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Σrsa

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The background of the cover features a landscape of green agricultural fields under a blue sky with white clouds. A large, semi-circular graphic element in shades of blue and purple is overlaid on the right side of the image.

# *Finding a Path to Growth and Employment*

Conference Synthesis Report  
March 2026



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Disclaimer: This synthesis report attempts to construct a coherent narrative from the proceedings of the ERSA-SARB Growth Conference held on 5–6 March 2026. It synthesises the key arguments, ideas, and exchanges across ten sessions, drawing on the substance of what was presented and discussed. The views reflected here are those communicated by presenters, panellists, and audience participants during the conference, and do not necessarily represent the views of Economic Research Southern Africa, the South African Reserve Bank, or their staff. Every effort has been made to relay the content of the sessions faithfully and to remain agnostic in the synthesis, but a report of this nature inevitably involves editorial judgement in selecting, organising, and connecting material across sessions. Readers seeking more detail on individual sessions should consult the session reports, which are available separately. Policy papers with full references, on which each presentation was based, will also be published in due course. Recordings of all sessions are available on YouTube, where readers may find nuance in the views expressed that a synthesis report of this kind cannot fully capture.

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## Introduction

This conference was designed around a deliberate absence. The topics that have dominated South Africa's public economic discourse - monetary policy and the inflation target, the budget and fiscal consolidation, and the Operation Vulindlela reform programme - were not on the agenda. Not because they are unimportant; they surfaced repeatedly and are clearly part of the story. But they receive abundant attention elsewhere. What receives far less attention - and what this conference set out to explore - are the microeconomic foundations of growth: the firm-level dynamics, the regulatory environment, the cost structures, the market failures, and the institutional arrangements that determine whether businesses can enter, compete, innovate, hire, export, and grow.

What emerged over two days in Stellenbosch was a remarkably convergent diagnosis. Session after session, across agriculture, housing, trade, manufacturing, competition, investment, structural transformation, and empowerment, similar constraints surfaced. The same patterns repeated. The same vocabulary recurred - the cost of non-traded inputs, barriers to entry, the missing middle, the failure of technology to diffuse, mobility without progression, the overloading of single policy instruments. The conference combined sector-specific sessions - on agriculture, manufacturing, and structural transformation - with sessions on economy-wide issues including trade, competition, housing, investment, and empowerment. What was striking was how consistently the sector-specific discussions pointed to the same horizontal constraints that the economy-wide sessions identified directly. The barriers that prevent a citrus farmer from exporting through Cape Town port overlap substantially with those that prevent a township developer from scaling a rental housing business, that prevent a small manufacturer from growing into a medium-sized exporter, and that prevent a productive firm from attracting the labour and capital it needs to expand.

The most important finding of the conference is that South Africa's growth and employment crisis is substantially a microeconomic constraint. The macro settings are improving - fiscal consolidation is under way, inflation is low, load-shedding has ended, the Government of National Unity has brought a measure of political stability. But growth will not materialise at the rates the country needs unless the micro-level environment allows firms and workers to do the things that generate productivity, employment, and income. That is where the untapped opportunity lies. It was very apparent from the conference that this is truly where a great deal of growth and employment potential resides. And it is where this report focuses.

## The Diagnosis: Why Growth has stalled

The OECD keynote provided a useful analytical architecture for connecting the major insights that emerged across the sessions. Across advanced and emerging economies, the rate of growth in potential output per capita has halved since the late 1990s. The driver is a pronounced slowdown in labour productivity, underpinned by three micro-level forces: weakening innovation at the frontier, declining diffusion of technology from frontier firms to the rest of the economy, and a deterioration in the reallocation of resources from less productive to more productive firms. South Africa exhibits all three in acute form, compounded by a set of country-specific structural constraints that make the problem deeper and more entrenched than in most OECD economies.

These three forces - diffusion, firm dynamism, and reallocation - are analytically distinct but deeply interconnected in practice. Weak diffusion and poor reallocation constrain the productivity of whatever dynamism exists in the economy: firms may enter and exit, workers may move between jobs, but without the spread of better technologies and the flow of resources toward more productive uses, this churning does not translate into growth. The South African evidence suggests that all three are failing simultaneously. While the economy exhibits a degree of dynamism - firms enter and exit, workers move between employers - it is

not translating into the productivity gains that should accompany it. New entrants do not scale, workers do not progress to more productive firms, and structural change has at times shifted labour in the wrong direction. The result might be called uncreative destruction: churn without the creative part.

Two further dimensions of the diagnosis emerged from the conference: an investment crisis that is both a consequence of these failures and a constraint on resolving them, and a persistent tendency to overload individual policy instruments with multiple objectives, which has weakened the effectiveness of the policy response.

