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Author: RIANA DE LANGE

State must monitor progress of investment projects

RIANA DE LANGE
business@citypress.co.za

Government should conduct an annual audit of the progress with investments promised to the country because this would show how successful something such as its recent investment conference was, says Raymond Parsons, a professor at the North-West University School of Business and Governance.

The success of this week's SA Investment Conference and other government plans depends on the action and implementation that follow fine words, and how this will ultimately be reflected in macroeconomic figures, says Parsons.

The conference was the third since President Cyril Ramaphosa set a target in 2018 to raise R1.2 trillion in local and foreign investments over five years.

The 50 companies that undertook new investment ventures of about R110 billion this week bring the total investment promises to R773.6 billion.

This year's investment promises include:

- Robert Jurgens Construction Management - R8.4 billion;
- PepsiCo - R5.5 billion;
- Sasol - R5.4 billion;
- PG-Bison KAP Industrial - R1.98 billion;
- Metair - R1.1 billion;
- Ivanhoe Mines - R730 million;
- Sail Ferro Alloys - R562 million; and
- Dr Oetker - R200 million.

The New Development Bank (formerly referred to as the Brics Development Bank) will provide R32 billion worth of financing for projects, and the Industrial Development Corporation will provide R8 billion in private investment projects.

Ramaphosa said in his opening speech at the Sandton Convention Centre on Wednesday that R172 billion of the promised amount had already been spent. This is more than 25% of what was promised in 2018 and last year.

So far, about R64 billion has been spent on mining and refining raw materials, R31 billion in the information technology sector and R23 billion in the vehicle manufacturing sector.

Of the 102 investment projects pledged in 2018 and last year:

- Nineteen have started or are already completed;
- More than 40 (representing about 57% of the total commitments) are in the construction phase;
- Twelve are in the early stages of development; and
- Twenty-one (about 10%) have been delayed or are on ice for the time being due to the Covid-19 pandemic.

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Trade, Industry and Competition Minister Ebrahim Patel said at a news conference that none of the 21 projects affected by Covid-19 had been cancelled.

SA Breweries said that, due to the nine-week ban on alcohol sales earlier this year during lockdown, its scheduled investments as part of its annual capital and infrastructure upgrade programme would be reviewed.

Heineken, the second-largest brewer in the local market, promised an investment of R1.6 billion last year to expand its brewery in Sedibeng, Gauteng.

Heineken SA managing director Gerrit van Loo said this week that the investment was going ahead.

The expansion includes a new brewery with a capacity of 3 million hectolitres. Investment has also been made in equipment for brewing Heineken's non-alcoholic beer - Heineken 0.0 - locally.

According to Parsons, it is gratifying that Ramaphosa emphasised "implementation, implementation, implementation" in his speech.

"This official commitment to implementation is what the business world wants to hear. However, aggressive timelines and realistic targets within which reforms and projects must take place are necessary to hold the state accountable."

Ramaphosa, as well as Public Works and Infrastructure Minister Patricia de Lille and head of Infrastructure SA Kgosientsho Ramokgopa, said in several sessions during the conference that the role of the private sector was crucial to government's economic recovery plan, which will be driven by infrastructure investments.

According to Ramokgopa, there has been a great deal of hard work with the private sector over the past six months to achieve better cooperation.

De Lille said the private sector's lack of confidence in government due to corruption and other failings needs to be rectified.

Econometrix chief economist Azar Jammine said Ramaphosa and ministers, including Finance Minister Tito Mboweni, had done much to restore the business sector's confidence in government, but the problem lay at lower levels of government.

This is a big obstacle because provincial and local government is where implementation gets stuck, Jammine warned.

Parsons said that, despite cooperation between the business sector and government to combat Covid-19 and its economic consequences, it is too early to say whether the breach of trust arising from the Zuma years has been overcome.

"The ideal relationship between government and the business community is one of no suspicion, but with both on their guard. We are not at that point yet. The business sector was firm in a recent report that the state's salary bill must be cut urgently. If not, it could become the biggest obstacle to the country's economic recovery, they said bluntly," said Parsons.

INVESTMENT

Data from the International Monetary Fund show that investment as a percentage of South Africa's GDP has declined since 2016, and could be as low as 13% this year. This is compared with 25.4% in Nigeria and 21.5% in Angola. – **Additional reporting by Bloomberg**