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ASGISA – IS THE BAR SET HIGH ENOUGH?

WILL THE ACCELERATED INFRASTRUCTURE SPEND ASSIST IN MEETING THE TARGETS?

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WILL THE ACCELERATED INFRASTRUCTURE SPEND ASSIST IN MEETING THE TARGETS?[1]

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1. BACKGROUND

DBSA's mission is to sustainably improve the lives of all the people of the region – thus it is about both growing the economy as well as substantively addressing issues of poverty, unemployment and equity – the developmental outcomes. Importantly it is less about investment than about the knowledge that is brought to bear in the ways and means of investing and the outcomes achieved. Thus research, policy engagements, and advisory services are critical.

The importance of infrastructure as a foundation for economic growth has become, over the recent past, part of the national debate with growing recognition of the role infrastructure can play as a growth enabler

The DBSA publish an Infrastructure report every second year, and the 2008 report focuses on the impact of public infrastructure investment in enhancing economic growth and social delivery.

Much of the infrastructure referred to is "economic infrastructure" necessary for South Africa to function as a competitive economy. However, there is a strong imperative to look at infrastructure more broadly and consider, as part of the delivery challenge, the

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[1] This paper, a think-piece, is based on work produced for the DBSA Infrastructure Barometer 2008 due for publication before year end.

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infrastructure necessary to reduce the backlogs in providing basic services to the poor as well as the "social" infrastructue – educational and health-care facilities.

2. INTRODUCTION – Battles have been won but the war is not over

Challenge

At the end of the first decade of democracy in 2004, the government was able to demonstrate advances across many fronts. Macro-economic conditions had stabilised and the economy was growing. In the socioeconomic arena, basic services had become more widely accessible and poverty rates were marginally down.

However, ***the Ten Year Review***[1], published by the Presidency, pointed to a series of crucial challenges to the further improvement of sustained economic growth and the elimination of poverty and reduction of inequality. The Review emphasised the need to address these challenges urgently so as not to lose the gains made in other areas in the first decade of democracy.

These challenges were again acknowledged in the ***2005 State of the Nation address***[2], in which the President urged the nation to work towards the ambitious goals set out for the next decade: that is, to halve poverty and unemployment by 2014 and to raise economic growth to an average of 6 per cent from 2010.

Targets

The South African government has committed itself to speeding up the delivery of infrastructure. This shift in policy is in line with its aim of ***halving both poverty and unemployment by 2014***. This is predicated on the ***economy growing at an average rate of 4,5 per cent up until 2009 and by 6 per cent from 2010 to 2014.*** It is precisely this – the relationship between infrastructure investment and its impact on economic growth and development – that forms the focus of the 2008 Infrastructure Barometer.

Commitment - AsgiSA

In February 2006, the former Deputy President launched the ***Accelerated and Shared Growth Initiative for South Africa (AsgiSA)***.[3] AsgiSA incorporates the imperative of speeding up delivery and economic growth, and making sure that the more rapid and equitable distribution of opportunities and benefits is promoted and supported.

Importantly, AsgiSA firstly seeks to increase the speed at which development happens and secondly ensures the base of people sharing in and benefiting from economic opportunities is broadened. In the current three-year budget cycle[4], the South African National Treasury has allocated R568 billion to infrastructure development and maintenance.This follows on earlier periods when investment had been both low and slow. It is generally anticipated that this will also bring forward the benefits to be gained from such investment.

Issues

It is known at a macro-level, in aggregate terms, what the level of infrastructure investment is and should ideally be[5]. However, there needs also to be an understanding of the likely impacts and implications of disaggregated sectoral infrastructure investment, where and for whom and under what conditions. ***Thus, although increased spending will generally increase the rate of growth, its impact on reducing poverty and unemployment is not as clear-cut***. These outcomes require an understanding of the pattern of spending in terms of sectors and value chains as well as location. Thus, although economic growth and aggregate poverty and inequality may have improved at macro level, at the micro level, where benefits are experienced, the picture may be very different.

