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State to spend R2 trillion on fixing up SA

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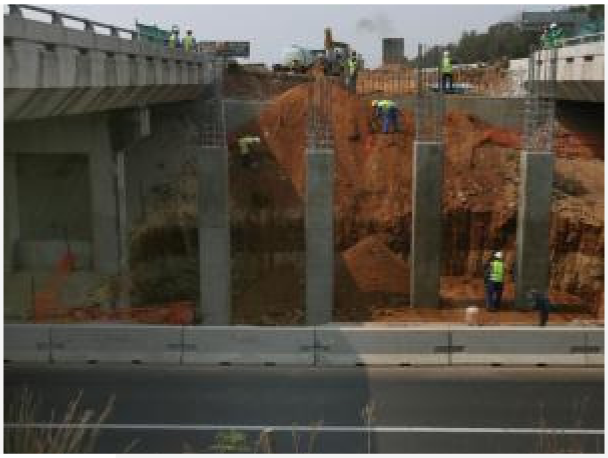

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Over the next five years the government and utilities plan to spend money on enabling infrastrucutre, including roads. Photo: Bonile Bam.

The government and its utilities plan to invest nearly R2 trillion in infrastructure over the next five years, although this is not regarded as sufficient to cover backlogs and total needs, the Development Bank of Southern African (DBSA) reports.

In its annual report and financial statements for the 2010/11 financial year, group executive for operations Luther Mashaba said the main drivers of infrastructure delivery were poverty alleviation, the eradication of backlogs and the need for economic growth to reduce unemployment.

He estimated that total needs were actually about R3.3 trillion over five years.

“Many of the planned investments depend on the mobilisation of funding through various debt instruments,” he said. This would make up about R1.4 trillion.

He broke up the planned spend into social infrastructure, enabling infrastructure and economic infrastructure.

The planned spending was for R617 billion on social infrastructure by the national and provincial governments, the parastatals, utilities and municipalities. This included spending on health, housing, education and municipal infrastructure. The financing gap was about R420bn.

State entities would spend R883bn on enabling infrastructure, which included capital spend on energy, water, rail, ports, air and roads, as well as information and communication technology spend. The financing gap was R600bn.

Economic infrastructure, which included agriculture, mining, manufacturing and tourism as well as entrepreneurial capital spend, would draw spending of R380bn with a financing gap of R360bn.

The Financial and Fiscal Commission (FFC), which makes recommendations to the government on fiscal policies, has urged that an additional tax be placed on local business as a way to assist struggling municipalities to meet their infrastructure obligations – particularly in the eight metros of Cape Town, Johannesburg, Ekurhuleni, Tshwane, eThekwini, Nelson Mandela Bay, Mangaung and Buffalo City.

FFC policy manager Tebogo Makhube told Parliament's energy committee last week that this was one way of financing the capital spending of bigger municipalities. The bigger municipalities, including the metros, had a spending backlog of nearly R300bn with smaller cities and towns about R100bn.

DBSA chief executive Paul Baloyi said the bank performed well in 2010/11 with record investment approvals of R37.1bn. Nearly 80 percent of this was invested in South Africa.

Profit for the 2011 financial year was R75 million, down from R534m the previous year. Much of the drop was from a net loss of nearly R400m from financial assets and liabilities. - Donwald Pressly

http://www.iol.co.za/business/business-news/state-to-spend-r2-trillion-on-fixing-up-sa-1.1145963