## The Diffusion Failure

A central finding of the conference is that the binding constraint on South Africa's growth is not the absence of productive firms or frontier technologies but the failure of productivity, knowledge, and innovation to diffuse across the economy.

In manufacturing, firm-level research using tax administrative data, shows persistently wide and non-converging productivity dispersion: low-productivity firms are not catching up with high-productivity firms, and high-productivity firms are not scaling sufficiently. The mechanisms that should drive convergence are instead reinforcing divergence. Productivity spillovers from foreign direct investment, which in many countries operate through both horizontal competition and vertical supply chain linkages, appear in South Africa to flow primarily through the vertical channel - domestic firms that purchase inputs from foreign-owned suppliers benefit from the knowledge and practices those suppliers bring. But this means the gains accrue mainly to firms already integrated into supply chains where foreign firms operate, rather than diffusing broadly across the sector. Trade-related spillovers accrue disproportionately to firms already engaged in two-way trade. And in a pattern not often observed in other countries, labour mobility generates positive productivity spillovers only at the upper end of the productivity distribution; at the lower end, worker movement between firms actually produces negative spillovers. The net effect is that the firms best positioned to benefit from knowledge diffusion are those that need it least, while the broad base of less productive firms remains cut off from the ideas and practices that could transform their performance.

In agriculture, the productivity gap between commercial and non-commercial farming continues to widen, with emergent farmers cut off from the technologies, finance, extension services, and market access that drive commercial gains. The commercial sector has adopted improved genetics, mechanisation, irrigation systems, and farm management technologies, but these have not diffused to the broader farming population. In trade, successful exporters depend heavily on access to intermediate inputs and foreign technology - firms that import and then export tend to export more value, more variety, to more destinations - but high tariff and non-tariff barriers impede that access for the broader firm population. The OECD's global data confirms that this is not a uniquely South African problem. Across advanced and emerging economies, the top 5% of firms in each sector have continued to advance their productivity since the early 2000s, but the gap between them and everyone else has widened dramatically. The problem globally is not that innovation has stopped at the frontier; it is that frontier knowledge is not diffusing to the rest of the economy. What makes South Africa's case distinctive is the severity of the diffusion failure and the number of compounding domestic barriers - infrastructure, regulation, skills, spatial mismatch - that reinforce it.

The practical implication, raised in several sessions, is that innovation policy should shift emphasis from expanding the technology frontier toward supporting the diffusion of existing technology to the broader firm and farm population: reducing the fixed costs and risks of adoption, supporting non-exporting and domestic firms in process upgrading, and aligning skills development explicitly with technology absorption.

The failure of technology and knowledge to diffuse is mirrored by a broader failure in the mechanisms that should direct human and capital resources across the economy.

## The Reallocation Breakdown

Aggregate productivity growth is the weighted average of every firm's productivity, weighted by its share of employment. Even with no improvement in any individual firm, redirecting resources from less productive to more productive firms can generate substantial growth. The scope for this is large: within narrowly defined sectors, even a product as homogeneous as ready-mixed concrete, the firm at the 90th percentile of the productivity distribution can be twice as productive as the firm at the 10th. But in South Africa, this reallocation mechanism is lacking.

The structural transformation analysis revealed what was termed a "structural change emergency" in the 2010s. Using a shift-share decomposition, the analysis showed three compounding problems: overall labour productivity growth was slightly negative across the decade; productivity growth within all major sectors was either negative or negligibly small; and structural change itself was growth-reducing, with workers on average relocating from more productive to less productive sectors. This was a stark contrast to the 2000s, when productivity growth exceeded 2% per annum, was balanced across sectors, and was supplemented by positive structural change. The emergency stands out in international comparison: BRICS and leading African economies maintained positive and broadly balanced productivity growth through the same decade.

Within manufacturing, the misallocation is severe. Research estimates that labour and capital misallocation reduced total factor productivity by 16–22% between 2010 and 2014, with distortions disproportionately affecting small and medium-sized firms. Three sources of misallocation were identified: statutory distortions such as regulations and tariffs that vary by firm size or sector; discretionary distortions including preferential treatment of specific firms and subsidised credit; and market imperfections such as monopoly power and incomplete financial markets. As an example, a one standard deviation increase in import tariffs was found to reduce productivity by 3–6%, illustrating how trade protection intended to support domestic industry can have unintended consequences for allocative efficiency. A striking finding was the persistence of historical legacies: apartheid-era labour regulations that restricted occupational and geographic mobility are associated with an estimated 4–14% higher level of labour misallocation in the manufacturing sector today.

The reallocation failure extends to people. Labour mobility in South Africa is frequent but unstable. Workers do not systematically move to higher-productivity, higher-paying firms. Participation is further stratified by gender, youth status, and education. Women, particularly those with low education, have weaker labour market attachment, are more likely to sort into lower-paying firms, are less likely to transition to higher-wage-premium firms, and face gender wage gaps that widen over the life cycle. Structural constraints - spatial mismatch, search frictions, limited competition in product markets, and the disconnection of township economies from broader value chains - compound these patterns.

