Recovery plan fundamentally sound

Dr Roelof Botha, Joint Managing Director, GOPA Group SA (Pty) Ltd *19 October 2020*

Barring the odd cynical or politically motivated comment, Pres. Cyril Ramaphosa's much anticipated *Reconstruction and Recovery Plan* (RRP) has been welcomed by the business fraternity at large.

Predictably, the stand-out caveat of reaction to the plan was the need for speedy implementation, whilst justifiable reservations were also expressed on repeated promises, without sufficient clarity on deadlines, or the specific steps to be taken, or the organisations that will shoulder responsibility for action.

In defence of the latest official plan to promote growth and employment creation, it should be remembered that Covid-19 has made it nigh impossible to make any meaningful progress with implementing National Treasury's *New Growth Plan*, which was unveiled a little more than a year ago.

It would have been very surprising to see any major deviation in policy approach between these two official blueprints for returning the economy to its inherently higher growth trajectory. In fact, the two plans dovetail into each other. Both emphasise the need for reforming visa regulations, fast-tracking the necessary permits for attracting scarce skills from abroad and, most importantly, the pivotal role of infrastructure development.

Nedlac hurdle cleared

What is rather novel about the RRP, however, is the fact that it has, in principle, already received the blessing of the National Economic Development and Labour Council (Nedlac), which means that one of the greatest hurdles in the path of rapid implementation has been cleared, namely trade union resistance to economic reforms.

Although there may still be some grumbling from socialist-minded trade unions as the recovery plan progresses, Pres. Ramaphosa has been bold enough to place deadlines on some of the proposals.

Scrutiny of reaction to the plan by organisations such as the South African Chamber of Commerce and Industry (SACCI), the Minerals Council South Africa and Business for South Africa (B4SA), provides reasons to feel modestly optimistic over the chances of success, especially with regard to the following:

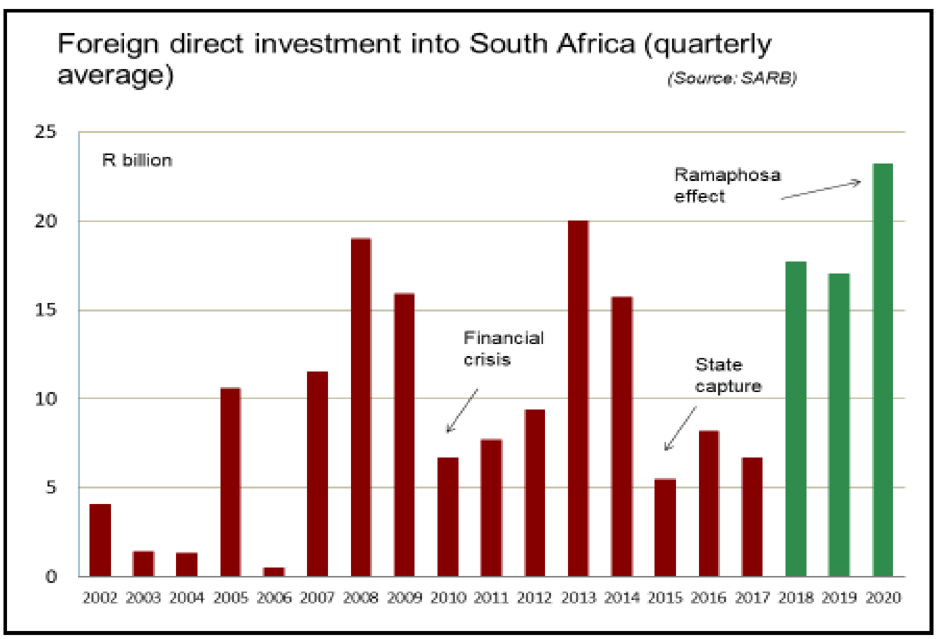
- Ensuring electricity energy security will be a key element of the RRP, and in particular, the fast-tracking of applications for self-generation of energy supply. The objective is to add almost 12,000MW of new electricity generation capacity to the grid by 2022, of which more than half will be generated from renewable sources.
- Initiatives to improve manufacturing capacity, including a concerted campaign to buy locally produced products. According to the plan, business and labour will soon be publishing

localisation targets for goods in areas such as agro-processing, health care, basic consumer goods, industrial equipment, transport rolling stock and construction materials.

- Modernising and reforming logistical network industries such as electricity, roads, rail and ports, as well as the state-owned enterprises responsible for delivering these services
- Reducing the turnaround times for mining and prospecting licences by 50%, in order to improve investor confidence in the minerals sector
- Incentives to encourage labour-intensive job creation in areas related to construction activity. This is a highly feasible element of the RRP, as it will involve the scaling up of government's existing expanded public works programme.
- The release of high-frequency spectrum by March 2021 and the completion of digital migration to reduce data costs for firms and households

Two observations that will support the RRP's chances of success are, firstly, the simple fact that economic recovery is already at an advanced stage and does not require any specific government intervention. International evidence points to unemployment levels that are fast diminishing again as most sectors resume pre-pandemic levels of economic activity.

South Africa should follow suit and the bulk of the 800,000 jobs that have been targeted by the RRP will probably have been created by the end of the year already.



Secondly, capital formation, which is the single most important requirement for higher growth and job creation, will benefit hugely from the lower cost of capital resulting from the lowest lending rates in half a century. An added bonus is the recovery of inflows of foreign direct investment since Pres. Ramaphosa assumed the executive leadership of the country.