

# “OPEN(ING) FOR BUSINESS”:

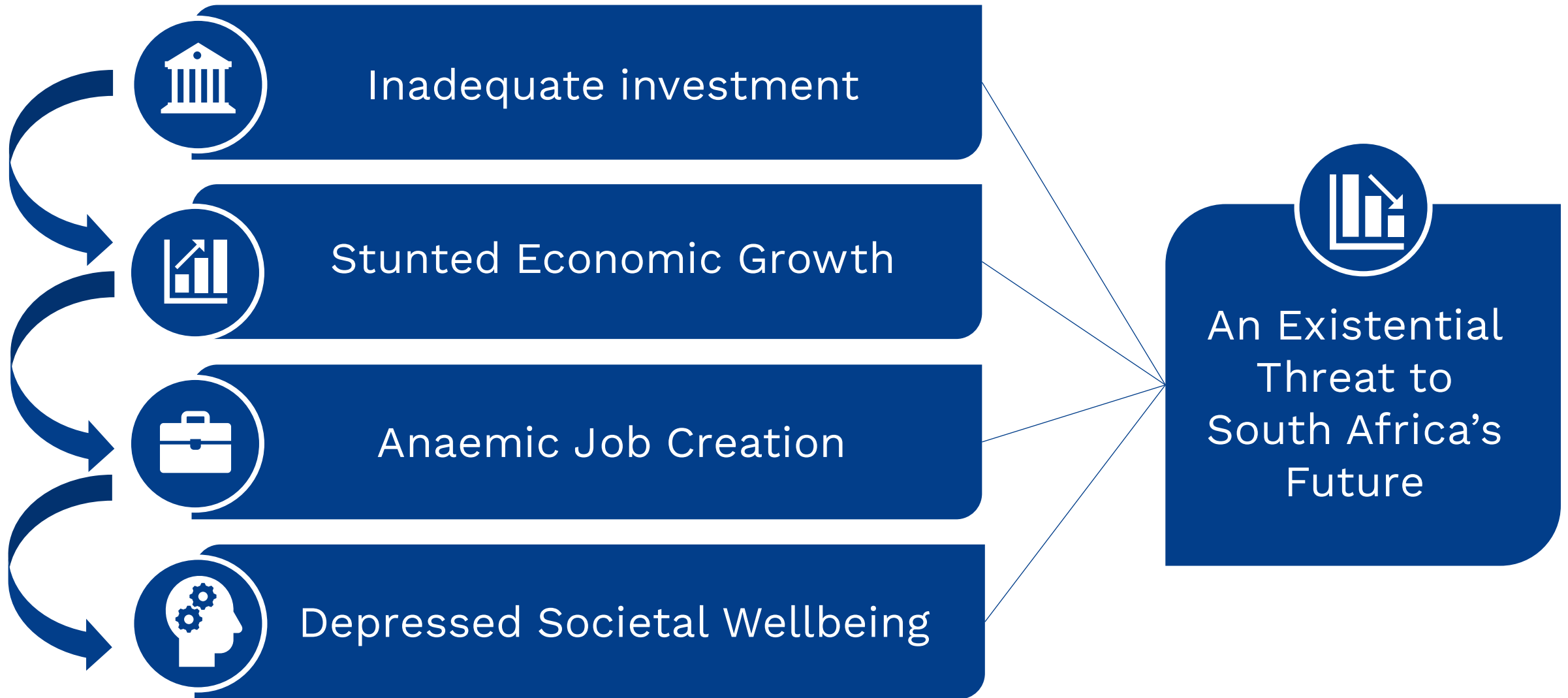
South Africa’s investment malaise  
and how to escape it



