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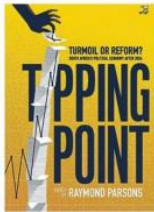
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# Business may pull SA back from the edge

## Chapter from 'Tipping Point'

Cas Coovadia

This contribution is being made at a juncture when people are debating whether SA has reached a tipping point. The basis of the debate is that SA is on the edge of a precipice and could either fall headfirst into turmoil or pull back into the relative safety of reform and wide-ranging transformation.



This chapter explores why SA is at the edge of the precipice and what business is trying to do to arrest the country's perilous descent into darkness. Business is playing an important role in giving the country space to address critical structural issues, which, if implemented, could boost confidence and attract investment and put us onto an inclusive growth path. The quality and sustainability of economic transformation in SA will depend on how we manage that growth path. The following helps to illustrate why the country is at a precipice.

- Although we have recovered from Covid-19 in the sense that we are back to pre-pandemic GDP figures, we were in a dismal situation before Covid, thus, getting back to a pre-Covid state is not progress. We must remember that GDP stood at 4.9% in 2021, and it has fallen substantially since then.
- In the second quarter of 2023, we had 74,000 fewer jobs than at the end of 2019 and our unemployment rate was lagging 40%.
- In 2022, SA's poverty rate, based on the middle-income country poverty line, was 62.6%. The SA Revenue Service (Sars) estimates that the country loses R100bn annually due to illicit trade, which equates to about 1% of GDP.

- The World Bank ranks our key ports (Cape Town, Ngqura, Georgeba and Durban) as four of the five worst performing ports in the world for their operational (inefficiency, which is a clear indication of the parlous state of our logistics and transport infrastructure).
- The SA Reserve Bank estimated that SA reached a record of 14.5 days of load-shedding a month in the second quarter of 2022. Eskom recently said it stabilised load-shedding at lower levels in the latter part of 2023, until it suddenly switched the country from stage 3 to stage 6 in one day.
- Transparency International's 2022 corruption perceptions index ranked SA 72nd out of 180 countries (with 180 being the most corrupt) for the extent and impact of corruption in the country.

- The major metropolitan municipalities in SA are in serious trouble. The State of City Finances Report 2022, published by the SA Cities Network, details the perilous state in the major cities.
- The causes thereof include high employe costs, substantial debt burdens and poor governance.
- SA has seen escalating social demands over the past two to three years, which are unsustainable from a fiscal standpoint.

The above are some of the economic factors contributing to the precarious situation in which SA finds itself. The business sector has been

consistent in its position that these and other factors, like slow implementation of necessary structural reforms in the economy and poor service delivery by government, create a very difficult environment in which to operate.

The SA Chamber of Commerce and Industry (Sacc) business confidence index dropped from 106.6 in August 2023 to 108.2 in September 2023. Meanwhile, the Rand Merchant Bank (RMB) Bureau for Economic Research (BER) business confidence index slipped by two points to 31 in the fourth quarter of 2023. These are indicative of low levels of confidence among businesses about the environment in which they operate, which in turn inhibits investment and limits growth.

There are also several social factors that must be considered in SA, as reported by Human Rights Watch in its World Report 2023:

- People's right to a healthy environment is under threat as a result of poor implementation of policies and ongoing poverty, unemployment and inequality.
- Police conduct is having a negative impact on the rule of law.
- The ongoing violence against women and children is seriously eroding the rights of these vulnerable groups.
- Xenophobic tendencies are widespread.
- Climate change is taking its toll on urban and rural communities.

The above paints a bleak picture of the state that SA is in, as well as some of the contributing factors. We must also factor in a weak state with little implementation capacity, expertise and (sometimes) political will, as well as a very challenging geopolitical environment, making it difficult for the country to manage its respected nonaligned stance and the upcoming election.

This will be the most significant since the first democratic election in 1994 and will be very complex, with a real possibility of coalition governments being formed at the national level and in some provinces. The fact that political parties are already in "election mode" makes it difficult to adopt pragmatic, sustainable and long-term positions on critical legislation, most notably the contentious National Health Insurance (NHI) Bill.