Since 2020, there are signs of recovery. Labour productivity growth has returned above 1% per annum, and structural change is again acting in a positive direction. But the recovery is highly unbalanced: it is driven almost entirely by within-sector productivity growth in services, while manufacturing, mining, and other industry continue to drag. The services recovery is not confined to the economic powerhouse provinces but appears to be diffusing across the country. However, trade services - the subsector absorbing the most employment - shows almost no within-sector productivity growth. The post-COVID caveat applies: firms came out of the pandemic more productive than they went in, not because they invested but because they did not add back labour or capital.

The combined effect of weak diffusion and broken reallocation is visible in what was perhaps the most pervasive finding of the conference: the absence of a functioning pipeline through which firms and workers transition upward.

## The Missing Middle

Perhaps the most pervasive finding of the conference was the absence of a functioning pipeline through which small firms grow into medium-sized firms, new entrants scale into significant competitors, and workers progress from low-productivity to high-productivity employment. This “missing middle” appeared in every lens the conference applied.

In trade, less than 1% of firms in the bottom 40% by size transitioned into the top 20% over a six-year period. The export structure is super-concentrated, with the top 5% of exporters accounting for a disproportionate share of export value relative to comparator countries. A mass of small, sporadic exporters sells primarily into the SADC region under preference margins, but these firms tend to be less efficient, and it is not clear they can compete in global markets without the preferences. The transition from small entrant to medium-sized exporter to large-scale player barely occurs.

In manufacturing, entry rates are low by upper middle-income standards, post-entry growth is weak, the firm population is aging - nearly 60% of firms are more than ten years old - and employment growth is driven by incumbents rather than by new entrants scaling up. The top 20 manufacturing firms account for over 30% of sector income, while small and micro firms provide roughly 40% of employment but just 12% of income. Markups are high by international standards but concentrated among a small group of dominant incumbents rather than at the median firm. The coexistence of high-markup incumbents with a fragmented tail of low-productivity firms points to weak competitive selection at both ends of the distribution.

In agriculture, 6.5% of commercial farms generate two-thirds of farm income, while a large class of emergent farmers remains structurally disconnected from the credit, market access, and integrated value chain finance that has been the backbone of commercial growth. The productivity gap between these two worlds continues to widen.

In empowerment policy, BEE has not succeeded in building the base of black-owned small and medium enterprises that could fill this gap - South Africa has far fewer SMEs than its economy warrants, and the reasons for this failure are examined in detail later in this report.

This pattern repeats in the labour market. Around 10% of manufacturing workers change employers annually, but nearly a third leave their new firm within one year. Transitions into lower-productivity firms are just as likely as transitions into higher-productivity ones. The result is a dual labour market: an upwardly mobile group of productive workers who can transition to better jobs, and a larger group of low-productivity workers cycling in and out of employment without advancing - churn without progression, not a functioning job ladder.

The missing middle is not a coincidence. It is the predictable consequence of an environment in which the costs of operating, scaling, and competing are too high for firms at the critical transition point. High non-traded input costs, regulatory burden, weak competition, barriers to entry and post-entry scaling, spatial mismatch, and infrastructure failures all bite hardest precisely where a firm or a worker would need to make the leap from small to medium, from informal to formal, from surviving to growing. The OECD evidence confirms this: cross-country differences in post-entry growth explain far more of the variation in productivity performance than differences in entry rates. It is not enough for firms to enter; what matters is whether the environment allows them to scale.



## The Investment Crisis

Investment has contracted since 2015, and the investment-to-GDP ratio sits at roughly 15% - near its worst level since 1950. Not only has capital accumulation slowed, but the productivity of the capital stock has declined. A sectoral decomposition revealed that the electricity sector has been an extraordinary drag: most of the capital accumulated during the state capture period went into electricity generation, but very little electricity came out. This represented a massive diversion of investment away from more productive parts of the economy, with fiscal consequences that are still being felt. Agriculture, by contrast, emerged as the strongest performer on capital productivity.

The drivers of investment weakness are a combination of weak expected demand, elevated uncertainty, and a high cost of capital. Business conditions expectations were deeply negative for most of the past decade. The political climate was seen as a major constraint, peaking during the height of state capture. Real interest rates rose significantly, driven by fiscal deterioration, widening credit default swap spreads, and higher sovereign risk premia. Regulatory burden compounds the problem by entering the cost calculation that firms make when assessing the marginal return on investment.