3. OBJECTIVES OF THE REPORT AND PURPOSE OF THE PAPER

The *Infrastructure Barometer report* aims to *address two impact dimensions* emanating specifically from accelerated infrastructure spending.

- The ***first*** concerns the more traditional debate in respect of the impact on economic growth.

- The ***second*** and more complex is the debate in respect of the impact of infrastructure investment on development outcomes in general and the needs of communities in particular.

Whereas that is the aim of the overall report the purpose of ***this paper*** is to reflect on some of the more important lessons with particular regard to the impact of infrastructure investment for attaining the AsgiSA targets, both for growth as well as unemployment and poverty.

4. INFRASTRUCTAURE ISN'T CREATED IN A VACUUM – Conceptual overview

Structural change with diversification characterises economic development and this in turn necessitates ***shifts in supporting infrastructure needed***.

- As example, the ICT market has expanded considerably through growth in cellular phone and IT usage, whereas
- freight rail infrastructure networks in most countries have tended to reduce in size and scope and in the proportion of freight they carry.

These shifts are ***difficult to forecast*** and plan for and are additionally ***influenced by shifts and changes in the sectoral composition*** of spatial economy.

The ***lead versus lag role*** of infrastructure together with ***sequencing*** and ***synchronisation*** are also important.

- Power blackouts experienced over the recent past attest to the need for infrastructure supply to keep pace with demand. Yet not so far ahead so as to exceed demand requirements, for example the mothballing of power stations in the 1980's. Large scale expenditure programmes are challenged by an ability to shift appropriately from a technological perspective whilst making large-step wise investments and at the same time linking to prevailing market conditions.

5. INFRASTRUCTURE INVESTMENT, SOCIAL SERVICES AND POVERTY

Although social infrastructure, such as schools and clinics, is likely to have a clear impact on education and health outcomes, the (social) impact of economic infrastructure may be less apparent. Yet there is growing evidence that this link not only exists, but that it is important in determining social policy outcomes. A study of empirical literature on this field of study bears this out.

Infrastructure is important for pro-poor growth

In the past, infrastructure investment was believed to trickle down to the poor via its growth impact; today the links between infrastructure development and pro-poor growth are better understood. Public sector investment can support pro-poor growth by:

- ***Creating infrastructure assets*** that give the poor access to markets and ***lower their production and transaction costs***. Such infrastructure will enhance economic activity and thus overall growth by increasing private investment and raising agricultural and industrial productivity.
- ***Involving the poor directly in public works projects***. By hiring the poor for the construction, maintenance and delivery of infrastructure services, ***employment and income opportunities are created.***
- ***Constructing social sector assets*** such as schools and health clinics that ***increase the productiveness of the poor.***

But it is important to take cognisance of and be sensitive to:

- However the findings also point out that although access to infrastructure is important the ***affordability*** of the service is equally important – there can be an increase in investment which could indicate a reduction in poverty if other constraints are also well attended to.
- None the less in many cases reforms to improve efficiency have not in many cases materialised in better services for the poor. And according to some reviewers infra

projects do not always contribute to economic growth or particularly help in improving wellbeing of the poor, this ***link does not "automatically" happen – needs to be structured and managed***

- And the ***burden is inequitbably borne between household members and is frequently gender insensitive*** – women carry the biggest burden of limited infrastructure.
- ***Local knowledge and insight is imperative*** It has also been shown that if the binding constraints of local communities are not well understood the interventions can in fact further immiserate the communty – big dams in India

Type of infrastructure	**Research**	**Country**	**Impact of infrastructure**
Roads	Fan and Zhang (2004)	Uganda	Substantial marginal impact on rural poverty reduction, especially from low-grade roads such as feeder roads.
	Songco (2002)	Morocco and Vietnam	**Health:** Better staffed rural health clinics, increased availability of medicinal stock, health care facilities registered significant increases in outpatient visits, and improved diets of villagers due to fish, vegetables and fruit becoming more available and affordable **Education:** Girls' enrolment in school increase, absenteeism decrease. **Gender:** Women had access to more livelihood opportunities and consequently increased their participation in the formal economy. Maternal and childcare programmes expanded.

