Pressing need to harness power of public infrastructure, report says

by Linda Ensor, 01 June 2015, 20:44

Acting chair and CEO of the Financial and Fiscal Commission Bongani Khumalo, left, briefs the media on Monday. Picture: TREVOR SAMSON

Bongani Khumalo, left. Picture: TREVOR SAMSON

INEFFICIENCIES, weak inter-governmental co-ordination and corruption means that government has not harnessed the full contribution that infrastructure investment can bring to economic growth, thereby reducing poverty, unemployment and inequality, states a report by the Financial and Fiscal Commission (FFC).

The report, released on Monday, contains the commission’s recommendations for the division of revenue in the 2016/17 fiscal year which Treasury will consider when drawing up its medium term expenditure framework.

"There is a pressing need to harness the power of public infrastructure given its importance for national development and regional performance," the report said. Total infrastructure investment is projected to amount to R813bn over the next three years to 2017/18 with 77% earmarked for transport, energy, and water and sanitation.

"With uncertain future economic prospects and tight fiscal conditions public infrastructure must be better managed to achieve the highest value for money and the greatest growth impact from spending public money.

"Improving the quality of investment governance can help especially through coordinating investments and building capacity within subnational governments. Levels of public investment are limited by fiscal constraints and so efficiency needs to be maximised."

FFC CEO Bongani Khumalo addressed a media briefing on the report, which recommends that government raise public debt "aggressively" for infrastructure with municipalities also expanding their debt financing of capital expenditures. It also urged that the user pay principle be promoted to finance higher levels of infrastructure services such as water, sanitation, electricity and transport.

The commission has proposed that government establish an incentive or reserve fund to assist or reward municipalities for their work in maintaining and renewing infrastructure, an area which Mr Khumalo said tended to be neglected in favour of new infrastructure. Poor performance could be sanctioned.

Spending on repairs and maintenance is only expected to reach 5.2% of total infrastructure spending by the end of 2017/18 with municipalities underspending significantly on the renewal and maintenance of infrastructure. This has resulted in potholed roads, crumbling water infrastructures and poor sewage systems and given rise to social delivery protests.

"Unlike politically visible expenditure items such as public sector wages, maintenance can be deferred (initially) without obvious signs of deterioration. However if maintenance continues to be postponed indefinitely, the structural integrity of the asset declines quickly," the report said.

While the existing stock of public capital was degrading rapidly all three spheres of government "rush to identify new infrastructure investment projects".

The report noted that municipalities lacked the capacity to plan and deliver on vitally needed infrastructure which has resulted in high levels of inefficiency in the use and allocation of resources. This capacity needed to be enhanced so municipalities could take on the growing responsibility for infrastructure investment.

The report also proposes that a framework to measure the productivity of public servants be developed.