The 2010s were catastrophic across three compounding dimensions: a collapse in business confidence and trust; a surge in public debt and borrowing costs that crowded out private investment; and an enormous expansion of public spending that was skewed toward consumption, managed corruptly, and directed into unproductive mega-projects - all while the electricity and logistics systems were breaking down. The damage was so severe and so sustained that it created an interlocking trap: weak investment depresses demand, which further discourages investment; poor infrastructure raises costs, which erodes competitiveness, which deters investment; low trust suppresses confidence, which holds back investment, which prevents the growth that would rebuild trust.

There are genuine signs of recovery. Load-shedding has ended. The GNU has improved political stability. Bond yields and CDS spreads have narrowed. The fiscal position is improving, with a shift in public spending toward productive investment and away from consumption. Business confidence is returning to neutral territory. Energy reform is advancing rapidly, with a pipeline of 224 gigawatts of new renewable energy projects in development and the world's cheapest solar electricity prices achieved in recent procurement rounds. But the investment upturn has not yet materialised at the scale required, and rising cash balances on corporate balance sheets suggest that profitable firms are choosing not to invest in productive assets - a pattern that may reflect both weak demand and the comfort of oligopolistic market structures where incumbents face insufficient competitive pressure.

## The Tinbergen Problem: Overloading Single Instruments

A recurring finding across the conference was South Africa's tendency to ask individual policy instruments to do too many things at once. The Tinbergen principle — one instrument, one target — was invoked explicitly in the competition session and implicitly in several others, and the pattern it describes is pervasive.

Competition policy is being asked to simultaneously promote rivalry, protect employment, advance transformation, support SMMEs, and further industrial policy — all through a single merger control and enforcement framework. The result is that the competition assessment has been diluted by the growing weight of non-competition objectives, adjudication timelines have lengthened, and the signal sent to investors is one of unpredictability. Manufacturing has been expected to simultaneously absorb low-skilled labour en masse, generate high value added, drive technological innovation, and earn foreign exchange - a set of demands that may have been feasible in East Asia in the 1990s but is increasingly unrealistic in a world where manufacturing is more capital-intensive and automated. BEE has been asked to redistribute



ownership, transform management, develop enterprises, build skills, achieve procurement targets, and contribute to social stability - all through a single scorecard framework, with the result that the elements most likely to generate economic growth are the weakest performers. Industrial policy has been “*sector-obsessed*”, spreading scarce institutional capacity across dozens of sector-specific interventions while losing sight of the cross-cutting constraints - energy, logistics, regulation, skills - that affect all firms in all sectors.

The resolution is not to abandon these objectives but to assign them to the instruments best suited to achieve them, and to resist the political temptation to overload whichever instrument happens to be on the table. Competition policy should focus on competition. Employment policy should focus on employment. And where multiple objectives are genuinely in tension, the trade-offs should be made explicitly and transparently, not buried in the details of a scorecard or a merger condition.

## The Cross-Cutting Constraints

The conference combined sector-specific sessions with sessions on economy-wide topics, but the constraints that emerged were overwhelmingly horizontal. The same barriers surfaced whether the discussion concerned agriculture, manufacturing, trade, housing, investment, competition, or empowerment policy. This section identifies the six most binding cross-cutting constraints.

### The Cost of Non-Traded Inputs

Although the conference deliberately excluded a session on Operation Vulindlela and its elements, the focus of its reforms remained front and centre. That the same constraints surfaced unprompted in every session is a testament to the reform agenda being focused on the right things, but also a signal that progress is important and urgent. This was the meta-theme of the conference. Electricity costs and unreliability, port inefficiency, rail and logistics bottlenecks, water supply, municipal service delivery failures, and deteriorating transport infrastructure were raised in every single session — including, as the closing panel noted, the session on BEE. These are the costs that firms cannot avoid regardless of their sector, and they are the costs on which international competitiveness is won or lost.

The trade session made the point most directly: exporters compete on the cost of non-traded inputs. When those costs are high, the ability of domestic firms to compete internationally is undermined. And because most South African exporters sell the majority of their output into the domestic market, export performance tracks domestic production trends - so the damage cascades from domestic costs through to trade performance. The cost of non-traded inputs is, in effect, a tax on labour: the only way firms can remain competitive when operating costs are high is to suppress wages, which constrains domestic demand, employment, and inclusion. High border costs compound the problem by taxing exporters twice - once on the inputs they need and again on the goods they sell.

The OECD’s evidence quantifies the stakes. Anti-competitive regulation in network sectors - energy, transport, and telecommunications - has downstream effects across the entire economy: roughly 25% of manufacturing inputs come from network sectors, rising to 45% for energy-intensive manufacturers. Network sector deregulation in OECD countries that reformed between 1995 and 2005 delivered a cumulative 5 percentage point gain to aggregate labour productivity. The subsequent halt of reform can account for approximately one-sixth of the post-2005 productivity slowdown. South Africa, with the most stringent product market regulation in the OECD’s measurement framework, has more to gain from reform than almost any other country measured. Energy reform - and the prospect of very cheap renewable electricity from the world’s best solar and wind resources - was identified across the conference as the single most powerful lever for investment and competitiveness.

