The number of President Cyril Ramaphosa's major announcements that relate to economic growth and reforming state-owned enterprises

Judging the 'Cvril effect' after 100 days

Growing economy and fighting corruption are main issues

By FERIAL HAFFAJEE

• In his first 100 days, President Cyril Ramaphosa has focused on two areas: the economy and fighting corruption.

Among his major announcements, no fewer than 14 relate to economic growth and reforming state-owned enterprises. At least six of the major developments in his presidency focus on anti-corruption or unwinding the tentacles of state-capture networks.

The president's focus on the economy has won market plaudits — business confidence raced to its highest level in a decade but has since fallen back slightly.

South Africa staved off a full investmentgrade rating chop in March. But the unpredictable nature of the discussion on land expropriation without compensation has kept investors sitting on their hands.

Ramaphosa's economic plan for SA Inc has become clearer in the 100 days he has been at the helm in the Union Buildings. The

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five key pillars are: an investment drive; youth employment; state-owned enterprises as economic growth centres; competition (or what he calls "deconcentration"); and land. How is he doing? Here is a Business Times snapshot:

Investment drive

On April 16, Ramaphosa announced the appointment of four investment envoys tasked with raising R1.2-trillion in inward investment over the medium term. The four are former finance minister Trevor Manuel, former deputy finance minister Mcebisi Jonas, Liberty chairman Jacko Maree and businesswoman Phumzile Langeni.

On the same day, business confidence reached its highest level in a decade. How is the president doing?

Maree says the "investment lions", as Ramaphosa called them, have hit the ground running to sell the story of a resurgent South

The four attended a Commonwealth business summit as part of the Commonwealth heads of government meeting the day after they were appointed and have since attended both the Japan and India summits with African business and government leaders.

"The story we are trying to tell is that we



President Cyril Ramaphosa listens to a debate in parliament. His focus on the economy has won market plaudits — business confidence raced to its highest level in a decade but has since fallen back slightly. Picture: AFP

Maree. After five years of political and policy uncertainty, the four are tasked with signalling the changes.

In addition, they are meeting domestic investors. "There is unlikely to be foreign in vestment interest if domestic business lacks confidence," Maree says.

After a period of consumption-led growth, growth and jobs will come from private investment, both foreign and local, he are at the beginning of a virtuous cycle," says believes. Says Jonas: "The success of the

president's ambitious target will depend, first, on understanding what policies and institutions must be changed to encourage the sort of permanent capital that creates jobs." South Africa needs a "long-term, enduring process of investment attraction. And a prac tical implementation strategy," Jonas adds.

Can South Africa attract such investment with weak growth rates that the World Bank says are not tracking the global recovery?

"South Africa's weak growth record does

Kosovo Iceland Finland Belgium Netherlands Moldova

sub-Saharan Africa, the country has suffered slow, and at times falling rates of growth, especially over the last decade," says Jonas. A World Bank spokesperson comments: "South Africa's remote location coupled with a history of economic isolation mean that it does not benefit from participating in global value chains as much as other emerging markets, thus losing out on opportunities for

export as well as productivity gains from

not reflect its true potential. There is a signif-

icant gap between the country's needs, its

aspirations and its capacity. As a result, de-

spite being the most developed economy in

Youth employment

global technology transfers."

Ramaphosa has flagged jobs as a key imperative of his presidency. Within the unemployment challenge, he has circled youth employment as the biggest need. With six million young people either not in work or in training, South Africa's demographic dividend is becoming a time-bomb.

On March 26, Ramaphosa launched, with business, an ambitious Youth Employment Service that links black empowerment points to corporates that take young interns into year-long work opportunities, coupled with a decent salary. By this week, Ramaphosa said, 40 000 internships were on the table. It's way off the one-million target, but it is a start.

The World Bank adds that "education interventions are the most important for reducing inequality, followed by reducing the spatial patterns of the apartheid economy. Providing access to free higher education to poor households will have a dramatic and relatively swift impact on reducing inequality as well as poverty. We see room in the private sector to take on a greater role in partnering with the government [in higher education], in the university space but also, critically, in TVET [technical and vocational training].

Competition

Since his inaugural state of the nation speech, Ramaphosa has flagged "deconcentration" of the economy as key to growth, employment and investment. More muscular competition policy is in the works.

"Everyone agrees that South Africa requires more competition. The state must allow sufficient room for the private sector to encourage innovation and dynamism. This **Land** applies across the board, both to labour and to private and government-owned business," says Jonas.

A World Bank report published in April says South Africa can halve the poverty level with five key policy interventions.

According to a World Bank spokesperson these are: "Basic and tertiary education, spatial integration, greater competition, an amicable resolution to the dispute over the third tion. Mining Charter, and, at least as an interim solution, to the skills constraint, greater migra-

The World Bank uses an international poverty line of US\$1.90 per day, which roughly corresponds with South Africa's food poverty line.

