

iNFRASTRUCTURE South Africa



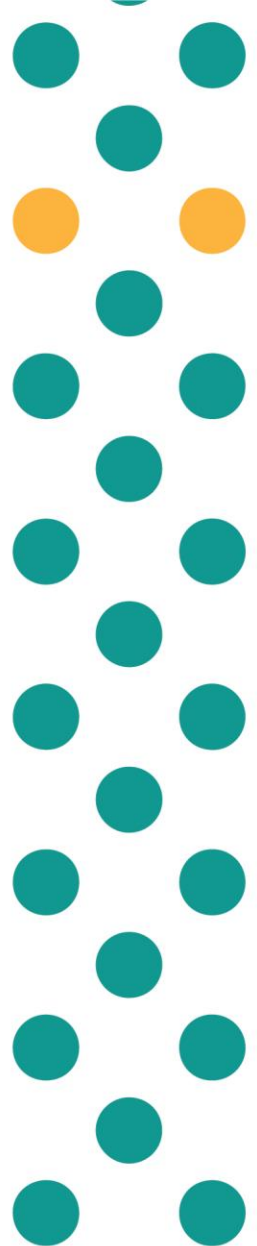
AGBIZ CONGRESS 2022

Building Resilient and Sustainable Agri-Food Systems

BUILDING RESILIENT AND SUSTAINABLE AGRI-FOOD SYSTEMS

Presentation Outline

- 1 Overview of Infrastructure Investment in South Africa
- 2 Agriculture Investment
- 3 Way Forward

