



MEDIA STATEMENT

MEMORANDUM OF AGREEMENT: DBSA'S MANDATE TO ESTABLISH AND MANAGE THE INFRASTRUCTURE FUND

Joint media statement: National Treasury, Department of Public Works and Infrastructure-South Africa, and Development Bank of Southern Africa

In September 2018, President Cyril Ramaphosa announced the Infrastructure Fund Initiative that builds on efforts to transform public infrastructure development. The Fund is meant to fundamentally transform the State's approach to the financing of infrastructure projects and reduce the current fragmentation of infrastructure spend and thereby ensure more efficient and effective use of resources and improve the speed and quality of delivery.

Given the limited government finances that have been worsened by the Covid-19 pandemic, the strategic importance of infrastructure as a lever and stimulus for economic recovery and growth has come to the fore. This constrained fiscal environment limits the availability of investment resources and there is thus a greater need for government to work together to create an enabling environment for effective partnerships with the private sector, DFIs and international financiers and local capital market to enable the leveraging of additional resources. The Infrastructure Fund opens opportunities to partner with the private sector and international financiers.

The signing of the Infrastructure Fund Memorandum of Agreement signifies a significant milestone for the country that is bringing together the key stakeholders to create a financing facility for blended infrastructure projects. The Infrastructure Fund is intended as government funding and ancillary support for co-financing of blended finance programmes and projects. This includes financing from the local capital market and international financing institutions as a complement for broader budgeting reforms that the Government is undertaking to address problems in the infrastructure value chain.

Through the Infrastructure Fund, Government will provide support for co-financing of projects and programmes that blend public and private resources. Currently provision has been made for R100 billion over 10 years, with R10 billion funding in the current MTEF baseline. The Infrastructure Fund will be used as viability gap funding for large-scale infrastructure investments. The support will take different forms, including to fund deserving infrastructure projects, blended co-funding, capital subsidies or interest rate subsidies and guarantees.

The parties in the Infrastructure Fund MoA include Infrastructure South Africa (ISA) in the Department of Public Works and Infrastructure (DPWI); the National Treasury and the Development Bank of Southern African (DBSA).

The responsibilities of ISA as outlined in the Memorandum Of Agreement (MOA) will be to, inter alia, co-ordinate the infrastructure value-chain through the development, assessment, management, project preparation, implementation and monitoring of a comprehensive infrastructure pipeline and related investment for South Africa.

The responsibilities of National Treasury as outlined in the MOA will be to facilitate government's contribution of the funding by putting in place defined budgeting processes for the Infrastructure Fund.

The obligations of the DBSA towards the MOA will be to establish the Infrastructure Fund through a dedicated implementation unit housed in the DBSA and to manage and administer the Fund. The important responsibility of the DBSA will be to facilitate the financial structuring, procurement and implementation of priority blended-finance projects and programmes, as identified by ISA.

Jointly, the signatories are committed to continue to work together in line with the economic growth recovery imperative that requires infrastructure projects to be built more rapidly by supporting the successful establishment of the Infrastructure Fund; ensuring the necessary structures are established and functional and facilitating effective collaboration between the public and private sector.

Enquiries:

National Treasury: Cleo Mosana – media@treasury.gov.za

Development Bank of Southern Africa: SeboleloM@dbsa.org

Department of Public Works and Infrastructure – ISA: Nombulelo@presidency.gov.za