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**Op-ed**

***Grease the gears so the economic wheels can turn***
***by Daryl Swanepoel***

In its simplest form, gears are interconnected bits required to function together to produce one desired outcome. If one bit stops, they all do. Gears lose their ability to function when particles get in the way, disrupting an otherwise smooth process – rendering the machine dysfunctional. Does this mean it is time to throw out the old contraption and try something new? No. It simply means it is time to dust out the particles, grease up the gears and get them turning. *That's* the South African economy.

Unwanted particles have clogged up every nook and cranny of the economic system. At a growth rate of about 2%, accompanied by 16 million unemployed (and growing), it is a fair assumption to say the gears are barely grinding, creating a dysfunctional economy. The thing is, South Africa *has* the gears to produce a desired outcome. Some experts peg this at more than 6% as to create the required wealth for a growing population. But in order to produce this result, every sectoral gear in the country's economic system needs to be assessed, cleaned and oiled.

In 2019, The Inclusive Society Institute (ISI) rounded up industry leaders representing every sector to hear directly what they believe are the biggest growth constraints facing their respective industry. Some mentioned, as expected, the failures at Eskom and Transnet as the biggest threats to growth. Others pointed fingers at inept government staff and thick layers of administrative requirements lapping up limited resources. Confidence in the country's trajectory has also taken a knock. Most industries face a mixture of these challenges. These individual dust particles is what is limiting sectoral growth, and if industries don't grow, the country doesn't.

The discussions brought about the question of how much growth potential is actually being held up by these constraints. To establish this, in a very non-scientific manner, the ISI approached some of the industry leaders again earlier this year. They were asked to identify what they deem to be the single biggest hurdle facing their respective industry along with their best estimate of growth potential should the identified constraint be removed. By removing a single constraint from 6 industries, an attractive national growth rate of 3,7% can be achieved. And here's how:

By resolving the inefficiencies at South Africa's rail infrastructure, ports and electricity supplier, the mining sector's output could expand by 4% while agriculture can grow by at least a further 7,5%. Manufacturing could bump up its output by 4% if trust between the sector and the state can be restored. A similar claim is made by a construction industry leader saying it too could add 4% to its sector's output if government employed capable staff at an administrative level. Growth in the tourism sector is being hampered by policies limiting ease of access – specifically the delay in implementing e-visas. Fix this and the industry could see a 5% boost to its output figures. A 5% increase

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in the output in the ICT sector can also be expected should government incentivise private companies to deploy broadband to lower income areas.

The calculations ultimately adds up to a potential National GDP growth rate that is more than double National Treasury's current projections of 1,6% and 1,7% for 2023 and 2024 respectively.

Then there's the SMME sector. OECD estimates puts the sector's current contribution to National GDP at between 20% - 42% while providing jobs for at least 7,3 million people. The industry leader ISI approached says over regulation, specifically stringent BEE requirements, is smothering small and medium sized businesses. Easing the administrative burden, along with the costs involved, would have a material impact on the sector's ability to grow its contribution to National GDP by between 1,4% and 2,94%.

The SMME estimate was not quantified along with the other sectors as to avoid double counting. However, should a conservative growth potential be factored in, a national GDP figure of between 4% and 5% can then be expected.

The research is not an exact science, and the information is still being modelled by the ISI in more detail. It does, however, provide insight into the wide-scale impact a few relatively small steps can have. Apart from the inefficiencies at Eskom and Transnet (which government says they are addressing) most of the constraints mentioned by the industry leaders are small particles clogging up the gears which should be relatively easy to dust away. Rebuilding trust, employing capable public sector staff, developing a smooth visa system, inviting private sector investment are all examples of achievable goals in the short to medium term.

To reach an economic target of 6% therefore does not require earth-shattering moves. It does however call for political will. The will to inspect the sectoral gears and remove the clogs. The research shows there is hope. South Africa *has* the gears to turn the economic machine, they just need to be greased.

***Daryl Swanepoel is the Chief Executive Officer of the Inclusive Society Institute. This article draws on the content of a series of dialogues with leaders from across the economic spectrum.***

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