

Services and infrastructure in south africa economics essay



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From 20 years there has been tremendous growth in the field of IT known as Information Revolution. The Information Revolution is changing the speed at which information is communicated. There are several facilities IT provides like:

Calculations can be conducted in real time,

The costs and speed of observation of physical phenomena.

Applications of IT in transportation mean that people and goods can be moved more efficiently;

Applications to the production process mean that goods and services can be produced more efficiently.

Africa's information and communications has been not fulfilled. In 1990's there has been less than two percent of world investment in telecommunications in Africa. Moreover, the IT is sweeping even faster throughout the rest of the world. Although the Internet is not the only technology of the Information Revolution, it is a clear indicator of trends and developments. By 2000, Africa had only 0.22 percent of the world's Internet websites, which was lower than three years before.

There are still many countries in Africa with policies that restrict the full development of IT. The key to IT success in Africa is to find a way to overcome relevant policy issues and discover what can be done to control them. Four factors have been considered needed to be overcome:

Culture,

Competence,

Capital.

How do these factors influence who uses IT, and for what purposes, in the economic, social and political systems in these countries?

What will be the economic, social, and political implications of the different patterns of use of IT that will be expected to emerge in these regions?

Economic, Social and Political Impact of Information Technology in South Africa:

The Social Impact

Education is the instrument of any country's development. Information technology relies on the availability of the ease information. In a country such as South Africa one finds that poor education infrastructure can be significantly corrected with tele education. Indeed, in the urban areas of South Africa, students have access to television programs on math, physics, and chemistry. In rural South Africa, one has to have a satellite dish to access the same programs. This suggests a larger trend, rural Africans do not have access to the same information technology benefits that urban Africans have as Africa is generally a rural continent. It is not a surprise that one sees a relatively strong correlation between low tele densities. For example, with a lack of social development.

The Economic Impact

The information technology has a positive development on the economy of African countries. South Africa's economy has grown over the years, even

during the difficult days factories operated with telephone service, electricity, and water, throughout the country's recent history.

Communication is helpful for the productive sectors like the ability to send first a telex, and then a fax, and today an e-mail has helped economic growth.

Today in South Africa, industry complains most about the lack of bandwidth affordability for a modern information technology network. Here the challenge that ISPs face is that the government, greatly fears competition from the private sector. Foreign investors find themselves as lower partners with the government intervention in business.

One of the success stories in South Africa is the community telephone kiosk. In rural and semi-urban areas these take the form of containers one ordinarily sees on ocean-going cargo ships. For wireless service, they have a cellular antenna and cellular pay telephones inside.

The Political

The leadership here is autocratic type means that they does not wish to see the information technology infrastructure developed. The avoidance to see the growth of the IT infrastructure among some African leaders is based upon a fear of its political impact. Leaders worry that informed citizens would have higher expectations of their governments.

Some questions were raised like;

Why South Africa has been such fertile ground for modern IT growth?

What helped South Africa to move as fast as it did?

Was IT a driver for the changes in South Africa condition?

How does South Africa directly control IT use and diffusion?

How does this direct control impact South Africa's ability make decisions, which determine future options for it as well as for other countries?

Will technology find a way around government systems despite their best efforts to impede diffusion?

Will governments be a significant obstacle to IT diffusion?

Will governments be realistic and see the private sector as an ally?

Answers to such question will provide overview of IT role and scope in South Africa. There has been tremendous opportunities and scope of IT business in South Africa.

With respect to AIDS, leadership was raised as an important issue. South African President Mbeki himself surfs the Internet, and appears to have gotten " bad" information about AIDS from it, and appears to have set national AIDS policy based on this " bad" information. South Africa's work force is comparatively well educated but still vulnerable to AIDS because the available information on how to control AIDS has yet to be fully effective in changing risky behavior.

First, it was proposed that traditional sources of information normally controlled by the state have been eroded as a result of increased Internet connectivity. Second, increased IT diffusion was deemed likely to increase

immigration and the influence of the Diaspora. These two trends may pose a complex dynamic between an outflow of human resources and an inflow of knowledge and capital, which together can result in both economic and political benefits and vulnerabilities.