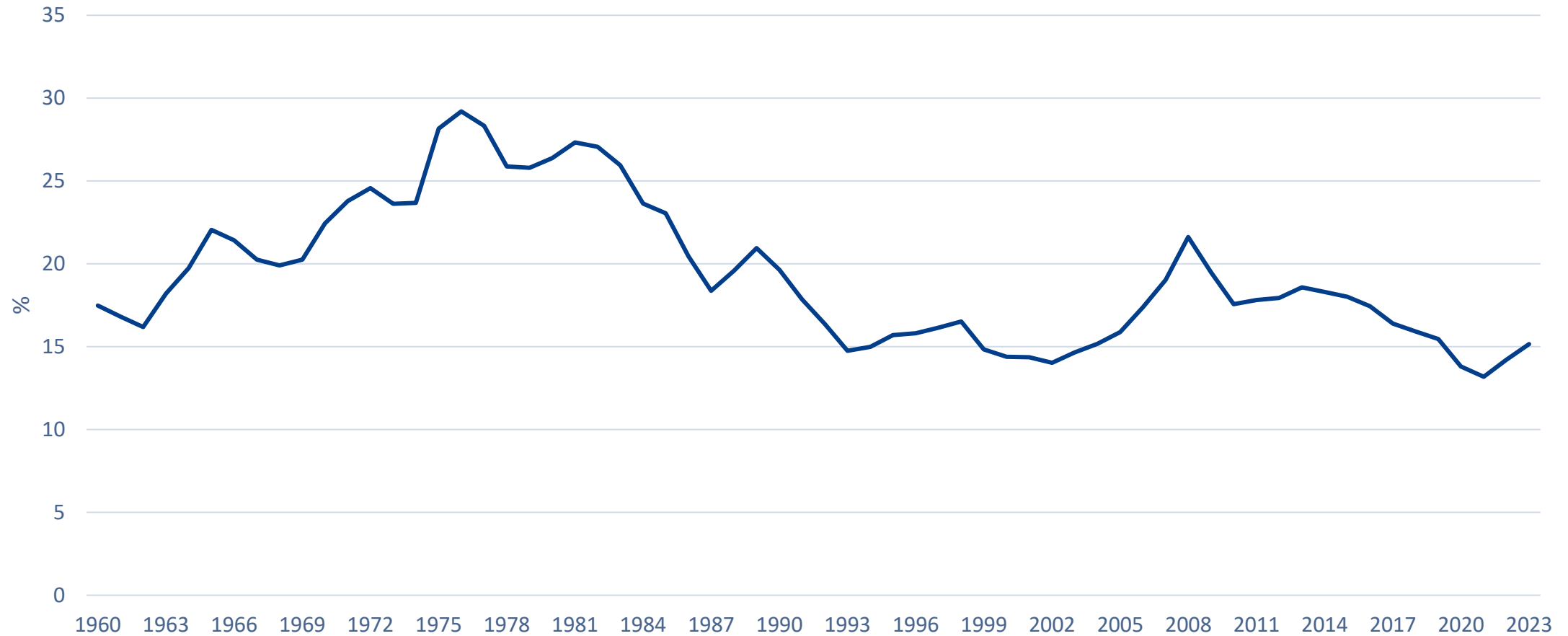
Terence Corrigan  
26 November 2024

# AGENDA

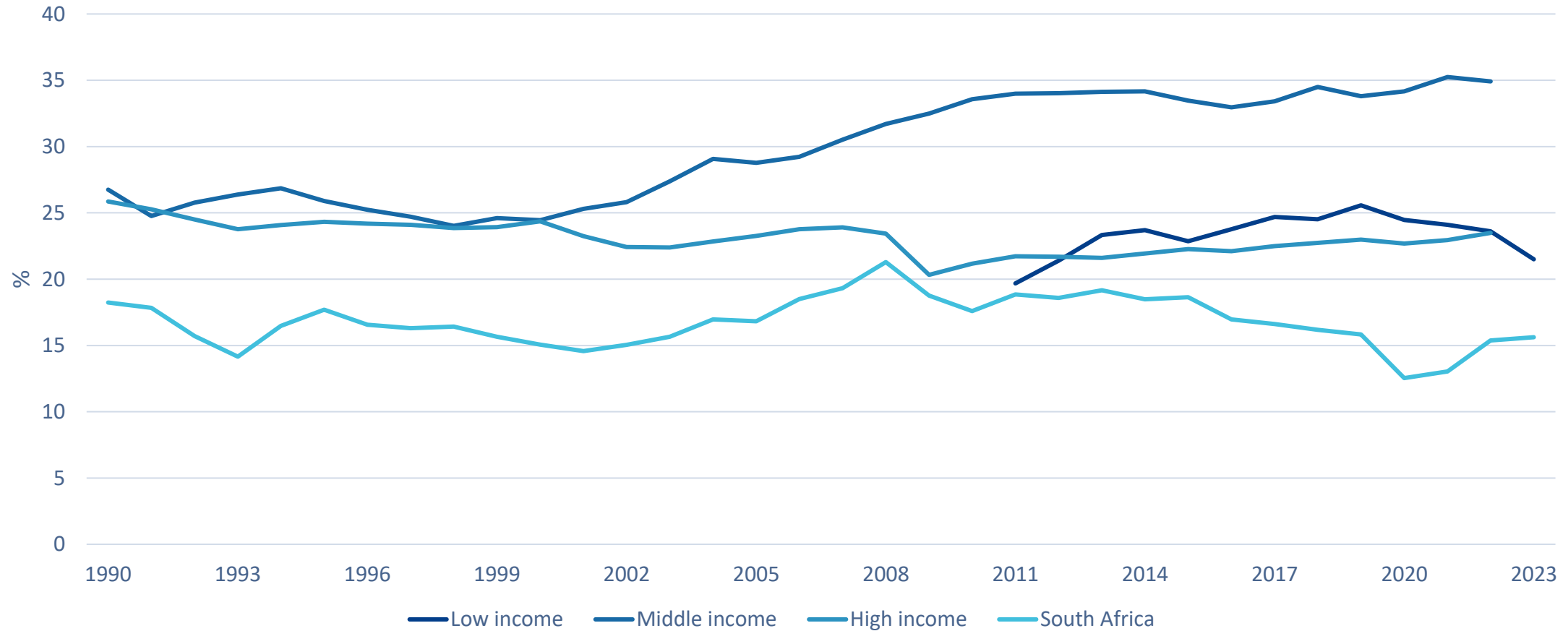
- 1 The South African Malaise
- 2 Investment
- 3 South Africa's Three Ages, 1994-2023
- 4 XA Policy pyramid
- 5 Foundations
- 6 Five paths to rehabilitating South Africa's investment environment



