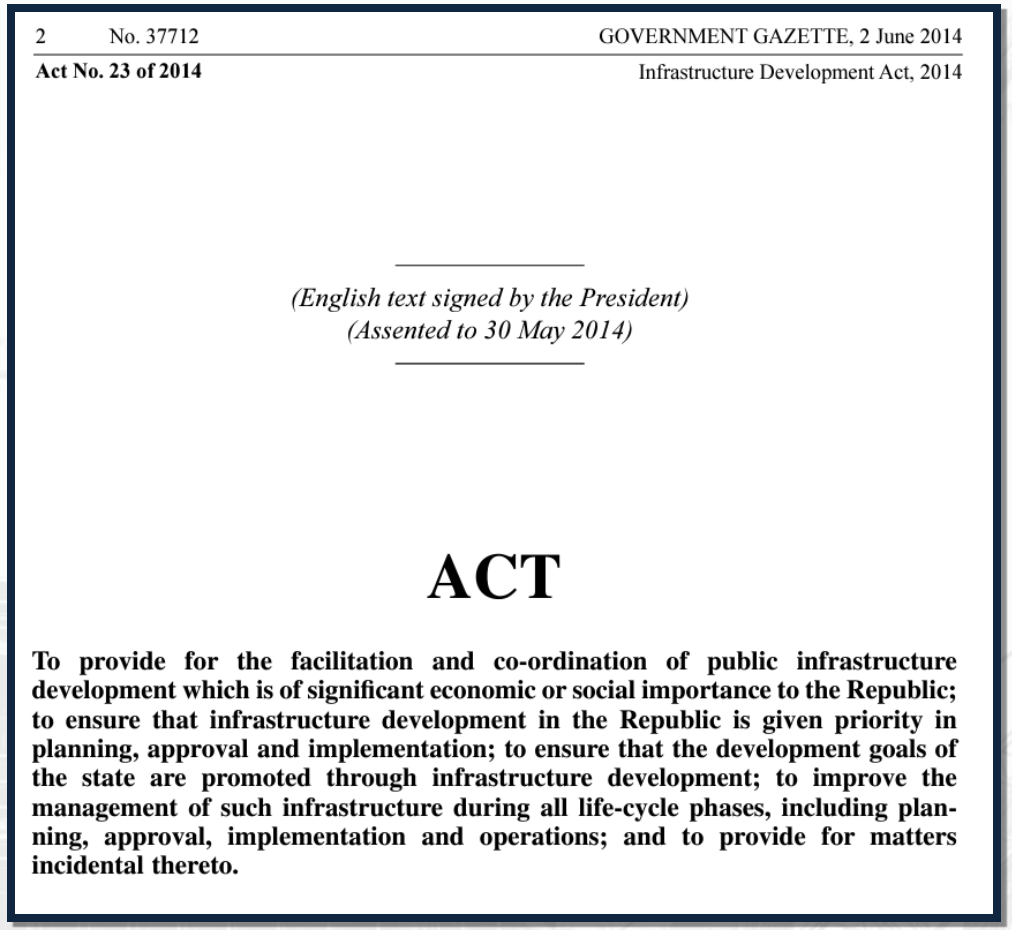
MANDATE OF INFRASTRUCTURE SOUTH AFRICA (ISA)

- Close Infrastructure Investment Gap
- Crowd-in private sector finance
- Improve government's capacity to deliver major infrastructure projects
- Improve ease of doing business

LEGAL FRAMEWORK



2 No. 37712 GOVERNMENT GAZETTE, 2 June 2014

Act No. 23 of 2014 Infrastructure Development Act, 2014

(English text signed by the President)
(Assented to 30 May 2014)

ACT

To provide for the facilitation and co-ordination of public infrastructure development which is of significant economic or social importance to the Republic; to ensure that infrastructure development in the Republic is given priority in planning, approval and implementation; to ensure that the development goals of the state are promoted through infrastructure development; to improve the management of such infrastructure during all life-cycle phases, including planning, approval, implementation and operations; and to provide for matters incidental thereto.

1. National Development Plan 2050 – Cabinet approved in 2023
2. Focus on distributed infrastructure - Municipal Trading Services
3. Strengthening institutional capacity; improving governance
4. Accelerate delivery through public-private collaboration models

HIGHLIGHTS – municipal infrastructure project pipeline

Supporting municipal infrastructure programmes: Effective infrastructure delivery management and execution that creates investor confidence and ensures effective management and oversight.