Applications of IT:

There are several application provided by the IT usage beneficial for both business and country:

Governance Applications (PC usage, finance and ministry customs)

Business Applications (Central bank transfer)

Social Welfare Applications (AIDS awareness)

Conclusion:

In short, IT is important to both politics and policy. Decentralization provides a good example of a situation in which assistance in IT provides a low-cost, highly leveraged approach to simultaneously achieving several purposes of the United States. Similarly, the Leland II program of USAID provides a low-cost approach to building capacity important to many US objectives in Africa.

They were to the developed world;

Provide support for the Association of Telecommunications Regulators.

Work to assure African ownership of the development content placed on the Internet.

Recognize and support African universities as sustainable delivery mechanisms for IT development.

The biggest change in Africa is the coming of age, to both influence and power, of a new, globally-oriented generation. This generation includes the natural allies of the United States, our natural economic and political partners. IT is the ideal vector to support and empower these future leaders.

There are several companies' Indian companies working in South Africa creating a potential for others companies to invade their business in South Africa. Examples are:

Premier Infosys Pty Ltd

Sahara Computers (Pty) Ltd.

Sterlite Technologies Limited

Wipro Technologies – Africa IT Testing

Services

South Africa's 2010 Trade Policy and Strategy Framework (TPSF) document contains 'strategic tariff policy' in line with government's major development objectives, main among them are employment creation and industrial development and restructuring. The TPSF explains policy of 'strategic integration with global economy' designed to participate in the world economy while preserving sufficient policy space to achieve domestic objectives. This policy shows the need to develop a trade strategy on the new generation trade issues, including trade in services. The dependence for

a work of trade in services rests on the high share of services in domestic and global value added, increases in services trade and the significant proportion of FDI for services sectors.

Pressure on developing countries to liberalise their services trade at multilateral, regional and bilateral levels is an important concern. The paper shows debates explaining the role of the services sector in development and its requirement in South Africa's employment creation and industrial policy achievement of goals. The questions are been considered about the feasibility and desirability of services trade liberalisation at the regional, bilateral and multilateral levels, as well as in North-South versus South-South relations. The paper depicts that a focus on the services sector to the neglect of manufacturing will be insufficient in development strategy. Research on the distributional activities and employment effects services trade liberalisation at the sub sectoral level is highly needed to show the linkages between manufacturing and services sectors.

The service concludes that, although efficient and reliable services are needed for industrialisation, generalised services trade liberalisation is not the appropriate strategy for the services sector either in South Africa or in developing countries more generally.

Services trade liberal in GATS or in North-South trade agreements such as the Economic Partnership Agreements is also not the best way to improve services sector efficiency and exploit the sector's growth and employment potential. The services stresses the importance of services in trade policy formulation, however, as envisaged in South Africa's TPSF document, and

outlines research needed on the services sector in view of South Africa's employment creation and industrial policy goals.

In alignment with the global trends, Indian service sector has witnessed a major booming recent times it is one of the major contributors to both employment and national income. The activities under the heading of the service sector are quite varied. Trading, financial, health care and business services, community, social and hotel and tourism come within the gambit of the service industry. One of the main service industries in India is health and tourism. They are important for the country's economic stability. A robust healthcare system helps to create a strong and diligent human resource, which in turn can contribute productively to the nation's growth. Service sector is the lifeline for the social economic growth of a country. In recent time it is the largest and fastest growing sector globally contributing more to the global output and employing more people than any other sector.

The real reason for the growth of the service sector is due to the increase in urbanization, privatization and more demand for intermediate and final consumer services. Quality services are important for the well being of the economy. Globally outsourcing industry would continue to grow in India. Following the success of US and UK, more countries in the European Union are planning to outsource their business. Technological power shift from the West to the East as India and South Africa emerge as major players. Political backlash over outsourcing would come down as companies reap the benefit of outsourcing.