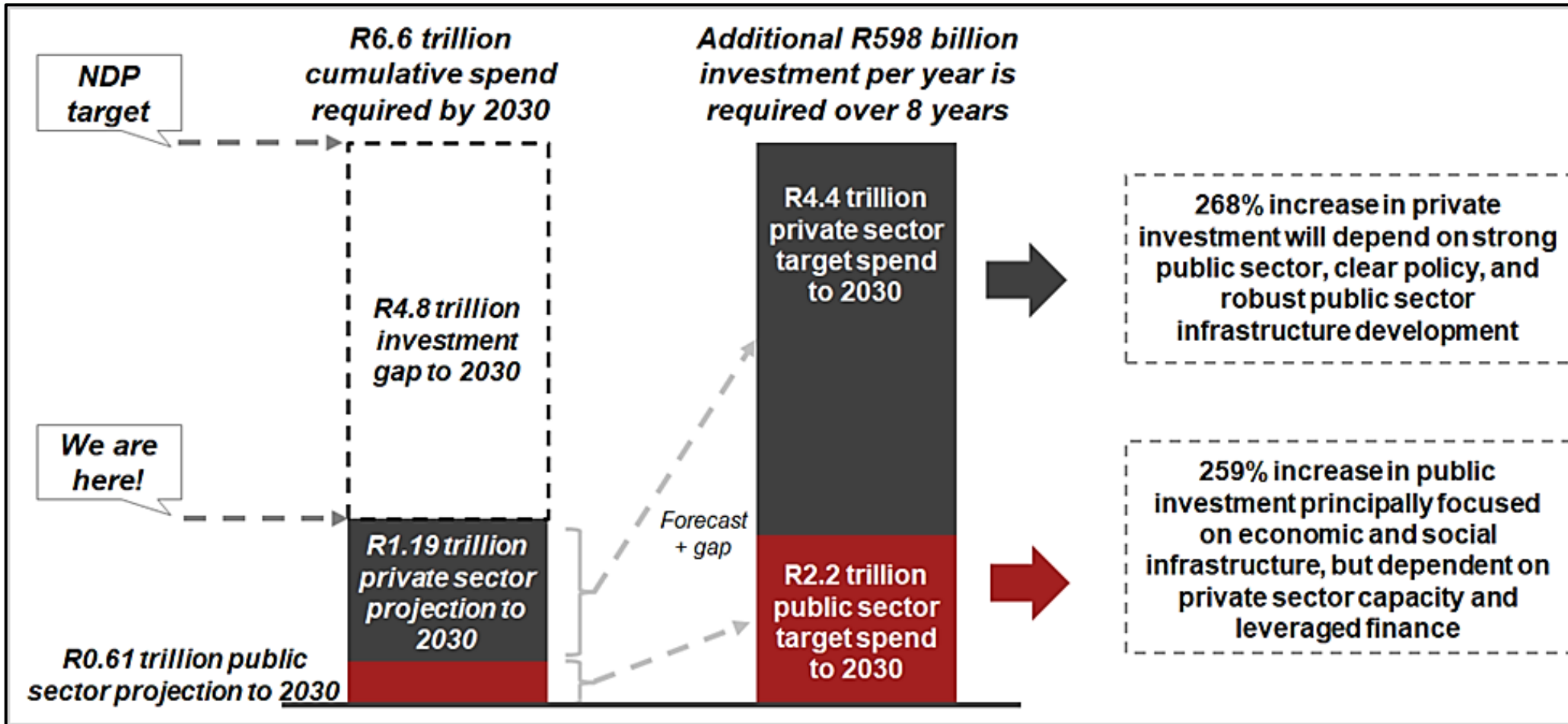


A photograph of a construction site featuring several tall, cylindrical structures under construction. Each structure is completely encased in a complex network of red metal scaffolding. The structures are spaced out across a flat, open area. The sky is a clear, pale blue. The image is overlaid with a semi-transparent teal and blue graphic consisting of vertical bars and a large triangle pointing downwards.

OVERVIEW OF INFRASTRUCTURE INVESTMENT IN SOUTH AFRICA

OVERVIEW OF INFRASTRUCTURE INVESTMENT

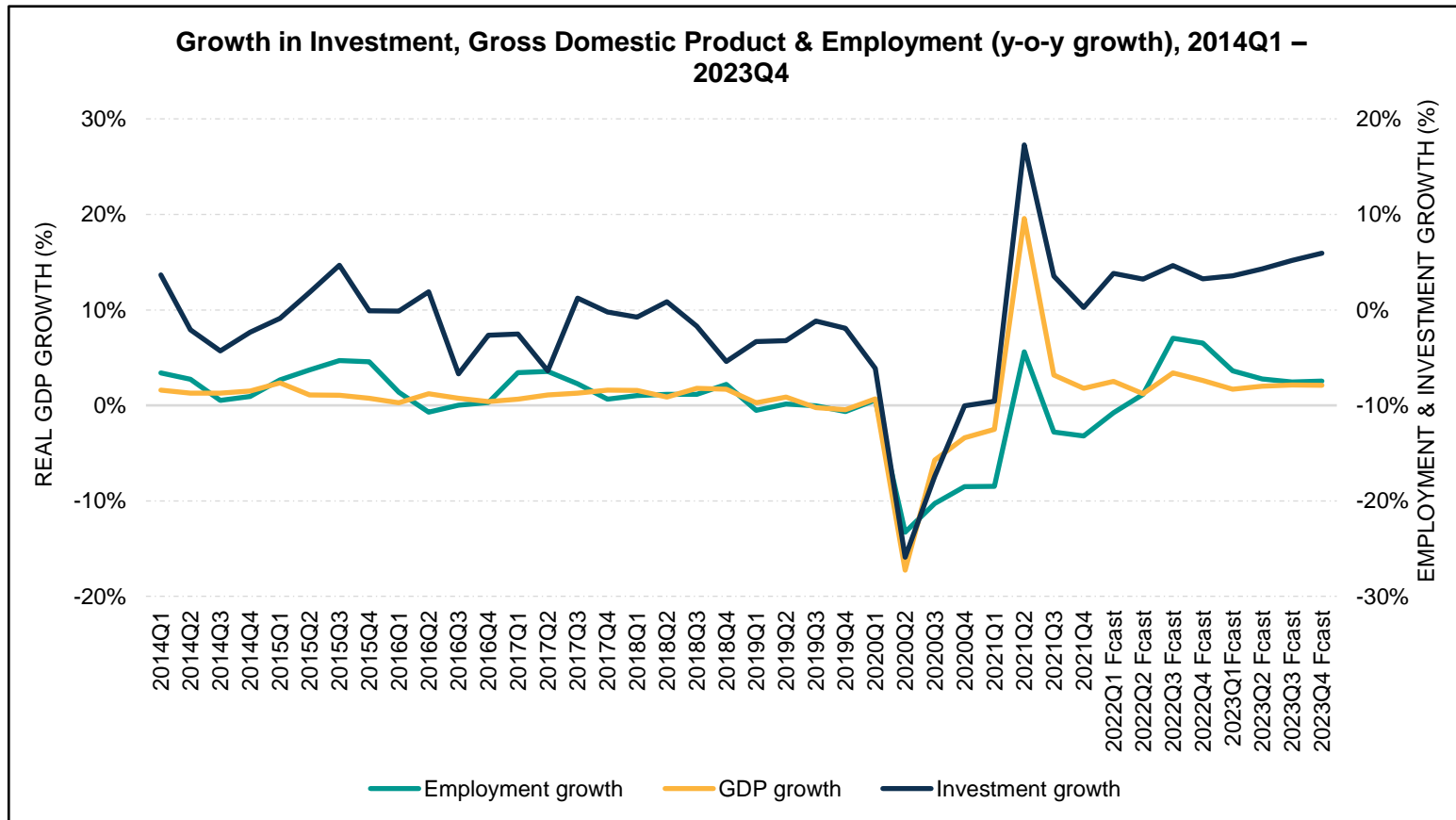
National Development Plan – 2030 Target for GFCF