QUALIFYING CRITERIA

01 · MINIMUM PROJECT VALUE

R1bn

Minimum qualifying threshold per project

02 · PRIORITY SECTORS

- Water & Sanitation
- Energy
- Transport
- Waste

03 · BANKABILITY FOCUS

Blended finance and/or commercially viable projects, delivered conventionally or as PPPs — transferring risk to mitigate limited state efficiency and constrained fiscal capacity.

circa 107 064 MW

IPP projects regulatory-unblocking — the majority of ISA-supported energy projects, enabled via the Strategic Integrated Projects mechanism as per the IDA of 2014.

R88 million

Current 26/27 project preparation allocation, supporting municipal projects at various stages of development.

PROJECT PREPARATION SUPPORT · SELECTED EXAMPLES

PROJECT	LOCATION	CAPEX	STATUS & ISA SUPPORT
Rooiwal Wastewater Treatment Works: Phase 2 City of Tshwane	Gauteng	**R1.4bn**	Project preparation phase, in collaboration with the DBSA Water Partnership Office.
Amatola Bulk Water Augmentation Scheme Amatola Water Board	Eastern Cape	**R5.9bn**	Project preparation phase.
Alternative Waste-to-Energy Project City of Johannesburg	Gauteng	**R5.7bn**	R1.6bn fiscal support unlocked with the Infrastructure Fund to enable the PPP; currently in procurement (TV&R IIA).
Replacement of Asbestos Pipeline Network Matjhabeng Local Municipality	Free State	**R2.4bn**	R800m DBSA debt facility unlocked to support fiscal allocations; Phase 1 in construction, Phase 2 in design.
Oliphants Management Model Programme Sekhukhune, Mogalakwena, and Polokwane	Limpopo	**R16bn**	R2.5bn fiscal support unlocked with the Infrastructure Fund to enable the PPP; early phases in construction, later phases in deal structuring.

HIGHLIGHTS – Municipal Infrastructure Project Pipeline

ERWAT: Wastewater Conveyance And Treatment Systems Regionalization Programme For City Of Ekurhuleni Metropolitan Municipality

ERWAT plans to undertake infrastructure improvement projects to increase treatment capacity in its Water Care Works and unlock future land development potential and address current treatment backlogs to meet the future growth while also improving process efficiencies and ultimately treated effluent quality. The upgrades will ensure that the plant meet the required standards as stipulated by the Department of Water and Sanitation (DWS) water use licence conditions.

Project Value: R14,1 Billion
Project stage: Feasibility/IBC

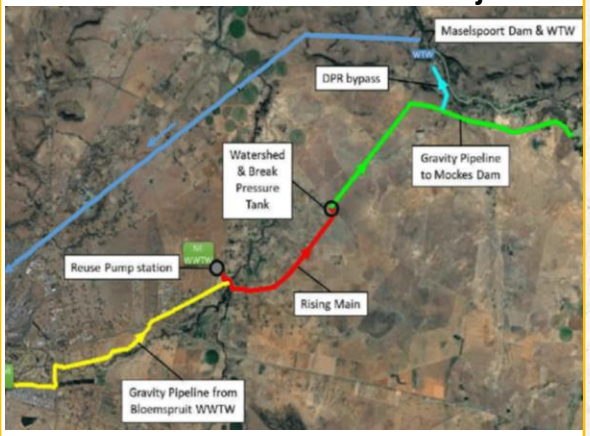
North West: Turn around of Water Supply For The Dr Ruth Segomotsi Mompati District Municipality

The current water services environment within DRRSMDM reflects a system under sustained stress, with both infrastructure and resource constraints undermining service delivery across the district.

- Vryburg Direct Potable Reuse (DPR) Plant (serves Greater Taung and Naledi LMs)
- Bloemhof Dam to Vryburg to Kagisano-Molopo Bulk Water Pipeline (serves all 5 LMs)
- Spitskop Dam to Taung Bulk Water Supply Scheme (serving Greater Taung and Naledi LMs)

Project Value: R1,7 Billion
Project stage: Prefeasibility/EBC

Mangaung: Maselspoort Water Treatment Works Water Reuse Project



The existing Maselspoort Water Treatment Works has a licensed treatment capacity of 100 megalitres/day. The proposed water reclamation facility is planned with an ultimate treatment capacity of 22 megalitres/day.
Once fully implemented and integrated into the bulk water system, the water reuse scheme is expected to increase the overall system yield by 49 megalitres/day. This increase reflects the net system-wide benefits arising from wastewater reuse, reduced losses, and improved operational efficiency, rather than the standalone treatment capacity of the reclamation plant itself.

