

ADDRESS BY DEPUTY PRESIDENT TM MBEKI, AT THE CONFERENCE ON INFRASTRUCTURE INVESTMENT

28-29 MARCH 1996

Honourable Guests,
Ministers and Deputy Ministers,
MPs,
Provincial Executive Council members,
Directors General,
Leaders of the union and civic movement,

Firstly let me welcome you all to this conference on infrastructure investment. This conference is a historic moment in our interaction with the private sector regarding the challenge of reconstruction, development and economic growth confronting the nation. We salute those within the private sector, and those Ministers within the Government of National Unity, whose hard work has made this conference possible.

Today we meet as the leadership of government and the domestic investor community, together with representatives from labour and the civic sector, to agree on a framework for investment in much needed economic and social infrastructure. This is no easy task, as this funds we are discussing include major company assets, and the accumulated life savings of our working populations. We are mindful of the sensitivity of these discussions and the concerns regarding risk and undue exposure of investments. We are also mindful of the crucial decisions facing the country as a whole; decisions which are necessary if we are to meet head on the challenge of growth and development.

Only through linking our collective resources, and through maximising the synergy of our combined actions, will be able to effect the socio-economic changes our society requires. Inequality, unemployment and poverty will destroy the political gains we have made thus far unless they are addressed urgently.

They are scourges that blight the enjoyment of freedom for a large majority of our people. They are therefore a weight on the conscience of every one of us here today. This underlines the urgency of our discussions here today, and the importance of the decisions we will reach.

Soon after its establishment the Government of National Unity adopted a programme of reconstruction and development. The Office of the RDP has succeeded in infusing the fundamental principles of the RDP throughout government. Government expenditure priorities and programmes increasingly reflect our overall perspective as defined by the RDP White Paper.

Similarly as government charted a new way of governing and deciding on priorities, the private sector came out in support of the RDP principles, supported some of the RDP projects and made a strong commitment to supporting to the RDP. Various industries have generously supported government's programmes through grants, technical support and even secondments of staff into crucial areas of expertise. This was an unprecedented move, that we greatly applauded.

Since then discussions with the private sector have taken place on a broad range of issues - the Labour Relations Act, the tariff and trade strategy, restructuring of taxation, the formation of NEDLAC, the national training strategy, to name but a few.

But the central component of the relationship between government and the private sector has remained vague, ill-defined - I am referring here to the way resources from government, and resources from the private sector, are combined to maximise both development and growth. How do we use our collective resources in ways which can deliver basic services to all our people, create jobs, and grow the economy? These are the fundamental questions of the day, these are the matters with which you will be grappling at this conference.

The economists will talk to us about public sector spending "crowding in" private sector investment, and of course will advise us against "crowding out" private investment. These are important concerns for all of us. What is clear is that there are simply not sufficient funds within the budget alone to deliver full services to everyone. Planners at central and provincial level have done detailed work on costing these programmes. For example we know that to deliver municipal services to everyone within an urban local authority at an affordable level will cost us in the region of R61 billion over the next ten years. The combined resources of central and provincial government will not be able to cover much more than half these capital costs. For the remainder of these resources we must look to other sources - local authority budgets, community contributions, and the extensive investment portfolios of big business and the institutional investors.

What I am talking about is partnerships between major stakeholders on growth and development. One of the fundamental approaches of the GNU is to ensure that development takes place in a way that empowers people and communities and enables them to take control of their own development. We believe that this must be taken forward through a concrete set of partnerships around local projects, in which local authorities, the private sector, the community and organised labour have a role to play.

For instance, the private sector has significant capacity in the field of project management and infrastructure maintenance - there are new ways of delivering and managing infrastructure more effectively based on international best practice. We are working with local authorities and government parastatals to find new ways of organising projects, so that the private sector can have a role in the different stages of planning, implementation, financing and management

At the same time the workers involved in implementing and maintaining these projects have a major contribution to make - it is often the frontline workers who have the most acute insights into how a job can be done better. We believe in empowering front line workers, because their skills and insights give them a leading role in restructuring public sector operations. It is also their contribution to improving productivity and creating a client centred service that will assist the massive expansion in services that our people require.

Organised labour also has a crucial role to play in directing the resources of worker controlled pension funds. We have been impressed by the success of these initiatives in broadening access for workers to the economy, and believe that government must support the extension of such programmes through a facilitatory framework.

Unions therefore have a critical role to play in the infrastructure investment program.

