



INCLUSIVE SOCIETY INSTITUTE

Op-ed

Restoring faith in South Africa key to rejuvenating the economy By Daryl Swanepoel

A decade of State capture, a period in which systemic corruption flourished both inside and outside State institutions, has damaged South Africa. Credible action to deal decisively with corruption and associated institutional weakness is paramount to revitalising South Africa's troubled economy.

The impact of reputational harm, investor uncertainty and the absence of opportunities during the so-called 'lost decade' have hit South Africa hard. Economic growth is limping along at a rate insufficient to create sustainable jobs. As a result, inequality is on the rise and fiscal instability is now a real concern. Having increased too rapidly in recent years, civil servant paycheques and interest on government debt have reached unsustainable levels.

Furthermore, structural impediments, including stifling red-tape and a highly bureaucratic environment, are making it increasingly difficult for the economy to achieve growth, with entrepreneurs and small businesses bearing the brunt.

As a nation competing for global capital, the establishment of a secure investment arena must be top of mind. Investors need to be convinced that South Africa offers them the ability to do business without having to encounter the debilitating impact of corruption, that policy certainty is taken seriously and that laws, such as broad-based black-economic empowerment (BBBEE), will not change midstride their investment.

The country must also be able to provide investors with secure and efficient public services, such as electricity, water, and transport infrastructure. These are provided by State-owned enterprises (SoEs) and local governments, many of which are in serious trouble.

Evidence emerging from the Zondo Commission of Inquiry into Allegations of State Capture highlights how exposed SoEs are to infiltration and repurposing by corrupt elements. Following years of mismanagement, many SoEs are now dysfunctional and teetering on the brink of collapse. Much of this can be laid at the door of weak institutions and Parliament acting merely as a rubberstamp for what comes down from the executive. Had certain checks and balances been in place, many problems related to State capture could have been avoided.

The clear and concise message emanating from dialogue between the Inclusive Society Institute and the financial sector is that the rot must stop.

Getting back on track

To get back on track, South Africa needs to rein in corruption by expediting the conclusion of fraud and corruption cases, thus placing a handbrake on the abuse of the system. More investment in the

judiciary is required through the hiring of additional judges, while the cost of breaking the law should be higher.

South Africa also needs to take stock of its SoEs, deciding which to keep, and which to set free. Serial loss-making SoEs, unless of strategic importance, can no longer afford to be bankrolled.

One of the most critical SoEs under the spotlight is financially distressed electricity producer Eskom. South Africa's ability to produce adequate and consistent power using its parastatal and independent power producers is arguably, along with the eradication of corruption, the most important factor in the country's economic revival.

Steering services on a provincial and municipal level, local government capacity requires urgent and radical improvement. Technical and managerial skills mentoring is in short supply. Dipping into the pool of experts who put their names forward to serve on the Presidency's technical advisory panel for infrastructure could be a proactive step in the right direction to strengthen technical capabilities at municipal level.

Reliable services and cost-effective infrastructure are key if the country were to lure investment. Ensuring that special economic zones (SEZs) offer exactly that, while leveraging incentives, will help attract foreign capital. For these designated areas to perform optimally, government needs to create policy that will allow healthy competition to grow between provinces and SEZs for sought-after investment. Analysts note that it is competition that has been the kingpin of growth in the world's most successful economies. So too, international experience with SEZs dictates that they need to really be special and globally competitive 'zones of exception'.

It has also been emphasised that South Africa needs to get with the times. Digitisation must be accelerated to better integrate with other economies and pursue global opportunities. Delays in laying the infrastructure and implementing reforms to take advantage of the Fourth Industrial Revolution are holding back the country.

Once the building blocks of a rejuvenated economy have been laid, society will need to focus on populating the economy with an educated, skilled, and efficient workforce. This will require extensive re-engineering of the educational system, from basic education levels through to tertiary institutions and blue-collar training. It is essential for South African policymakers to decide on what skills the economy requires in a new, and digitally orientated world.

Education and skills development could also be greater beneficiaries of BBBEE, thereby empowering the South African workforce with skills and ensuring young people have more access to opportunities.

In the face of the doom and gloom that threatens to sap the country's morale, action must be taken to restore confidence that there are opportunities to rejuvenate the economy. In the absence of fanciful expectations and with all of society putting shoulders to the wheel, it is possible. Hope prevails.

Daryl Swanepoel is Chief Executive Officer of the Inclusive Society Institute, an autonomous and independent research institute. This article captures the essence of the financial sector's contribution towards the development of the institutes blueprint for the rejuvenation of the South African economy.