



Outcomes of investment climate research

V2

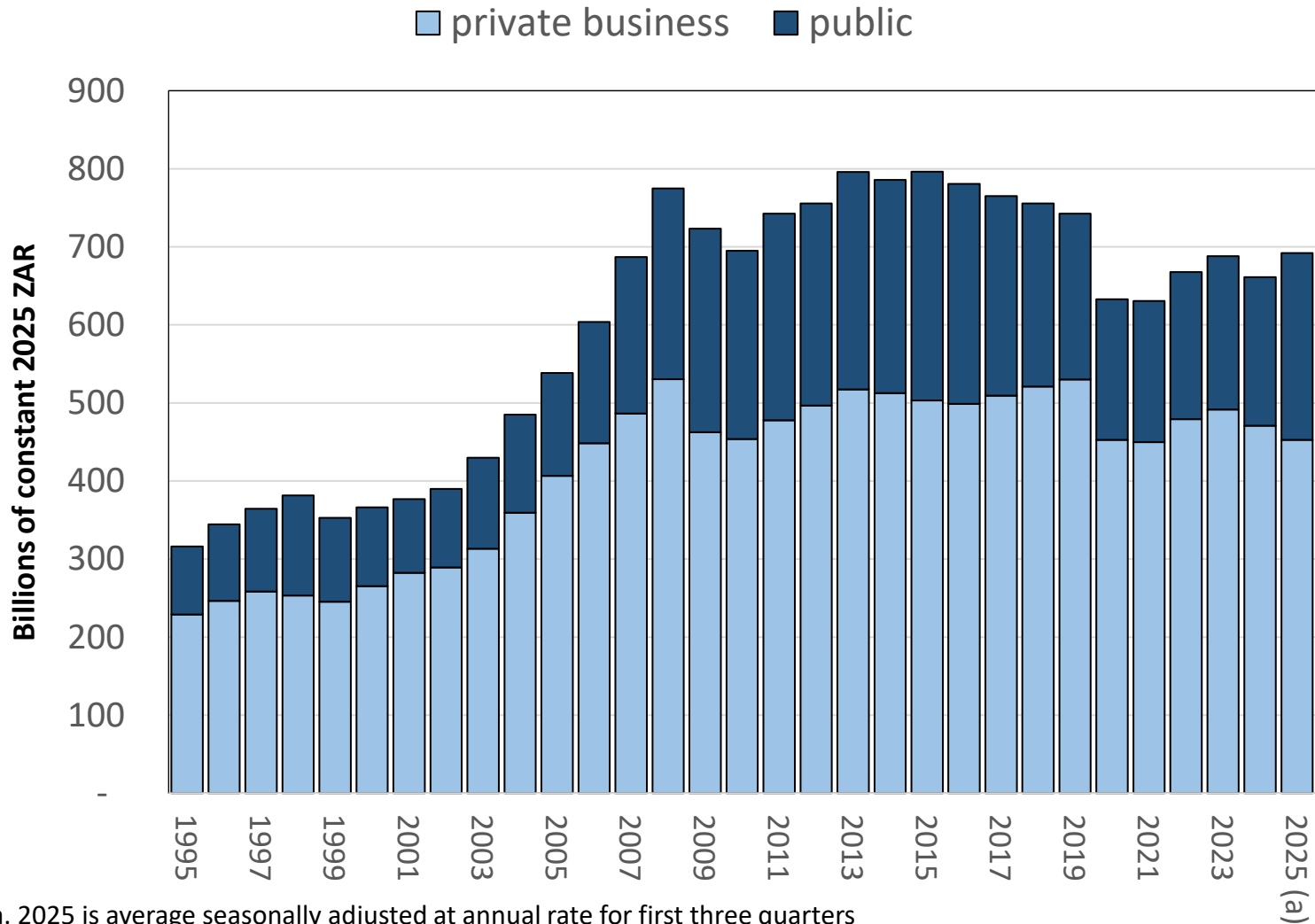
February 2026

Background

- TIPS asked to evaluate SA Investment Mobilisation Drive in 2024 – five years after first event
- Drive aimed to re-build confidence of private direct investors in particular following state capture
- Paper aims to understand what worked and what did not
- To that end, analysed investment trends; evaluated business perceptions through survey and interviews; and assessed government responses

