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NEVA MAKGETLA: Let’s not repeat the mistakes of flashy megaprojects

Mass community jobs programmes can build the economy in a much more equitable way

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The writer argues against launching megaprojects such as Eskom's coal fired power plants to regenerate the economy in the wake of Covid-19 losses. Picture: WALDO SWIEGERS/BLOOMBERG

Like the rest of the world, SA is heading for a deep depression. And because we reopened too much too early, we now have escalating Covid-19 cases and a higher risk of a prolonged downturn.

Now expanding public investment to stimulate growth has become a rallying call. But before rushing in we should explore the options, especially to build social and human capital. For instance, community employment programmes on a mass scale can support social mobilisation, cultural, environmental and educational activities, food production and more.

Moreover, in addition to building stronger communities these programmes would also provide an efficient economic stimulus because low-income households buy more local goods. The results might be less flashy than, say, high-speed rail, but they would do more to build a decent society and a stronger economy.

In any case, we should learn from the last infrastructure push. From 2005 to 2015 public investment almost tripled in constant terms, reaching R315bn in 2019 terms. It climbed from 4% of GDP in 2002 to 7% from 2009 to 2015. From 2015 to 2019, however, it dropped 20%, falling to under 5.5% of GDP.

The resulting infrastructure met core economic needs, especially for electricity, freight transport and water. And it gave us enough world-class stadiums to last a lifetime. But it's hard to argue that the flagship projects created a more dynamic and equitable economy. Ultimately, they strengthened dependence on mining — and when commodity prices plummeted from 2011, much of the new infrastructure ran into debt.

Consider the largest projects: Eskom's huge but faulty coal plants; Transnet's dedicated coal and ore lines; new rolling stock at Transnet and Prasa; and Sanral's Gauteng freeways. They illustrate why SA's infrastructure planning needs a fundamental redesign.

First, these projects all relied on the global mining price boom that ran from about 2002 to 2011. Changes in the dollar prices for SA's mining exports correlate closely with public investment relative to GDP, peaking together around 2011 and then falling in unison.

Eskom's new coal plants relied on sales to metals refineries; Transnet depends on profits from ore and coal; and Sanral's Gauteng freeways relied on tolls in the mining heartland. When metals and energy prices collapsed internationally, only Transnet managed to curtail its investment plans. Both Eskom and Sanral plunged into debt.

Second, these projects did little for historically excluded communities. In 1996, 47% of African households had running water on site. In 2005 the figure was 61%; in 2015, as the infrastructure boom came to an end, it was 67%; and in 2018 it was 70%. The number of households climbed by 50% in this period. Still, the figures indicate how municipal services, which are crucial for economic inclusion, lagged in the build programme.

Third, none of the lead projects directly created construction jobs on a mass scale. Realistically, there are no labour-intensive technologies for modern electricity plants, rolling stock, freeways or rail lines.

Finally, huge infrastructure inevitably entails equally huge delays, technical faults and kickbacks. That is not a uniquely SA problem; everywhere, big projects bring irresistible temptations and engineering shortfalls. It means promised benefits often remain unmet — witness both load-shedding and the malaise at Prasa.

The build programme from 2005 brought undeniable benefits in the way of economic services, mostly for large companies, but only limited gains for small business and households. It demonstrated the difficulty of targeting public investment consistently towards historically underserved communities and small business, which can't pay for them.

Unless driven much more rigorously to promote an inclusive and dynamic economy, we risk again ending up with megaprojects that most people can't afford to use, and which can't bring about the economic and social transformation needed to pay for them.

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