Project Value: R 4,3 Billion
Project stage: PPP Feasibility/IBC

Tshwane Metro: Rooiwal Wastewater Treatment Works Phase 2 Upgrades

The upgrade and extension of Rooiwal WWTW is very critical in order to address the additional treatment capacities required for 2 x 40 Ml/d treatment modules with 4 biological reactors including sludge handling and sludge disposal facilities for the entire WWTW as the pollution of the raw water sources by the WWTW is contaminating the Water Treatment Plants that provide potable water to the residents of Temba, Hammanskraal and Moretele.

Project Value: R2,1 Billion
5 Case stage: PPP Feasibility/IBC

Municipal Infrastructure – Current Realities

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INSTITUTIONAL AND GOVERNANCE CHALLENGES

Municipal infrastructure delivery is taking place within an increasingly constrained operating environment, characterised by governance, institutional and financial pressures that limit the ability to develop and implement sustainable infrastructure projects.

Institutional and Governance Challenges

- Governance instability and inconsistent administrative leadership
- Political –administration interface
- Lack of skills (financial & technical engineering), misallocation of skills
- Appoint-at-risk of consultants, often focused on technical designs rather than developing implementable, investment-ready business cases
- High vacancy rates

Planning and Project Development Challenges

- Misalignment of planning priorities with regards to resources
- Immediate service delivery pressures vis-à-vis catalytic investment opportunities
- Project viability and affordability are not consistently tested early in the project lifecycle
- Weak project preparation results in delays, redesigns and poor procurement outcomes

NOT *IF*, BUT *WHEN* WILL THESE MUNICIPALITIES *FAIL?*

Financial and infrastructure investment constraints

Municipal fiscal pressures continue to undermine the ability to maintain existing infrastructure while investing in future growth.

Fiscal Sustainability

- ❑ Deteriorating municipal balance sheets and constrained fiscal position
- ❑ Declining revenue collection and increasing pressure on operating budgets
- ❑ Limited fiscal space to finance new infrastructure investments
- ❑ Adoption of unfunded budget
- ❑ Poor audit outcomes
- ❑ High levels of fruitless, wasteful and irregular expenditure

Infrastructure Investment

- ❑ Growing infrastructure backlogs
- ❑ Declining asset performance – municipalities spending less than the 8% (minimum) that NT advocates
- ❑ Under expenditure - budget returns to NT
- ❑ Need to leverage public-private collaboration through stronger project preparation and credible investment pathways