Communities must shape their own destinies through their democratic institutions of local governance. Government cannot create miracles. The process of democratisation imposes certain responsibilities on people and communities. It demands that ordinary citizens take part in stabilising communities, in driving out crime and violence, in maintaining proper community facilities, in getting all our children into decent schools, and in contributing towards municipal services South Africa simply cannot afford to carry those who are not paying for services despite adequate incomes. Non payment of service charges is unacceptable.

The rebuilding and reconstruction of community facilities and the maintenance of services and their improvement will remain largely impaired unless communities contribute by paying for the services they receive and defending the assets such as electricity cables within their areas. The government wants to state here and now that it will use its scarce resources to fund any shortages that may emerge as a result of non-payment, especially shortages that arose after the January 1994 agreement which committed the government to the funding of pre-January 1994 shortfalls.

From the government side we have been working intensively with all line departments and tiers of government to create the basis for a major programme of investment by government in infrastructure.

Government has developed detailed strategies for urban and rural areas, which seek to link the program of different government agencies in ways which will address the apartheid past and create a prosperous future. We have published these strategies for comment, and government has received excellent feedback from many hundreds of organisations. The centre piece of both these strategies is a program of investment in infrastructure, which will create the necessary supporting framework for expanding local economies, creating jobs, and putting people in charge of their future development.

Government has given effect to this infrastructure investment program by auditing all the investment programmes of different government departments, and then programming these in the context of fiscal constraints. This has been an unprecedented project. For the first time we can provide a detailed and comprehensive program for infrastructure investment, which covers both social and economic, urban and rural areas. Investors are now able to have a clear picture of the scope and scale of public investment programmes, and the envisaged requirements for both private sector loans and equity. Minister Naidoo will explain in greater detail the work behind this exercise, and the importance of the program for both public and private sectors.

We are now finalising a medium term fiscal framework for government, which gives indicative financial allocations to public sector programmes for a five year period. In addition we have indicated our intentions with some major short term commitments from the Reconstruction and Development Fund to financing infrastructure.

Through the Department of Finance we have co-ordinated a number of projects relating to financing mechanisms and the regulatory framework. The rationalisation and restructuring of the development finance institutions (e.g. the restructuring of the Development Bank of South Africa into an Infrastructure Development Bank) forms the basic starting point in this regard.

Minister Liebenberg and Deputy Minister Erwin will address you on the macro-economic and financial framework for our infrastructure investment program. We have made major advances in finalising the borrowing powers of different tiers of government, and in establishing a taxation and incentive regime for infrastructure investment. We are working on a new Local Government Act, which will further enhance and entrench the principle partnerships between communities, the local state and private sector on infrastructure delivery, maintenance and effective management at a local level.

There are also a number of major projects underway which provide opportunities for private sector involvement. These include the Gauteng - Maputo development corridor, an investment program for the Transkei Wild Coast, upgrading the N1 route in the Northern Province, major water resource management projects run jointly with Southern African states, such as the Magugu dam in Swaziland, and literally hundreds of local authority infrastructure projects already funded out of the RDP Fund, and currently in implementation stage.

Government is now putting the finishing touches to a growth and development strategy that provides the context and rationale for the infrastructure investment program. Infrastructure is one of the pillars of this strategy - it provides the link between economic growth and meeting basic needs. It creates efficiency in urban areas by linking services and housing closer to work opportunities. Water, transport, electricity and communications are the supporting web for small and medium scale enterprises, and job creation. And by meeting basic needs we are building our human resources for the national effort to rebuild our economy.

Let me take this opportunity to invite the private sector to join us in investing in the necessary infrastructure that will make this economy a growing economy. As government we have identified infrastructure provision as one of the key pillars for meeting basic needs and economic growth. I would be very pleased if at the end of this conference we can come out with concrete commitments to actually going out there on the ground, roll our sleeves, put our money where our mouths are, and put the nation to work.

I therefore urge you to use the unique moment this conference provides to the full. There is a window of opportunity for us to cement a relationship that will lead us on the path of prosperity. I am calling on you to meet us half way - let us invest in the future of this country, in the human resources that are the heart of the economy, in the technological development and innovations that are at the cutting edge of competitiveness. Let us put our resources together to create an infrastructure base that will project us into the 21st century; let us together work to expand job creation, both in the short term through a public works approach on infrastructure development, and in the long term through building a competitive and more equitably owned economy. Let us use this conference to develop a vision for the country, and to chart the routes we must travel to attain that vision. Let us go forward together in the spirit of a new patriotism, to build and develop our people and economy.

Thank you