Source: NDP GFCF target and estimated infrastructure deficit, and required additional infrastructure spend using PwC baseline assumptions

OVERVIEW OF INFRASTRUCTURE INVESTMENT

Capital Investment Trends in South Africa



During 2020 the Gross fixed capital formation (GFCF) as percentage of GDP was at **13.72%** - **NDP 2030 Target is 30%**

GFCF increased by **3,6%** in the first quarter (Stats SA, 2022)

Source: Statistics South Africa; Bureau of Economic Research

OVERVIEW OF INFRASTRUCTURE INVESTMENT

Agriculture Gross Fixed Capital Formation

GFCF: Agricultural Industry (R million 2015 prices)

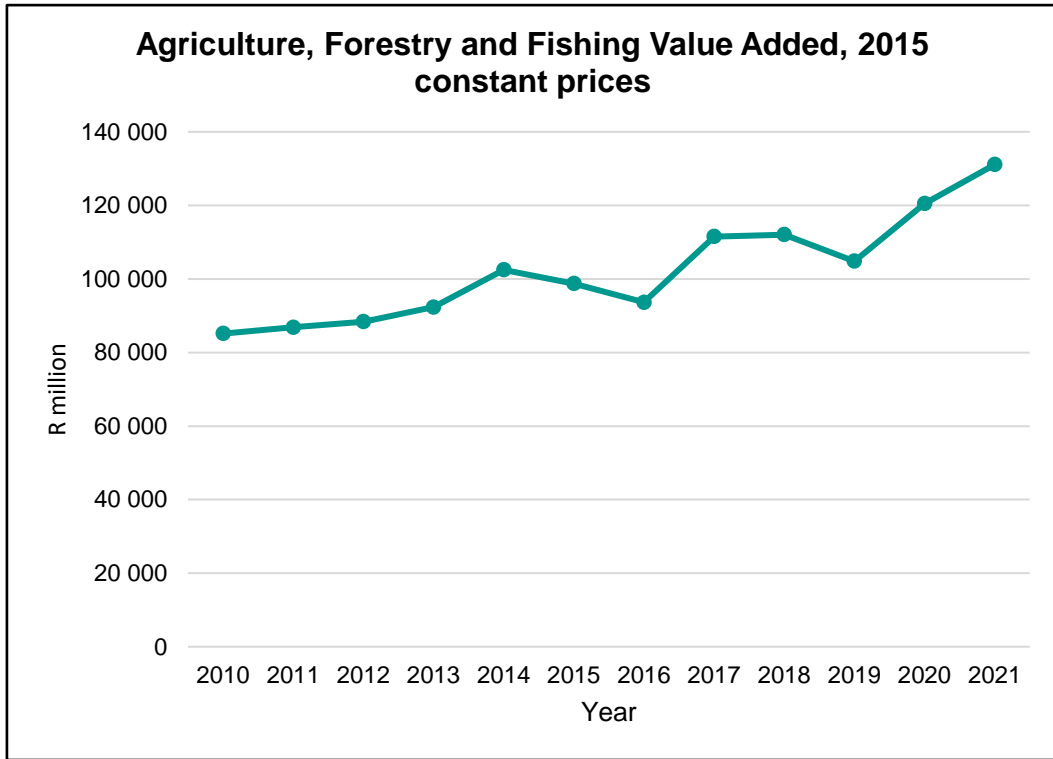
	2010	2020	Annual Growth Rate (2010 - 2020)	Contribution to Total GFCF
South Africa	R17 723	R28 905	5,01%	4,63%
Western Cape	R3 191	R4 656	3,85%	5,53%
Eastern Cape	R829	R1 159	3,40%	2,77%
Northern Cape	R1 232	R1 761	3,64%	10,67%
Free State	R1 926	R2 140	1,06%	5,84%
KwaZulu-Natal	R5 030	R10 094	7,21%	9,48%
North West	R1 176	R1 455	2,15%	3,55%
Gauteng	R1 100	R1 767	4,85%	0,92%
Mpumalanga	R1 686	R2 956	5,77%	5,09%
Limpopo	R1 552	R2 917	6,51%	6,26%

