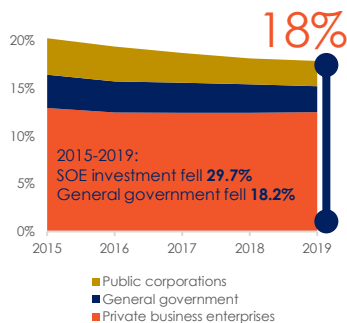


Diagnostic

We are falling further from the NDP goal of investing 30% of GDP in infrastructure

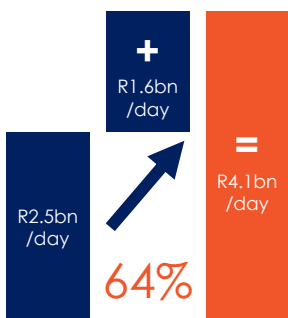
Latest figures
(gross fixed capital formation as a percent of GDP)



Typically:	Schools, clinics, local roads	Rail, ports, power stations	Factories, ICT networks
Recent trend:	Declining since 2015 (3.5% of GDP to 2.7%)	Declining since 2015 (3.8% of GDP to 2.7%)	Flat since 2010 at about 12.5% of GDP
Primary blockages:	Skills shortages/policy complexity	Junk credit ratings	Excess capacity, weak demand in the economy
Funders:	Tax payers and bond holders	Bond holders, customers, tax payers	Shareholders, lenders, customers

Gap to fill

To reach goal, we must grow investment from an average of R2.5bn/day to R4.1bn



What does R1.6bn of extra infrastructure investment look like?

A solar plant that powers 20,000 homes... or a new university



...every day

All infrastructure channels need to deliver effectively

Doing it right

We must maximise the social and economic value infrastructure provides the public

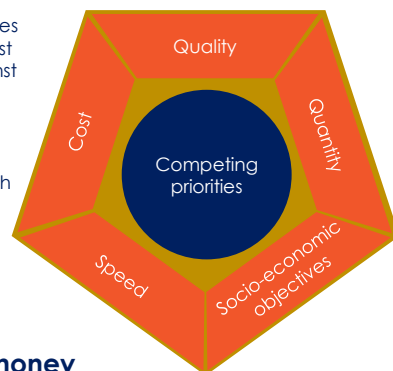
1. Plan for the **full lifetime** of infrastructure



- Projects have 20-50 year lifetimes during which costs and benefits will accrue
- We must choose projects to maximise lifetime value relative to the lifetime costs
- The delivery mechanism and project design must be calibrated to deliver value

2. Strike **right balance** to deliver policy priorities

- Procurement requires trade-offs. Cost must be balanced against speed, quality, quantity and other socio-economic objectives like BEE and inclusive growth



3. Bring public and private partners together to **maximise value for money**

We need regulation that facilitates partnerships to efficiently deliver infrastructure

Public and private sectors can each contribute skills and capabilities to ensure optimal project delivery

Public sector

- Custodian of the public interest
- Largest balance sheet with greatest risk absorption capacity
- Long term time horizon
- Major investor in infrastructure



Private sector

- Incentivised to drive efficiencies through innovation
- Best positioned to manage construction risk and operational risks
- Can mobilise private sector investment

The best mechanism is South Africa's PPP framework, which should be amended to ensure optimal partnerships