NOT *IF*, BUT *WHEN* WILL THESE MUNICIPALITIES *FAIL?*

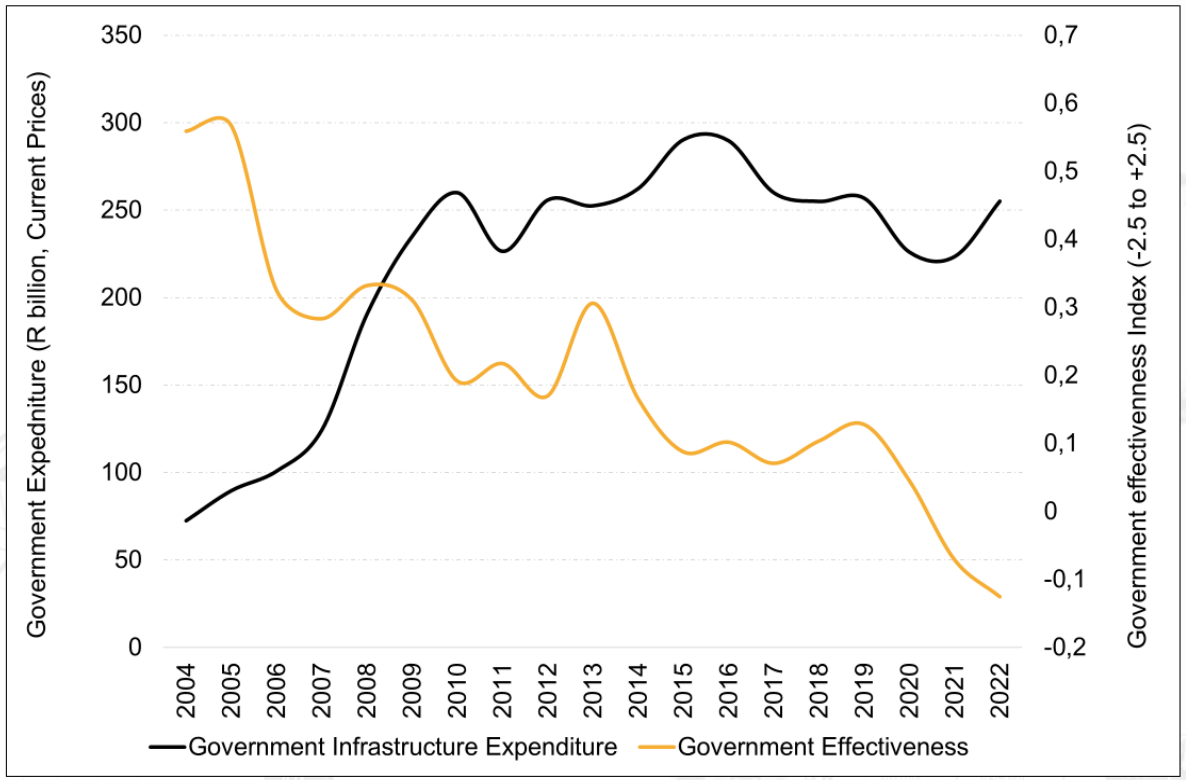
GOOD GOVERNANCE

GOOD GOVERNANCE

- Good governance in South Africa is currently facing significant challenges.
- There is **an inverse relationship between infrastructure investment and governance**, which negatively affects market confidence and future infrastructure delivery.
- The country faces corruption, political interference, and declining public trust, leading to service delivery failures and inefficiencies in local government, which hinder transparency and accountability.

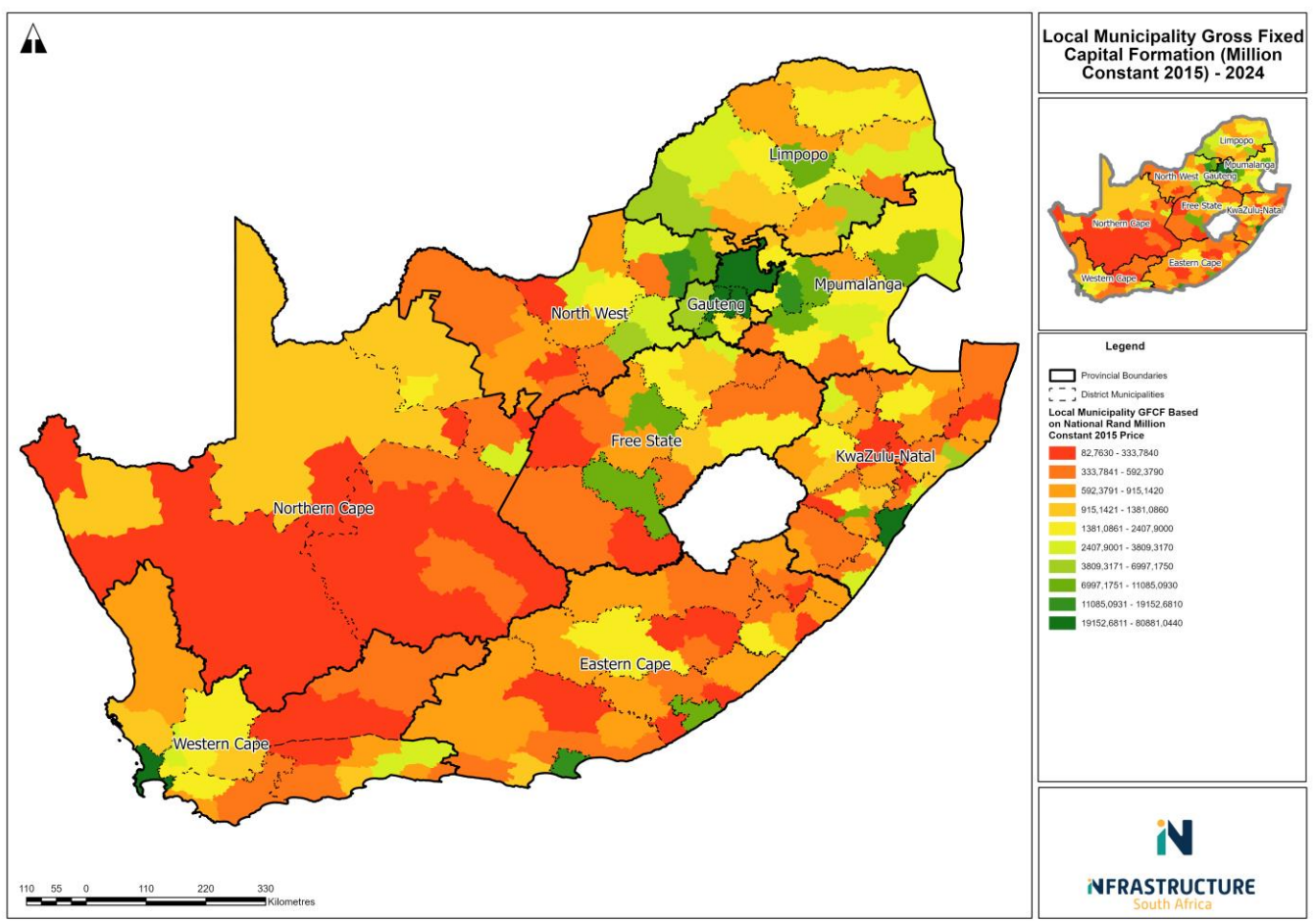
Strengthening public institutions to enhance efficiency, transparency, and accountability while taking decisive action against corruption to improve national integrity.