Source: Quantec

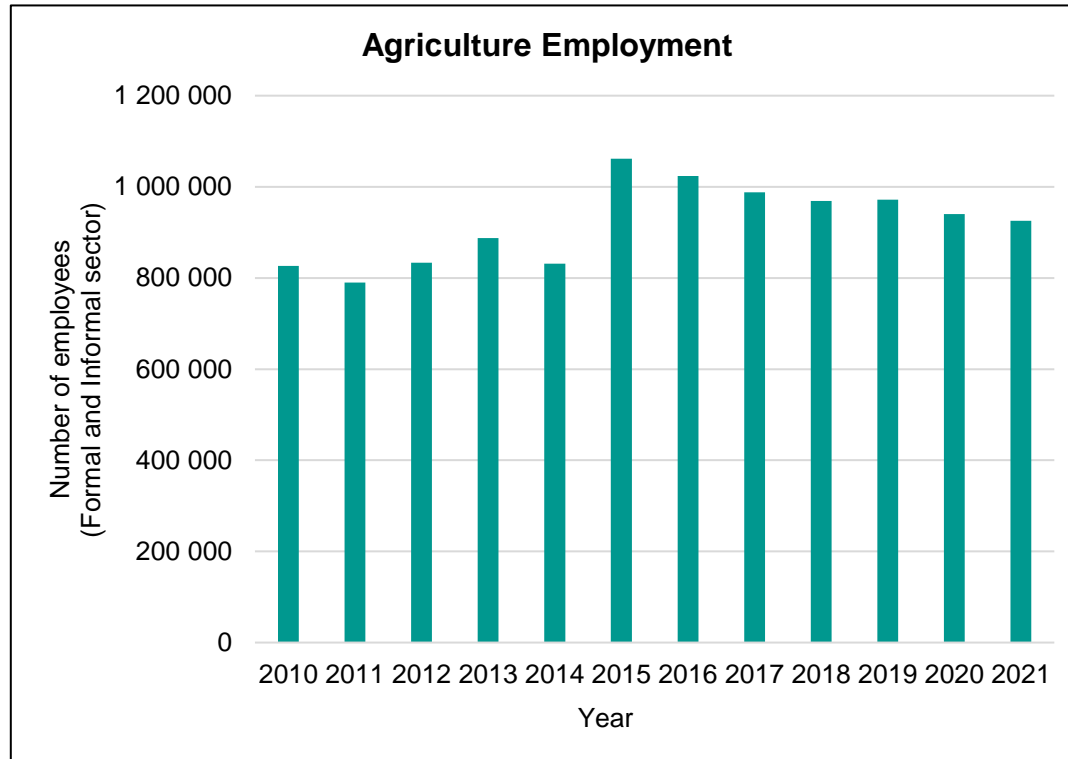
- ✓ Highest growth in Agricultural GFCF was in KwaZulu-Natal over the 2010 to 2020 period.
 - 7,2% annual growth over the period
 - 2020 GFCF in Agriculture amounted to about R10 billion (about 35% of SA GFCF in agriculture)
- ✓ Northern Cape investment in agriculture contributes almost 11% of total GFCF for the province (highest among the provinces)

