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SOUTH AFRICA

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# BUSINESS LEADERSHIP SOUTH AFRICA SUBMISSION ON THE INFRASTRUCTURE DEVELOPMENT BILL

SUBMITTED: 22 NOVEMBER 2013

- A non-ideological 'best for the country' approach: *BLSA will not push approaches that only maximise private-sector participation;*
- A focus on the big decisions: *BLSA will focus on the 'conceptual design' and early planning stage to ensure that project structure is bankable;*
- Selectivity: *BLSA will focus on those projects that are of most importance to the economy and to production and market processes;*
- Business as users need to be directly involved: *BLSA will ensure that the PICC appropriately includes organised user groups throughout the process.*
- *Collaboration within Business:* BLSA will work closely with sectoral business associations as well as Business Unity South Africa (BUSA) to maximise effectiveness.

The IDB creates the institutional space for business to play an active role in the planning and implementation of the country's infrastructure build programme. We seek to formalise explicitly business' role within selected institutional structures provided for in the Bill.

BLSA however recognises the potential conflicts of interest when business participates in the state's infrastructure planning structures. To avoid such conflicts the following principles are already adhered to in our work with SIP01:

- The advisory services to SIP01 focus on the early stage project development activities including project concept review, and design of financing and procurement solutions that improve overall project bankability.
- Individual companies do not have a direct influence on the outputs from BLSA advisory support. Sector inputs will be solicited through the relevant associations.
- The SIP01 programme office oversees the deployment of advisory services and is guided by clear criteria that avoid conflict of interest.
- In general, BLSA will continue to work closely with Government to establish mechanisms that eliminate collusion and corrupt practices in procurement of national infrastructure projects.

In our work within the SIP01 structures the above principles are carefully adhered to and when other business associations participate in SIP01 structures, they are equally comfortable to comply with the above principles to safeguard the integrity of the process. We have committed to play a constructive and pragmatic role and to resource the infrastructure function within BLSA as follows:

- An Exco member has overall responsibility for the infrastructure function. This executive will work closely with the CEO's office.
- BLSA will appoint an Infrastructure Coordinator at a senior level to drive programme level technical matters including coordinating business resources and inputs and liaising with the SIP01 secretariat.
- Together with other business associations, will establish a fund to procure advisory services to support the early planning phases of Government's national infrastructure projects in SIP01 (on a selective basis in consultation with SIP01 Secretariat).
- Will seek direct representation on PICC structures to ensure better alignment between the private sector initiatives and the PICC objectives.

Soon after the March meeting with the PICC Manco, BLSA acted on these commitments and can confirm that all aspects of the proposal (other than the establishment of the fund) have been implemented. The PICC Manco however did not agree with the proposal that business seeks direct representation on the PICC. (This matter is again dealt with in the specific comments on the Bill.)

#### SIP01: Key initiatives and outcomes

##### **Private sector funding for infrastructure investment:**

- BLSA is working with the Banking Association SA (BASA) and the Association for Savings and Investment SA (ASISA) and local banks as part of a National Treasury Task Team on Private Sector Financing of Infrastructure.
- The Task Team is concerned with creating an enabling environment for private sector participation in the funding of infrastructure projects in South Africa, within a context of collaboration between the private and public sectors. The Task Team will focus on identifying blockages to investment, problem-solving around these, and making recommendations to be taken forward by either private or public sector parties for resolution. The primary focus is on 'blockages' of a financial nature, although blockages that are occurring elsewhere in the project cycle may also be brought to its attention, so they can be elevated to the necessary authorities to address. Furthermore, it will seek to secure consensus between government, the private sector and social partners on any feasible adjustments in the institutional, regulatory or policy environments that are required.

