



INCLUSIVE SOCIETY INSTITUTE

MEDIA RELEASE

INCLUSIVE SOCIETY INSTITUTE WELCOMES WORLD BANK INFRASTRUCTURE DEVELOPMENT LOAN

The Inclusive Society Institute (ISI) welcomes the announcement of the new USD 1.5 billion Development Policy Loan (DPL) extended to South Africa by the World Bank for infrastructure modernisation. This financing initiative could not have come at a more critical juncture for the country.

As the Inclusive Society Institute has consistently argued, the South African economy cannot grow unless its economic infrastructure is modernised and upgraded. For South Africa to significantly increase its exports and unlock new growth sectors, it must address the logistical bottlenecks in freight rail and port services. Similarly, for domestic production to be revived and expanded, the country must ensure a stable, reliable and sustainable electricity supply. These two enablers, transport and energy, are the backbone of any modern economy.

The loan is therefore a critical investment in South Africa's economic future. It enables the state to address key constraints in both the energy and freight transport sectors, including unlocking private investment, enhancing competitiveness and reducing emissions, while also improving service delivery to the people. Notably, the infrastructure programme aims to increase rail capacity from 25% to 65% by 2027 and it will add 3,500 MW of renewable energy capacity, delivering the double benefit of job creation and climate resilience.

The ISI's macroeconomic modelling study titled *Gearing the Economy for Growth: Economic Resilience Through Strategic Macroeconomic Interventions* provides strong evidence supporting such infrastructure-led growth strategies. The report shows that public investment in infrastructure, particularly in transport and energy, has one of the highest economic multipliers, stimulating jobs, unlocking private sector investment and boosting tax revenues. According to the study, appropriate infrastructure investment can increase GDP growth by 1 - 2 percentage points annually over the medium term and catalyse up to 500,000 new jobs by 2030.

Some analysts have raised concerns about South Africa's rising debt levels. While the ISI acknowledges that the level of debt for consumption purposes is indeed worrisome, it is important to distinguish between consumption debt and investment debt. Investment debt, when used to upgrade infrastructure and stimulate long-term productive capacity, is economically sound and fiscally justified. It is also important to note the flywheel effect of growth-inducing infrastructure that will not only help create jobs and increase exports, it will also expand the tax base, thereby enabling the state to service the debt and support inclusive development.

Moreover, public debt in South Africa is predominantly held in local currency, thus making it less vulnerable to exchange rate and interest rate volatility.

The Inclusive Society Institute believes that this DPL offers a critical window of opportunity to rebuild the South African economy on a more inclusive, sustainable and job-rich footing. We urge policymakers to stay the course on reforms, ensure transparent implementation and work closely with civil society and private partners to make this investment count.

Issued by:

Daryl Swanepoel
Chief Executive Officer

Contact:

Ms Berenice Marks
10 June 2025
Cell: 081 352 6202
info@inclusivesociety.org.za