



## INCLUSIVE SOCIETY INSTITUTE

### Op-ed

#### ***Get the basics right to reboot growth*** ***By Daryl Swanepoel***

*South Africa needs to get back to basics to solve its economic problems. Before targeting complicated issues, a capable State and a secure energy supply must first be addressed. There is no point in painting a house if the structure is not sound.*

Over the last year, the ISI has met with local and international experts and leaders across various economic sectors to try and clearly establish what South Africa's problems are and how best to solve them. Through this process, the Institute has established what we regard to be a viable way forward.

Front and centre is the need for a properly functioning government at all levels, staffed by capable and dedicated civil servants. Appointing competent, well-managed and well-equipped staff in all offices is a crucial prerequisite for a functional State. Ethics and a commitment to service by such personnel are the synapses which fire a people-centred State.

Rooting out corruption and strengthening law enforcement is also key. Corrupt officials sap the energy of taxpayers, rob the fiscus of billions of rand and thwart any sustainable interest by foreign investors. Closely associated is the need to control crime in South Africa and for the policing agencies to emerge as a fair, credible and trustworthy force. Rampant fraud and corruption in State-owned entities (SoEs), as exposed by Chief Justice Raymond Zondo's 'State Capture' report, have been a major economic setback for the country.

SoEs are also in the firing line, clear workable business plans are required and decisive action must be taken to reform and restructure those parastatals that are consistently failing to perform. South Africa must take a critical view on its SoEs. Serial loss-making SoEs, must be severed, freeing up money to spend elsewhere in support of proven growth strategies.

Closely related to these issues, is the dismal failure of the management of energy resources. This failure is seen as cutting to the heart of the country's current woes. It is argued that, unless the crisis in the electricity sector is resolved with urgency, it is unlikely that any economic interventions will succeed.

State-owned power utility Eskom will continue to supply a large part of the country's electricity and its operational and financial difficulties must be tackled. At the same time, the country must organise and position itself better to take advantage of low-carbon investment opportunities and collectively rally behind the adoption of renewable energy, which is a modular solution that can be implemented more rapidly and more cheaply than alternative options on the table.

Government must clearly signal the building of a new energy system that is reliable, greener and moves the country towards its carbon reduction goals. There is pent up demand for investment in renewable energy by independent firms, but to unlock this regulatory barriers must be removed.

In fact, a capable State can resolve several constraints to growth by removing administrative barriers, reducing layers of regulatory red tape and simplifying policies. Deregulating the private sector, specifically small, medium-sized and micro enterprises, could get the economy moving while the issues of electricity reliability and infrastructure roll-out are being addressed.

Government must also take stock of the true economic impact of its policies and legislation, particularly its transformation policies. Should their impact be found to fall short of their intended goals, regulations must be amended or scrapped. In some instances, however, measures to compensate for market failures will be required. Policies and regulations must be crafted and designed to balance the objectives of accelerated growth with fairness and inclusion.

Given the state of public finances, more collaboration between government and the private sector is needed. Where the State, for instance, cannot close infrastructure gaps, it must allow the private sector to step in, similar to what is starting to transpire in the rail sector. Mutually beneficial arrangements and public-private partnerships can assist in resolving many pressing economic issues and operational bottlenecks. However, both sides need to reach out to each other and repair broken trust following the last decade of corruption, State capture and maladministration.

Government and business must also take advantage of new opportunities that arise, or risk falling out of favour with investors. The global economy is looking for partners that can keep up with the fast pace of technological, environmental, political and social changes happening worldwide. Outdated skills and knowledge will not take South Africa far, and an overhaul of the education system to adapt to changing needs is required.

The upside of globalisation means South African can capitalise on opportunities and use them to uplift local communities. By intertwining expertise with well-crafted strategies, the private sector together with the State can be a driving force in positioning the country as a strong African economy, a gateway to Africa and a geopolitical force not to be overlooked by investors.

***Daryl Swanepoel is the Chief Executive Officer of the Inclusive Society Institute. This article draws on the content of the soon to be released Economic Research Consolidation – Developing a blueprint for the South African economy report.***