# Investment as % of GDP, 1960-2023



# Investment: Comparative Perspective, 1990-2023



# 1994

1

State effectively bankrupt

2

Sustained economic and investment decline

3

Extensive socio-economic demands

4

Economy opened to the world

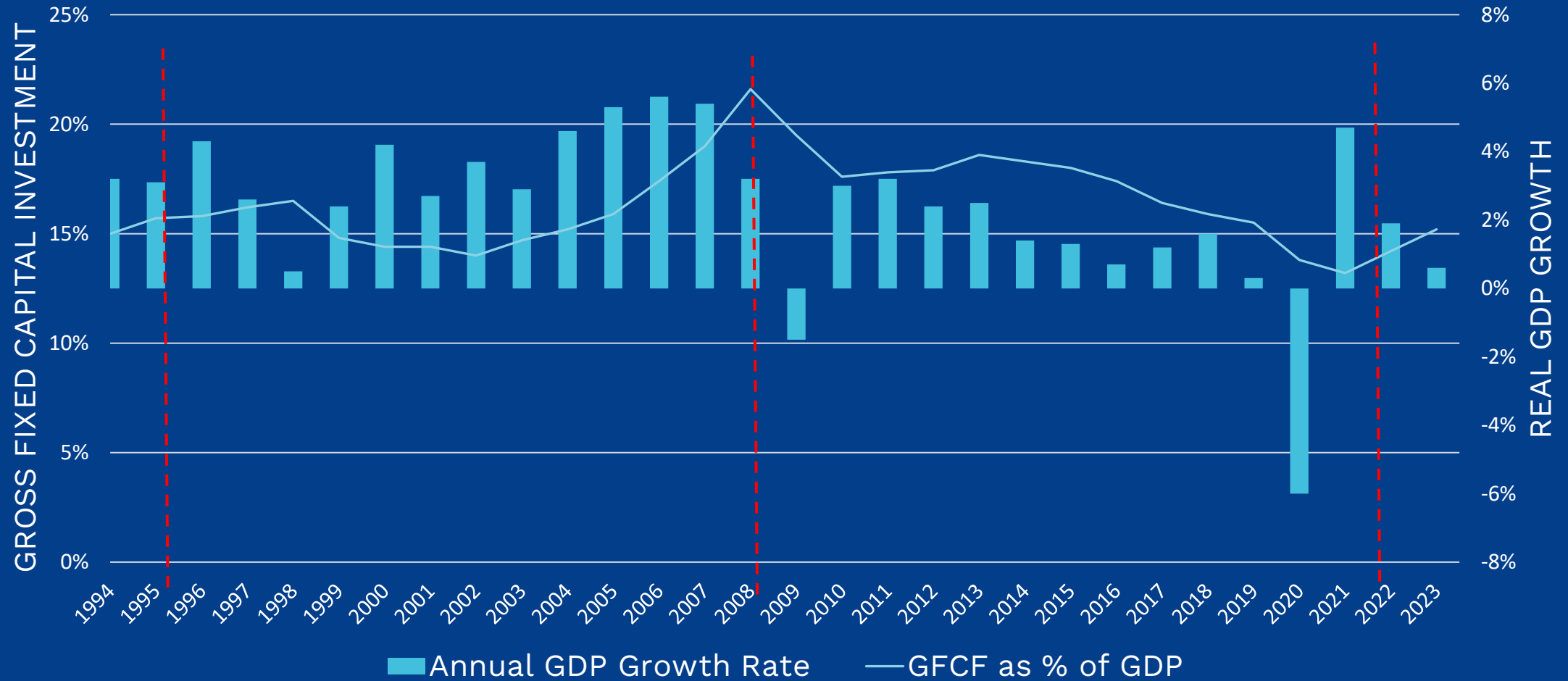
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Acceptance of market economy...

6

... but with extensive state intervention

# South Africa's Three Ages, 1994-2023



# So, what has gone wrong?



Resources invested in picking winners will not yield a return while the country remains uncompetitive

Investing prudently in the basics is a low risk, high return strategy over the long term.

It is however not sexy or fun. Some may even call it boring.





Foundations, “Good enough governance”:  
security, infrastructure



Value adders, “Good governance”:  
human capital, regulatory environment, knowledge



Drivers, “Developmental governance”:  
sector prioritization, identifying winners

# Foundation



Crime:  
costs the  
equivalent  
of 9.6% of  
GDP



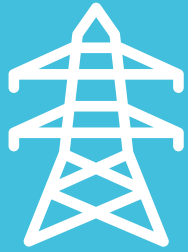
Loss of  
property  
and  
physical  
insecurity



Organised  
crime,  
extortion



# Foundation



Failing logistics and energy systems (though with some improvement through private sector interventions)



Demodernisation of the economy



## Value adders

- Ideological aversion to low-wage employment – but severe shortages of the skills needed for a high-productivity, high-wage economy
- Dismal educational outputs
- “Overregulated and under-governed”
- Regulation costs 6.5% of GDP
- B-BBEE
- A deeply ideological view of the world, interest group pressures – a reluctance to act on experience
- Implausible policy and governance positioning