	Mahapa and Mashiri (2001)	South Africa	Did not improve land productivity, off-farm employment or even shorten travel time to reach markets. The improvement in road quality did not improve school attendance, as the primary constraint to access to schools was not road quality, but the availability of a transport service.
Sanitation	UNICEF (2000)	Cross-country	Lower rates of death and sickness, savings in health costs, higher worker productivity, better learning capacities of school children, increased school attendance (especially for girls), strengthened tourism and heightened dignity and national pride
Electrification	Komives, Whittington and Wu (2001)	Cross-country	Children being able to study longer hours, women spending less time fetching fuel for cooking and heating and being able to store perishable goods longer (refrigeration), and providing entertainment services that previously were not accessible (television)
	Foster and Araujo (2004)	Gautemala	Subsidies contributed very little to poverty alleviation
Dams	Duflo and Pande (2005)	India	Could increase poverty

6. WHAT IS THE SOUTH AFRICAN INVESTMENT OUTLOOK

STARTING FROM A LOW BASE

From 1984 to 1994 – the decade preceding democracy in South Africa – ***investment*** in infrastructure as a percentage of GDP ***was very low***.

Between 1976 and 2002, annual (public sector) ***infrastructure investment fell from 8.1 per cent to 2.6 per cent of GDP, with per capita expenditure falling from R1 268 to R356.***

During this time, the Growth, Employment and Redistribution ***(GEAR)*** policy placed considerable ***emphasis on fiscal discipline and constrained public expenditure*** on infrastructure.

What investments did occur emphasised the ***reduction of backlogs in basic services*** – probably the most pressing issue at the time.

The ***implication for economic infrastructure*** was that investment in economic infrastructure ***stagnated*** such that assets became old, outdated and unreliable.

Investment is accelerating

It was against this background that the AsgiSA plan had identified low levels of investment in infrastructure and infrastructure services as one of the six binding constraints on growth and the achievement of the growth and poverty reduction targets. According to government, these targets would be achieved if the ***economy grows at an average rate of at least 4.5 per cent from 2004 to 2009, and by an average of 6 per cent from 2010 to 2014.***

In fact indications are that the ***economy did grow quite rapidly from 2004 to 2007***, averaging 5.1 per cent annually. This is well above the 4.5 per cent AsgiSA target.

And an accelerated rate of investment is also clearly visible. The 2008 Budget Review indicates that growth in real gross fixed capital formation accelerated from an annualised rate of 16.5 per cent in the fourth quarter of 2006 to 21.2 per cent in the third quarter of 2007, its highest level since 1985. This is closely approaching the accepted norm for gross fixed capital formation (GFCF) of approximately 25 per cent of GDP. Despite this improvement, the investment-to-GDP ratio still compares poorly with the historical averages of around 25 per cent in the 1970s.

None the less the decline in government fixed capital formation left its mark on the country's economic infrastructure. This is visible in the deteriorating state of future production capacity, the consequences of which are becoming clearer with the onset of the electricity crisis, as just one example.

On the one hand, this downward trend reflected increased emphasis by government on current expenditure on social services and the difficulty it faced in reducing public consumption expenditure. On the other hand, the contraction in the fixed capital outlays of public corporations was partially a correction to the earlier creation of excess capacity by some of these state-owned enterprises, notably Eskom – but this correction went too far. The decline in public sector fixed investment expenditure also formed part of predetermined cost-cutting plans aimed at improving the cost effectiveness and efficiency of these public entities.

Encouragingly, more recently, public investments have risen slightly*.* While investments in economic infrastructure predominate well above social infrastructure investment, much more attention has been focused on social infrastructure. Social infrastructure investments grew by 11 per cent annually between 1994 and 2006, while economic infrastructure investments recorded a mere 1.5 per cent annual growth rate over the same period.

