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PROJECTS AND INFRASTRUCTURE ALERT

IN THIS ISSUE

INFRASTRUCTURE A KEY PART OF 2016 GAUTENG PROVINCIAL BUDGET

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Policies underpinning infrastructure investment

In the State of the Province address by Premier David Makhura, he stated that there would need to be significant investment in infrastructure, as it is a stimulator for growth and economic development. Further, the Premier stressed that partnerships would need to be built between the private and public sector in order to meet the developmental challenges set out in the National Development Plan Vision 2030.

Following from this, the provincial budget aims to invest in infrastructure by speeding up the implementation of the Open Tender System (System), improving project management and increasing off-budget finance (that is, private sector funding) to finance infrastructure development. To further these goals, the Gauteng Provincial Treasury will introduce a contract management framework for infrastructure, which will ensure that projects are carried out in line with the contract.

The purpose of the System is to restore public confidence in the tender process, increase transparency and reduce irregular expenditure. The System involves

the provincial Department of Finance supporting bidders to comply with documentary requirements; screening members for possible conflicts of interest; and publicising companies that bid for and which have been awarded tenders.

In the past year, three tenders have been awarded using the System, with more projects in the pipeline. The aim for the 2016/7 financial year is for 60% of procurements to be made through the System.

Investment in Infrastructure – sector breakdown

Most of what the Province has budgeted for infrastructure development focuses on social infrastructure. The 2016/7 provincial budget makes provision for R41.6 billion to be spent on infrastructure across various sectors. Major allocations have been made to four provincial departments, primarily for the development of social infrastructure. The Department of Human Settlements has been allocated R5.2 billion for the revamping of mining towns and development of mega-projects, the greatest amount of the four departments. The Department of Education has been

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allocated R3 billion for the completion, upgrade and rehabilitation of schools and learning facilities. The Department of Roads and Transport has been allocated R2.3 billion for the upgrading and rehabilitation of roads and the Department of Health has been allocated R1.9 billion for the upgrading and construction of hospitals and community health centres. In addition to the allocations made to departments, the budget also makes an allocation of R325 million to the Gauteng Broadband Network for the rollout of 300 broadband sites and the maintenance of the broadband network.

Off-budget financing

Outside of budgeted infrastructure spend, the Province foresees a large role for funding infrastructure from non-budgeted sources. The Gauteng Infrastructure Funding Agency (GIFA) advances alternative funding for strategic infrastructure projects in Gauteng and has promoted the use of public-private partnerships (PPPs) for investment in infrastructure. GIFA has issued several tenders into the market using a PPP procurement model, with more in the pipeline.

In addition to the work by GIFA, the Gautrain Management Agency is also procuring 48 train cars which will be financed through a loan facility with the Development Bank of Southern Africa, indicating the Province's intention to utilise off-budget financing to ensure infrastructure investment continues.

While the provincial budget calls for austerity, it is clear that infrastructure remains a key budgetary concern, which is reflected in the allocation of more than R40 billion to infrastructure across various sectors. What is clear is that infrastructure development requires both budgeted allocations and non-budgeted allocations (ie private sector funding). It appears that the Province has managed to focus the budget in areas where there is less potential for commercialisation, such as social infrastructure, and wishes to leverage private sector funding on infrastructure where there is a commercial business case for investors. We believe that this is a sensible approach and bodes well for the Province's infrastructure programme.

Claire Barclay and Alison Vadachalam

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