

**INFRASTRUCTURE AND DEVELOPMENT IN SOUTHERN AFRICA
SPEECH DELIVERED BY THE EXECUTIVE DEPUTY PRESIDENT**

DEVELOPMENT BANK OF SOUTHERN AFRICA,

31 JULY 1998

Chairperson Members of the Board Ladies and Gentlemen

Let me take this opportunity to thank the DBSA for inviting us to attend the launch of their annual report and to say a few words.

We have been asked to say a few words about the role of infrastructure in the development process of our country and region of Southern Africa. The centrality of infrastructure, both physical and social, in development cannot be emphasised. Therefore any development process must entail a commitment to investment in infrastructure. Infrastructure forms the backbone, the base upon which most of our programmes can flourish.

Infrastructure, in all its forms, is a catalyst for development. Well-planned and managed infrastructure can enhance costs. It enables established businesses to expand their production levels, while encouraging small businesses to enter the market. It also promotes trade and supports economic concentration.

Our government is committed to promoting the development of the country and the region as a whole. We take the view that development is about people. In South Africa, our government is investing in infrastructure to eliminate service backlogs in under-served areas, especially the black townships and rural areas, in order to meet our people's basic needs.

Basic infrastructure services can also reduce poverty and contribute to job creation. Through the various public works programmes government has, over the last few years ensured that, the provision of infrastructure takes place in a manner that enhances job opportunities for the unemployed, especially women. We need to continue to ensure that labour intensive methods are used in infrastructure provision. Despite our efforts, most of our people still live in under-served rural and peri-urban areas. The challenge that the DBSA and all of us face is to find innovative ways to provide them with the necessary basic infrastructure, improved infrastructure services will make them less vulnerable, allowing them to undertake productive activities both within the household and in the wider economy.

In 1994 the new government inherited a mixed but rapidly deteriorating infrastructure stock. Economic infrastructure was reasonable, with transport and electricity fairly well developed. However, these networks were not appropriate for the needs of the population and the economy. Most their economic bases, with few railway lines being financially sustainable. City transport systems were increasingly strained as the majority of the population had been forced to live far from their places of work and basic services.

Access to social and domestic infrastructure was restricted mainly to urban areas and people in rural areas had few services. In 1994 only 20 per cent of rural dwellers had access to electricity, 35 per cent to clean water and 5 per cent to adequate sanitation. Even in urban areas, at least a fifth of households could not access these services. The government needed to provide infrastructure that would meet the country's economic demands, while simultaneously redressing apartheid imbalances.

We have been actively addressing this problem. Our key policy doc the key role of infrastructure in promoting growth while meeting basic needs. Government also acknowledges that the fiscus will not be

able to address all these needs on its own and has therefore called for public-private partnerships to enhance service delivery.

The government launched several RDP-funded programmes, culminating in the Consolidated Municipal Infrastructure Programme (CMIP) to fund building, upgrading or rehabilitation of internal bulk and connector infrastructure. Recently government with the assistance of the DBSA has established a Municipal Infrastructure Investment Unit to act as a facilitator and promoter of public-private partnerships in the municipal sector.

The government also made significant progress on delivery. Since 1994, about 1 000 more people have gained access to clean water every day and over 1,4 million have benefited thus far. Over 780 000 housing subsidies were approved by February 1998 and about 500 000 houses are nearing completion. In 1997 alone 424 000 houses were electrified, and Telkom connected 360 000 telephone lines in under-serviced areas. The CMIP created some 250 000 employment opportunities through construction and maintenance of municipal infrastructure projects in its first year (1997).

Given both its limited fiscal resources, and international trends on good governance and efficient delivery, let me emphasise once again that the government is committed to utilising public-private partnerships in the creation of social and physical infrastructure. Although parastatals and local boards still dominate, private-sector involvement is gradually increasing through joint financing, delivery concessions and other institutional innovations. To ensure that partnerships promote economic empowerment, the government has focused on developing new regulatory frameworks to guide these initiatives. All public-private partnerships are to target small business development, job creation and training.

Government's Spatial Development Initiatives are a particularly significant vehicle for public-private partnerships. Focusing on areas with untapped economic potential, they facilitate regional integration by promoting investment, employment and wealth creation, as well as infrastructure development. SDIs demonstrate the paradigm shift from the protected and isolated approach to economic development of the past towards regional co-operation and integration.