## Product Market Regulation and Barriers to Entry

South Africa is an extreme outlier on the OECD's Product Market Regulation indicator, scoring worse than the OECD average on every component: administrative burdens, licensing, barriers to competition, and network sector regulation. Specific deficiencies include the absence of an updated public registry of licensing requirements, no silence-is-consent principle for licence applications, entry barriers in professional services well above international norms, and very limited mutual recognition of foreign-acquired qualifications. The economic resources devoted to regulatory compliance are material: in Europe, labour resources dedicated to compliance are twice the level of spending on research and development, and econometric evidence from US states confirms that increases in compliance burden are associated with weaker productivity and weaker economic dynamism.

The consequences are far-reaching and connect directly to the missing middle. High barriers to entry suppress firm creation, which suppresses competition, which allows less productive incumbents to retain disproportionate resources. New and young firms are the primary agents of innovation, the vehicles through which new technologies enter the economy, and the disproportionate drivers of net job creation. When they cannot enter or cannot scale post-entry, the entire dynamism of the economy is impaired. The OECD evidence shows that firm entry rates have declined by about 2 percentage points across OECD countries since the mid-2000s, and the share of employment in young firms has fallen by 6 percentage points - meaning not only is it harder to enter, but conditional on entering, it is harder to grow.

The tariff regime reinforces the problem. Research cited in the trade session showed that 93% of tariff lines have not been reviewed in over 20 years. Where local production no longer exists but duties remain, the effect is a tax on downstream producers with no offsetting benefit. The system encourages firms to apply for rebates rather than removing the duty itself, adding administrative complexity that constitutes its own barrier. The competition session showed that within the competition framework itself, the growing weight of non-competition objectives, the informal exercise of ministerial influence, and the use of merger proceedings by rival firms to obstruct competitors all add unpredictability that deters transactions and investment.

The closing panel identified barriers to entry as one of the clearest areas of low-hanging fruit for South Africa. Creating a public licensing registry and introducing a silence-is-consent principle face no obvious political opposition, require no new legislation, and the international evidence shows that reducing entry barriers produces very short-run effects on growth by releasing pent-up demand for firm creation. The gains are also inherently inclusive: new firms create options for workers to change jobs or for unemployed workers to enter the economy.

## The Housing-Labour-Spatial Nexus

The housing session made a compelling case that housing is not a consequence of economic growth but a driver of it - and that the failure to treat it as such is one of the most significant missed opportunities in post-apartheid economic policy. Housing is classified in the national budget under community development and social wage, which demotes its economic significance. Between 1.8 and 3.8 million households need adequate housing, formal residential completions have fallen by more than 50% in two decades, and the RDP delivery model has collapsed from its late-1990s peak. The affordability gap is severe: in Cape Town, only 6.5% of households earn enough to secure a bond, yet the average one-bedroom listing price is R2.2 million.



The economic case for housing operates across multiple dimensions: construction and supply chain employment; multiplier effects from consumer durables and home improvements; housing as a store of household wealth that can serve as collateral for business loans; a vehicle for small-scale enterprise through building contractors, developers, and home-based businesses; better health and education outcomes; and enhanced workforce productivity through denser, well-located housing that reduces transport costs and integrates labour markets. The argument was for a virtuous cycle in which well-located housing investment generates jobs and incomes, builds assets, creates enterprises, strengthens municipal revenues, and drives up urban productivity and inclusion.

But the housing crisis is simultaneously a labour market crisis, and this is where the connection to the rest of the conference is most direct. Spatial mismatch between where people live and where jobs are located raises commuting costs, limits labour mobility, reduces the effective labour supply available to firms, and constrains the productivity gains that should come from urbanisation. The micro-level evidence from manufacturing confirmed this: workers experience churn rather than progression, compounded by spatial barriers and search frictions that prevent them from accessing better jobs. Women, particularly those with low education, face compounding disadvantages - weaker labour market attachment, sorting into lower-paying firms, and gender wage gaps that widen over the life cycle. The disconnection of township economies from broader value chains is both a housing problem and an economic participation problem.

The most dynamic response to the housing crisis is coming from below: homeowners building backyard units, micro-developers constructing small apartment blocks, and a growing ecosystem of informal rental housing that is now the fastest-growing form of housing in the country. Backyard renting has overtaken informal settlements in scale. This bottom-up innovation is delivering at a volume no government programme can match, and it is generating employment, enterprise, and rental income in communities that formal policy has largely failed. The policy challenge is to enable it - providing infrastructure to support densification, offering light-touch regulatory frameworks for retrospective approval, and connecting micro-developers to finance and technical support - rather than ignoring or criminalising it. The City of Cape Town's small-scale rental unit enablement programme, including infrastructure investment, local planning support officers, and simplified prototype building plans, offers a model that other metros could adapt.

