

Viability of a government infrastructure agency

Abstract

The Infrastructure Development Act defines infrastructure as: *“The installations, structures, facilities, systems services and processes relating to the matters specified in Schedule 1 and which are part of the national infrastructure plan...”* The continuous efficient and effective delivery of value for money infrastructure, which provides the economic networks and supports the delivery of basic and social services, is a key challenge. Over the last decade, there have been numerous agencies, support programmes, initiatives and projects established that have focussed on providing support on specific aspects. The infrastructure spend in South Africa has been, and continues to be significant. This investment in infrastructure can enable continuous growth of the economy and create employment. The purpose of the research is to evaluate the viability of establishing a centralised Infrastructure Agency in South Africa. The methodology employed in the report includes a combination of literature review, desktop reviews, and comparative analysis of international practices. This approach was chosen to provide a comprehensive understanding of global infrastructure delivery models and to contextualise the findings within the South African landscape. The research findings indicate that while there are existing structures and support programmes in place, there is a need for improved coordination and reduced duplication of roles. The issues above provide the basis for the exploration of an Infrastructure Agency to be established to provide a central point of accountability and responsibility for the planning and management and ongoing co-ordination between the three spheres of government. Additionally, the promotion of public-private partnerships (PPPs) is suggested as a means to leverage additional funding and expertise.

Introduction

Capital infrastructure

The investigation into an infrastructure agency has been focused on whether there is a need for a single entity for the delivery of capital infrastructure in the country.

Firstly, it is critical to understand the meaning of infrastructure. The Infrastructure Delivery Management System (IDMS) describes infrastructure as follows: *“fixed assets that are constructed or result from construction operations including: buildings, structures and facilities; water supply, sanitation, electricity supply, transportation and storm water drainage systems; as well as related*

permanent fixtures that cannot be readily removed or reused”

For purposes of this research, the following spheres of government are identified as responsible for infrastructure delivery:

- National government
- Provincial government
- Local government

Purpose

The discussion needs to address the potential viability of an Infrastructure Agency and identify how it can address the critical issue of the ability to deliver capital infrastructure.

A desktop review has been undertaken to understand infrastructure delivery approach and the structure and purpose of agencies in other countries. The review focussed on capturing the following information:

- Which countries have infrastructure agencies?
- Context of infrastructure in the country
- Specific functions of the agency
- Structure and governance of the agency
- Type of infrastructure the agency aims to address

United Kingdom: Infrastructure UK

The UK has an agency unit within the treasury, called *Infrastructure UK*, that works on the UK's long-term infrastructure priorities, and provides sector investment responsible for:

- Co-ordinating, simplifying and prioritising investment in UK infrastructure
- Improving UK infrastructure by achieving greater value for money on infrastructure projects and transitions

The approach adopted by the UK is a centralised model where the management and accountability for planning, investment, delivery and management is focused on economic infrastructure and priority projects.

Australia: Infrastructure Australia

Infrastructure Australia (IA) is an independent body with a mandate to prioritise and progress nationally significant infrastructure. This is a national approach to planning, funding and implementing the nation's future infrastructure needs. IA also has responsibility to determine which nationally significant projects should be on the Infrastructure Priority List. This is a rigorous process that ensures a highly credible pipeline (15-year horizon) of nationally significant infrastructure projects.

IA was established in mid-2008 to provide advice to the Australian government under the Infrastructure Australia Act 2008. In 2014, the Act was amended to give IA new powers and to create an independent board with the right to appoint its own Chief Executive Officer.

Canada: Infrastructure Canada

Infrastructure Canada (IC) leads federal efforts to ensure that Canadians benefit from world-class, modern public infrastructure. This is achieved by making investments, building partnerships, developing policies, delivering programmes, and fostering knowledge. IC is a key funding partner, working with provinces, territories, municipalities, the private sector and non-profit organisations to help build and revitalise infrastructure.

IC reports to parliament and the public through the Ministry of Infrastructure, Communities and

Intergovernmental Affairs. The department is made up of five branches: Policy and communications; programme operations; corporate services; audit and evaluation and Federal Montreal Bridge Branch. Through its programmes, IC provides funding to help build and improve infrastructure in communities across the country.

New Zealand: National Infrastructure Unit

New Zealand has a National Infrastructure Unit (NUI) located in Treasury. The unit does not duplicate the role of other infrastructure-related government agencies but works in cooperation with others and takes a cross-sector, high level view of New Zealand's infrastructure. The unit's responsibilities are:

- Formulate and monitor progress on a 20-year national infrastructure plan
- Establish robust cross-government frameworks for project appraisal and monitor implementation
- Provide support to and act as a secretariat for the National Infrastructure Advisory Board

The national infrastructure plan talks about five infrastructure sectors: energy, telecommunications, transport, water and social sectors. New Zealand has adopted an approach to centralise management oversight of infrastructure for the alignment of National priorities around economic and social infrastructure.