##### **SIP01 rail logistics transactions:**

- This initiative is directly linked to the issue of private sector financing of infrastructure mentioned above. Transnet established a private sector participation (PSP) task team to identify and develop possible PSP transactions, mainly in the commodity logistics value chains, namely coal, manganese and iron ore. The task team is comprised of Transnet, Chamber of Mines, BLSA, Dept of Public Enterprises and the Waterberg Task Team (representing the mining industry in the Waterberg and Botswana).

##### **Localisation opportunities in SIP01:**

- BLSA is working with the SIP01 team to identify and quantify those products / components required for the SIP01 infrastructure investment programmes, which could be manufactured locally. This will essentially quantify the "demand". The demand model, based on infrastructure prototypes, have been finalised and will now be presented to industry associations and other stakeholders to determine more accurately the country's ability to supply identified products.

##### **Mining investment:**

- There is a deep concern about the lack of clarity regarding new mining investment. This is particularly problematic in the coal sector where new coal mines are needed for future coal supply to power stations. Without clarity about the mines' development programmes, it remains difficult for Transnet to scale its investments correctly.
- BLSA is working with the Chamber of Mines to meet with all the mining companies to get a better reading of their investment plans and logistics requirements.
- Under the auspices of BLSA the SIP01 mining companies meet regularly with the SIP01 programme team and the Limpopo government to discuss key concerns of mining companies.

### **3. COMMENTS ON BILL**

BLSA recognises and supports the basic objects of the Bill which are to create a comprehensive institutional structure and statutory mechanisms to expedite the implementation of the country's infrastructure investment programme through a range of SIPs.

- Many of the SIPs, and SIP01 specifically is intimately linked with private sector investments to unlock the economic potential of an area. In the same way as greater coordination and planning of efforts are required within government, the same applies to planning with the private sector.
- The IDB creates the institutional and management structures for better planning and coordination of infrastructure investment.
- BLSA wishes to propose that the Bill explicitly and formally allows for business to be part of those structures, as argued in section 3.1 above.

### 3.3 Applicability of the Bill to private sector investment

- The main focus of the Bill is on the organisational, institutional and procedural arrangements pertaining to SIPs during all of the phases of the projects.
- The Bill envisages that a SIP could be "a project or group of projects" (Sec. 7(1)) specified in Schedule 1. Many of the project types listed in Schedule 1 could be undertaken by the private sector, and not only public sector.
- It is not clear based on the wording of Sec 14 (1) whether this section would be applicable to a private sector "project owner" / sponsor of a project described in Schedule 1 and where such a project falls within a SIP.
- If the intention is indeed for such a private sector project to be dealt with by the Steering Committee as provided for specifically in Sec 14(1) (c-e), it creates a parallel or duplicate process of project preparation, and seemingly allows the Steering Committee to fulfil the functions which are the primary responsibility of the project owner / sponsor.
- BLSA proposes that the formulation of Sec 14 clarifies the role of the Steering Committee, and applicability of this Section with regard to "private sector owned" projects.
- In contrast to the above Sections, Sec 14(1)(g-j) envisages a more supportive and facilitatory role for the Steering Committee to assist with securing the necessary approvals (14(1)(g) and facilitating the implementation (14)(1)(h) of a strategic integrated project, for example. From a private sector project owner perspective this is indeed a very useful role of for the Steering Committee to play.
- Such a system is effectively in place in SIP01 between the SIP coordinator and the mines active in the area. This system is relatively new, but is starting to function well and yielding positive outcomes.

## 4. CONCLUSION

Based on BLSA's role in SIP01 and our commitment to partner with government in the implementation of the infrastructure initiatives, we believe the IDB creates the institutional space for business to participate effectively in the conceptualisation, planning and implementation of strategic integrated projects. BLSA proposes that the Bill be amended to:

- Explicitly allow business to participate in the PICC Manco.
- Explicitly allows business to participate in the Steering Committees where such committees deals with a SIP which includes private sector investment projects; and
- Clarify the responsibilities of an "applicant" as envisaged in Section 15, where such an applicant is a private sector company or entity.