

RAYMOND PARSONS: Policy certainty crucial to job-rich growth as partnerships take shape

Despite all the difficulties,” said The Economist in its survey last week on the country’s elections, “SA still has a fighting chance.” Now that the pivotal elections have come and gone, how does SA win the battle? A Pandora’s box of coalition options has been opened at the national and provincial levels.

It will be a strong test of SA’s political leadership to dispel the big cloud of uncertainty that has descended. Will coalition outcomes be in the national interest? And given SA’s new game-changing political arithmetic, how might the economic arithmetic shape up?

High-growth economies have typically built their prosperity on sturdy and stable political foundations. Will the advent of more pervasive coalition politics empower SA to cut through the Gordian knot of unemployment, poverty and inequality with renewed commitment and vigour? In other words, will “good politics” underpin the “good economics” needed to boost SA’s economic performance, which is long overdue? A business-unfriendly tilt in policy direction, in contrast, will have serious consequences for investor confidence and job-rich growth.

The ANC remains the biggest single party, providing a clear opportunity for continuity together with new partners in a shared political space. The political configuration in SA might have changed, but the country’s socioeconomic challenges remain. Reform is as urgent as ever. In recent years, President Cyril Ramaphosa’s leadership has delivered a wide range of partial or intermittent reforms, especially in the spheres of energy, freight logistics, water, telecom and work visas. Inevitably, though, when reforms are left so late, their impact is delayed in the wake of prolonged time lags and higher costs.

Tough decisions are now needed to implement these half-forged policies and projects and to rebuild business confidence. The question is not whether the SA economy will adjust to the shifts in its political economy, but rather how quickly and how well it will do so. Fortunately, many of the solutions still lie “hidden in plain sight” but need to be properly implemented.

Ideological differences aside, the 2024 electorate has been generally united in its desire for an effective “delivery state” at all levels of government — one that is efficient and collaborative, not self-serving. In recent years, the negative effect of government “overreach” has been evident in the form of widespread delivery failures, state capture and corruption, elevated policy uncertainty and loss of business confidence. An important lesson from all this is that the government should now be less keen to control and more willing to “enable” the economy, including allowing many more bottom-up solutions.

Since the advent of democracy in 1994, SA has had a plethora of economic “plans”. But flawed and weak implementation has undermined them to a greater or lesser extent. This was again emphasised in the National Planning Commission’s recent 10-year review and update of the National Development Plan. Indeed, in the Ramaphosa era so far, much of what has been proposed has been encouraging, but the outcomes have been weak. Of course, reform is a marathon, not a sprint. A week may be a long

time in politics, but five years appear to have been an unbelievably short time in which to deliver.

Once the dust has settled on the new coalition dynamics, what are the necessary ingredients of stable governance, to which business and investors will positively respond? They obviously include well-informed policies and plans and their effective implementation (such as in the energy field), and engagement with key stakeholders and communities. Unquestionably, SA's economy must break out of its current low-growth trap of 1%-1.5% annual GDP growth if the economy is to become bigger, stronger and better. And keeping the debt trap at bay remains, more than ever, a critical item on the post-election fiscal agenda.

Moreover, practical tools are required to clearly demarcate the work of the public and private sectors, thereby creating more policy and regulatory certainty and clearing the path towards effective delivery. While business does not govern the country, it has in recent years helped to keep the country "governable". What is needed is action, not words. Procrastination has been a big enemy of delivery in SA.

SA is now facing a defining moment in its political and business cycles, with the business sector well poised to collectively contribute to the cause of better delivery in the country. However, the optimal division of labour between the state and the private sector in SA is not something that falls like manna from heaven; it is the outcome of vigorous interactions between key political, economic and social forces. The new political uncertainties make this an even more important matrix in which business stakeholders must visibly participate.

Business must now use its advocacy and lobbying role to advance its relationships with the new political decision-makers. More specifically, while it is the president's prerogative to select his cabinet, business has a strong vested interest in who fills the vacancies in the economic cluster of ministers. The new cabinet must be encouraged to unequivocally "stay on message" about the implementation of growth-led policies and projects and must also be held accountable. Business must use its leverage through structures such as the president's annual investment conferences.

The challenge for business will nonetheless be, first, to freshly assess what forces, pressures and personalities are shaping the economic direction of the country; second, to see at what point the changed political climate may become sufficiently malleable as to invite change; and third, to successfully mobilise the necessary forces to hasten job-rich growth. The art of effective policymaking at this juncture entails identifying and enlarging the span of influence of key stakeholders, especially for business.

Yet, if growth-driven reforms are to be irreversible, future coalition arrangements at both national and provincial levels must ultimately provide a framework of sustainable, stable and disciplined leadership. This requires the existence of the necessary political will, structures and culture to guarantee the right trajectory of results in the long term. In successful economies, this is often called "future orientation".

Essential building blocks to strengthen SA's future economic performance therefore include a high degree of policy certainty (which implies political stability) and predictable rules of engagement for the private sector. In this regard, the North-West University Business School's quarterly policy uncertainty index will continue to calibrate levels of economic uncertainty in the aftermath of the 2024 elections.

It remains a dominant task of the new political dispensation now emerging in SA to ensure the maintenance of a clear and predictable economic environment that enables business to adopt a long-term perspective on growth and development, and hence to give SA the fighting chance it so badly needs.

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