Other countries that were looked at

Nigeria	National infrastructure advisory facility
Singapore	Urban development authority
Netherlands	Ministry of infrastructure and environment
India	Planning commission
Ireland	National infrastructure authority
Philippines	National economic development agency
United States of America	America 2050

Methodology

The methodology used to gather data for the report involved a combination of literature review, desktop reviews, and a comparative analysis of international practices. The desktop review provided insight into the global approaches to infrastructure delivery and the structure and purpose of agencies in other countries. Additionally, a review of South Africa's infrastructure delivery landscape was conducted to contextualise the findings and support the decision-making process regarding the establishment of an Infrastructure Agency.

This methodology was chosen because it allowed for a comprehensive understanding of both international

best practices and the specific challenges faced within the South African context. By comparing global approaches with local conditions, the report could identify gaps and opportunities for improvement in infrastructure delivery. Moreover, the literature review and desktop analysis were essential to ensure that the recommendations were informed by a wide range of data and perspectives, thereby increasing their relevance and applicability.

Research Findings

The selection of countries has shown that there is a distinction between the centralised management of economic infrastructure for growth and development and increased private sector funding, and the identification of the desire for centralised management for improved coordination and collaboration and efficiency in the delivery of infrastructure.

Infrastructure and service delivery

It is evident there are a number of role-players in terms of supporting infrastructure management and delivery in the South African landscape. While this provides capacity to deliver, it also leads to duplication of roles and sometimes confusion, especially on the part of the government departments requiring support.

Infrastructure delivery has had multiple support programmes and support inputs in the past. This section provides a review of support structures and programmes for infrastructure in the recent past, present and moving forward.

Public sector infrastructure delivery

National Development Plan (NDP)

The National Development Plan addresses central challenges as identified through the national planning commissions diagnostic report. Key priority areas are:

- An economy that will create jobs
- Transition to a low carbon economy
- An inclusive and integrated rural community
- Reversing the spatial effects of apartheid
- Improving quality of education, training and innovation
- Healthcare for all
- Building safer communities
- Fighting corruption

These are all underpinned by targets and actions. While no specific action identifies the delivery of infrastructure or the construction of facilities, it all requires efficient and effective use basic services. The Infrastructure Development Act provides for a

mechanism for strategic projects as per the NDP to be considered important.

National Infrastructure Plan (NIP)

The Presidential Infrastructure Coordinating Commission (PICC) has published a summary of the NIP. The key elements include:

- The integrated approach that needs to be adopted to deliver on the NDP
- The overall approach indicates the 18 SIPs and the compilation of an infrastructure book with 645 projects from across the country
- Identified key enablers as: construction, transport, rural access, pharmaceutical, access to water, requirements for funding, regulatory reform and improved performance of infrastructure projects

Presidential Infrastructure Coordinating Committee (PICC)

The main objective of the PICC awareness campaign is to promote infrastructure development initiative across the country, whilst showing the tangible benefits such as job creations and access to social services

Economic Development Department (EDD)

The aim of the EDD is to promote economic development through participatory, coherent and coordinated economic policy and planning. This to be achieved in the context of an evolving model of co-operative and effective governance, which ensures horizontal and vertical co-operation between spheres of government.

Department of Public Works and Infrastructure (DPWI)

DPWI has the mandate to implement and manage infrastructure on behalf of national and provincial government. DPWI has been facing challenges of capacity to deliver on their mandate for a long time. As such, the government sought support from other agencies including the Development Bank of Southern Africa (DBSA) to support them with infrastructure delivery.

Property Management Trading Entity (PMTE)

The PMTE has been established to optimise the state's immovable asset portfolio through innovative and best practice approaches. Its key role is to optimise the asset portfolio to ensure improved, effective, and cost saving service delivery.

Independent Development Trust (IDT)

DPWI established the IDT to support them with capacity to deliver. IDT works in provinces as an implementing agent in the delivery of social

infrastructure such as schools, clinics, provision of water and sanitation.

Municipal Infrastructure Support Agency (MISA)

MISA is an agency of the Department of Cooperative Governance and Traditional Affairs. MISA's objectives are (among others) to:

- Support municipalities to undertake effective infrastructure planning
- Support the management of infrastructure operations for municipal infrastructure
- Provide specialised technical and management support to municipalities
- Monitor the efficiency, effectiveness and impact of infrastructure projects

South African Local Government Association (SALGA)

SALGA is an autonomous association that derives its mandate from the South African constitution. SALGA's mandate is to be the voice and sole representative of local government. It interfaces with parliament and has 278 municipalities as members. SALGA's role is to:

- Represent, promote and protect the interest of local government
- Raise the profile of local government
- Develop capacity within municipalities

Development Bank of Southern Africa (DBSA)

DBSA has a division to support government in accelerating the implementation of infrastructure programmes through the provision of project management support to priority sectors critical to the achievement of various national objectives.

