

**SAPOA DINNER**  
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### **STATE OF THE SOUTH AFRICAN POLITICAL ECONOMY**

I wish to thank the leadership of SAPOA for this opportunity to interact with your esteemed guests.

I should confess that this is not the most auspicious moment to present a situational analysis on the state of the South African political economy. In part, this is because of uncertainties in the domestic and global environments. It is also because of the chasms in analyses among leaders and commentators alike.

The analysis I wish to share this evening is based on three macrotrends that characterise our country's social dynamics:

The first trend is about the persistence of elements of the parallel streams of development that defined the South African political economy before 1994.

What does this mean in actual practice? Interesting socio-economic data help to explain this:

- For instance, looking at skills distribution within the economy by race group: Blacks are now the majority in skilled and professional categories and their numbers are increasing at senior and top management
- Since 1994, the number of students in tertiary education has doubled – and African students make up almost three-quarters compared to less than half in 1994.
- Along with this there has been a deepening of sectoral skills intensity across virtually all sectors of the economy with high income returns attached to tertiary qualifications
- In contrast, the 'two economies' paradigm is starkly reflected in the unemployment rate: it stands at about 38% for Africans, 30% for Coloureds, 22% for Indians and 9% for whites; and youth and women are the most severely affected.

The fundamental message from this is that the advanced segment of the South African economy has been chugging along; and it is absorbing more and more Black people into its orbit. We can use other indicators such as the growth of the 'middle class', of which Blacks now form the majority to demonstrate the progress that has been made. But the dire situation among the majority of the Black community underlines the persistence of social exclusion. And so, at the same time as large sections of Black people are being absorbed into advanced sectors of the economy and lifestyles, millions are being left behind.

Most economic plans tend to focus on the advanced economy, rather than answer question about how we absorb the mass of the unemployed that we actually have, who are unskilled and semi-skilled! This is the first macrotrend.

The second one pertains to the historical dynamics in the country's economic growth. If we take a period of twenty years from 1975 to 1994, the economy experienced a decline in per capita growth of about 11% (what JP Landman in his writings refers to as a 'demographic recession'). For twenty-one years after 1994 per capita economic growth underwent a gain of about 33%; but between 2014 and 2019 it declined by about 3%.

By the end of 2020, because of the Covid-19 pandemic, the demographic recession had plumbed to unprecedented depths. But as well know, there was a large a pick-up in 2021, with the economy recovering to pre-pandemic levels by the beginning of 2022. The question is how we can sustain the post-Covid trend and take it to a higher level. To achieve this, we will have to clear many hurdles. But the central message is that there is capacity within the South African economy to perform at a higher level, if we have appropriate reforms, a dexterous private sector and a capable and ethical state.

The third macrotrend is about strategic leadership, in particular the capacity to fashion agreements that advance the country's interests. I wish to argue that the political settlement of the 1990s was a form of compact in a deep all-encompassing national crisis. The leadership of the contending forces counselled patience on the part of the marginalised, on the one hand; and a preparedness to contribute to stability and restitution by the privileged, on the other. There may have been missteps along the way; but serious progress was made especially in the first fifteen years. South Africa has enjoyed relative social stability because of progress in improving people's quality of life; and where there was no progress, two critical currencies helped sustain social stability; and these are: hope that situation will improve and trust that societal leaders are committed to do good.

In summary, what I am arguing is that we should frame our thinking about the future by extrapolating from these three macrotrends. The South African economy has the potential to grow at a much higher level; this needs to be combined with a conscious effort to address duality in society's development; and we can achieve this only if we all put shoulders to the wheel.

Of course, we cannot run away from the fact that South Africa is currently on a roller-coaster ride, with a tidal wave of uncertainties at economic, social, political and even socio-psychological levels.

I will use the Indlulamithi scenarios, with which I hope all of us are familiar, to illustrate the current difficulties. The research for Indlulamithi identified three Key Driving Forces, which are institutional capacity; social inequality; as well as resistance, resentment and reconciliation. These then informed three storylines: *Nayi le Walk* – a nation in step with itself (towards the attainment of 2030 NDP objectives); *iSbhujwa* – an enclave bourgeois nation (more or less where we were around 2018); and *Gwara Gwara* – a floundering false dawn of dreams deferred.

Since the launch of the scenarios in 2018, the Indlulamithi team identified various indicators to assess the direction towards which the country is trending. The bad news is that we are now deep in *Gwara Gwara* territory. On aggregate, indicators towards a more socially-cohesive society moved from 17% in 2019 to 9% in 2022. Indicators for just sustaining the 2018 socio-political situation fell from 37% to 27%; and indicators of massive deterioration moved up from 46% to 62%.

The Covid-19 pandemic and now the war in Ukraine – events which are beyond our control – have influenced these trends. But, as we all know, we had been trending downwards in socio-economic terms even before the pandemic. The most dramatic example of this is the performance of the Eskom generation fleet, and how this is further choking the economy.

But, beyond economics, there are also many political and other factors that aggravate the situation. To illustrate:

- The major political parties are facing existential crises: the ANC cannot genuinely renew itself and maintain unity; the DA is haemorrhaging support among Black and Afrikaner constituencies; and the EFF is searching for an identity and resorting to more disruptive conduct.
- The second factor relates to declining trust in the political leadership, with President Ramaphosa now caught up in the multiple investigations around the Phala Phala saga. Some say that this may sink his Presidency; others posit that he may succeed in December but still face difficulties post-Conference when all the investigations are completed; and yet others say he may survive the rollercoaster, rally the majority in 2024 and then intensify the reform drive – unchained from the inhibitions that often characterise first terms in political office. On this one, I locate myself at the latter end of the spectrum.
- The third factor is the declining confidence in the democratic system and institutions, with low levels of voter participation; poor performance of the major incumbents in the 2021 local government elections; debilitating instability in coalition governments; and extremely poor performance in many municipalities. If such instability were a bellwether for the post-2024 period, then we face the danger of sinking deeper into Gwara Gwara territory.
- The last factor, which is not unrelated to all the others, is the deterioration in safety and security due to ordinary and organised crime and, now, destabilisation and sabotage linked to resistance against societal renewal as individuals fight to avoid orange overalls.