OVERVIEW OF INFRASTRUCTURE INVESTMENT

Agriculture



Source: Stats SA

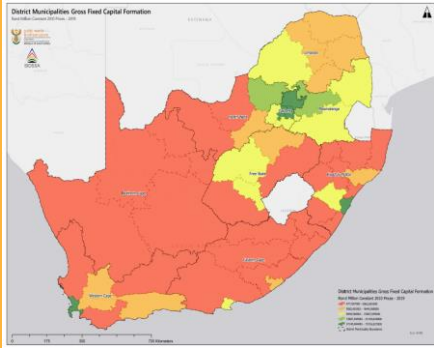


Source: Quantec

The agriculture, forestry and fishing industry increased by 0,8%. The increase was mainly due to increased production of horticulture products.

OVERVIEW OF INFRASTRUCTURE INVESTMENT

National Infrastructure Plan 2050 (NIP 2050)



The NIP offers a strategic vision and plan for delivery of high priority network infrastructure to 2050 by:

- linking top NDP objectives to intermediate outcomes to flag on top priority projects.
- directing the path to strengthening critical institutional and market mechanisms
- giving confidence to private and public stakeholders

- This NIP 2050 focuses on foundational network infrastructure in energy, freight transport, water and digital communications (**Gazetted 11th March 2022**)
- A second phase of NIP 2050 will focus on distributed infrastructure, commuter transport and municipal services – to be finalized in the 2022/23 Financial Year (**In progress**)

The NIP does not aim to be a:

- Comprehensive database of infrastructure projects
- Consolidation of sector masterplans
- Spatial mapping of infrastructure projects
- Mechanism for centralizing decision making

The NIP does aim to:

- Offer enough direction to strengthen prioritization in the short and medium term – in terms of institutional strengthening and in project pipeline
- Dovetail into other major processes (e.g., DDM, NSDF, Operation Vulindlela, SOE Council etc.)

Structure of the NIP 2050

1. Introduction: Laying foundations to achieve NDP aspirations
2. Insight into mission critical economic network infrastructure:
 - a. Energy
 - b. Freight Transport
 - c. Water
 - d. Digital communications
3. South Africa in Africa – building a regional agenda
4. Financing infrastructure and maintenance
5. Strengthening institutions for delivery
6. Rebuilding a vibrant and empowered SA civil construction and supplier sector
7. Monitoring and reporting progress



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South African Roads Infrastructure – The Reality: Threat to Food Security

- Provincial and local governments are struggling with road maintenance.
- Acute levels of underspending; poor planning; leakage and poor delivery.
- Both the paved and unpaved roads are in danger of degrading due to poor condition.
- Ageing infrastructure is vulnerable to being damaged during extreme weather events.
- Municipalities and communities are not prepared for the looming impacts of climate change on infrastructure.



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South African Roads Infrastructure – Agriculture Reality

According to Agri SA survey:

