

Have the low-hanging fruit rotted in South Africa?

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Back in 1961, James Meade, a renowned Nobel Prize laureate in economics, made a prediction that painted a bleak future for Mauritius. He highlighted the nation's susceptibility to weather and price fluctuations, as well as its limited employment prospects beyond the sugar industry.

Instead, the country emerged as a shining example, boasting the second-highest per capita income among African countries and earning the top rank in the World Bank's Doing Business survey for all sub-Saharan nations in 2020.

Although there are no guarantees for its future prosperity, effective leadership, consensus-building, prudent macroeconomic management, and strategic policies for the private sector positions Mauritius favourably.

Is it possible for South Africa to achieve the same transformation? I believe the answer is yes. However, this outcome hinges on our authorities, who must swiftly initiate the right strategies to grasp these so-called low-hanging fruits – quick wins that are easy to implement.

It is knowing how best to use available resources and implement interventions that are most feasible, technically, politically and administratively. These are actions that will likely have the greatest positive impact on growth and employment.

South Africa has been overwhelmed with bad news, and the mood of the country has remained sour, with weak business and consumer sentiment. Expressing optimism about South Africa against this bleak background might seem out of place given flat growth in per capita incomes since the global financial crisis in 2008, job insecurity, malfunctioning state-owned enterprises, and widespread corruption.

Very few are doubting that this will be a very difficult year, but what makes me more optimistic about economic activity in the medium term is tangible progress on priority reforms.

Fast-tracking the delivery of economic reforms

To fast-track the delivery of economic reforms that are at the core of the Economic Reconstruction and Recovery plan, a joint initiative between the Presidency and National Treasury was set up. Since the launch of Operation Vulindlela in October 2020, focused priorities have been identified:

1. Stabilising electricity supply: Operation Vulindlela has aimed to address the shortfall in electricity, the lack of competition in electricity generation, the inability of government to fund



investment in additional generation capacity, and to arrest the deteriorating quality of municipal electricity distribution services.

- 2. Enhancing the efficiency and competitiveness of freight transport:** Operation Vulindlela seeks to address the inefficiencies in freight transport.
- 3. Improving the supply and quality of water:** Reforms in the water industry aim to increase investment in the maintenance and construction of water infrastructure, as well as to improve water quality via the successful reinstatement of the Blue Drop, Green Drop and No Drop water quality monitoring systems.
- 4. Reducing the cost of and improving access to data:** Reforms in the digital communications sector will reduce the cost of data, expand internet access to low-income households in outlying areas, and drive new investment in telecommunications infrastructure.
- 5. Attracting skills and encouraging tourism:** The successful implementation of the eVisa system now serves 34 countries and should facilitate growth in the tourism sector. This industry can establish a strong multiplier effect on the economy.

Policy uncertainty hinders investment

These concrete reform efforts are firmly underway, despite an uncertain political future.

Even though the private sector is reluctant to partner with the state given a widening of the trust deficit, there has been an easing of investor anxiety towards South Africa in some areas. Nevertheless, government could spell out its goals more clearly to reignite confidence in South Africa as an investment destination.

If authorities act quickly to promote these low-hanging opportunities by creating an enabling environment for more private sector participation, increasing competitiveness in the country's product and labour markets, restoring the integrity of South Africa's democratic institutions and reducing corruption, we could follow the example of Mauritius and get the economy going again.