SAIBA / URGENT DECISION TIME FOR SA

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***The South African Institute for Business Accountants (SAIBA) calls for urgent structural reform in South Africa to promote economic growth, lift the country out of its current slump and reach the United Nations Sustainable Development Goals\*.***

As a professional body representing 9000 accountants from all sectors of the economy, and as a result of being able to assess and monitor the impact of economic policy in the business environment and SMEs; SAIBA understands the plight of entrepreneurs and what generates opportunities for all.

Economic analyst and SAIBA Board member, Phumlani Majozi, says the call for structural reform is about urging South Africa to get the fundamentals right – without delay. “These relate specifically to the relaxation of regulations for SMEs; unacceptably high taxation; accountability at state level; private property and ownership; professionalisation of the public sector; and the privatisation or partial privatisation of state-owned enterprises (SOEs).”

Majozi says small to medium enterprises (SMEs) are critical drivers of economic growth in South Africa. “SMEs need an environment that encourages their growth, rather than the opposite. The past 25 years have seen a steady increase in regulations, making it increasingly costly and difficult for SMEs to conduct business. If South Africa is serious about fast-tracking economic growth and creating jobs, there needs to be a sense of urgency when it comes to relaxing regulations.”

Government’s land reform measures also need scrutiny. “The current land reform proposal by the government does not allow for people to acquire full title deeds to land. Rather the government is proposing renting out the land. This is not optimal as it does not give people accountability for the land or allow them to transact with it,” adds Majozi.

SAIBA CEO Nicolaas van Wyk concurs with Majozi, pointing out that giving South Africans title deeds to property has the potential to lift millions of people out of poverty. “By giving people a vested interest in the land, the government will be able to create value and unleash billions, possibly even trillions of Rands, in property value.

“When property is owned by people, they can improve it, resell it or get a loan against it. There are potential pockets of tremendous wealth in South Africa,” he adds.

Majozi says over the past decade taxes have increased significantly, retarding economic growth. “Government wants to raise R40-billion through taxes over the next four years to curb debt. This is not necessarily a prudent choice. The country should rather cut spending and stop bailing SOEs out. The SOEs should be privatised or partially privatised to make them more productive and less costly for the country.”

Van Wyk says SMEs need to cover all risks related to running a business. “If they lose clients, they have to act within certain constraints to ensure sustainability of the business.”

Public sector workers, on the other hand, are essentially guaranteed their jobs. This means there is minimal economic impact or risk for a salaried person working for the government. If the organisation is in trouble, the government bails it out. There is therefore no incentive to change the way it operates, to innovate, improve administration or work more efficiently, because taxpayers are expected to guarantee public sector jobs.

He says the only way to ensure a more competitive and professional public sector is to separate it from political influence. “During his tenure as president, Mbeki announced the professionalisation of the public sector and the project seemed to be going well, but seems to have been overrun by the state capture. President Ramaphosa needs to rekindle this and demand a professional public sector.”

The ministers’ and the president’s jobs should be on the line in the same way every SME job is on the line. This, says van Wyk, can be done by putting proper KPIs and performance clauses into place. “This is the only way South Africa will attract investment – the country is unlikely to get any more loans and the only way to save is through an efficient public sector and the country’s leaders accepting personal and direct responsibility for their work.”

Majozi says no-one wants to invest in a poorly performing economy. “South Africa is underperforming on many levels – economic growth, employment, government debt. Until structural reforms are instituted and economic growth is stimulated, the country is unlikely to attract investment.

Van Wyk says during the Mandela and Mbeki tenures the country experienced close to 7% economic growth, something that has largely gone unrecognized. “The Growth, Employment and Redistribution (GEAR) strategy had a positive effect on the country’s growth and hundreds of thousands of people were lifted out of poverty. Many were awarded ownership of property and a large middle class was created in a short period of time.”

Majozi and van Wyk propose a departure from crony capitalism and a return to the free market policies of the Mandela/Mbeki years. SAIBA is calling for structural reform because it believes this will lead to the creation of more SMEs and, in turn, more work for accountants, who can play a role in ensuring good governance and accountability of funds being spent.

“Right now, we are living in a fragmented society and declining economy, exacerbated by the Zondo Commission revelations and Covid-19 pandemic,” says van Wyk. “Economic growth has to be our first priority. The rest will follow, because success breeds happiness, confidence and reinvestment, and many of the social ills we are currently experiencing will resolve themselves.”

**ENDS**

**\*** South Africa is a signatory to the United Nations Sustainable Development Goals, which are:

* No poverty,
* Zero hunger,
* Good health and wellbeing,
* Quality education,
* Gender equality,
* Clean water,
* Clean energy,
* Decent work and economic growth,
* Industrial innovation,
* Reduced inequalities,
* Sustainable cities,
* Responsible consumption,
* Climate action,
* Protected oceans,
* Protected earth,
* Strong institutions and
* Social partnerships.