Since 2005, both private and public fixed investment activity has accelerated, with growth rates approaching levels last seen at the peak of the previous upswing between 1994 and 1996.

Fixed investment activity has grown for an impressive 32 consecutive quarters, recording overall annual growth rates of over 8 per cent for 2005/ 2006 and the first quarter of 2007. The private sector remained the main driver of fixed investment activity, accounting for over 70 per cent of total capital spending since 2000. Gross fixed capital formation has increased to above 20 per cent of GDP – 21.3 per cent in the third quarter of 2007 – the highest ratio since 1985

7. HOW IS SOUTH AFRICA PERFORMING DEVELOPMENTALLY

If AsgiSA sets out government's overall direction and approach to development over the forthcoming period, then how well do other policies, strategies and programmes perform in either directly supporting or complementing AsgiSA and against what is performance being measured?

Not only are some of the greatest ***impediments*** to government success the less than desirable levels of ***coordination and integration across government plans and programmes*** but also agreement on and ***availability of consistent data and acceptable benchmarking***.

Coordination and integration:

AsgiSA is not alone in its attempts to promote coordination and cohesion; other areas of government also provide focus and frameworks – albeit usually within the context of a particular sector or cluster. The question is whether these individually or jointly help or hinder the accelerated provision of infrastructure.

Some of the more important policies, programmes and plans include ***NSDP; NIPF/IPAP; PGDS/PSDF; IDP/SDF; ISRDP; URP; BNG*** :

In looking at the various interventions, we need to ask what they mean in the context of increasing the spend on infrastructure and accelerating the rate at which growth increases and poverty and inequality decreases. In other words, will they help or hinder, constrain or promote?

The instruments discussed ***all make a strong link between infrastructure provision and economic growth and sustainable development***. There are variations as to whether these instruments are viewed as the primary vehicle or the sole ingredient, or part of a combination of other factors.

These include:

(1) the presence of formal and informal institutions that are widely respected and trusted and connected/linked-up in a number of mutually beneficial ways;

(2) a cooperative approach in and between the private and public sectors;

(3) a strongly supportive approach towards learning, knowledge-sharing and innovation; and

(4) good governance.

By and large, the ***instruments all acknowledge that infrastructure investment cannot ensure growth*** in an environment where these attributes or conditions are not present. And, without exception, they ***all acknowledge the need for integration between plans, policies, strategies, perspectives and frameworks*** with the development of the area/region as key focus. The ***problem is just that each of the instruments views itself as the spine*** around which the integration should take place.

The ***various instruments do differ strongly on whether infrastructure provision has the power to change radically or turn around situations in which either these conditions are not present,*** or only partially present. ***This is where notions of economic (development) potential come into play.*** In some cases, it is argued that it is futile to invest in infrastructure in places where there is simply no or very little such potential.

The extreme case is the NSDP, which by implication argues that the lack of potential is the result of the framing conditions (supportive institutions, a learning culture, etc.) not being present in a region, rendering the spending on infrastructure investment in that region as wasted expenditure. If there were no other options for investment in a country, expenditure on infrastructure in such a region might have been worth the try, but in the presence of many other competing and far more fertile opportunities for the same infrastructure investment, it would be both unwarranted and unwise from a national perspective.