Infrastructure

Current Scenario of India:

Infrastructure consists of 8 major industries in India, which includes crude oil, petroleum refineries, coal, electricity, cement, steel, fertilizers and natural gas which consists of combine weight of 37.90 percent in the Index of Industrial Production (IIP) stood at 139.5 in September 2012, according to the data released by the Union Ministry of Commerce and Industry.

Developing Infrastructure in India:

By 2025, India is expected to be the world's most populous country, surpassing China. More of this growth will occur in the country's developing cities, where nearly a third of the world's population will eventually live. The aim to develop much needed infrastructure for India includes drinking water treatment, transmission and distribution systems; wastewater collection and treatment systems; stormwater management and drainage; solid waste removal; landfills; and building and modernizing roads. These improvements are expected to improve living conditions, strengthen local economies and provide a cleaner environment for residents.

The development program in north-eastern region states of Nagaland and Sikkim will benefit approximately 3 million people. Residents in these areas will be provided with adequate access to clean, safe drinking water and improved sewage and sanitation, drainage and solid waste management. There will be improved road and transportation networks.

Meanwhile, 2.6 million residents in the south-western state of Kerala will benefit from reliable water supplies, improved sewerage and solid waste

management. In addition to these services, work in Kerala will include construction of roads and civic amenities.

Following are some of the major sectors:

Power Sector

Generation capacity of 122 GW; 590 billion units produced (1 unit = 1kwh)

CAGR of 4.6% over the last four years.

India has the fifth largest electricity generation capacity in the world

Low per capita consumption at 606 units; less than half of China

Coal-fired plants constitute 57% of the installed generation capacity, followed by 25% from hydel power, 10% gas based, 3% from nuclear energy and 5% from renewable sources

Major structure of power sector:

Majority of Generation, Transmission and Distribution capacities are with either public sector companies or with State Electricity Boards (SEBs).

Roadways

India has second largest Road network, in the world.

Total length is 33 lakh kms.

Carry 65% of freight & 80% passengers

National highway constitute only 1. 7% of roads but carries about 40% of traffic

Annual projected growth is 12-15% for passenger traffic & 15-18% for cargo traffic

Railways

About 64000 km of rail network

Connects 7083 stations

Carry 2. 20 crores passengers & 2. 50 million tones of goods everyday

About 1. 5 millions of workforce

In 1947 rail network of about 53000 km

Added only 11000 km of network in last 65 years

Telecommunication

3rd largest in the world & 2nd largest in Asia.

Mobile subscriber base-936. 12 million.

Overall Tele- density 77. 57%

Broadband Subscriber 13. 42 million

Current Scenario of South Africa:

The current scenario of South Africa's infrastructure mainly emphasis on transport. The role of Science, Technology, as well as Research in supporting

the development of sustainable infrastructure for South Africa is discussed. There is an increased importance and focus given towards the development of current poor state of infrastructure in South Africa and the lack of skilled professionals knowledge, engineering technologies and skilled human resources.

There has been the common concern on ageing status of infrastructure all over the world. Lot of expenditure has been incurred in improving the overall infrastructure of South Africa. Some \$40 billion in investment is carried on, of which \$8 billion is required for electricity. South Africa aims to spend R409 billion in building and refurbishing infrastructure i. e. power, roads, rail, housing, and bulk infrastructure.

South Africa is on a multibillion-rand development drive to remedy the skewed implementation of infrastructure during the apartheid years, and to meet the demands of a growing economy and population. The country also hosted the 2010 Fifa Football World Cup, for which the government invested heavily in building and upgrading 10 world-class stadiums, and on the energy, transport and telecoms infrastructure for massive event.

Following are some of the major sectors:

Energy

In 2007 the National Energy Regulator of South Africa (Nersa) released the findings of an audit into 11 major electricity distributors in the country; this recommended that the government spend more than R400-million on refurbishing of infrastructure. The energy regulator was forced to intervene

following a spate of power outages across the country in 2005, blamed <https://assignbuster.com/services-and-infrastructure-in-south-africa-economics-essay/>

mainly on the poor state of the country's electricity distribution infrastructure. Earlier in 2007, Eskom received a licence to build the first new coal-fired power station in the country for more than 20 years, with a R66-billion project in Limpopo.