Eight SDIs were identified in South Africa, based mainly on mineral processing, tourism and agriculture, and seven more within the southern African region. The Maputo Corridor is an example of a SDI which links South Africa to its neighbours. Others are the Lubombo Initiative (agro-tourism) and the extension of the Rustenburg SDI to include the Trans-Kalahari transport corridor between Namibia and Botswana. There is enormous potential for SDIs elsewhere in the region, such as:

- * The Beira Development Corridor.

- * The Nacala Corridor connecting Mozambique to Malawi and Zambia.

- * The Tazara Corridor connecting Tanzania to Zambia and.

- * The Benguela Corridor connecting Angola to the southern part of the Democratic Republic of Congo, Zambia and the Tazara Corridor.

As we can see from all these corridors, the demand for regional infrastructure is huge. Infrastructure investment in the region has long been inadequate and, sometimes, ill directed. Most early infrastructure development was related to the colonial history of the region, focusing on exporting raw materials to the rest of the world instead of promoting inter-regional links.

More recently, apartheid's deliberate isolation and support for acts of aggression, frequent armed conflicts and the subsequent need to divert expenditure from the infrastructure to defence compounded the problem.

As a result, across SADC, most rural people cannot access clean water and proper sanitation. Beyond urban limits, infrastructure services are often in a state of disrepair. Water and energy resource management is fragmented and cross-border transportation and communication networks are frequently insufficient and incompatible.

The physical upgrading of infrastructure alone will not suffice. It needs to be combined with credible policies, capacity building, skills transfer, regulatory reform and institutional change. Infrastructure is not the only constraint to efficient trade, but it is a prerequisite for successful economic development in the continent.

The government is committed to the reconstruction and development of the country in order to provide a better life for all. This vision extends to making concrete contributions towards the transformation and rebirth of the African continent. This Renaissance - An African Renaissance, is about democracy, peace and stability, economic regeneration and improving the quality of life of our people in the region; through jobs, education and health.

It is also about ensuring that the continent takes its rightful place on the world stage. But the region cannot achieve sustainable development unless it mobilises domestic and international resources. This requires practical policies to enable the region to build partnerships with other regions and the private sector to address issues of human resources development and the globalisation of the region's economies.

South Africa's role here is multi-faceted. It is co-ordinating SADC's finance and investment sector, focusing on a new framework for financing regional infrastructure projects. The DBSA's mandate has been expanded to include the provision of finance to SADC countries on a bilateral basis. Several commercial banks have established funds for financing infrastructure in Africa. The government promotes trade in the region to stimulate development and correct regional economic imbalances. For example, South Africa can make greater use of regional infrastructure facilities - importing water and energy from the region.

I am told that an estimated US\$15-25 billion to 2005 is needed to address regional backlogs in transportation, telecommunications and energy. Clearly governments in the region will not have all the resources to address the problem. This will require public-private partnerships and the optimal use of resources from multi- and bi-lateral financial institutions and development finance institutions in the region.

As one of the primary funding agents of infrastructure in the SADC region, the DBSA's role is therefore pivotal. It must act as a catalyst to mobilise international and private sector funding for investment in infrastructure in the area.

The Bank also contributes substantially to the development debate. Its policy work and technical assistance is aimed at sustainable and affordable options for infrastructure delivery. The DBSA facilitates public-private partnerships and SDIs and contributes finance and development expertise to the process.

I'm informed that this year the DBSA funded infrastructure services in 72 urban areas, benefiting nearly one million households across all provinces. In the region it funded smaller infrastructure projects and co-funded large-scale projects and programmes such as the Lesotho Highlands Water Programme, the Maguga Dam, the Botswana North-South Water Carrier project and the Mozal aluminium smelter in Maputo. The Bank contributed to employment creation and promoted community participation, skills transfer, and small business development and addresses environmental concerns, sound financial planning, and institutional capacity building.

As the region is poised to enter a period of social and economic transformation, we believe the DBSA is ready to support the infrastructure imperatives of the RDP at national and regional level, underpinning a

better life for all. By working together in partnership - government, parastatals and the private sector - we can overcome the legacy of the past, enhance the quality of life of all people in the region.

Thank you.