

## BOOST FOR NEW GROWTH POLICY

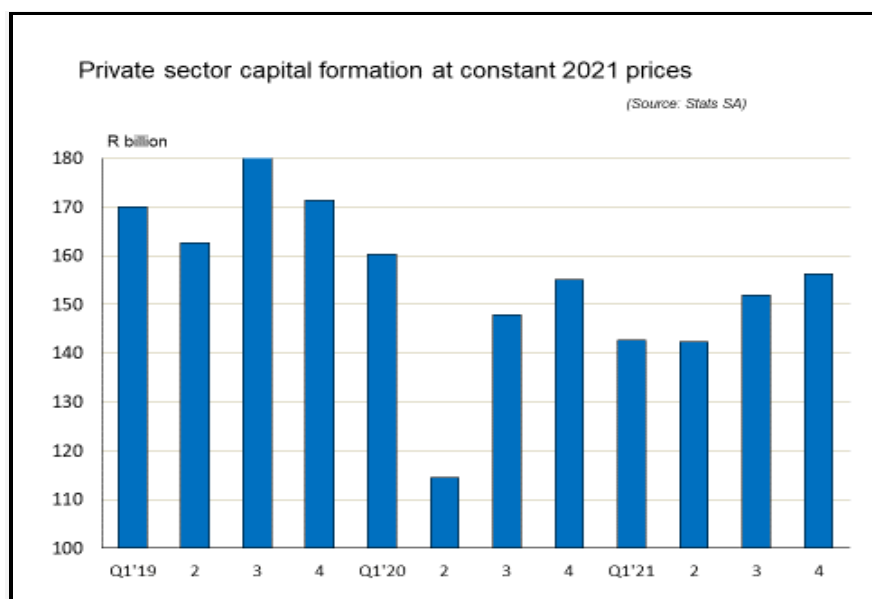
By Dr Roelof Botha, Joint Managing Director, GOPA Group SA 4 April 2022

President Cyril Ramaphosa had every reason to be pleased with the outcome of South Africa's fourth Investment Conference, which was held on 24 March at the Sandton Convention Centre and attended by more than 1,000 delegates.

Since its launch in 2018, this initiative by the South African government has attracted delegates from around the globe. Its main objective is to showcase the investment opportunities available in the country and the initial target was set at R1.2 trillion (for domestic and international investment pledges). Following the amount of R332 billion pledged at the latest conference, 95% of the target has been reached, with one year to go.

In his comments on the success of the conference, Pres. Ramaphosa was particularly encouraged by the diversity and extent of the investment commitments made, which, like those made at the previous three conferences, are beneficial for expanding the country's productive capacity – a prerequisite for sustained growth and employment creation.

Pledges were received from traditional trading partners in the European Union, the US, China and the UK, but also from Canada, Mauritius, Norway, Turkey, Pakistan and the United Arab Emirates. Key sectors that will benefit from new investment in productive capacity include mining, agriculture, automotive, renewable energy, pharmaceuticals, clothing & textiles, logistics, telecoms and the digital economy.



An emphasis on infrastructure creation and incentivising private sector capital formation has been a hallmark of Pres. Ramaphosa's new approach towards macroeconomic policy. Despite the setback of the Covid pandemic, this strategy is already bearing fruit, with gross fixed capital formation having increased by almost 2.5% during 2021 (in real terms, deflated by the CPI). Due to the predictable recovery of inventories, net capital formation expanded by an impressive 9.3% last year (in real terms).

It is a point of huge concern, however, that gross capital formation remains well below the levels that were attained before the debilitating effects of state capture and public sector mismanagement under Mr Jacob Zuma's administration set in. Last year, capital formation by the public sector was more than 37% lower, in real terms, than in 2016 – a clear indication of the state's inability on all levels (technical, political and fiscal) to expand the country's infrastructure.

It is abundantly clear that Pres. Ramaphosa is faced with an uphill battle, not only with regard to the creation of new infrastructure, but also in the area of maintenance & repair to existing infrastructure – most notably energy, roads, railways and harbours.

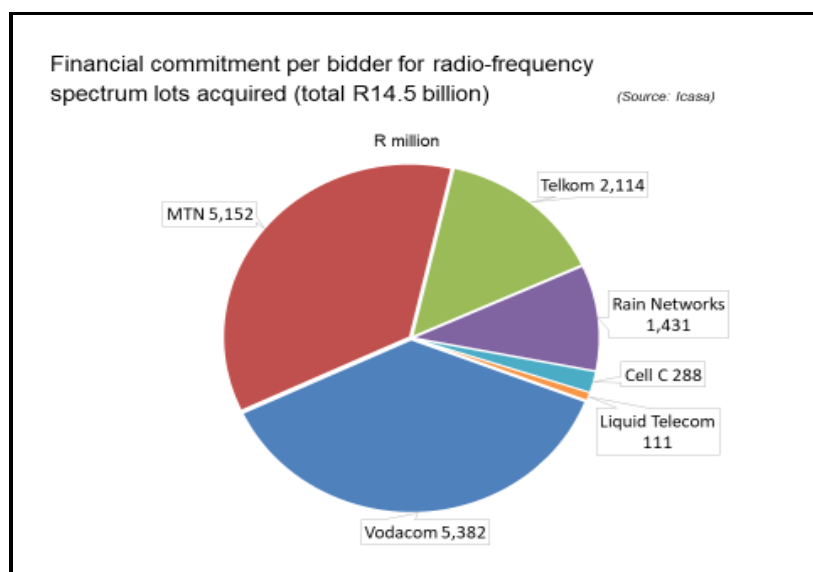
Fortunately, March was kind to government's new growth strategy, with at least one key sector in need of revamping, namely telecommunications, receiving a structural boost via the belated broadband spectrum auction.

After many years of bureaucratic delays, including the slow pace of migration from analogue terrestrial TV transmission to digital and several court cases by firms in the communications sector, the Independent Communications Authority of South Africa (Icasa), has finally completed the auction of high-demand spectrum for mobile broadband services.

The auction, held in March, raised more than R14.4-billion in proceeds for the National Treasury, a full 80% more than Icasa's original estimate. The new radio frequency bands should propel the rollout of new generation technologies and help drive down the cost of data in South Africa.

As expected, the two largest mobile phone operators, Vodacom and MTN were the biggest spenders at the auction and are committed to more than R5-billion each for access to the bands that will allow them to deploy 5G services.

Six companies participated in the auction, and all were successful in securing some access to the bandwidths on offer. However, Vodacom and MTN were successful in securing 75% of so-called mid-band spectrum (2.6GHz and 3.5GHz).



In his response, Pres. Cyril Ramaphosa welcomed the auction as an important achievement and admitted that its lengthy delay was caused by the policy drift, state incapacity, and vested interests that were a feature of the era of state capture.