## **Skills, Capabilities, and Technology Absorption**

Human capital was identified across the conference as a necessary but not sufficient condition for growth. The OECD evidence shows that differences in the level of adult skills explain about 25% of cross-country differences in labour productivity, but a further 12% is explained by how those skills are allocated - how well workers are matched to firms and roles. About 12% of workers across OECD countries are skills-mismatched, and there are large cross-country differences in how effectively human talent is allocated to young, high-growth firms versus established incumbents. The practical implication is that increasing the stock of human capital takes decades - it depends on decisions made for children in school today. But regulatory reform that improves matching, mobility, and dynamism can extract more growth from the existing stock in the near term.

South Africa faces constraints on both the supply and allocation of skills. In manufacturing, employment growth has been skill-biased, concentrated in higher-skilled occupations, while the education system has not kept pace. Learnership programmes have shown only modest and short-lived employment gains. Management quality - a critical determinant of firm performance in the international literature, with well-managed firms scaling faster, adopting more technology, and entering export markets more readily - is a significant data gap in South Africa. The skills development system itself is dysfunctional: the SETAs spend R25 billion annually with minimal measurable results, accreditation processes take two to three years, and a

decade of non-cooperation between the Ministry of Higher Education and the business community - driven by a ministerial decision to slash the employer training rebate from 50% to 20% on the grounds that government knew better than employers what skills were needed - was identified as a major missed opportunity.

The agriculture session highlighted a different dimension of the same problem: the extension-to-farmer ratio is too low, and a presidential commitment to recruit 10,000 additional extension officers represents a recognition that the system has been failing. The trade session noted that labour-intensive exports can no longer be equated with unskilled-intensive exports - the skills required even for ostensibly low-skill manufacturing have risen, and the education system cannot produce them fast enough, which means alternative pathways for rapid upskilling need to be found. The BEE session added that the incentive structure pulls talented black professionals toward corporate managerial careers rather than entrepreneurship, compounding the missing middle in the SME landscape.

The AI opportunity adds urgency. OECD modelling estimates that AI could deliver significant additional annual productivity growth, but its diffusion depends on the same structural settings - competition, regulation, human capital, energy reliability - that have determined the gains from previous technological revolutions. Countries with more competitive product market regulation captured disproportionate gains from the 1990s ICT boom. Countries that fail to reform will miss the next wave.

### **Institutional Capacity, Coherence, and Trust**

A thread that ran beneath many of the conference's specific discussions was the question of state capacity and policy coherence. Government departments working at cross-purposes emerged as a recurring pattern. The sugar industry case study in the agriculture session illustrated the problem starkly: National Treasury imposed a sugar tax without the mitigating measures agreed at NEDLAC; the DTIC governs industry regulation while simultaneously allowing cheap imports that undermine domestic production economics; Land Reform supports new entrants with input funding while the trade environment works against their viability. The competition session raised concerns about informal ministerial intervention in merger proceedings and about rival firms using the process to obstruct competitors. The BEE session showed gazetted codes that are inconsistent with the intent of the government's own unpublished Transformation Fund document. The housing session identified a national programme-driven model that has failed to deliver, while the most effective responses are happening at the metro level with limited national support or budget devolution.

The investment session probed a deeper dimension: the distinction between sentiment and trust. South Africa was described as a very low-trust society, with a deep-seated negativity entrenched during the state capture decade. The lingering effects of that period - not only the institutional damage but the polarising narratives that accompanied it - continue to shape how South Africans think about the economy and each other. Structured engagement with business leaders and economists identified criminal justice reform, depoliticisation of senior public service appointments, and procurement reform as the highest-priority confidence-boosting measures. These are areas outside the conventional economist's toolkit but central to rebuilding the trust that underpins investment decisions. The point was made that even bold reforms will not automatically translate into a sustained shift in confidence; a deliberate strategy for communicating progress through signals strong enough to cut through the noise - a credit rating upgrade, the end of load-shedding - is also needed.

Public service reform was identified as a critical enabler. The performance management system for civil servants was described as largely non-functional, with KPIs that measure inputs rather than outcomes. The system of appointing senior officials is excessively politicised, particularly in provinces. SOE reform requires rationalisation, restored developmental mandates, and an end to unproductive subsidies. Budget reform —

ending underperforming programmes and reallocating resources to productive uses - is hard but essential, with the SETA system cited as a prominent example of large-scale spending with minimal results.