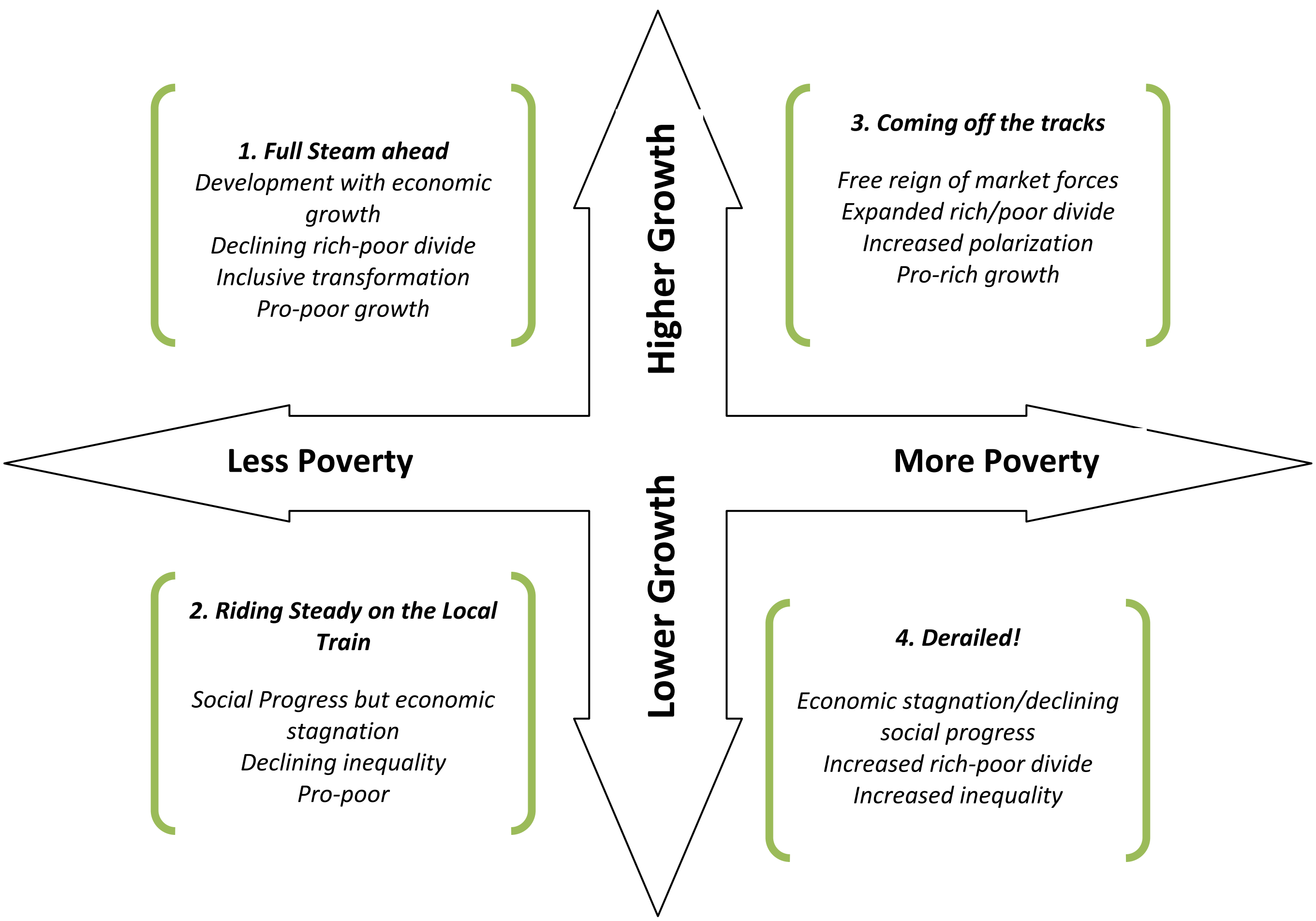
In this sense, the NSDP is radically different from instruments like the ISRDP and NIPF, which are of the view that the withholding of infrastructure investment and other forms of social spending are core reasons for the absence of framing conditions in a region. Distance from markets, geological and geographical conditions, climate, land tenure arrangements, local customs and chance are viewed as having far less of an impact on the lack of economic activity in lagging regions. Having made this assumption, the answer to the development challenge then becomes an easy one – invest in infrastructure and 'build up' the frame conditions at the same time.

8. SOUTH AFRICA 2014: DESTINATION OF CHOICE

Taking due regard of the aforegoing debates the next step in addressing the overarching question was to consider the nature and character of the broader, global development environment in which South Africa is located in order to identify key drivers of and impediments to the future of the country. This was completed by a group of experts brought together by the DBSA. They agreed that the two main drivers of the economy are growth and poverty. These key drivers were then mapped along vertical and horizontal axes. This picture presents four stories, or four potential development paths. If we assume that we are in 2014, and we describe these different realities, what would each of these four possible futures look like, and how did we manage to get there?