Investment trends

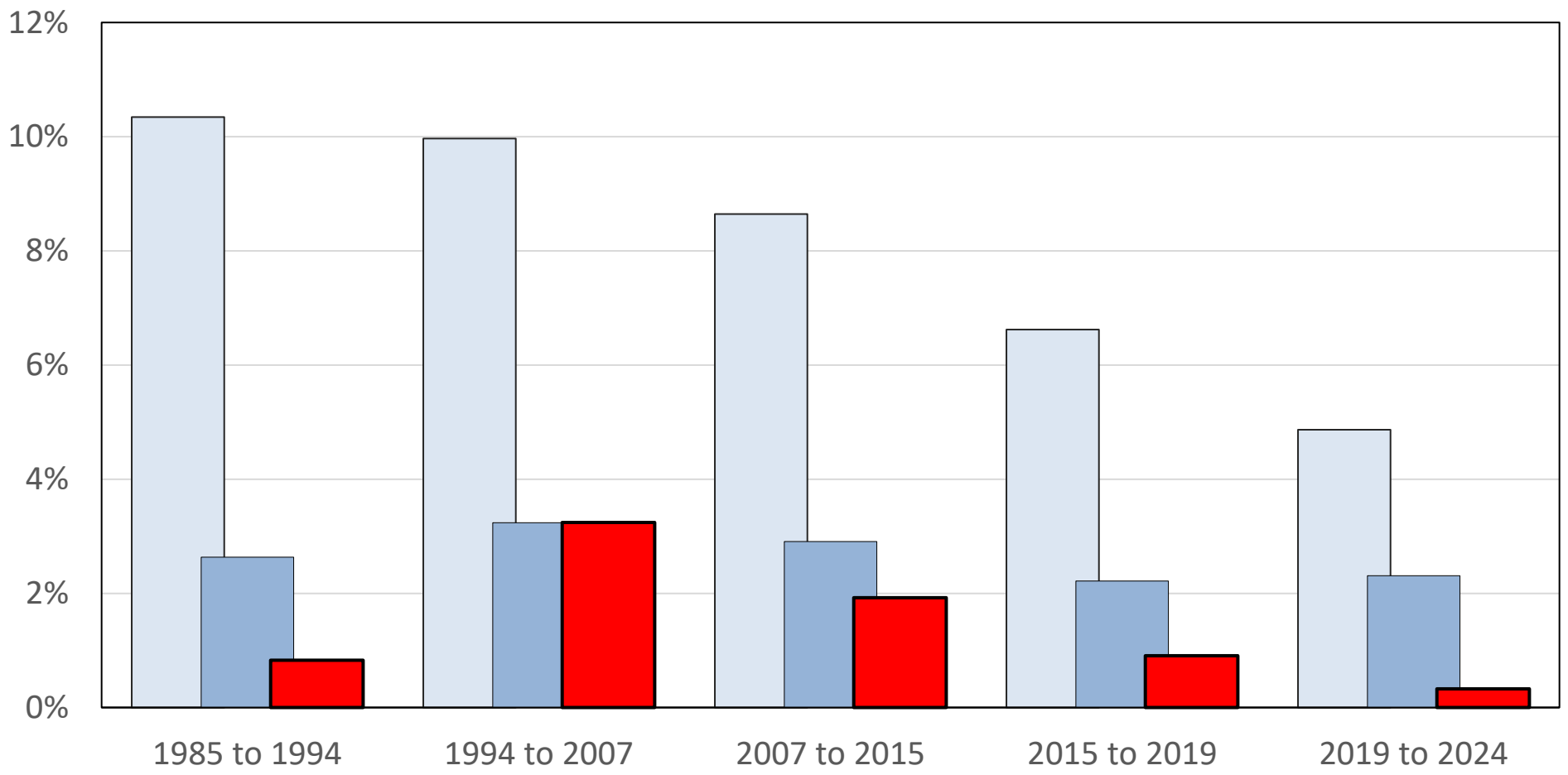
- Private investment did not scale up significantly, and in fact has declined since 2023
- Main factors:
 - COVID 19 pandemic
 - Slow response to loadshedding in 2023



