

NATIONAL ASSEMBLY
QUESTION FOR ORAL REPLY
QUESTION NUMBER 276

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Mr L S Ngonyama (Cope) to ask the Minister of Finance:

Whether the coordination of the Development Finance Institutions in contributing to the estimated funding gap for infrastructure projects is being achieved; if not, what is the position in this regard; if so, what are the relevant details?

NO3887E

REPLY

Yes, in order to enhance coordination between DFIs, the Cabinet has approved the creation of the DFI Council under the leadership of the Minister of Finance. It is envisaged that the creation of DFI Council will assist in accelerating DFI coordination by facilitating the following amongst others:

- Better alignment between government's objectives and the activities of DFIs;
- Improved oversight over planning and resource allocation processes of DFIs and those of the State;
- More effective measurement of the development impact of DFI programmes, investments and other activities; and
- Enhanced coordination of activities and programmes of DFIs and those of government across all spheres.

Apart from coordination within the development finance system, the objective of the DFI Council will also be to create more effective coordination with other levels of government, private sector, and civil society players to share risks, apportion roles and responsibilities for the development of various economic sectors and effectively leverage government resources.

Regarding the role of DFIs, Government is of the view that they must continue funding within their current mandates and business plans as well as increase the reach in their target client sectors. Participation in funding the Capex programmes of State Owned Enterprises (SOEs) must be complementary to existing funding mandates of DFIs. DFIs are also expected to play a more proactive role in contributing to economic growth and were tasked to actively support and participate in programmes that will encourage economic growth, poverty alleviation and job creation. Their focus will be on supporting investment that will put more emphasis on emerging and expanding businesses, agrarian and land reform, rural and infrastructure development and access to affordable housing.

These objectives are in line with the overall government's developmental objectives of job creation, poverty alleviation and rural development.

Government has enhanced the potential funding capacity of DFIs through:

- **Land Bank:** The turn-around strategy has been supported with a guarantee of R3.5 billion which will be converted into a capital injection over the MTEF to support rural development. The guarantee will reduce with any capital injection.

- **Development Bank of Southern Africa:** DBSA's capital structure was enhanced by increasing its callable capital by R15.2 billion from R4.8 billion to R20 billion; effectively improving its lending capacity to R140 billion. To ensure effective implementation of increased callable capital, the government entered into a MOU with DBSA tying it to specific Key Performance Indicators which includes:
 - Increase funding of weaker municipalities for new infrastructure, as well as operations and maintenance of existing infrastructure.
 - Assisting with project identification, preparation and implementation for municipalities.
 - Improve access to appropriate funding, including securing the participation of appropriate private sector partners.

Industrial Development Corporation: Government requested IDC to intervene by reducing the effects of the financial crisis by assisting distressed companies (closure of companies and job losses).

The IDC will leverage on their healthy balance sheet and estimate to inject more than R70 billion into the economy over the next five years to fund industrial and business development. In addition, the IDC has already set aside R6.1 billion and the government has also allocated R400 million during the current fiscal year.

- **National Housing Finance Corporation:** NHFC was allowed to secure international loans totalling €50 million from multilaterals for affordable housing development.
- **Independent Development Trust:** Government needs to decide on the funding model for IDT i.e. should it remain a financially independent Trust, or should it be funded on budget.
- **National Urban Reconstruction Housing Agency:** NURCHA was allowed to borrow R300 million for social infrastructure and affordable housing.