Coal and Carbon

Coal accounts for 75% of primary energy consumption in South Africa. Most of this is used to generate electricity, while a significant amount is channelled to synthetic fuel and petrochemical operations. Due to its dependence on coal-fired electricity, South Africa is among the top 15 emitters of greenhouse gases in the world. As the country is a signatory to the Kyoto Protocol, there is a commitment to reducing its emissions. To this end Eskom is diversifying its energy sources, in conjunction with other parastatals such as the Central Energy Fund.

Fuel

The current energy crunch will also be alleviated with a US\$600-million (about R4-billion) diesel and petrol pipeline linking the Mozambican capital, Maputo, with South Africa. Operated by the firm Petroline, which is controlled by a South African-Mozambican consortium, the pipeline is expected to be in operation by the end of 2009.

Transport

In addition, the Department of Transport is to spend R2.3-billion on the country's bus system, including the creation of a bus rapid transit system. Money is also being channelled into the South African National Roads Agency (R430-million), the South African Rail and Commuter Corporation (R1

316-million) and the Cross Border Road Transport Agency (R1-million). The department is also to spend some R65-million on monitoring and evaluation specialists.

Telecommunications

National operator Telkom has met and exceeded its roll-out targets of over 1.6-million lines along the country's large transmission infrastructure, necessitated by the country's vast geographical area, and covering about 156-million circuit-kilometres. Digital microwave and optical fibre serve as the main transmission media. Although Telkom's monopoly has expired, its right to provide basic services has simply been extended to include the second network operator, Neotel, and, in some cases, signal carrier.

Mobile communications operators Virgin Mobile, Vodacom, MTN and Cell C, contribute to making the country the fourth-fastest growing cellphone market in the world, a market that is expanding at a rate of 50% a year. In September 2007, MTN announced plans to build a 5000km fibre-optic network covering the country's major centres within the next two years in order to cope with the increasing demand for bandwidth from its customers.

SWOT ANALYSIS OF SOUTH AFRICA

Strengths:

Africa is experiencing great economic growth.

The African government is keen to facilitate private sector participation in infrastructure

Proliferating domestic and offshore infrastructure funds target the African infrastructure market

Weaknesses:

Chances of Natural disadvantage are there.

Distance between construction projects reduces business efficiency.

Lack of clearly defined processes and procedures for construction and its management.

Opportunities:

Population growth and a growing economy is raising the demand for a better infrastructure

The government is looking to attract private companies to invest in the infrastructure through public-private partnerships

Opportunities for greenfield projects across all infrastructure sub-sectors

Threats:

Africa may prove to be unable to cope with the raising population, posing a threat to economy

Bureaucracy and lack of transparency can be a threat to the five-year plan implementation

Projects delays due to slow approval processes and an inadequate system for compensation

SWOT ANALYSIS OF INDIA

Strengths:

Strengths employment and training opportunities in the field of construction.

Good structured national network facilitates the boom of construction industry.

Real estate development is on high and it is attracting the focus of the industry towards construction.

Weaknesses:

A high degree of bureaucracy delays the absorption of funds and discourages projects

A lack of domestic expertise

Shortage of skilled labor

Limited use of modern technological equipment

Limited long-term borrowing capability on the domestic banking sector

Opportunities:

More flexible training delivery techniques are now available.

Historical cultural heritages like the TAZ MAHAL encourage and provide a creative platform for the industry.

Financial supports like loan and insurance and growth in income of people is in support of construction industry.

Public sector projects through Public Private Partnerships will bring further opportunities.

Threats:

Threat Long-term market instability and uncertainty may damage the opportunities and prevent the expansion of training and development facilities.

Current economic situation may have an adverse impact on construction industry.

Political and security conditions in the region and Late legislative enforcement measures are always threats to any industry in India.

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