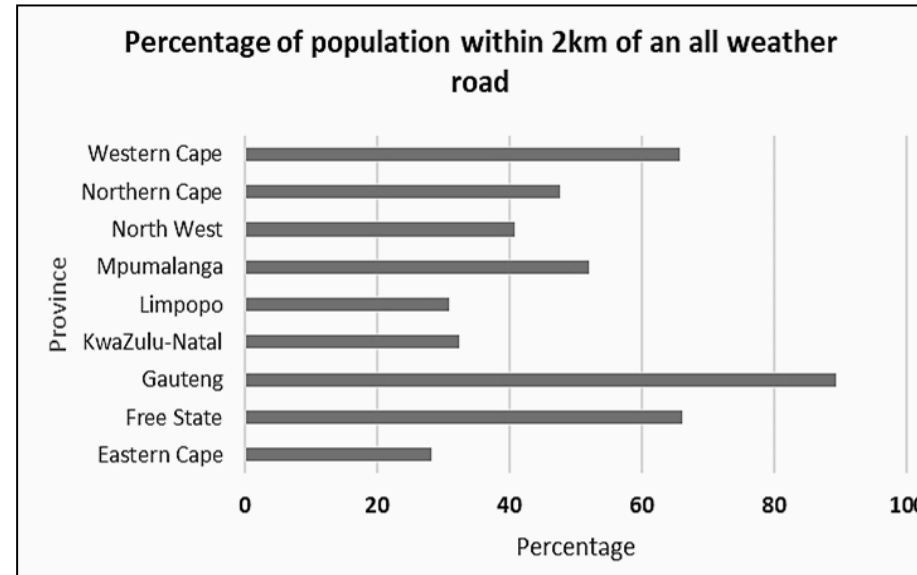
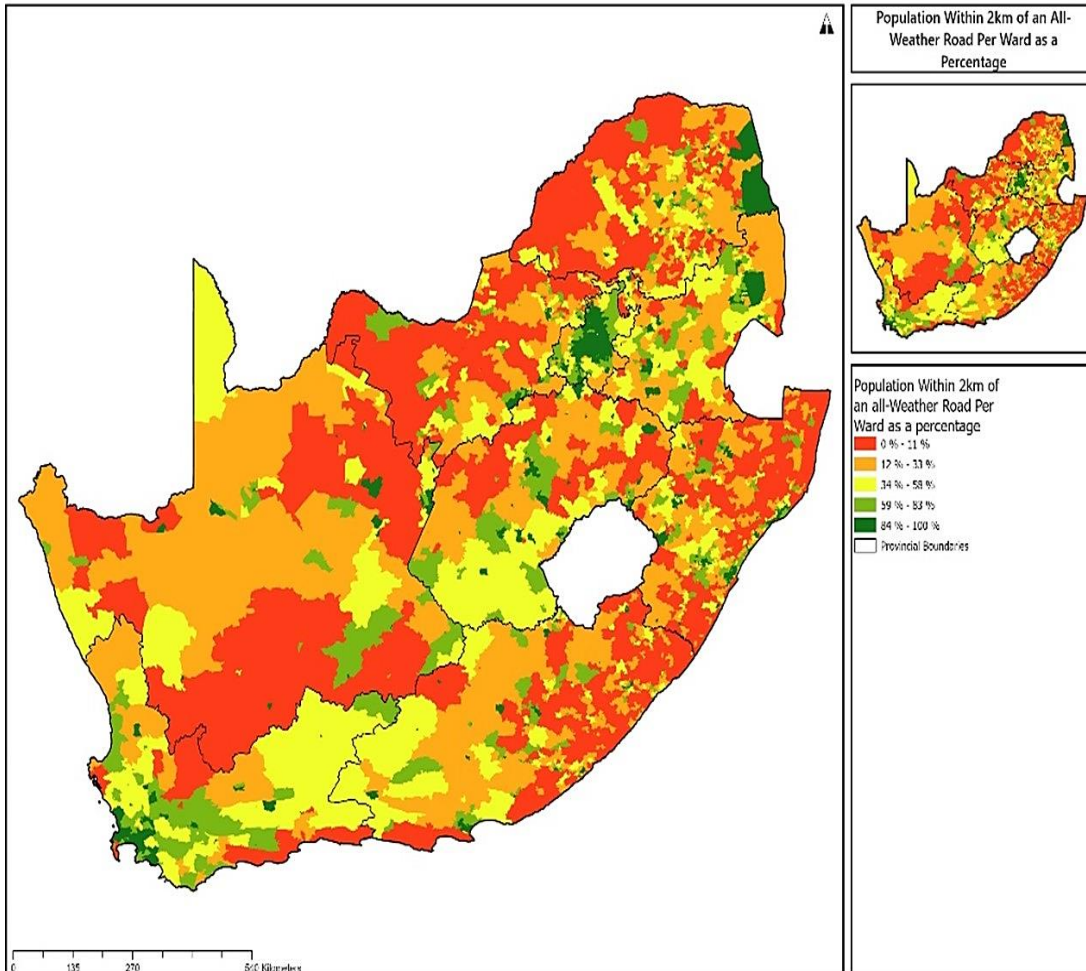
- Participating farmers relied on road transportation to move an average of 94% of their produce.
- On average, participants transported an estimated R23 million worth of agricultural produce by road in the last financial year
- 69% of the respondents had at some point attempted to fix affected roads themselves.
- The respondents on average incurred repair and other related costs of more the R200,000 per participant.