These are the negative realities that South Africa is currently experiencing. However, inspired by the macro-trends outlined earlier, I wish to argue that it would be defeatist in the extreme for us to ignore the green shoots of renewal. South Africans need to develop a steeliness to clear the logjams and to nurture these green shoots.

We'll all agree that, over the past two years there is much that has been done to identify common interests and to act in the national interest. At the institutional and leadership levels, many reforms have been initiated to deal with growth constraints, which points to a willingness to address the challenges.

It is therefore not being too optimistic to say that we are at a turning point.

For example, with regard to infrastructure, beyond the billions allocated from the fiscus, opportunities have been opened up in electricity generation, railways, the ports and other subsectors to use capacities of both the public and private sectors in terms of financial and human resources. There is no doubt that the transition to a low-carbon economy presents an unprecedented opening for South Africa's new industrialisation drive – affecting mining, manufacturing and services. The allocation of the spectrum and new undersea cables promise a regeneration of the telecommunication sector with major implications at economic and social levels. There are also some green shoots in the construction industry.

It is estimated that, combined, these reforms as well as sectoral master plans and public and youth employment initiatives can, in the medium-term, bring South Africa's growth rate to between 4% and 5%. In my view, this could go even higher if we also paid special attention to low-end manufacturing and services for unskilled and semi-skilled workers, to small-scale agriculture and to small business, particularly the informal sector.

In other words, beyond the current negative experiences, and beyond the time lags that can mask tectonic changes below the surface, South Africa may in fact be genuinely entering a new era of faster growth and development.

Of course, there are many ifs that attach to this optimism. We need to ensure stability, capacity and focussed application within state institutions. To make decisive progress, we also need strategic leadership and dexterity within the private sector. There also has to be productivity in the workplace and the ability of workers to strike the appropriate balance between immediate and long-term interests. Success can only be attained if we also have developmental activism among communities. Against the backdrop of resistance to societal renewal, we should all also join hands, in various ways to cement the rule of law in our society and intensify the fight against corruption and sabotage.

The fundamental inspiration to our actions should be the realisation of the different generations of human rights enshrined in our Constitution, the targets contained in the National Development Plan – even if the timeframes may have to change – and the programmes outlined in the Economic Reconstruction and Recovery Plan.

Let me elaborate briefly on the role of the business community. When the reality of state capture stared us in the face, business leaders did not throw up their hands in despair. Rather, they joined the fray to campaign for change, recognising that a break with systemic corruption was in the interest of business and society as a whole.

In my view, we are at a strategic crossroads, perhaps not dissimilar to four decades ago, when the business leadership had to step up, appreciating that the business of business could not be divorced from the business of politics. This is what the Gavin Rellys, Chris Balls and Tony Blooms appreciated in the mid-1980s – beating the untrodden and dangerous path to meet Oliver Tambo and other leaders of the then-banned African National Congress.

Today, business should be addressing questions beyond narrow economics such as: how to intensify the practical actions to enhance the capacities of the state in relation to Vulindlela, the National Prosecution Authority, state-owned enterprises, immigration policy and other areas; how to conduct a genuinely self-critical analysis and ensure implementation of relevant recommendations of the State Capture commission; and, given the challenge of crime and resistance to societal renewal, how to build societal partnership in a wide-ranging compact on the security of South African society.

Beyond these interventions and, inspired by the foresight and courage of the business leaders of the 1980s, the business community cannot avoid reflecting on the issue of volatility in local government, especially where major municipalities face the danger of debilitating instability due to dysfunctional coalitions. This can include supporting research, for instance, into whether a collective executive system instead of the executive mayoral system should be instituted in situations of paralysis. If similar levels of dysfunction were to threaten provincial and even national governance post-2024, the business community may have to identify an appropriate role for it to help stabilise the situation.

In relation to party politics, can business (working with others across society) avoid finding appropriate ways of stabilising the political environment, including the contribution of funding to at least the centre-left and centre-right political parties in proportion to the electoral support they command and so, encourage rationality in party politics, ensure stability of governance and

encourage dogged pursuit of the ideals enshrined in the Constitution, the National Development Plan and the Reconstruction and Recovery Plan?

As we say all this about South Africa, we are of course hoping for strategic leadership at a global level – a realism that recognises changing economic balances, deepens multilateral relations and addresses the insecurities that generate conflict and tensions in various parts of the world.

In conclusion, I wish to emphasise that SAPOA, an organisation that brings together commercial and industry property owners that control a portfolio of some half-a-trillion-rand has an important role to play. There is hardly an area of economic and social endeavour in which SAPOA is not involved or impacted: infrastructure; industrial operations; opportunities for public-private partnerships in housing, education, health and other areas; municipal services; and so on. As such, SAPOA members cannot avoid the economic, social, political and other questions that we have reflected on tonight.

The central message is: progress has been made in changing South Africa for the better in the past 28 years; but parallel paths of development continue to haunt the political economy. There have been missteps and reversals along the way. But, despite the difficulties of the current moment, strategic and courageous leadership can lift South Africa out of the current quagmire.

To quote Shakespeare in Julius Caesar:

*“There is a tide in the affairs of men  
Which, taken at the flood, leads on to fortune  
Omitted, all the voyage of their life  
Is bound in shallows and in miseries.”*

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