Anticipating the future in November 2023, the Indikimithi South Africa Scenarios 2030 released scenarios for the country for 2035. These give us a glimpse of the future and offer an interesting means to reflect on where the country could be in 2035 if tough decisions are not

### BUSINESS & GOVERNMENT COLLABORATIVE PARTNERSHIP STRUCTURE



Graphic: KAREN MOOLMAN. Source: BUSA

taken now. The 2035 scenarios come on the back of the scenarios for 2030, which, among other things, include a Gwara-Gwara scenario. This refers to a floundering false dawn and a nation torn between immobility and restless energy in a demoralised land of disorder and decay. The situation in SA is such that the Gwara-Gwara scenario is already upon us in 2024.

**VULTURE CULTURE**  
The 2035 scenarios offer two broad possibilities. The Vulture Culture scenario depicts a nation characterised by a bloated government, authoritarian populism, low voter turnout, and the negative impact of the discovery of oil and gas reserves. The Weaver Work scenario depicts a nation in which co-operation, youth leadership, economic and social growth, and unity prevail.

The Gwara-Gwara scenario has become a reality seven years before it was anticipated. Will we, in 12 years' time, find ourselves in the Vulture Culture scenario or the Weaver Work scenario? It all depends on the choices we make now.

SA is on the edge of the proverbial precipice. We could either hurtle towards the Vulture Culture scenario or earnestly strive to build the bright future depicted in the Weaver Work scenario.

Business in SA has long maintained that to overcome the myriad economic and social ills gripping the country, critical attention needs to be given to investment and growth. We are clear that there is no time for ideological debates and no time to prevaricate on the need to work together to create an

environment for investment. On the back of which we can build sustainable and inclusive growth.

Regrettably, we need to accept the fact that we are a small economy at the southern end of the globe and must chart our course within a global context that we can play in. Yet we lack the ability to change the game. We are challenged by an exceedingly difficult and deteriorating geopolitical environment and a world moving towards multipolarity (which is in fact a good thing). However, we need to be strategic, pragmatic and intelligent about how we position ourselves in a multipolar world, which is ultimately to our benefit.

These are very difficult environments for businesses to operate in and add greatly to the cost of doing business. Policy and political uncertainty, poor implementation by government, high administrative costs, disintegrating metro governments, ongoing energy challenges, the inefficiencies and lack of competitiveness in the logistics and transport sectors, and increasing levels of crime and corruption are debilitating for sustainable business growth and new business formation.

**PRECIPICE**  
But identifying and implementing a limited number of critical interventions can stop the slide off the precipice and give us the space to address fundamental structural issues, with a view to bringing about sustainable change in key areas.

A couple of years ago, Business Unity SA (BUSA) addressed the conundrum of

the role of business in these complex sets of circumstances. The conclusion at the time was that we had three options:

- Indicate to President Cyril Ramaphosa that businesses would continue trying to run their operations to the best of their ability, despite the difficult environment, but would not work with government to address the crises we faced in the country. One reason for considering this option was the fear that business would become complicit in the lack of progress in the country if government was not committed to a real partnership. However, we also agreed that a decision by business to not work with government at all could have disastrous consequences for SA.

- Look at the president's priorities and offer to work with government in tackling these. But business was reluctant to work with government on an extensive list of priorities, as there was then the danger of not making progress in any of them.
- Identify critical areas with key interventions, which would move the needle on investment and growth and instil confidence in the country, and then ask the president if government would partner with business in tackling these. During its deliberations, business agreed that it would resource a limited number of interventions through a structured partnership with government.

Busa met the president in January 2022 to explore the third option and he agreed that business and government should form a partnership covering the following areas: energy, logistics and transport, water, other network industries,

and law and order. Busa decided to mobilise business in this effort on the BUSA platform. However, in his state of the nation address in February 2022, the president announced a process to agree a social compact at the National Economic Development and Labour Council (Nedlac) and did not refer to the proposed partnership with business. Business was thus unable to get any traction on the business-government partnership that year because it had been asked to engage on a social compact, which ultimately did not materialise.

