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Capacity Building for 2010 and beyond

(i) 2010 a huge public works programme, occasioned mostly by stadium construction and infrastructure upgrading, the latter most notably with respect to the development of an integrated public transport system

(ii) One needs significant capacity and resources to drive such a process ; govt has allocated R8.4b for the stadiums and around R11bn for transport infrastructure

(iii) As far a the labour absorptive capacity of the event is concerned, we are not likely to see more than 150 000 short-term, temporary jobs – mostly in the construction, building and built environment industry; most of these low and semi-skilled, and time-bound (not unlike EPWP jobs)

(iv) This, however, does not imply that skilled personnel are not required for these purposes, both in intermediate and higher-end categories Indeed, by far the more crucial capacity needs are in this sector – engineers, quantity surveyors, architects, integrated development planners etc.

And we are horribly short on these skills at the moment, despite what Jimmy Manyi (from the Commission fro Employment Equity) had to say recently on the skills set situation in the country, and which Andre has amplified to an extent.

(v) The problem is that because of the tight time frames and technical specifications that the SAn construction industry has to comply with vis-av-viz FIFA's requirements, almost this entire (higher-end) skills set has had to be imported. This is happening at a rate of about 3000-5000 skilled workers a month – mostly professional artisans at the higher end of the construction and built environment spectrum. What are the implications for the country? What does this imply for our fiscus? Are we not neglecting an obligation to develop our own 'timber'? Do we foster a relationship of dependency? Will imported personnel, through a programme of training and mentoring, leave behind skills that allow us to drive the country's big infrastructure development projects moving forward, or do time-frames mitigate against such a programme of action?

(vi) An added burden on our fiscus – to that mentioned above – is that we are now importing huge amount of resources, like cement, fuel, steel and fibre optics (we're spending about R1b a month on this, and probably about R25m on salaries to skilled artisans) these are conservative estimates!

(vii) The biggest concern for me is not really about why we are not using our own skills and resources (although this is an important debate), because it may just be the case that we do not have the requisite skills in this sector at the moment, nor about why we can't manufacture cement fast enough, as it could again be the case that we do not have the capacity to do this.

For me it has more to do with what the impact on the economy is (and ultimately our development challenges and goals) of importing huge numbers of skilled labour and vast amounts of resources in the next few years, a trend that started over 2 years ago.

(viii) The biggest effect is on South Africa's current account balance. The current account balance is the difference between a countries trade in exports and imports (explain).

This had grown to close to 6% GDP, and is on the increase, and predicted to reach around R10b by the early part of 2008 as the construction proceeds apace, and government's R400 infrastructure programme gains momentum. Those defending this situation will argue that this kind of expenditure in imports will (eventually) taper off, that basic infrastructure is being created to sustain development programmes into the future, and that expenditure on imports is being partly off-set by foreign capital flows.

High current account deficits have a direct impact on inflation, and often leads to a depreciation in currency. To reduce high trade deficits, one therefore often has to:

- increasing interest rates to counter the effects of inflation (which may only partly work as demand for imports at present are more likely to be for raw material and specialist construction and infrastructure skills (rather than high-end finished consumer products (a lot imported)
- over-value ones local currency (which can have a negative impact on exports, exarcerbating the current account deficit)
- selling off-shore stock/reserves to subsidise the surplus (R5b)

None of these are good developments because it ultimately impacts on GDP and liquidity, and the fiscus' disposable income?

The current account deficit (primarily occasioned by expenditure on 2010 and the R400 infrastructure programme) scenario is a hugely underestimated, but potentially very dangerous, problem for the economy because it talks to so many issues.

- the future trajectory of foreign capital flows or FDI
- the competitiveness of our goods, especially if there is an over-reliance on high-end finished consumer products
- whether we will become over-dependent on imports (including high level skills and finished products/resources/raw materials) – of course JIPSA, ASGISA and the new industrial strategy will off-set this, but not in the immediate future

- what impact in will have on GDP (and by implication economic growth) – which may raise questions about whether our macro-economic fundamentals are indeed intact
- what are the likely prospects for permanent job creation – if the labour market continues to absorb short-term, temporary, lower-skilled workers in large public works programmes, line the R415m ASGISA infrastructure development programme, without a training and mentoring dimension, prospects for such workers to find permanent work, at higher skill levels, are very limited. This then done very little to curb the unemployment problem