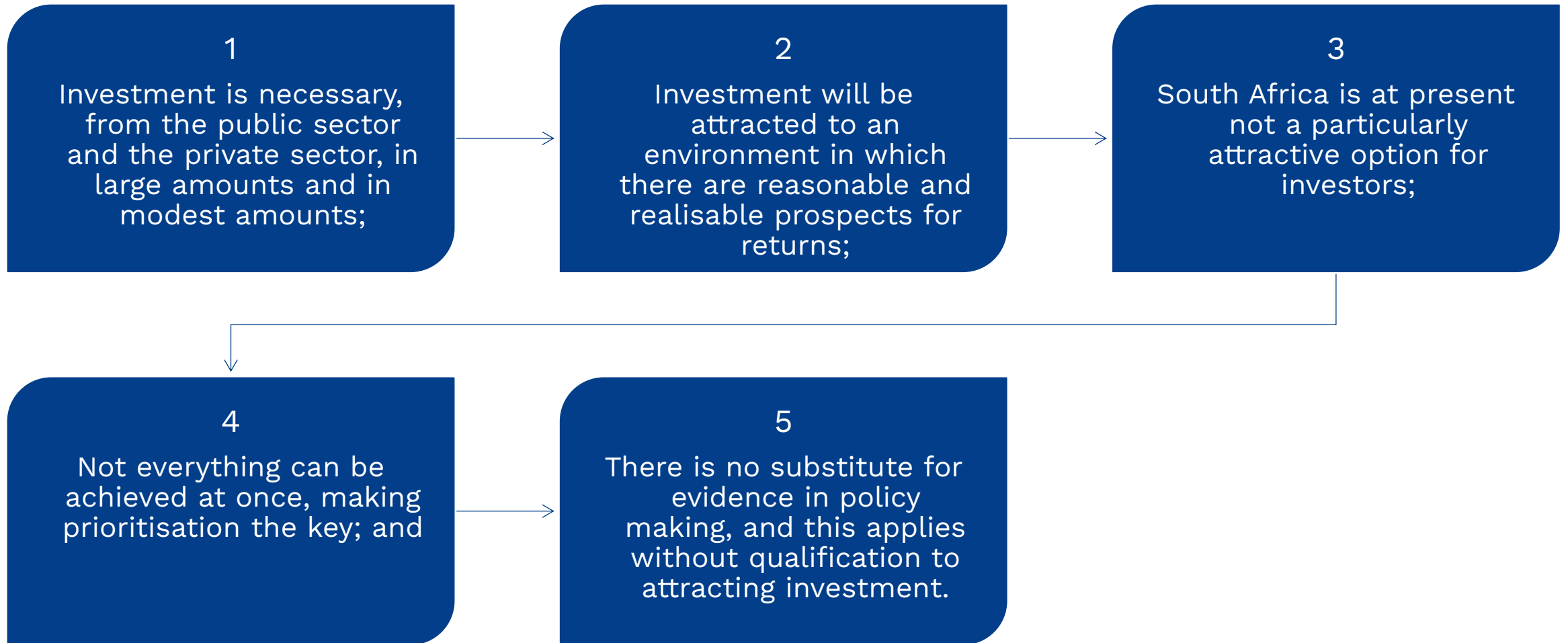
“Capable state”, “developmental state”,  
industrial policy, localisation

Deficient business-state relations

“Subsidy economy” – the case of steel

Weak state capacity, ideological predispositions,  
policy capture

“You can do something about individual problems. Security, infrastructure, all of that. You just can’t do much when policy is deliberately arranged to act as a truncheon against you.”





## Five paths to rehabilitating South Africa's investment environment

1

Get governance in order

2

Rebuild and fortify South Africa's economic foundations

3

Enhance the stock and pipelines of human capital

4

Reform the policy and regulatory environment

5

Reset the government-business relationship

# THANK YOU!



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