The purpose of this division is to increase a centre of excellence that works with key government stakeholders to improve the speed and quality of infrastructure delivery.

Department of trade and industry (DTI)

DTI provides finance for infrastructure through the critical infrastructure programme (CIP), a cost sharing grant for projects designed to improve critical infrastructure in South Africa. The grant covers qualifying development cost from a minimum of 10% to a maximum of 30%. The benefits are an injection of cash grants to public sector entities and private investors that are eligible.

Others:

- South African Cities Network (SACN): Collects and shares information to enhance abilities of decision makers in cities
- Government Technical Advisory Centre (GTAC): Agency of treasury to support

public finance management through advisory services

- Infrastructure Delivery Improvement Programme (IDIP): Commissioned by treasury to review provincial service delivery systems
- Cities Support Programme (CSP): The objective of the CSP is to support the spatial transformation of South African cities to create more inclusive, productive and sustainable urban Built Environment
- Neighbourhood development grant (NDP): The purpose of the NDG is to fund, support and facilitate the development of neighbourhood development projects
- Support programmes for accelerated delivery of infrastructure (SPAID): this programme ran from 2006 – 2010 with the purpose of mobilising private sector support for the development of municipal infrastructure

Infrastructure investment

Government spend on infrastructure is significant and aims to address multiple outcomes as the investment also seeks to impact growth and job creation. The total estimated spend on infrastructure in the three years 2015/16 to 2017/18 was R142 billion.

An analysis of infrastructure investment by key departments in 2014/15 shows that the departments with the biggest allocation were Transport (33%), Human Settlements (23%) and Cooperative Governance and Traditional Affairs (12%).

While there are gaps and challenges to be addressed in the departments with the mandate to provide infrastructure, these departments generally have access to various agencies and support programmes. In reviewing international models of supporting infrastructure, the main reasons for establishing agencies (either cross-cutting or sector specific) are identified as:

- Management: of priority and cross-cutting infrastructure
- Accountability: for transparency and coordination of projects
- Performance: to ensure appropriate infrastructure in the right place, in time and for good value

The NDP and the associated action plan has included addressing the management, accountability and performance of the delivery of infrastructure in South Africa. The PICC and SIPS outline the priority and cross-cutting infrastructure needs in the country. What has been found is that there remain challenges in the system and there is a need for greater coordination, transparency and support underpinned by data that provides the basis for decision making on where to direct resources. Skills are a critical input for the system and needs to be addressed adequately.

The need for the establishment of an Infrastructure Agency is not demonstrated in the review of the current landscape and discussion. What is demonstrated is the need for the systems of delivery and accountability.

Recommendations

Establishing a centralised infrastructure agency to coordinate and streamline infrastructure planning, investment, and delivery across all levels of government. By integrating the efforts of existing bodies, this agency would reduce duplication and enhance efficiency. Additionally, there is a need to address the ongoing skills shortage in infrastructure planning, management, and construction. This can be achieved by restoring the skills pipeline through improved secondary and tertiary education programmes, along with practical training and internships. Public sector delivery interventions should continue to be prioritised to ensure skilled professionals are placed in key positions. Strengthening accountability mechanisms is also critical. This involves improving the links between accountability in infrastructure delivery and financial management processes, ensuring that decision-makers have the right information to make informed choices. Moreover, promoting a system where all stakeholders actively participate in the delivery and maintenance of infrastructure is essential. Prioritising infrastructure projects through a rigorous process that focuses on those that yield the highest economic and social returns is another important recommendation.

Finally, encouraging the use of public-private partnerships (PPPs) for infrastructure development, particularly in sectors where private investment can complement public resources, can assist in leveraging additional funding and expertise.

Conclusion

While the infrastructure landscape in South Africa is complex, with multiple agencies involved, significant challenges remain, particularly in skills development and coordination. Establishing a centralised infrastructure agency could address many of these issues by providing a unified approach to planning, investment, and delivery. Enhancing skills development and accountability mechanisms will be crucial for the sustained success of infrastructure projects across the country.

Areas for Future Research

To investigate the potential benefits and drawbacks of centralising infrastructure planning and management, particularly in terms of efficiency, accountability, and project outcomes. Additionally, assessing the long-term effectiveness of current skills development programmes in addressing the

skills shortage in the infrastructure sector is necessary. This should include an evaluation of educational initiatives, public sector interventions, and the placement of skilled professionals in key positions. Research into methodologies for prioritising infrastructure projects could lead to the development of a framework that ensures the most critical projects receive adequate funding and attention.

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