The ***first path,*** called "Full Steam Ahead" is the ideal path. It describes a future where South Africa's ***growth path is characterized by high growth rates and declining poverty***. If we were able to reflect on how we managed to achieve such ideal outcomes in the first 20 years of our democratic state, we would realize that it took political commitment, coupled with a coordinated effort to achieve both growth and reduce poverty. This effort included accelerated infrastructure investment with an uncompromised focus on employment creation. This was achieved through a massive roll-out of a large public employment programme, the basis of which was laid between 2003 and 2008 through the EPWP; after which it was massified to a guaranteed employment programme reaching over 3 million people, annually, in 2014. The increase in employment creation significantly contributed to the flow of resources to households, helping them to move out of poverty. The increase in household incomes also boosted local markets, and enabled people to afford better services. The high rates of growth supported governments increased investment in education, health care, housing, water and other municipal services.

The ***second*** possible growth path, called "Riding steady on the local train" describes a ***future where the chosen growth path led to reductions in poverty and inequality despite moderate to low growth rates***. Government coordinated infrastructure investment and industrial development to assist expansion of the domestic industry and reduce our reliance on imports.



Despite moderate growth rates government continued to accelerate infrastructure investment, and rolled out the public employment programme. It also expanded in-kind support to poor households, and attended to the building of skills. This led to greater productivity.

The ***third*** growth path “coming off the tracks” describes a South Africa that is ***able to attain high growth rates but unable to successfully address poverty and inequality.*** The accelerated infrastructure investment resulted mainly in supply side effects, increasing exports and raising the international competitiveness of industries. However, it was unable to increase the employment generating capacity of the economy, and consequently the benefits of the growth are shared amongst the elite. The income gap between the wealthiest and the poorest in society continue to grow. Wealthy groups, interested in maintaining the status quo argued that “a rising tide will raise all boats”. Also, domestic factors such as industrial policy, health and education improvements and public sector employment was downplayed. In contrast, adherence to inflation targets, and the avoidance of deficit budgets dominated.

The ***last*** of the possible futures is almost too ghastly to contemplate – “Derailed” ***reflects a future South Africa where low rates of growth and rising poverty are the outcomes of the failure of public and private investment to absorb labour at sufficient levels***. Also, industrial downturn, partly as a result of inadequate power supply, and a shortage of critical skills impacted negatively on the economy’s performance. Causes are widespread, apart from the electricity problems government experienced poor management of public investment, the high import content of this investment undermined developmental opportunities and limited growth translated into less and less public sector investment.

9. HARD CHOICES: CONSTRUCTING A FUTURE SA

To assist in choosing the policy mix to achieve the alternative paths a linked macro micro model of the economy was used to simulate the growth and the development impacts of various policies. All of these were focused on answering the original question: *“What are the prospects for increased infrastructure spending to help achieve faster growth, and radically reduce poverty and inequality”.*

First a base scenario of the economy was constructed in order to test the impact of a different mix of policies. The ***base scenario was designed to exclude the AsgiSA related investments after 2007***. Any number of policy mixes could have been tested, however in the interests of brevity and focus we applied mixes across three distinct policy areas – various permutations were possible with cumulative results being produced:

A1 – A3: Three different levels of ***public sector infrastructure investment***, with A1 being 100% of the planned AsgiSA spend, A2 50% of the AsgiSA Spend and A3 150% of the planned AsgiSA spend.

B1 – B3: Adds to the group A scenarios a ***gradual doubling of the sector specific employment elasticities o***f economic growth over the next 7 years.

C1 – C3: Adds to the A and B groups of scenarios a ***guaranteed public employment programme*** providing work opportunities for 3 million unemployed by 2014.

