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**South Africa's Infrastructure and Legacy After the 2010 FIFA
World Cup and What It means for an Emerging Economy**

Speech by Finance Minister Pravin Gordhan

**Financial Times Future and Legacy Dinner hosted by the International
Marketing Council
22 July 2010**

Chairperson of the International Marketing Council,
Directors and Chief Executive Officer of the International Marketing Council,
Ladies, gentlemen and colleagues,

We gather this evening less than two weeks after the final match of the 2010 FIFA World Cup. We also meet four days after Nelson Mandela celebrated his 92nd year on this planet, 67 of which he has selflessly dedicated to bringing about a free South Africa, and since 1994, the creation of a better life for the majority of South Africans.

Both the life of Mr Mandela and the hosting of the World Cup share one a common thread: the destruction of old myths and the creation of new realities and possibilities.

A careful reading of Mandela's life story shows him to be a destroyer of myths and a creator of new realities. When Mandela was sent to jail forty eight years ago, he arrived on Robben Island a man who posed a serious threat to the political powers of the time. Prison guards treated Madiba and his fellow prisoners as enemies of the state. Over time, Mandela and his colleagues managed to destroy this myth and helped some of the prison guards to see a new reality, a reality that their prisoners were just as human as themselves and that they were fighting for a just cause.

Because he is not bound to old myths and he is not blind to new realities, Madiba saw – much earlier than most activists – an opportunity to bring an end to apartheid through talks, which he initiated from the confines of his prison cell in 1985 when he wrote to the then Justice Minister Kobie Coetsee. Mandela would later explain: "I chose to tell no one what I was about to do. There are times when a leader must move ahead of the flock, go off in a new direction, confident that he is leading his people in the right direction."

And since his release from prison 20 years ago, Madiba has vanquished many more myths and created many more new realities and possibilities, including that of the World Cup.

In essence, our hosting of the World Cup was, and has been, about the creation of new realities and the destruction of old myths and pessimism about South Africa, and indeed, the rest of Africa. The euphoria we experienced in the past month isn't going to last forever, but the momentum that it created, I believe, will last for many years to come. There existed a big gap between the old myth of a backward

continent where lions roamed freely, and the reality of a country that is as capable as Germany in hosting a World Cup tournament.

One economist was quoted recently as saying that the benefits to South Africa, and the rest of Africa of the World Cup, weren't so much about the new infrastructure, the tourist and credit-card spending, but more about changing perceptions about South Africa and, indeed, the rest Africa.

One would certainly hope that our success in hosting the 2010 FIFA World Cup has helped our sceptics catch-up with reality – the reality that we, as a nation, can rise to any challenge, if we so decide. The narrative about South Africa in the international media during the tournament suggests that we did close that gap. Reporting on South Africa has been the most positive since our successful transition to democracy in 1994. Importantly, for once, South Africans were more optimistic than anyone else in the world, more confident about their abilities than anyone else in the world, and more united about the experience they were creating for both the world and themselves.

Just to recap – it took six years of meticulous planning, commitment, and the use of appropriate delivery models to build the required infrastructure: from stadiums, rail, buses and rapid-transport systems, the upgrading of existing airports, the construction of a new airport, the Gautrain, to the improvements to our roads, freeways, and broadcast and telecommunication systems.

We must acknowledge the role of the tens of thousands of people who participated, directly and indirectly, in this construction and enabled, at very different levels from high-level technologically skilled people to lower skilled workers, who worked together to create this 'miracle' we've just experienced.

National government put in some R33 billion into preparations for the World Cup, investment that we saw as part of the long-term development plan for the country,

rather than funding a once-off event. We must also remind ourselves that what government was able to put into this project came from the taxpayers of this country, both in the business sector and as individuals, and it is to them also that the credit must go. Hosting the 2010 FIFA World Cup acted as a catalyst for expanding our infrastructure base, skills development, employment creation, and economic growth.

More than three million soccer fans, both local and foreign, attended the 64 games and enjoyed the experience in our stadiums. There were over three thousand hours of broadcast feed that included images of our extraordinary country in all its diversity. This was transmitted through fibre-optic cables and satellites to television sets in two hundred and seventeen countries and territories and with live content, for the first time, using 3D technology. The hosting of the 2010 FIFA World Cup has opened the eyes of the world to who we are as South Africa, and what we are capable of.

We had forecast that the 2010 FIFA World Cup would add 0.5 percentage points to annual growth this year. When we take account of the spending on stadiums and infrastructure since 2006, we find that the level of GDP is about 1 per cent higher than it would have otherwise been.

The hosting of the World Cup had other benefits which are not easily quantifiable and that will be realised over time. These include a boost to our national pride that comes with the realisation that “we can do it”.

The tournament undoubtedly boosted our country’s standing internationally, showcasing its capabilities in delivering world-class infrastructure on time and without imposing a financial burden on the national *fiscus*.

Now that the event is over, having been delivered with distinction, it is time look at the lessons learnt and our future infrastructure investments.

There are three key lessons we have learnt from the delivery of 2010 FIFA World Cup projects.

