

THE OUTCOMES OF THE RECENT SA LOCAL ELECTIONS SEND A POTENTIALLY POSITIVE ECONOMIC MESSAGE, SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST, PROF RAYMOND PARSONS - 7 AUGUST 2016

'The highly successful management of the recent local elections and the emergence of greater political competition in SA send a positive message to investors and credit rating agencies at a time when the economy badly needs it. The elections reflect a vibrant young democracy which is now developing a degree of political 'maturity'. It also holds out the prospect that, if the government correctly interprets the broad outcome of the local elections, the economic reform measures needed to avoid an investment downgrade when the credit rating agencies revisit SA in December will now be expedited. Key decisions still need to be taken and visibly implemented timeously. Credit rating agencies previously gave waiting for the local elections as one of the important reasons why they did not downgrade SA to junk status in June. The SA economy is not yet out of the woods.

The extent to which the major overall issues of unemployment and poverty, delivery failures, poor governance and corruption dominated the recent political campaign over more parochial matters remains striking. These so-called 'bread-and-butter' concerns regularly and strongly surfaced in the political debate. They came to play a significant role in the local election outcomes at a time when the socio-economic implications of a weak economy were being widely felt. The current outlook is for zero economic growth in 2016.

The shifting political landscape at municipal level therefore provides much hope - but also additional uncertainty - about whether more political competition and the prospect of 'coalition politics' will now successfully address certain major concerns, such as delivery failures and job creation. The test will lie with the leadership of the various political groupings to effectively answer to the new mandate of the citizenry. Economic upliftment must not become hostage to 'hung' councils or political obstructionism. Stable and good municipal governance is needed to spur local economic development. Any prolonged 'political gridlock' will complicate decision-making and hamper development. The uncharted political waters in SA presently offer both opportunities and risks in finding better solutions to its socio-economic challenges.

The shifting balance of power in both metropolitan and rural municipal areas can also create enhanced new opportunities to promote local economic development more vigorously, by encouraging a more 'business friendly' environment. This is especially so for small and medium businesses, where bureaucracy in the municipal system often restrains these firms' growth. Local business, such as through its Chambers of Commerce and similar structures, needs to 'step up to the plate' to assist municipal government performance more pro-actively. It may in many local authorities now find a more receptive environment.

There now therefore needs to be a greater emphasis on how business can collaborate more successfully with newly-elected municipal governments to promote economic development. It is also desirable to reduce excessive local reliance just on national economic policy and initiatives, although the support of the latter remain indispensable. In other words, there is now additional scope and opportunity to strengthen 'bottom up' development, which would also be in line with the thrust of the National Development Plan.

Business and the municipalities' new political leadership thus need to seize the moment sooner rather than later to forge stronger relationships to build intensified cooperation. It would mirror similar renewed senior business and government interaction at the national level. A key issue here will be the greater responsiveness of municipalities to the needs of business and the stronger encouragement of local entrepreneurship to help job creation. The private sector should be fully mobilized. A more concrete partnership between business and municipal governments in future could make the new political alignments a much more effective instrument for local economic development'.