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Dear Sir

South Africa's constraints to economic growth and overcoming them

The South African Institute of Race Relations (IRR) hereby welcomes the recently published report by the World Bank, *Driving Inclusive Growth in South Africa*.

The IRR is a leading think tank in South Africa for pro-liberty, pro-growth ideas and policies. Over the almost century of our existence, since our establishment in 1929, we have promoted these values in a consistently non-racial way, seeking to unlock the potential of #WhatSACanBe. This approach brought us into conflict with apartheid-era governments for opposing their race-based policies. However, recent years have seen us increasingly opposed by ANC-led governments since 1994 for the same reason. Whilst championing both non-racialism and economic growth as means for upward social mobility, the World Bank's report on driving inclusive growth in our country came as a particularly constructive contribution to the policy debate in South Africa.

Publication of the report has, as no doubt you are aware, generated fervent discussion and debate about a topic long considered a matter of settled consensus by those in power and above reproach. That topic is of course Black Economic Empowerment (BEE). The IRR has long worked against this destructive, pro-poverty "consensus", and the public debate triggered by the publication of *Driving Inclusive Growth in South Africa* represents another valuable and demonstrable breakthrough in public dialogue on this topic.

The World Bank rightly highlights in its report that BEE, and other race-based policies like it, are a noose around the neck of our economy. It correctly argues that such policies are not only detrimental to wealth creation by businesses and private individuals, but also to public administration straitjacketed into eschewing merit-based and value-for-money objectives in favour of so-called "transformation" that sacrifice proper state function to the benefit of a small politically connected elite. The result of this, the report posits, has been steep unemployment, institutional rot and decay as the economy fails to grow and corrupt entities leech off public resources and contracts, compromising economic growth and undermining, to the cost of service delivery to the poorest, the state's overall effectiveness.

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These findings echo the IRR's own warnings over decades about these policies that sabotage government operations, misallocates precious public resources, stifle economic activity, and lock unemployed citizens out of possible labour participation and upward socio-economic mobility.

To promote the proliferation of these points into public and political debate and discussion effectively and credibly, the IRR annually publishes our *Blueprint for Growth* paper series. This series comprises eight policy papers, each identifying barriers to economic growth and how these could be overcome for the benefit of all South Africans. As a significant and obvious barrier to economic growth, BEE and other race-based policies are addressed in several of the *Blueprint for Growth* papers, including:

- IRR Blueprint for Growth Paper 2: Cut VAT and BEE (2025);
- IRR Blueprint for Growth Paper 3: Breaking the BEE Barrier to Growth (2024); and
- IRR Blueprint for Growth Paper 6: Generating Jobs and Skills for Prosperity and Growth (2024).

All three these papers are attached for your perusal to this correspondence.

Every year, the IRR commissions opinion polling on a range of matters related to the South African political economy. In our latest survey, published in October 2024, we found a clear majority of South Africans (76%) in favour of merit-based policies in contrast to race-based policies like BEE. For your consideration of South African public opinion, we attach also the IRR's report on these polling findings.

On behalf of the IRR, I hereby extend an open invitation to the World Bank for further discussions on the socio-economic challenges facing South Africa. Like the World Bank, we seek economic growth that removes the barriers that, reminiscent of apartheid-era policies, excluded decent, hard-working people from the national economy.

Yours sincerely,

Makone Maja
IRR Campaign manager