State-owned enterprises

Eight of the most notable interventions relate to state-owned enterprises. All the state companies at the heart of state capture have had their boards changed. Management changes started in the past fortnight with Csuite exits at Transnet and Denel. These are likely to grow to a flood.

This week, Eskom's interim CEO Phakamani Hadebe's appointment was turned into

a permanent one. In his budget speech last week, Public Enterprises Minister Pravin Gordhan confirmed state-owned enterprises would remain economic drivers to "facilitate inclusive growth, investment (both foreign and local), job creation, skills development and business creation". This means that a sell-off or privatisation drive is not on the cards.

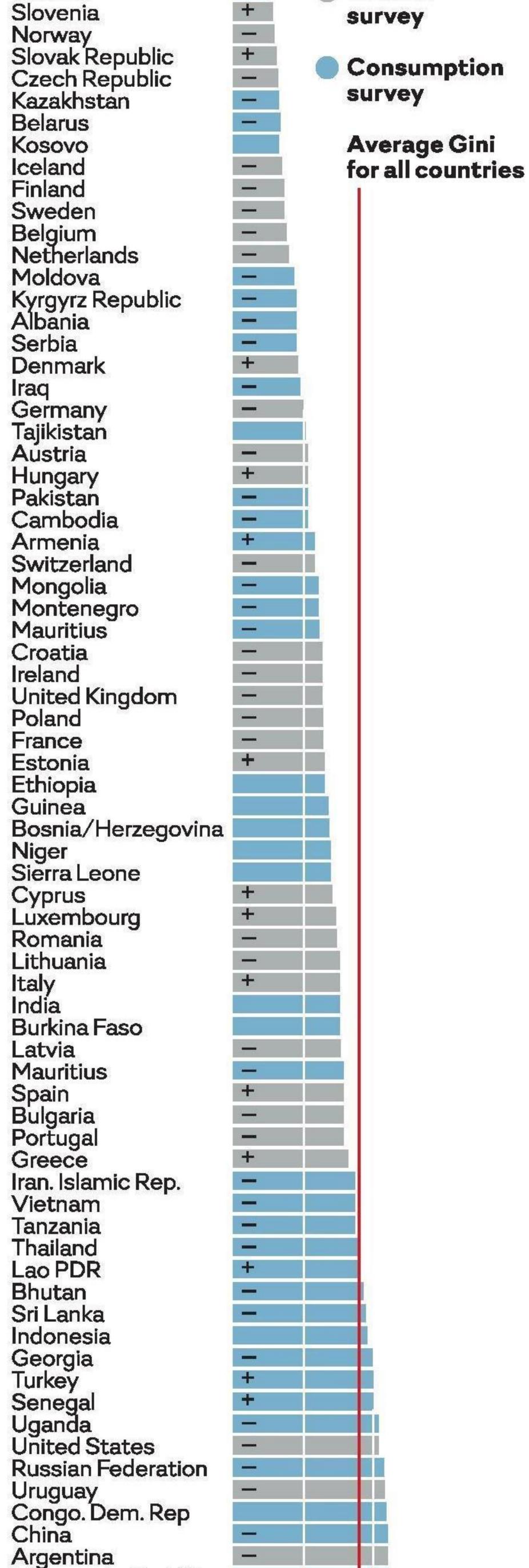


The story we are trying to tell is that we are at the beginning of a virtuous cycle

Jacko Maree Liberty chairman

Inequalities in 101 countries 2013

Income



Graphic: Ruby-Gay Martin Source: World Bank

Gini index 20

Micronesia. Fed. Sts.

Madagascar

Philippines

Zimbabwe

El Salvador

Togo Cameroon

Ecuador Bolivia Paraguay Guatemala

Congo. Rep. Mexico

Costa Rica

Rwanda

Colombia

Honduras

South Africa

Seychelles Nicaragua Dominican Republic

Chad

Benin

Djibouti

Quickly becoming the Achilles heel of Ramaphosa's presidency, it is believed that the debate on land expropriation without compensation is hurting investment prospects.

Ramaphosa has tasked Mineral Resources Minister Gwede Mantashe, Deputy Public Works Minister Jeremy Cronin, and NEC member Ronald Lamola with finding a solu-

The compromise gaining ground is to enhance the national expropriation laws (which are before parliament) to allow for expropriation of certain categories of land without having to engineer an amendment to the property clauses of the constitution.

These categories are abandoned buildings, unutilised land, commercial property held unproductively and purely for speculative purposes, under-utilised property Ramaphosa has made since he took office owned by the state, and land farmed by labour tenants with an absentee titleholder.

> The World Bank has identified inequality as a key factor holding back growth and work in South Africa.

> A spokesperson said: "The inequality that comes with the persistence of exclusion in turn results in contestation over resources, including redistribution and legal and regulatory provisions that some investors per-

ceive to undermine property rights. "An example is the policy uncertainty that under Ramaphosa's presidency the that we can currently observe in mining and

> agriculture. "Everyone wants to know about that is-

sue," said Maree this week.

Investors wanted assurances that their factories or properties would not be expropriated.