It is **predicted that improved governance, combined with enhanced infrastructure delivery, can support a 4% growth rate** in the country's GDP.



SOURCE: WORLD BANK AND NATIONAL TREASURY

GROSS FIXED CAPITAL FORMATION (GFCF)



- Gross Fixed Capital Formation (GFCF) refers to **essential capital investment** that drives long-run economic growth.
- Map highlights the **spatial inequality in investment** in the country.
- The **uneven levels of GFCF** across municipalities show that there is **unequal economic development** throughout the country.
- The **spatial disparities** are quite evident in the country, with the focus primarily on metropolitan areas.
- Addressing the spatial disparities through **balanced urban and rural infrastructure development** is crucial for inclusive economic growth.

A Step Change in Municipal Infrastructure Delivery

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STRENGTHEN PROJECT PREPARATION

Delivering infrastructure faster requires municipalities to prepare better projects, strengthen their capacity, explore new funding opportunities and embrace innovation

- Develop projects that are technically feasible, financially viable and legally implementable from the outset.
- Reduce delivery risks and improve procurement readiness
  - ✓ Early testing of project viability,
  - ✓ affordability,
  - ✓ land availability
  - ✓ and regulatory requirements

BUILD INSTITUTIONAL CAPACITY

Delivering infrastructure faster requires municipalities to prepare better projects, strengthen their capacity, explore new funding opportunities and embrace innovation

Build municipal delivery capability

- ❑ Strengthen technical, engineering, financial and project management capacity.
- ❑ Improve infrastructure planning, implementation and long-term asset management.
- ❑ Develop internal institutional capability and skills.
- ❑ Make more strategic use of external technical expertise and specialist support.

UNLOCK SUSTAINABLE INVESTMENTS

Delivering infrastructure faster requires municipalities to prepare better projects, strengthen their capacity, explore new funding opportunities and embrace innovation

Unlock sustainable investment

- ❑ Move beyond reliance on fiscal transfers
- ❑ Create pathways that leverage public funding to crowd in private and development finance
- ❑ Focus on public-private collaboration models, private sector participation models, PPPs, blended finance, alternative revenue models that strengthen long-term sustainability of municipal infrastructure

UNLOCK SUSTAINABLE INVESTMENTS

Delivering infrastructure faster requires municipalities to prepare better projects, strengthen their capacity, explore new funding opportunities and embrace innovation

Embrace innovation for service delivery

- ❑ Harness technology and digital solutions to improve delivery of water, sanitation, electricity and waste services
- ❑ Modern solutions can help municipalities deliver services more efficiently, respond better to future challenges and improve quality of services for communities

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