



INCLUSIVE SOCIETY INSTITUTE

Op-ed

No quick fixes for SA's woes but glimmer of hope on the horizon By Daryl Swanepoel

Like a surfer balancing on a rising wave, South Africa is trying to catch the economic swell that is being felt around the world as the global economy gets set to expand at a fast post-recession clip.

Locally, business confidence is beginning to return despite ongoing disappointment with endemic corruption, crippling load-shedding, and vaccine roll-out delays.

With a strengthening currency, rising minerals prices and a buoyant stock market being bolstered by news of decisive reforms that will lead to a “new era” for the electricity sector as red tape is cut for private generation, the country holds its breath as it waits to see whether it can catch a wave toward a future of inclusive economic recovery.

Although the global rebound presents an opportunity for South Africa, policy making must continue to be rooted in the country's realities. There are no quick fixes for an economy that is lagging its peers on so many fronts. Measured against other emerging nations, South Africa is only experiencing a mild bounce-back and exports have failed to follow the ‘V-shape’ recovery of foreign demand.

The country's per-capita gross domestic product (GDP) growth is also treading water. Per-capita GDP currently reflects the same level as 2006.

The large social welfare programme – which reaches about 17-million beneficiaries – is very strong, but risks becoming unsustainable. The social protection system cannot be a substitute for growth and will need to be more innovative.

The bottom line is that more jobs are needed to create a lasting impact on the day-to-day lives of millions of ordinary people.

The Inclusive Society Institute has been brainstorming solutions with pundits from around the world to plot a way forward. From Japan to South Korea and Germany, experts have weighed in on what South Africa could do to place it on a path of sustained growth. In its latest report, the Institute draws on the expertise of international organisations, including the Organisation for Economic Cooperation and Development and the World Bank.

Providing insight on best practice, sharing comparative data, and offering recommendations, economists from these international institutions have offered their views and insights on what they believe should be done to put the economy onto a new, more dynamic trajectory.

The economic ‘brains-trust’ has suggested that the priorities include rebalancing the fiscal status quo, equipping the current and future workforce with the correct skill sets, encouraging employment, and

fostering a green energy transformation that would not only clean up the air, but act as a shot of adrenalin to the entire economy.

The recent announcement that businesses will be allowed to generate up to 100 MW of power without having to first undergo the lengthy process of applying for a licence has raised new hope that life can return to the economy. Mines, farms, factories and shopping centres will be among those which will be able to install their own embedded electricity generation and then distribute and sell their excess power via the grid.

A stable supply of electricity is at the centre of achieving higher economic growth. There are also vast opportunities for aligning industrial development and green economy policies.

Higher energy investment will make a substantial difference to the country's current situation. Overall, however, infrastructure expenditure has been on the decrease and must be revitalised. In the same breath, infrastructure investment must be smartly designed and must make greater use of public-private partnerships.

The stabilisation of the public debt trajectory should be better designed to ensure that there is sufficient finance available for infrastructure development. Instead of pursuing an 'active' scenario of debt management, which aims to ensure that national debt peaks in 2023, a more 'passive' scenario could be considered over a longer period of time, freeing up finances to be used strictly for much-needed infrastructure maintenance and development.

Embracing digital transformation is another area brimming with opportunity. Although increased digitisation and automation will displace certain jobs, it will result in the birth of many new ones and promises to leave South African consumers and small businesses in a better position than they are currently, with the country's comparatively slow and costly data access.

To fully capitalise on the advantages of this new age, challenges relating to inclusive access to data and much-needed 5G infrastructure have to be dealt with.

Technology and a push for digital efficiency will require a rethink of the skills needed and policies must be rethought to equip the future workforce.

The recipe is relatively simple when you have success stories from around the world from which to draw, although the success stories of other countries that are emulated will need to be tweaked to suit South Africa's specific circumstances.

What we need is political will, political leadership and a private sector that is inspired enough by the vision of opportunity, reform and growth to put its considerable weight and expertise into the effort. Together, we can build a better future.

Daryl Swanepoel is Chief Executive Officer of the Inclusive Society Institute (ISI). This article is an extract from the recently released report following its dialogue with the OECD and World Bank. The dialogue forms part of the ISI's project aimed at developing a blueprint for South Africa's economic rejuvenation.