Publication: Personal Finance (Bellan Media)

Date: Monday, November 01, 2021

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PERSONAL

FINANCE

Established in 1981

No. 490, November 2021

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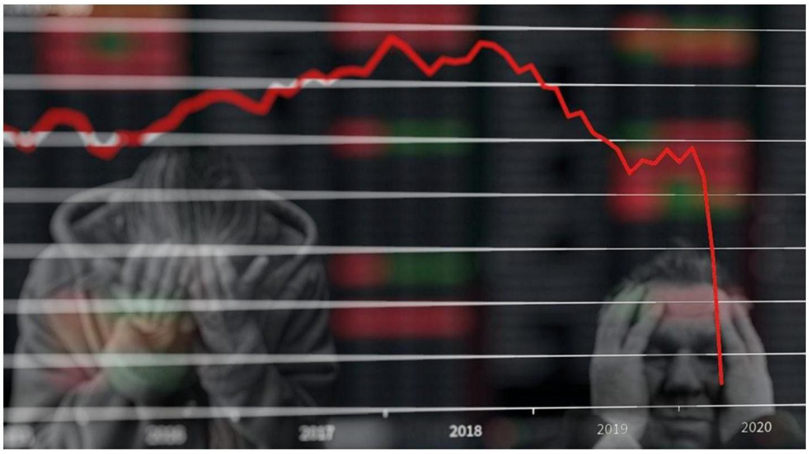
COMMENT

IS NERO FIDDLING WHILE ROME BURNS?

Government's failure to implement reforms quickly enough is putting the economy at further risk



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ANDREW DUVENAGE

GOVERNMENT'S FAILURE to exhibit any sense of urgency to make hard decisions regarding South Africa's recovery process will exacerbate the country's current economic challenges.

A lack of economic growth over close to a decade—particularly compared to SA's emerging market peers—has meant that the country's income has not been able to accommodate either population growth or spending patterns. Slow economic growth is being exacerbated by policy uncertainty, onerous regulation, high levels of taxation, and a controversial (and questionable) commitment to reform.

Investment tends to gravitate to countries where there is more certainty—and where, for example, investors are assured of property rights, and where government's messaging is less ambiguous.

South Africa's economy is heavily reliant on a handful of key sectors—including finance, services, manufacturing, mining, agriculture, and tourism—many of which are being negatively impacted by ill-conceived policy decisions and service delivery failures at a local government level. In the tourism sector, for example, the decision to base financial support on BEE criteria is counter-productive.

A further example is the agriculture and agri-processing sector, which has been identified as one of the drivers of economic growth and job creation. Commercial farming activities and agricultural businesses play an important role in ensuring the economic survival of many small towns across the country, as well as ensuring food security for the economically marginalised.

However, these sectors are frequently constrained by poor service delivery by