10. THE EMERGING PICTURE

The modeling exercise assisted us to answer the overarching question - "*What are the prospects for increased infrastructure spending to help achieve faster growth, and radically reduce poverty and inequality"*? Furthermore, it assisted us to determine which of the growth paths are more likely under which policy mixes. That said, the two economic paths to the right suggested economic paths where poverty and unemployment were not reduced, and as such did not start to address the question. For that reason we focused the modeling on the first two development paths, i.e. "Full steam ahead" and "Riding on the local train".

The ***three scenarios are cumulative, and the main message is that increased infrastructure investment will impact positively on the growth rate*** (A3 – 6.2%); ***but that deliberate policy intervention in the form of increased labour intensity will be required to impact on unemployment or to achieve really noticeable distributional benefits.*** This means that even if we manage to spend 50% more than the current three year (AsgiSA) budget, this spend will not automatically be pro-poor.

A number of additional policy interventions are needed to complement the accelerated investment. For instance, according to B3 (150% AsgiSA investment plus the doubling of employment intensity) unemployment will fall from the base of 30.2% to 22.4% and poverty is reduced from the base of 44.2% to 37.1%. However, if extra investment is made available directly for "job creation" much more favourable results are obtained.

This underscores the need for far better understanding of the utility and necessity for introducing a guaranteed employment programme.

11. GUARANTEED EMPLOYMENT PROGRAMME

In fact, if government manage to roll out the guaranteed employment programme to 3 million people annually by 2014 the model suggests that not only will we achieve a 7% growth rate but also more than halve unemployment to 12.1% and reduce poverty rates to 25.8%, almost halving the latter.

The Guaranteed Employment Programme is a massive policy intervention and begs for better understanding. How does it work, and why is this one of our very few options? If the unfortunate labour situation in South Africa is unpacked we realize the seriousness of the unemployment problem, and, considering its links to poverty, the implications thereof. According to the International Panel on Growth[6] there are, at present, only about 13 million South Africans working, representing about 42 percent of the working age population or labour force[7]. In other developing countries, such as those of Latin America, Eastern Europe and East Asia, the proportion is about 50 percent higher. According to the HSRC there were 4.4 million officially unemployed people in South Africa in September 2006 and a further 3.2 million people classified as "discouraged workers" – "a total of 7.6 million people making up the numbers of the 'broad' definition of unemployment".[8] Of these, the EPWP (in its broadest sense) is the initiative with the most potential to absorb the over 7 million un- and underemployed in South Africa. Currently the EPWP reach 7 per cent of the officially unemployed in South Africa. [9] The 7 per cent refers to the approximately 300 000 people engaged in EPWP opportunities during 2006/7, as a percentage of the almost 4.4 million officially unemployed.[10] Thus, the question remains - what is the potential of public works or guaranteed employment programmes in South Africa to significantly expand and reach beyond this current 7 per cent?

The infrastructure component of the EPWP promotes labour intensive methods of construction to ensure that civil construction projects (mostly already planned projects) employ more people per Rand expenditure. In the Infrastructure Barometer we show that the construction and manufacturing industries are labour-intensive, and require relatively large numbers of workers with intermediate skills, such as artisans (approximately 70 per cent of the workforce in basic manufacturing and construction has intermediate skills).[11] The demand for skills resulting from the infrastructure investment programme (especially during the maintenance phase) has, therefore, the potential to contribute significantly to creating employment opportunities for people with intermediate levels of education (who qualify to enter artisan training programmes), amongst whom unemployment is high. There are few other industries which offer similar potential for training people with intermediate levels of education to take up increasing employment opportunities.

Examples of opportunities in construction and maintenance activities include

- Drought proofing, forestation and tree plantations
- Landscaping, garden maintenance, pathways, storm water disposal, painting, cleaning gutters, glazing, basic maintenance, etc
- Flood control and protection works including drainage in water logged areas
- Road maintenance
- Waste collection
- Environmental clean-up and recycling
- Making building materials
- Park maintenance

12. PRO-POOR GROWTH

The twin aims of AsgiSA; halving both unemployment and poverty, are obviously related, and both dependent on the third AsgiSA aim - increasing the country's growth rate. The magnitude of the impact of this growth, via employment, on poverty, depends on the nature of the growth. We know that this depends on two important factors:

- The size of the economic growth rate, and
- Changes in inequality that accompanies the growth rate.