## **Institutional Blindness to Informality and Bottom-Up Innovation**

A concept that emerged from the housing discussion but applies far more broadly is institutional blindness - the failure of government to see, understand, or engage with how the majority of South Africans actually live, work, and house themselves. Backyard structures were until recently referred to as illegal shacks and criminalised. Informal traders are treated as nuisances. Suitcase exporters - particularly women entrepreneurs trading across borders - make a substantial economic contribution but face prohibitive logistics costs and receive no policy attention. Township micro-developers see construction as an accessible market with huge demand but operate entirely outside the regulatory framework.

The panel discussion on housing named this phenomenon directly and argued that it reflects a broader pattern: a deep institutional reluctance to recognise forms of economic activity and social organisation that do not conform to formal systems. The irony is that these informal systems are often more responsive to demand, more sensitive to affordability constraints, and more deeply embedded in community networks than anything government has been able to design from above. If innovation is to be taken seriously as a policy objective, it must include distributed, bottom-up innovation - not just top-down technology transfer. People have been innovating for years; policy is late to recognise it.

The policy implication is not deregulation for its own sake but a graduated, enabling approach: providing universal infrastructure without over-constraining how people access it; offering compliance pathways that are proportionate rather than binary; learning from what is already working on the ground; and recognising that the formal-informal boundary is not a line to be policed but a gradient to be managed. The most successful responses emerging from cities - Cape Town's SSRU enablement programme, Johannesburg's inclusionary housing policy, the Township Developers Forum - are characterised by this enabling orientation rather than a command-and-control approach.

## **An Actionable Agenda**

The conference did not set out to produce a policy manifesto. But across ten sessions, a set of concrete, implementable ideas emerged with sufficient convergence and specificity to constitute an actionable agenda that is worth considering. What follows is organised roughly by time horizon, with each item traced to the session or sessions from which it emerged.

### **Immediate: Low-Hanging Fruit**

These are reforms that face relatively low political resistance, require no new legislation in most cases, and could begin to yield results within months.

- Create an updated public registry of all licensing requirements for firms and introduce a silence-is-consent principle for licence applications, so that applications not responded to within a set period are automatically approved. The OECD keynote identified these as specific deficiencies in South Africa's regulatory framework; the closing panel endorsed them as the clearest low-hanging fruit available.
- Launch a systematic review of the tariff book with sunset clauses for duties where local production no longer exists. Research cited in the trade session showed that 93% of tariff lines have not been reviewed in over 20 years. Removing duties on intermediate inputs would strengthen downstream competitiveness and reduce the double taxation of exporters.

- Audit state-owned land and buildings in metros to identify well-located assets available for affordable housing development. The housing session identified this as an area of enormous untapped potential.
- Publish the revised Transformation Fund document for public discussion and align the gazetted BEE codes with the fund's intent, so that enterprise and supplier development can begin to function as a growth-linked mechanism rather than a compliance exercise.
- Accelerate the review of the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act (Act 36 of 1947) to remove regulatory delays on the registration of new technologies and agrochemicals that constrain agricultural competitiveness.

## Medium-Term: Structural Reforms

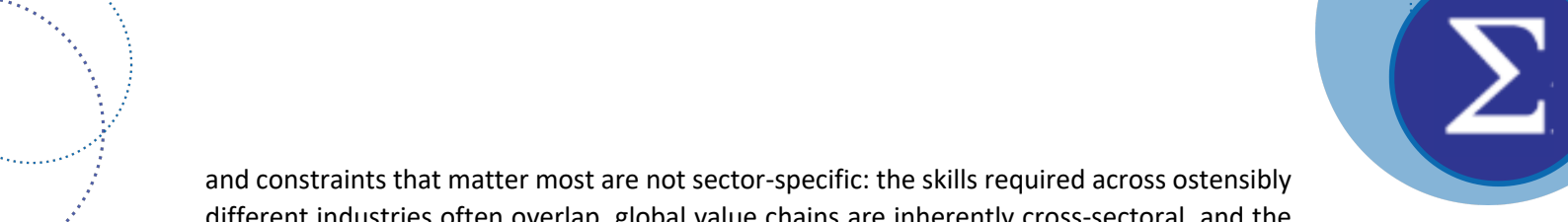
These require sustained implementation over two to five years but are already in motion or have clear institutional pathways.