Source: <https://agrisa.co.za/media/roadblock-deteriorating-sa-road-compromise-more-than-r71-bn-worth-of-agri-produce>

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The Urban–Rural Divide – The SA Reality



Source: Infrastructure South Africa

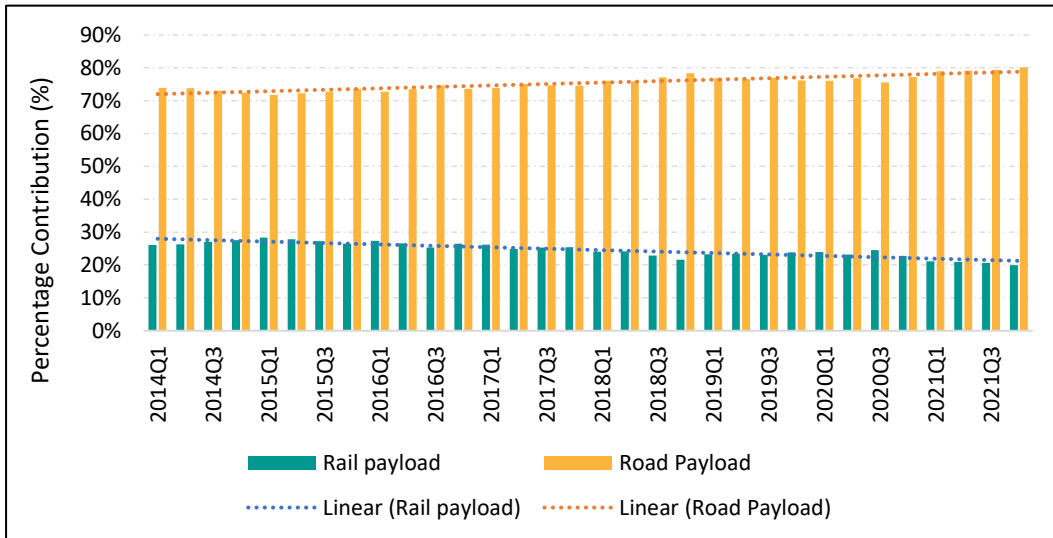
The more urbanized provinces such as **Gauteng** and **Western Cape** have the best access, whilst the rural provinces such as **KwaZulu-Natal** and the **Eastern Cape** have the lowest level of access and hence the worst **Rural Access Index (RAI)** scores.

Certain areas have an RAI score of less than 15%, which implies less than 15% of the population in that area are located closer than 2km from an all-weather road.