To achieve so-called pro-poor growth, the poor must benefit proportionally more than the non-poor from the growth. How does this happen? It happens via the "employment nexus" – i.e. economic growth affects poverty mainly through the creation of productive employment for the poor. Poverty comes down initially through the reduction in unemployment and subsequently through increases in real wages.

It is for this reason that one or another form of guaranteed employment programme will be required to share the fruits of investment induced growth with the poor. This will happen if the poor are able to "seize" some of the work opportunities opened up by the growth process.

13. CONCLUDING COMMENTS

The infrastructure programme undertaken under the aegis of AsgiSA promises a substantial boost to shared growth. The modeling exercise indicates a positive growth and developmental impact, especially if a 100% AsgiSA infrastructure investment it combined with labour absorbing policies. The challenge would be to manage the risks associated with the large fiscal stimulus through microeconomic interventions. These microeconomic interventions can enhance the efficiency of all construction related procurement and financing. It includes decisions about the nature of projects, the financing thereof, the technology utilized. Ensuring the maximum benefits, in particular in terms of moving toward a more inclusive economy, will generally require a redesign of long-established planning and procurement systems in the state and state-owned enterprise.

As mentioned earlier, the investment induced growth will not automatically 'raise all boats'. A deliberate decision to make growth pro-poor, via the employment nexus, will be required. Furthermore, in answering the question: "Is the AsgiSA bar set too high" we must do a reality check. Minister Trevor Manuel said in his mid term budget review that "Following four years of economic expansion of 5 per cent a year, the revised GDP growth estimate for South Africa for this year is 3.7 per cent, somewhat below our forecast of 4 per cent in February. Next year, we expect to grow by 3 per cent, accelerating moderately in 2010 and beyond, as the global economy begins to recover. Continuing investment in infrastructure contributes to the momentum of growth in South Africa,…"[12] As a result of this slower growth, employment-intensive development initiatives will have to be prioritized if the AsgiSA target of halving unemployment from its 2004 level of 28 per cent to 14 per cent by 2014 is to be achieved. The October 2008 MTBPS indicates that "growth must be more inclusive and absorb more labour"[13].

All policy decisions point towards using the large fiscal stimulus to boost employment, which could, via a well managed job creation strategy, impacts poverty.

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[1] The Presidency: Towards a Ten Year Review, 2004, Pretoria. www.10years.gov.za/review/documents.htm

[2] The State President: State of the Nation Address 2005, Pretoria

[3] The Presidency: Accelerated Shared Growth Initiative for South Africa, 2006 Pretoria

[4] National Treasury, 2008

[55] As the Commission on Growth and Development stated, in fast growing Asia, public investment in infrastructure accounts for 5-7 percent of GDP or more (Commission on Growth and Development, 2008, p. 35)

[6] Hausman, R. 2008. Final recommendations of the International Panel on Growth.

[7] According to DBSA calculations 12.4 million South African were employed during 2007 and 7.2 million were unemployed, together making up the total labour force of 19.6 million. In other words 41% of the working age population was working in 2007, in comparison with 38.3% in 2002.

[8] Altman, M. and Hemson, D. 2008. The role of the Expanded Public Works Programme in halving unemployment. HSRC WORKING PAPER..

[9] Altman, M. 2008. Same as above, page 5.

[10] The overall policy aim of the EPWP is to reduce poverty and unemployment. The initial target was to create 1 million temporary work opportunities for the most disadvantaged unemployed.

[11] Statistics South Africa (2006)

[12] Medium Term Budget Policy Statement. 2008. Trevor A. Manuel, MP. Minister of Finance. 21 October 2008. National Treasury.

[13] Medium Term Budget Policy Statement. National Treasury. October 2008. Chapter 1. http://www.treasury.gov.za/documents/mtbps/2008/default.aspx