- Accelerate network sector liberalisation in electricity, rail, ports, and water. The energy transition is the single most powerful driver of investment and competitiveness: South Africa's most recent solar procurement rounds achieved the world's cheapest prices, and a pipeline of 224 gigawatts of renewable energy projects is in development. Completing the unbundling of Eskom, introducing a competitive wholesale electricity market, and opening rail and port operations to private participation would reduce costs across the entire economy.
- Expand and better resource market inquiries as a tool for structural reform in competition policy. Market inquiries have delivered the most concrete outcomes of any competition intervention - including the removal of exclusive retail leases - and deserve greater emphasis in a pro-growth competition strategy.
- Invest in trade negotiating capacity to pursue a diversified set of trade agreements beyond the AfCFTA, including the opportunities being explored with China, India, ASEAN, and the Middle East. Within the AfCFTA, prioritise the non-tariff and trade facilitation dimensions - the trade facilitation agreement, the digital trade protocol, and the services protocol - over tariff reductions.
- Devolve housing budgets and regulatory authority to metros and invest in infrastructure to support small-scale rental housing as the fastest route to scale. Support the emerging private multifamily rental sector and inclusionary housing policies. Reform land use regulation and building standards to reduce approval timelines and enable densification.
- Reform the public procurement system to reduce both corruption vulnerability and operational burden. Make all tender information publicly available online. Develop regulations under the Public Procurement Act that balance transparency with operational efficiency.
- Depoliticise senior public service appointments and restore performance incentives in the civil service. Reform the SOE ownership and governance model, rationalise underperforming entities, and restore developmental mandates.
- Resolve the agricultural data gaps on employment and GDP measurement that currently undermine evidence-based policymaking, and scale the recruitment and training of extension officers to close the extension-to-farmer ratio gap.

## Longer-Term: Systemic Shifts

These require changes in how the country thinks about and organises economic policy, and their effects will unfold over five years and beyond.

- Reorient industrial policy from sector-specific targeting toward cross-cutting improvements in the business environment that benefit all firms. The conference found repeatedly that the skills, capabilities,



and constraints that matter most are not sector-specific: the skills required across ostensibly different industries often overlap, global value chains are inherently cross-sectoral, and the binding constraints - energy, logistics, regulation, skills - are horizontal.

- Redesign BEE to weight enterprise development, skills, and procurement over ownership, with time-bound targets, outcome-based measurement, sunset provisions, and systematic review - as originally recommended by the BEE Commission in 2001. Build the venture capital ecosystem needed to support the pipeline of black-owned SMEs that the current framework has failed to create.
- Develop a dual strategy for manufacturing and services that recognises manufacturing's role in innovation, value addition, and demand linkages while accepting that mass employment growth will come primarily from services. This requires industrial policy for services - including incentives for direct employment and productivity support in the subsectors absorbing the most workers - not treating services growth as a passive residual.
- Overhaul the skills development system, including the SETAs, accreditation processes, and the employer training rebate, to produce the capabilities the economy actually needs and to restore cooperation between government, business, and education institutions.
- Recognise services — including logistics, finance, warehousing, digital services, and services to agriculture — as a primary source of employment growth in their own right, not merely a by-product of activity in the productive sectors. Skills development, regulatory frameworks, and industrial policy incentives should be extended to the services subsectors where employment is actually being created, including through measures to formalise and support informal services enterprises that already form part of the value chains of agriculture, manufacturing, and trade.
- Embed a “productivity proofing” framework in policy design: every industrial, trade, labour market, and competition intervention should be assessed for its effects on resource allocation, firm dynamism, capability upgrading, and worker progression — not only on its stated primary objective.
- Address the spatial legacy of apartheid through integrated housing, transport, and urban policy that reduces the cost of labour market participation and connects township economies to broader value chains. This is not only a housing policy; it is a productivity policy.

## Closing

This conference brought together over 30 presenters and panellists from government, business, academia, and international organisations for a deliberately non-academic conversation about growth. The tone was sharp and practical. The participants included a Director-General, a head of strategy at the Presidency, a BEE Commissioner, competition authorities, trade negotiators, city officials, and some of South Africa's leading economists. It was an attempt to get the people who make policy and the people who study it into the same room.

The conference examined agriculture, manufacturing, trade, competition, housing, investment, structural transformation, and empowerment across ten sessions. Individual session reports are available for each. What was most striking was that sessions organised around specific sectors kept arriving at the same horizontal diagnosis - a finding that itself challenges South Africa's tendency toward sector-specific policymaking.

What emerged was not a set of novel prescriptions. Much of what was said has been said before - the housing discussion revived arguments from the 1990s, the trade session echoed debates that are decades old, and the BEE Commission made recommendations in 2001 that were never followed. What was new was the convergence. Ten sessions, spanning the full breadth of South Africa's economic landscape, arrived at essentially the same diagnosis and pointed to essentially the same set of constraints.



The barriers to growth are known. The solutions are largely known. The gap is between diagnosis and implementation. The closing panel reflected on this honestly: many of the participants had been inside government and had grappled with these very issues from positions of authority. The answers were not straightforward then, and they are not straightforward now. But the macro environment is more favourable than it has been in over a decade, the reform programme is advancing, and there is a window - perhaps a narrow one - in which the microeconomic foundations of growth can be strengthened in ways that would make a material difference to investment, employment, and inclusion. Whether that window is used or wasted will depend on whether the country can move from the conference room to the implementation that has, for too long, been the binding constraint on South Africa's future.