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Infrastructure investment - why it matters
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The macroeconomic effects of infrastructure development have been well researched over the past three decades. Concepts that address income inequality, poverty, unemployment and the like have also gained traction as increased attention has been focused on their importance in the human context.

Joining the dots
A consensus view has emerged: infrastructure development is *fundamental* to economic growth and poverty reduction, given that the availability of infrastructure (or lack thereof!) affects production costs, employment creation, access to markets, and – ultimately - investment.

How much access to infrastructure do ordinary South Africans have?
According to StatsSA (2018):
- 84% of households have access to electricity, with household satisfaction with electricity and associated services at 65%.
- By RDP standards, 70% of households have access to water and sanitation.
- Poor South Africans spend on average 88 minutes a day travelling to and from work, with their more affluent counterparts spending 30 minutes or less.
- Only 10.4% of households have access to the internet at home, with certain provinces such as Limpopo as low as 1.7% and North West at 3%.

We can add to this context the ailing state of our power plants and municipal water infrastructure (and resultant interruptions in supply) which has been well documented over the past decade. And, for poor South Africans, the cost of daily transport reportedly equates to more than 15% of their total income, not to mention the cost of lost productivity as a result of travel time. The country's inadequate low-cost transport systems have led to this situation being considered a further tax on the poor.

What is the flip side?
On the other hand, research has shown that, under the correct conditions, infrastructure and infrastructure development can play a catalytic role in economic growth and development, with the benefits accruing over time.

Infrastructure development has the following knock-on benefits:
- It allows for easier access to markets, and is an enabler for the development of other sectors and industries. This is specifically important in the African context, where a vast portion of the population live and work in rural areas, and thus infrastructure development gives these communities improved access to the formal economy and markets.
- It has positive impacts on transaction costs. Investment in infrastructure development and maintenance can improve production costs and business competitiveness.
- The link between the lack of appropriate and adequate infrastructure and poverty alleviation efforts has been seen in many areas. Research shows, for example, that access to electricity improves literacy, health-care and nutrition. If this is not addressed, the cycle of intergenerational poverty is entrenched.

What do we need?
Infrastructure development and investment on its own will not solve all the problems of South Africa or the rest of Africa. However, considering the current state of South African affairs, it is apparent that economic growth is significantly constrained by the lack of available and adequate infrastructure. This implies a lack of sufficient investment in infrastructure development in the past.

For the benefits of infrastructure development to fully emerge, there must be a concerted effort to remove bottlenecks to investment. We need to ensure that a fit and proper policy and regulatory environment is in place that is well coordinated and supported by all, and that creates policy certainty for both local and foreign investors.

Furthermore, corruption and self-enrichment at the expense of the populace needs to be dealt with, and the plight of the ordinary citizen needs to be at the heart of policy endeavours. This would require that we accelerate SOE reform.

Positive strides

There is no doubt that infrastructure investment plays a key role in spurring economic growth and development and that there is a need for the private sector and Government to work closely together to address the nation's infrastructure needs. If we are able to remove the various bottlenecks to investment, Government will be able to optimise private sector participation and the benefits flowing from this.

The recent interactions between the government's Infrastructure and Investment Office (IIO) and the private sector, and the announcement of the creation of a R357 billion Infrastructure Fund lead us to believe that we as a collective are making positive strides. The message conveyed at the Sustainable Infrastructure Development Symposium hosted by President Cyril Ramaphosa on 23 June 2020 (the largest global virtual event its kind, attracting 681 delegates of which 263 were from local and global funding institutions) further reiterated the importance of infrastructure in the developmental narrative and in spurring and supporting inclusive growth.

The message from the President is that Government has ranked infrastructure development as a key priority and that the Presidency is placing infrastructure at the centre of economic recovery. It will thus be focused on improving the infrastructure ecosystem, where it will be important to work with the private sector to improve the financial and technical capacity of the State. Further to this, it was noted that the IIO is currently assessing 276 infrastructure projects, and has 88 projects in the post-feasibility phase. The President further noted that the IIO has in fact received firm commitments in excess of R10 billion for a number of these projects.

In conclusion, all of the above points to the importance of collaborative engagement between the public and private sectors, and the importance of private sector infrastructure financiers in the developmental narrative – and in improving the lives of ordinary South Africans.

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