**UNCERTAINTY**  
Busa met the president again in April 2023 and proposed a partnership on energy, logistics and transport, and crime and corruption. The president agreed to the establishment of a structured partnership between business and government to identify and achieve a limited number of critical interventions in each of these areas to stop the country's slide into oblivion.

Busa determined that the partnership, if successfully executed, had the potential to create 300,000 jobs and deliver a 5% GDP growth rate by the end of 2024. It also agreed that the partnership would be confined to a limited number of focused interventions and must not replace increased efforts to address some of the critical milestones in this regard as well as follows.

**ENERGY**  
● The president announced the Energy Action Plan in mid-2022, a significant proportion of which business agreed with. In addition, he established the national energy crisis committee (Necom) in February 2022 to implement the plan.

- Business raised resources to secure appropriate expertise and allocated them to Necom. The individuals in question have been working in Necom since July 2023.
- Business seconded technical expertise to four power stations, leading to some stabilisation of load-shedding in mid-2023.
- The National Transmission Company of SA has been licensed.

- Hundreds of R1bn in private-sector investment has been made in energy generation since the president lifted the ceiling on embedded energy.
- Business and government are working together in eight of the 10 workstreams under Necom on issues such as strengthening and expanding the grid, wheeling and opening up more space for private-sector investment.

**LOGISTICS AND TRANSPORT**  
● A national logistics crisis committee (NLCC) has been established in which business and government are collaborating.

- Business is working with government to clear the backlog at critical border posts like Lebombo and put in aerial surveillance at key ports to crack down on infrastructure theft.
- Business has agreed on a

logistics road map, which is going through the cabinet.

- The appointed business teams have worked well with the new Transport board and the minister of public enterprises in starting to address severe inefficiencies at Transnet and to open up space for private-sector operation of critical rail infrastructure.

**CRIME AND CORRUPTION**  
● A joint initiative to fight crime and corruption has been established.

- The passage of the National Prosecuting Authority (NPA) Amendment Bill through parliament is being awaited, which will enable business to capacitate the NPA.
- Business is piloting a project to modernise and improve the efficiency of the I011 emergency line.
- Business is looking at developing a state-of-the-art forensic capability for the country.

**STEPPING STONES**  
Although this chapter has painted a picture of a country teetering on the edge of a cliff, SA remains a country with great opportunities. For example:

- We have a relatively large, diverse economy.
- We boast global businesses in health and life sciences, chemicals, consumer goods, automobiles and related components, mining and resources, metals and agriculture, among others.
- We have one of the most advanced, stable and sophisticated financial sectors in the world.

We have the potential to be one of the leading tourist destinations in the world, given our friendly people, high-quality resorts, diverse flora and fauna, beautiful beaches, historical landmarks and impressive landscapes.

- We play a critical role on the African continent, which is also rich in potential.

Business believes that SA's unique blend of attractions, opportunities and enduring spirit can – and must – be positively exploited to prevent the country's descent into the void. It is entirely within our capabilities to forge an inclusive and transformative path into the future.

**PATRIOTIC**  
We have a patriotic business sector that is committed to the country, which explains why business is prepared to partner with government to overcome some of the obstacles to investment and growth.

Of the three options that the business sector faced, the choice of a partnership with government is the only way to harness the country's considerable resources and ensure a collective effort in tackling some of the country's most intractable problems.

In short, a surprisingly large number of people believe in SA and, under the right conditions, its ability to restore hope among the population and to find a new, more cohesive path. May the upcoming elections mark the start of a new, more positive era for the country in which its long-held hope for vision finally becomes the reality.

● From *Tipping Point: Turmoil or Reform?* SA's Political Economy after 2024, edited by Raymond Parsons and published by Jacana Media.



**Back from the brink:** Raymond Parsons of North-West University, edited the book *Tipping Point: Turmoil or Reform?* / Supplied



**Hope:** Cas Coovadia, the CEO of Business Unity SA, says business chose to partner with the government. / Freddy Mavanda