**NEWS ARTICLE**

Budget Speech will be critical to flesh out detail in SONA 2024

**19 February 2024:** Following President **Cyril Ramaphosa**’s State of the Nation Address (SONA) on 8 February, **Darrin Green**, Managing Director of [AECOM](http://www.aecom.com) in Africa, says the acknowledgement of the key role that can be played by the private sector is a positive sign. However, he expressed his concerns about the economy and the challenges facing the infrastructure sector such as the decades-long underinvestment in training, education and maintenance.

Regarding President Ramaphosa’s SONA, Green is sceptical about the effectiveness of the proposed solutions, especially given the country’s high debt ratio and other fiscal challenges. The Budget Speech on 21 February will need to maintain a fine balancing act.

“In fact, to my mind it will have to be a budget of austerity. I just do not see any other way. But how will that stimulate the economy? It is a big question and a difficult one to answer. Following on from that is the issue of private sector investment. If there is no light at the end of the tunnel in terms of structural changes, the private sector is not going to invest,” says Green.

He expresses concerns about the lack of detail in SONA, particularly relating to key areas such as energy, logistics and the Just Energy Transition. “The private sector does not get involved without a return on investment,” cautions Green. He acknowledges the positive step of allowing private sector access to certain projects but points to the potential obstacles and delays due to bureaucratic processes.

Green stresses the importance of private sector involvement in kickstarting the economy. However, the historical restrictions around Public-Private Partnerships (PPPs) are an example of the red tape quagmire faced by the private sector.

Amidst all these challenges, Green sees positive signs such as long-overdue water projects coming to market. He calls for a more strategic and efficient approach to procurement, which focuses more on quality and competency rather than price and preferencing. “These are the first real significant projects we have seen in five years, certainly in the water sector,” notes Green.

“It is going to remain challenging. Access to market and pricing remain tough. It is good that these bids are coming through, and it is good that the push for private sector involvement will possibly allow room for AECOM. However, it is going to be a slow and difficult market for the next two years,” predicts Green.

Turning to AECOM’s strategy going forward, Green stresses the company’s commitment to the local market selectively pursuing complex projects. AECOM’s hybrid approach is to operate locally for select clients and projects and to leverage its global expertise to support projects from South Africa.

“Our strategy is to remain in the local market for the right client and to follow global clients in terms of the larger and more complex projects like we are bidding on, but then to also continue to spread our work for the global business from South Africa, where we have a very strong skill set.

“We are gaining a lot of experience for our staff working on these global projects in terms of software standards and best practice. I can say without fear of contradiction that, in terms of quality, we do not need to stand back for any other country. Our engineers, technologists, architects and environmentalists are world-class. And as AECOM, we are at the forefront of digital technology and software.”

Green sees this trend accelerating in the consulting engineering industry to the point where companies that do not adopt digitalisation will be left behind. “In South Africa particularly, through need or just generally the fact that we often have to do things for ourselves, we are pretty advanced on that front. It differentiates us in the global market.”

Green stresses that AECOM is very selective as to which projects it pursues locally to build the business and ensure its sustainability by means of offering our services to our global business. “Where can we play a part in some of these infrastructure projects? It is difficult to tell, as SONA was short on detail and a lot of these projects have been around for a long time.”

Green adds that while it is good news that some of these projects are finally moving ahead, the proposed completion dates are a stumbling block. “AECOM will get involved when it is right for us and if it is the right client. We do have a select focus around risk, funding and the internal capacity of clients to deliver.”

A noticeable trend is the deployment of implementing agencies to get projects off the ground. While this is to some extent a duplication of government resources, Green points out that such agencies are proving to be successful, which bodes well for the future.

In terms of a specific sector focus, the data centre market is booming globally. AECOM has a highly capable team carrying this out in Africa and as far afield as Spain and Finland. “We see a big push for data centres in the United States, which does not necessarily have the capacity to deliver. There is definitely a skill shortage, and we certainly see ourselves piggybacking off that,” says Green.

Other growth areas are the food and beverage and automotive industries, where many international players have embarked on expansion plans. In the Middle East, Saudi Arabia is forging ahead with a slate of giga projects, while markets like the UAE, Bahrain and Qatar, which have been relatively quiet, are picking up again.

“Saudi Arabia has been the bright, shining light, but we are now seeing other areas in the Middle East starting to come back, especially the regions that are further along in their transition away from oil and those that have established populations. Some of the infrastructure in Dubai, for example, is now 30 to 40 years old, so for the first time there is a need to upgrade and refurbish,” notes Green.

Locally, AECOM’s success in its global work – where it supports projects along with teams from India, the US, the UK and even Australia – has seen a 30% uptick in employment, with a quarter of its staff candidate or graduate engineers, architects and environmentalists. “It has been great that we have been able to take them on,” says Green.

“We actively look for opportunities to rotate our engineers onto different projects so that they receive the exposure they need to become professionally registered. It is an outcomes-based approach. Graduate engineers need have site supervision and work experience. There has definitely been a reduction in the availability of that kind of work over the last few years, largely because projects have just not gone to construction,” says Green.

Also on the local front, AECOM continues to be a major player in terms of CSR initiatives. “It is really part of our values, and it resonates with our staff. While we may not be chasing every project available locally, we are supporting a number of CSR programmes. Some of the local projects we are involved with have contractual stipulations for supplier development or other community-based type initiatives which we support. It is important to our staff as well to feel that they are contributing to their own society. It is not just because we want to be a good corporate citizen; it means something to our people,” says Green.

While Green sees positive signs with projects finally coming to market, he remains cautious about the challenges ahead, with the upcoming budget speech on 21 February likely to provide a clearer understanding of the government’s plans and the potential impact on AECOM locally.

***Ends***

**Notes to the editor**

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