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Private Bag X115, Pretoria, 0001 • 40 Church Square, PRETORIA, 0002 • Tel: +27 12 315 5372, Fax: +27 12 406 9055 • www.treasury.gov.za

SPEECH BY MINISTER OF FINANCE

SPEECH BY THE MINISTER OF FINANCE, MR ENOCH GODONGWANA, AT THE BRICS INFRASTRUCTURE INVESTMENT SYMPOSIUM

28 September 2023

Introduction

Director-General of the New Development Bank Africa Regional Centre,
Director-General of the African Development Bank in Southern Africa,
CEO of the Public Investment Corporation,
CEO of the Development Bank of Southern Africa,
CEO of the Association for Savings and Investment South Africa,
Country Director of the World Bank in South Africa,
Principal Executive Officer of the Government Employee Pension Fund,
Members of the Task Force on PPP and Infrastructure,
Speakers and Delegates in BRICS and other countries,
Ladies and gentlemen,

Good morning, good day and good evening. It is morning in Brazil; afternoon in South Africa, Russia and India; and it is evening in China.

It gives me great pleasure to welcome you to this Symposium. This is the first event of this kind hosted by the BRICS Task Force on PPP and Infrastructure. The Task Force was established in 2018 to strengthen knowledge sharing and capacity building, to promote the use of good practice in infrastructure development and delivery, and to enhance cooperation and coordination across BRICS countries.

Building on the success of previous presidencies, our focus this year has been on exploring ways to fast-track infrastructure development and delivery through greater private sector participation, the promotion of approaches that ensure effective and expedient execution of infrastructure and promoting the transition towards a more resilient and sustainable economic development. In this way, we want to contribute to the stimulation of infrastructure

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investments which are at the core of human, social, environmental, and economic development.

Global Outlook

At a time when the global economy is gradually recovering from multiple adverse shocks, the International Monetary Fund in its April 2023 World Economic Outlook warns that the world is entering a perilous phase during which economic growth is expected to remain low by historical standards and the downside risks dominate.

Global growth is expected to slow from 3.4% in 2022 to 2.8% in 2023 before rising to 3% in 2024. The growth in emerging market and developing economies is expected to marginally slow down from 4% in 2022 to 3.9% in 2023 and thereafter rise to 4.2% in 2024.

The warning by the Fund and the elevated risks calls for decisive and intentional actions if we are to steer economies towards a prosperous, sustainable and inclusive economy. For our part as BRICS countries, we are committed to leveraging infrastructure investments to do this. And as important contributors to the faster growth projected in emerging market and development economies, we remain open for investment.

It is when investments are made that a partnership towards an equitable just transition, strengthening of the post-pandemic growth, support to socio-economic development and the attainment of the SDG 2030 Agenda priorities will be realised.

Infrastructure investments benefit everyone – for the economy, it is about growth and development, for citizens about access to social services, for investors a return on investment, for industry the ability to operate and compete, for job seekers employment opportunities, and for the marginalised, inclusivity. This is the reason why we are focused on stimulating investment!

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Infrastructure narrative

According to the Global Infrastructure Hub, the need for infrastructure investments is forecast to reach US$94 trillion by 2040, with a further US$3.5 trillion required to meet the SDGs. At the projected investment levels of about US$79 trillion, there will be a financing gap of US$18 trillion by 2040. Emerging markets account for nearly two-thirds of the financing gap, with BRICS countries constituting more than one-third of this requirement. The constrained fiscal position of many emerging market and developing economies mean that their abilities to fund much of their infrastructure investments is limited.

However, the development and delivery of infrastructure ought not to depend on the availability of public resources, both financial and non-financial. The OECD estimates that US$80 trillion of long-term investor asset base can be unlocked for infrastructure development. We know that infrastructure investments offer stable, attractive and long term returns and cashflows for investors. For this reason, while the financing gap is seemingly large, through greater collaboration and effective partnerships, the gap can be closed. The question is how?

It is well known that despite increased efforts to mobilise private investment for infrastructure in emerging markets, the uptake has been relatively slow. Thus, the Symposium is focused on measures needed to promote the uptake of private capital in achieving the infrastructure agendas and plans of the BRICS countries.

My expectation is that with the extensive and broad knowledge base that is represented in this Symposium, from government officials to industry experts, academics, representatives from MDBs and DFIs and many other stakeholders, we will collectively find answers to the how question. This is testament to the African Proverb in the book by Victoria Odoi-Atsem that says ‘If you want to go fast, go alone. If you want to go far, go together’.

Of course, we want to go together but we must go fast because there are significant opportunity costs associated with the status quo.

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We must also think strategically, laterally and pragmatically because the BRICS countries' infrastructure agendas are ambitious. And to advance these, scale, innovation and sustainability must be at the centre.

As for governments and officials, we undertake to keep an open mind in these engagements. We will review and strengthen our regulatory systems and processes, earnestly consider alternative approaches proposed to increase the pace of infrastructure development and delivery, and build our capacity and capability. We know that without these critical enablers, our quest to create opportunities for mutually accelerated growth and sustainable development is unachievable.

Closing

This Symposium is the culmination of internal engagements we have been having and for our partners across the world, the beginning of a long-term and productive engagement to unlock the much-needed infrastructure investments. We will collectively answer the how question and do so expediently and pragmatically.

I thank you.

Ends