GDP growth compared to peers

Average annual growth rate

China Upper middle income ex SA and China South Africa

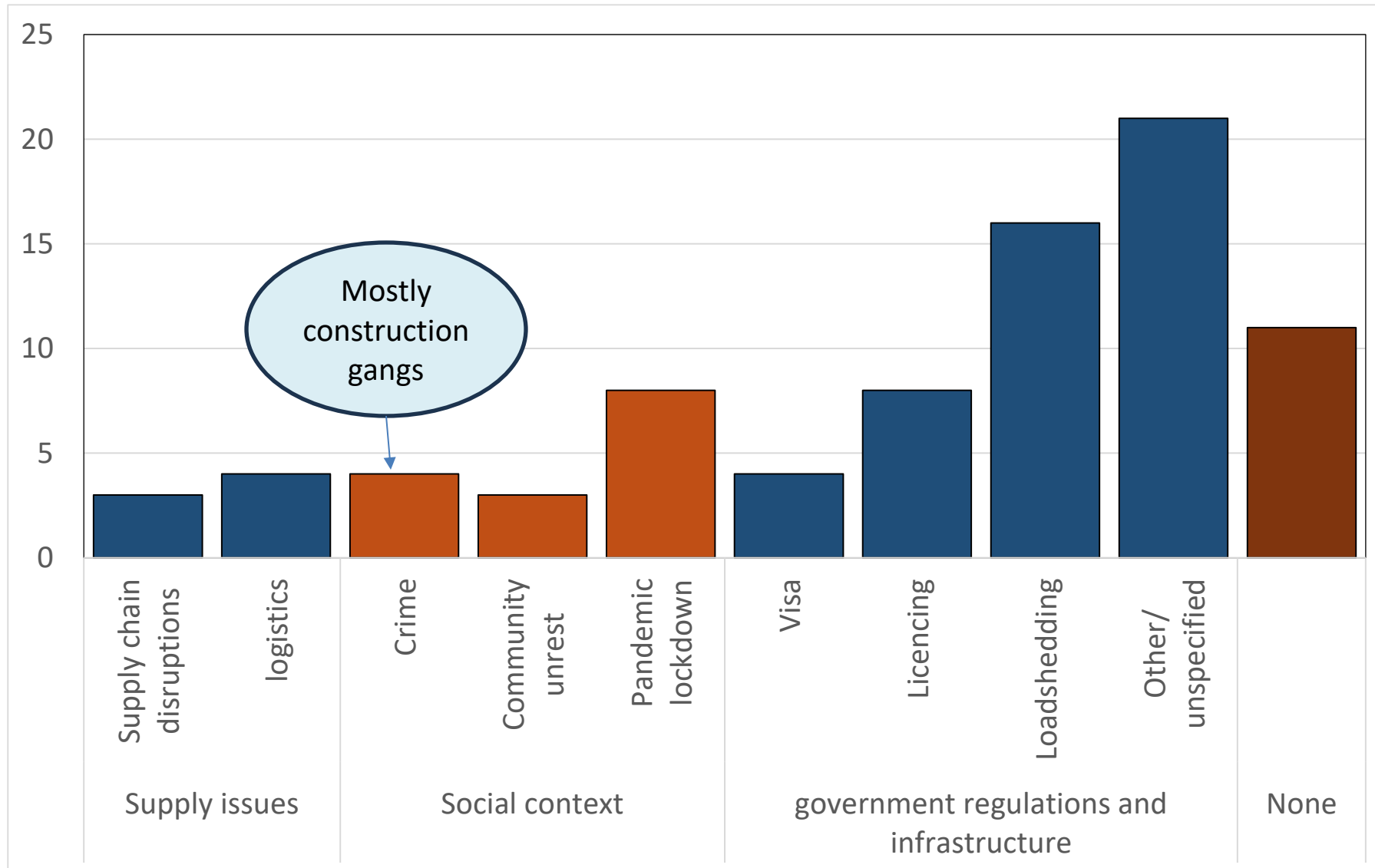


Why?

- Investment drive was necessary but not sufficient
- Important platform to engage with business
- But did not lead to hoped for process of dealing with obstacles for new investment
- Company perceptions
 - Appreciated platform for engagement – able to voice concerns as well as try to mobilise others to invest
 - Were not significantly affected by investment incentives (reflects international experience that most only shop for incentives after key decisions have been made)
 - More important were SA's own opportunities and potential as gateway to the rest of Africa
 - BUT major concerns around government ability to sustain ecosystem:
 - Loadshedding peaked at the time of the survey
 - Issues also with rail and water
 - Delays and administrative burdens around regulatory permits and licences
 - Corruption and, in the case of large construction sites, extortion gangs and in a few cases community conflict.

Why is it so hard to ensure consistent responses to producer needs?

Perceptions of blockages in survey



Different analytical levels

Systemic: Post colonial malaise

- Before 1994, infrastructure, rule of law for formal business and cheap labour were key commitments to business, offsetting other problems
- Now: How to manage demands in as true democracy with such unequal economic power?
 - Demands for improved services for households, many of which cannot pay – pressure to reduce maintenance for existing systems
 - Social and economic divides between historic economic elites and new political leadership
- Result: inconsistent responses with pendulum swings between antagonism and sycophancy

Governance: fragmented and contested mandates

- How to ensure adequate prioritisation of business needs?
- Dtic only directly controls tariffs, designations and some funding – limited influence on infrastructure, education and visas for skilled people and investors, licencing processes, etc.
- Also has to deal with trade offs between mandates (growth, promoting black ownership, tech advances, growing employment, provincial equity...)
- Who is responsible for responding when the lights go out?

- Fiscal: Impact of state capture
 - Jump in state spending increased debt but did not deliver higher productivity (Eskom, Transnet)
 - Makes it harder to improve services now

What we need

- More capacity to analyse business needs and demands
 - Early warning system
 - Sufficient access to expertise to analyse lobby demands so that can trust response
 - Mandating and dispute settlement system within government
 - Discipline across departments to adhere to priorities

- Clarify economic mandate and how balance with socio-economic demands
 - Systems to identify trade offs and manage them coherently
 - First step is to admit they exist and ensure consistent analysis of individual measures
- Separate mandates for economic departments so that can analyse more clearly
 - Drive economic growth
 - Job creation
 - More diverse ownership
- Requires clarity about importance of accelerating investment and competitive growth plus systems to identify and analyse trade offs
- Balance between protecting existing businesses and promoting new clusters – former lobbies harder

- Ultimately, need to address inequality in be able to sustain supportive ecosystem for existing businesses
- Focused programmes to
 - Support new livelihoods on mass scale, both waged and in own account
 - Promote career mobility for less skilled workers
 - More equitable education and improved visa system to reduce pay gap



Ke a leboha!