Firstly, complex challenges should be disaggregated into a number of clearly defined undertakings with budgets and cash flow. The complex 2010 FIFA World Cup project was disaggregated into a mere twenty four projects. This enabled all institutions involved to focus on what was required to deliver on time and ultimately ensure a successful event.

Secondly, using clearly defined projects, we need to develop a 'roles and responsibility matrix' that indicates which organisation does what work, and by when. The roles and responsibility matrix apportioned accountability and responsibility in delivering the 2010 FIFA World Cup projects. This was a highly effective instrument for delivering the infrastructure on schedule.

Thirdly, the 2010 FIFA World Cup had an immovable deadline that all parties had to work towards and therefore an overall program with individual project schedules, targets and deadlines was prepared. This kept the overall project tight with little room to manoeuvre and miss deadlines.

These lessons will be taken forward in our public sector infrastructure program, where R846 billion has been committed over the next three years.

We have budgeted that R261 billion will be spent this financial year, increasing to R300 billion in financial year 2013.

More than 45 percent of these funds are committed to the electricity, freight rail and ports sectors. Investing significant resources in these sectors will ensure security of supply of electricity, improved quality of freight and shipping services

and therefore growth in our exports, specifically mining and the manufacturing base.

The transport sector plays an important role in connecting our economic nodes to markets and households. As the economy grows, the capacity on the primary road network, the rail network and the container terminals at Ngqura, Cape Town and Durban Harbours will be increased. Along with this investment, operational efficiency must improve.

There is intensive work taking place presently to formulate a long-term infrastructure investment plan. Similarly, we are working at different funding options for both social and economic infrastructure. Once completed, this plan will ensure that South Africa has a sustained and sustainable infrastructure delivery plan.

President John F. Kennedy once said, “It is not the wealth of the nation that builds roads, but the roads that build the wealth of a nation”. This applies particularly to rural areas, where improved transport infrastructure often makes a big improvement. Well-developed and maintained infrastructure is essential for a nation’s productivity and, ultimately for economic growth and job creation. The infrastructure development process itself leads to job creation and boosts demand for certain goods.

But the indirect benefits of infrastructure improvements on economic activity are probably more important: ensuring that the lights remain on, that there is clean drinking water in the taps, and that people and goods can move around the country efficiently and be shipped abroad quickly and at reasonable cost are crucial to support new investment, raise the productivity of workers and increase exports. All of society benefits when goods and services can be accessed more easily and are more widely distributed throughout the country; something that is not possible if facilitating infrastructure is absent or not functioning properly.

It is for this reason that infrastructure development is a key priority, not only in South Africa but in most emerging market countries today. It is for this reason also that the developed world is taking a second look at emerging markets, because there are many more new possibilities in these markets that don't exist in the developed world itself today, or for the foreseeable future.

The significant resources we committed before the World Cup to strengthen our regional and international integration, by improving infrastructure at our air and land ports of entry and increasing the flow of visitors through our borders will stand the country in good stead for attracting investors and tourists.

But the most important legacy of the World Cup is the renewed confidence in ourselves as a nation that the hosting of the tournament has brought about. The conversation in South Africa today is how to build on this to tackle our most pressing social challenges: public education, health, and unemployment.

Confidence is a key ingredient in any successful endeavour. Rosabeth Moss Kanter, a professor of business administration at the Harvard Business School, wrote that confidence is made up of positive expectations for favourable outcomes.

“Confidence influences the willingness to invest – to commit money, time, reputation, emotional energy, or other resources – or to withhold or hedge investment. This investment, or its absence, shapes the ability to perform. In that sense, confidence lies at the heart of civilization. Everything about an economy, a society, an organization, or a team depends on it.

“Every step we take, every investment we make, is based on whether we feel we can count on ourselves and others to accomplish what has been promised. Confidence determines whether our steps – individually or collectively – are tiny and tentative or big and bold.”

We took one big, bold step in 1994; we took another one in 2010. The question for us as South Africans is when will we take the next big one? It is big and bold steps that we, as a country, must take if we are to put an end to poverty and unemployment.

President Zuma said earlier today, when briefing the media on the outcomes of the Cabinet Lekgotla, that government will soon meet business and labour to discuss how best to improve the quality of life of our people. Those meetings should lay the basis for an agenda that all South Africans should rally around, as they did for the World Cup – an agenda of how best to position South Africa to benefit from the new reality and new possibilities – the new reality of a world with multiple poles of growth. Developing countries such as South Africa have abundant, profitable investment opportunities for industrial development and projects that can improve the efficiency of their infrastructure. South Africa and the rest of Africa can be another source of global growth.

Through the delivery of the infrastructure and successful hosting of the 2010 FIFA World Cup, we have created a new reality and opened up new possibilities for South African and the African continent, as a destination for long-term investment. The challenge for us, as it was for the soccer teams in the final match, is how to operate well as a team. The group of players that operated as the better team came out as victors at the end, and I am sure we will be able to do the same as we take on our next set of challenges as South Africans.

Thank you