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SA - Road Transport

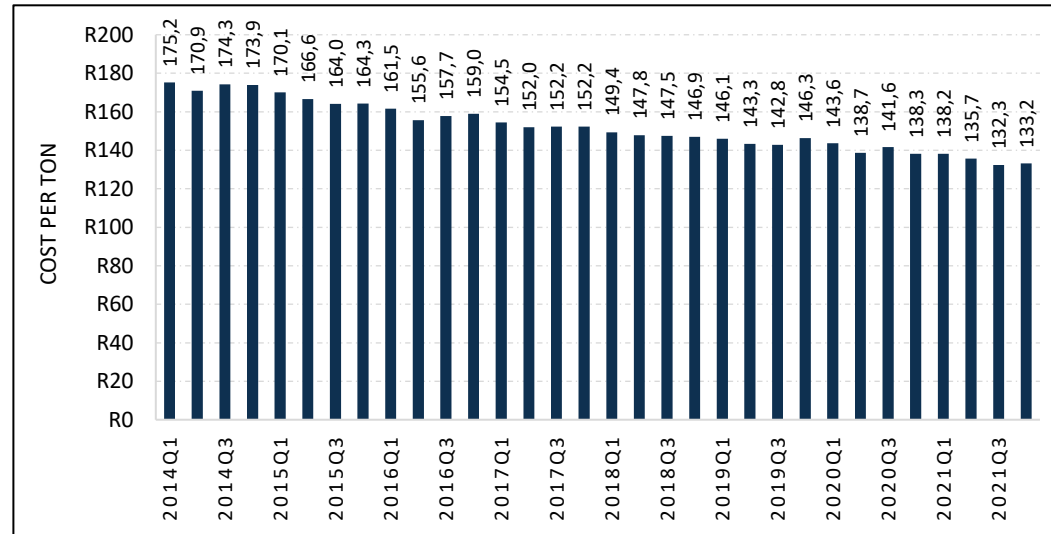
Percentage Contribution of Rail and Road Payload Volumes to Total, Seasonally Adjusted, 2014Q1 – 2021Q4



Source: Source: Statistics South Africa P7162; Own Calculations

- According to the latest Statistics South Africa Land Transport Survey, the total volumes of goods and services transported during the last quarter of 2021 increased to 222 million tons, an increase of 3.2%.
- The payload from road transport increased by 7.2 million tons.
- There has been an increase in the payload volumes of road transport over the past few quarters. Almost 80% of freight is transported by road and 20% by rail.

Cost of Road Transport per Ton, Constant 2015 Prices, Seasonally Adjusted, 2014Q1 – 2021Q4



Source: Statistics South Africa P7162; Own Calculations

- The cost of road transport increased between 2021Q3 and 2021Q4 by R0.90 per ton from R132.2 per ton to R133.2 per ton. The long term trend is however indicating a downward trend.
- The cost per ton to transport goods and services via road has been historically cheaper than that of rail confirming the increasing pressure on road transport infrastructure as it offers a cheaper alternative to that of rail transport, especially over short distances.
- This however severely impacts the quality of roads in the country.



WAY FORWARD

Proposed Reforms

Transnet Freight Rail implements accounting and operational separation, providing a sound basis to evaluate and accommodate 3rd party rail operators into the future

One Stop Border Posts project's implementation is accelerated

A policy for water usage in agriculture is finalized and moves to implementation

The independent National Ports Authority is established

Introduce lifecycle planning to all infrastructure, with full budgets determined upfront and measured against lifecycle benefits in determining optimal infrastructure procurement

WAY FORWARD

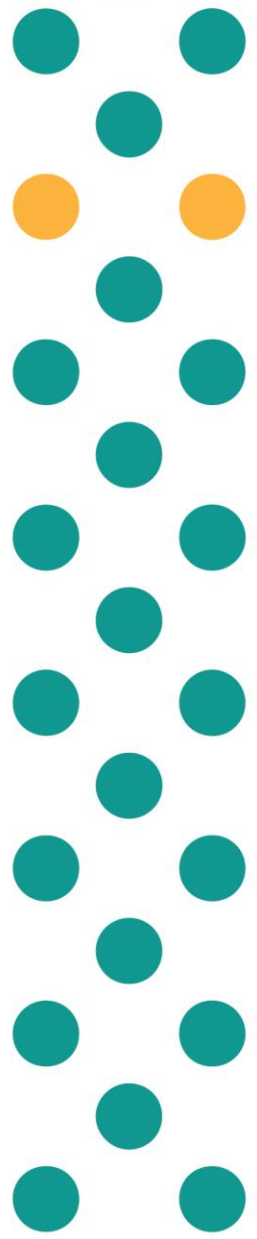
Proposed Actions

Increase the number of agriculture projects registered with ISA

Facilitate the sector's exploitation of 100MW dispensation

Explore infrastructure co-financing options - Vaal Gamagara (NC) and Lebalelo Water Users Ass (LP)

Jointly identify critical corridors for priority investment.



Thank you

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South Africa