

# Infrastructure investment is the key to reigniting economic growth

By  Roelof van den Berg

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Just as a skyscraper requires a solid foundation, infrastructure is often hailed as the essential backbone for building thriving economies. With this in mind, there's a sense of optimism as we look towards 2024 and beyond. As China's example has shown, a government focus on infrastructure development could be the spark needed to reignite economic growth. However, for this to be successful, it's crucial that the private sector steps up promptly to play its part.



Roelof van der Berg, CEO of the Gap Infrastructure Corporation

Quality infrastructure drives trade and commerce, enabling the seamless transport of goods, services, and people across regions, both within and beyond a country's borders. It also provides the energy needed to power industrial and manufacturing activities, and the modern communication networks required by digital economies.

Infrastructure underpins human and socio-economic development, enhancing access to educational and healthcare facilities, and economic opportunities.



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Recognising the pivotal role of infrastructure as a catalyst for economic growth, infrastructure investment has been a central pillar of China's economic strategy for decades. Between 2002 and 2016, the Chinese government tripled its infrastructure investment as a share of GDP from 8% to nearly 24%.

During this period, the country experienced an average annual real GDP growth of 9.6%. This serves as a powerful testament to the transformative potential of strategic infrastructure investment.

## Stark contrast

By contrast, the Infrastructure Consortium of Africa (ICA) estimates that poor and ageing road, rail and harbour

infrastructure in African countries generally may currently be adding as much as 30-40% to the cost of goods traded across the continent. This is placing an undue burden on consumers and businesses, and strangling growth.

So, by continuing its diligent efforts to lift the various logistics constraints facing the country, as well as to roll out world-class national infrastructure to support the needs of South Africa's expanding population, government can achieve the 5% growth target needed to stimulate job creation and eliminate poverty and unemployment.

As a result, South Africans should be comforted that government has allocated R8.47 billion to Public Works and Infrastructure in the 2023/24 year as evidence of its commitment, as outlined in the Medium-Term Budget Policy Statement (MTBPS).

An additional R1.18bn was allocated this year for reconstructing and rehabilitating municipal infrastructure damaged by disastrous floods in KwaZulu-Natal, Eastern Cape, Limpopo and Mpumalanga.

## The role of the private sector

Critically, however, infrastructure development and the task of reaching the 5% growth target cannot and should not be the responsibility of government alone. There is no denying that South Africa has suffered a difficult few years, as the aftereffects of the pandemic, geopolitical shocks, and what the International Monetary Fund has described as a "limping" world economy have weighed heavily upon our own economy and the fiscus.

So, as government faces the enormous challenge of balancing the many urgent demands on its limited budget, the private sector must engage to seek where it can be of service in investing in vital infrastructure projects.



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Quality infrastructure acts to boost investment confidence in countries, which in turn attracts further investment in areas such as infrastructure. So, by leading the way in supporting infrastructure projects in South Africa, local investors can spark a virtuous economic cycle that benefits all.

Developers, too, have a role to play in nation-building by ensuring that infrastructure is delivered at a high standard, on time, and within budget. In many cases in the past, private companies have played a role in causing wastage and cost overruns in major projects. In response, the entire industry must make every effort to improve governance, transparency, and accountability in public infrastructure projects.

Many governments across Africa have increased their infrastructure spending, and the Africa Finance Corporation has

even described Africa as on the precipice of a 30-year infrastructure boom.

As the continent's most industrialised nation, it is encouraging to see South Africa's public sector and private developers at the forefront of this shift, working in tandem to address the formidable infrastructure and service delivery challenges in our path and unlock economic growth to enhance the welfare of our communities.

## ABOUT ROELOF VAN DEN BERG

Roelof van den Berg is CEO of the Cap Infrastructure Corporation.

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