

BUSINESS-FRIENDLY SONA COULD SPARK DEREGULATION

By Dr Roelof Botha, Joint Managing Director, GOPA Group SA 15 February 2022

Reaction to the 2022 State of the Nation (SONA) address by Pres Cyril Ramaphosa emphatically demonstrated the wide-ranging differences of opinion on socio-economic policy that exists in South Africa.

Essentially, the commentary published in the mainstream media can be divided into three groups. Near-hysterical criticism emanated from certain trade union leaders and ANC members representing the so-called Zupta faction. This was rather predictable, as a strange obsession with Marxism still exists amongst a minority of South Africans – despite the fairly obvious inability of nationalisation to improve the welfare of society at large (Zimbabwe and Venezuela are two recent case studies).

Also predictable was the commentary from the usual band of cynics, who refuse to acknowledge the existence of many positive factors that underpin the country's prospects for further development and growth. This group seems to be ignorant of the progress that has been achieved in reversing the decay of a decade of state capture, corruption and incompetence in the public sector.

Although progress has been slow and a long road still lies ahead, key elements of Pres Ramaphosa's turnaround strategy are slowly but surely falling into place, especially with regard to improved management at Eskom and an imminent overhaul of Transnet's operational structure.

Balanced perspective

The third line of reaction to the SONA is informative and balanced. Whilst also questioning the ability of government to implement structural reforms with more urgency and pointing out the absence of more detail on pragmatic measures to restore functionality at a large number of municipalities, this group is more than happy with the general thrust of the president's plans.

When one of the country's most respected political commentators, Richard Calland (University of Cape Town), commends Pres Ramaphosa for being candid about the challenges, weaknesses & failures of government, it adds weight and credibility to the SONA. Several other commentators, including Helen Zille, have praised the underlying message of the speech, calling it bold & encouraging.

Arguably the most striking characteristic of the SONA is the acknowledgement of the vast difference between the effectiveness of the public and private sectors – a harsh reality that every citizen experiences from day to day, mostly in the form of potholes, electricity outages and very poor or non-existent service standards at a variety of government offices.

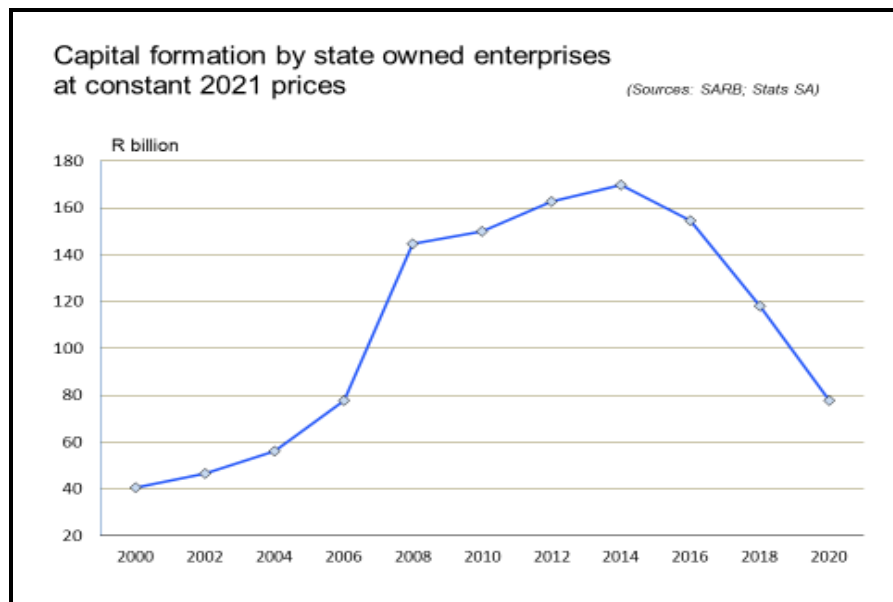
During the democratic era, no other SONA has been so unequivocally business-friendly and no doubt exists over Pres Ramaphosa's intentions to remove unnecessary regulatory impediments to the expansion of private sector business activity.

Dismal infrastructure spending

Apart from the treachery, greed and deceit that accompanied the decade of the Zuma administration, one of its most tragic legacies was the dramatic decline in capital formation by public enterprises. The latter group represents the engine room for the creation of new

infrastructure, but state capture, corruption and sheer incompetence put paid to South Africa's ability to adequately invest in new schools, roads, harbours, dams and renewable energy supply.

Current infrastructure spending represents the foundation for future economic growth and employment creation and the Zuptas effectively destroyed vast numbers of jobs that would otherwise have been created.



Unfortunately, many government departments and agencies have been loath to improve service delivery and implement economic policy reforms promised since 2018. By expanding the capacity of the Presidency to assist with this huge task, Pres. Ramaphosa has not only created more hope for future improvement, but also thrown down the gauntlet to dissident cabinet members and other senior ANC members.

Pointers from Zondo & the IMF

The message is becoming clear: Read the Zondo Commission reports and the latest IMF report on South Africa (otherwise the proverbial writing will be on the wall), and start fixing what has been broken by the Zuptas – including the trust of citizens.

Four of the announcements in the SONA that have drawn positive reaction from several business leaders are:

- A renewed focus on the small business sector, especially with regard to the appointment of Sipho Nkosi, chair of the Small Business Institute and former CEO of Exxaro Resources, to the Presidency, with that task to eliminate undue bureaucratic regulations that prevent small businesses from expanding and creating employment opportunities
- An update on the important objective of building a capable state via a framework for enhancing the professionalism of the public service. This will include tighter measures for recruitment of public servants as well as continuous professional development. With some luck, it could also eventually lead to the end of cadre deployment, which remains the root of much evil in the public sector.
- In response to the expert panel's report into the July 2021 unrest, changes are to be made to key positions within the security cluster and 12,000 new police personnel are to be recruited

- The assurance that those implicated in the Zondo Commission reports into state capture would be prosecuted. This will send an important message regarding future accountability in the public sector, which needs to be an integral and permanent feature of all spheres of state activity.

Although it is still early days, the initial capital market reaction to the SONA has been positive. During the past week, the rand has strengthened by 4% against the US dollar and South Africa's 10-year bond yield has shed 18 basis points.

The next few rounds of results from leading indicators and surveys of business confidence are likely to demonstrate a similar cautious optimism. However, in order to sustain confidence and restore the credibility of the state, all stops should be pulled out to ensure a rapid revival of investment in infrastructure.