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The IRR's Blueprint for Growth: Arming SA's Pro-Growth Forces

February 2026

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Executive Summary

South Africa is in serious economic trouble. It has been stuck in a low-growth rut for over a decade. As a result, since 2008, the country's Gross Domestic Product (GDP) per capita has remained stagnant. By contrast, global GDP per capita has grown by 33.9%. South Africa's unemployment rate has surged to 31.9%, among the world's highest, with over 8 million people out of work.

Public debt is mountainous and the Treasury is struggling valiantly to stop it from rising. Fixed investment, an important driver of economic growth, has seen a substantial downturn, with total real investment declining by almost 15% from R775bn in 2008 to R661.1bn in 2024.

The lack of investment by the private and the public sector has started affecting the infrastructure that forms the backbone of the country's economic activity. Nearly half of households have reported experiencing water interruptions lasting for 48 hours or more at a time (33.7% or 6,589,000 households) or a cumulative interruption of more than 15 days (19% or 3,712,000 households) over the course of 2024. The government provided 171,800 fewer housing opportunities in 2023/24 than in 2007/08.[1] The passenger rail sector provides one of the starkest illustrations of infrastructure decline, with a staggering 58.8% drop in journeys between November 2008 and November 2025.

At the same time, rising crime rates, including murder, theft, and vandalism, have created an environment of instability.

Policy choices such as expropriation without compensation and race-based laws are eroding confidence, deterring investment, and discouraging entrepreneurship. High taxes and excessive regulation, as part of government's focus on wealth redistribution instead of wealth creation, have entrenched reliance on government benevolence.

Under current conditions, growth will remain low, unemployment will continue rising, and South Africans will continue to be deprived of the opportunity to create a better life for themselves and their families. Changing this requires the government to adopt a single-minded focus on achieving much higher growth rates, without which the many ills plaguing the country cannot be ameliorated.

Fortunately, there is a formula for rapid growth. The core elements in the growth formula are well known and backed up by decades of research covering countries right across the globe. They are founded on the basics of protecting life, liberty and property, and include:

1. Expanding capital inflows and foreign direct investment (FDI) – especially fixed investment – into South Africa, so as to start raising the growth rate and increasing fixed capital formation;
2. Building and maintaining essential economic and social infrastructure to stimulate growth and provide a solid foundation for further economic expansion;
3. Translating increased growth into increased employment; and
4. Helping the disadvantaged climb the economic ladder to increased prosperity, while sustaining current social protection.

This paper[2] urges that economic growth be placed front and centre of public policy in South Africa. It provides evidence for the benefits of economic growth, explains why South Africa has failed to achieve it, and describes what needs to change for the South African economy to grow rapidly.

Why South Africa needs a growth plan

For once, the economic wind appears to be at South Africa's back, with global conditions turning more supportive after years in which a strong dollar weighed heavily on emerging-market currencies. This shift has been driven largely by the Trump administrations' double deficit developments in the United States; expanding budget deficits under the One Big Beautiful Bill Act, together with widening trade deficits under the renewed "America First" trade policies.

Alongside these fiscal and trade pressures, monetary conditions have also shifted, with interest rates cut and growing uncertainty related to the future independence of the Federal Reserve. As a result, the US dollar has weakened by over 10% year-to-date against major currency baskets. This has provided substantial support to the Rand, which has appreciated roughly 13% against the dollar, strengthening from about R18.80/$ in January 2025 to around R16.40/$ by year-end – the Rand's best annual performance since 2009.

This weakening of the dollar has been accompanied by a broader repricing of risk and assets globally. Gold prices have surged to record highs as global central banks accelerate efforts to reduce their reliance on the dollar and investors seek protection in an increasingly fractured geopolitical environment. Oil prices have also firmed, driven largely by geopolitical risk in the Middle East and stronger demand conditions created by a cheaper dollar.

Together, this combination has proved unusually supportive for South Africa, lifting export revenues, strengthening the rand, easing inflationary pressure, and attracting renewed portfolio inflows as global fund managers search for yield and resource exposure. Beyond cyclical market movements, South Africa has also benefited from a global treasure hunt for critical minerals and strategic resources.

While global conditions have provided the dominant tailwind, domestic political developments have also contributed. Following the May 2024 national elections, which reshuffled South Africa's political deck, a distinct shift in the public mood became apparent in the second half of 2024. Polling revealed broad support for the Government of National Union (GNU). Business and consumer sentiment improved. The currency strengthened and bond yields dropped, indicating that South Africa's sovereign debt was starting to be seen as less risky. Whereas newspaper headlines had been uniformly gloomy for several years prior to the elections, they now began to reveal flashes of hope and optimism.

That initial improvement in sentiment proved fragile, but not short-lived. Despite doubts about the GNU's survival following the budget crisis around a VAT increase proposed by the African National Congress, rising tensions with the United States, and a renewed wave of high-profile corruption allegations, the 2024 optimism was re-established from around the third quarter of 2025.

Markets responded accordingly, with the rand strengthening by roughly 9% against the dollar by November 2025 and equity prices performing well on the Johannesburg Stock Exchange (JSE) All-share Index.

Following the formation of the GNU, the JSE had previously exhibited relatively modest capital appreciation. In contrast, in 2025 the JSE All share Index had risen by 37% for the year by November. Bond markets also rallied strong as perceived risk dropped, making South African government bonds among the best performing asset classes globally. By the end of 2025, benchmark yields reached their lowest levels in seven years, with the 10-year bond yield down by around 160 basis points. However, most of the domestic confidence-boosting developments have already been realised, including political stabilisation under the GNU, incremental progress under the government's flagship reform programme, Operation Vulindlela, removal from the Financial Action Task Force greylist, a one-notch upgrade by S&P, improved fiscal credibility through the 2025 Medium Term Budget, the adoption of a 3% inflation target, and the South African Reserve Bank's (SARB) cautious easing cycle.

This combination of global support and domestic stabilisation has improved conditions, but it is not enough for sustained economic growth at high levels. While the recent improvement in confidence has translated into slightly faster economic growth, the bar remains dangerously low. Tripling South Africa's 2024 growth rate in 2025 would still leave the economy expanding by only around 1.5%. While any uptick in growth is welcome, growth at this level is wholly inadequate to reduce unemployment and raise living standards, never mind reversing the country's long-term decline.

Worse, a modest recovery risks breeding complacency among political and business elites, thereby dulling the urgency for the reforms required to place South Africa on a genuinely high-growth path.

The ANC, initially shaken by the election outcome in May 2024, has been acting with growing assurance in pursuing its original policy thrust, inspired by the ideology of the National Democratic Revolution (NDR). It has been at pains to emphasise – in the president's January 8th statement in 2025 – that cooperating with the other GNU parties was merely a tactical move, a marriage of convenience, not conviction. He repeated his party's commitment to the NDR in the 2026 January 8th statement.

The strident objections of coalition partners, for example to the Basic Education Laws Amendment Act and the National Health Insurance, were brushed aside. Trade and industry minister Parks Tau has provoked vociferous opposition in proposing to set up a racialised Transformation Fund worth R100 billion, to which businesses are supposed to make significant contributions. President Ramaphosa signed into law the Expropriation Bill. A more anti-investment and anti-growth piece of legislation is hard to conceive.

While ANC leaders have paid lip service to the importance of economic growth, this has not been matched by action. They appear content to aim for low growth rates, which are to be achieved through limited and slow-moving reforms in infrastructure, especially. There is no turning away from the party's fundamental precepts, which are inspired by notions of redistribution, centralisation, state intervention in the economy, and clientelist politics.

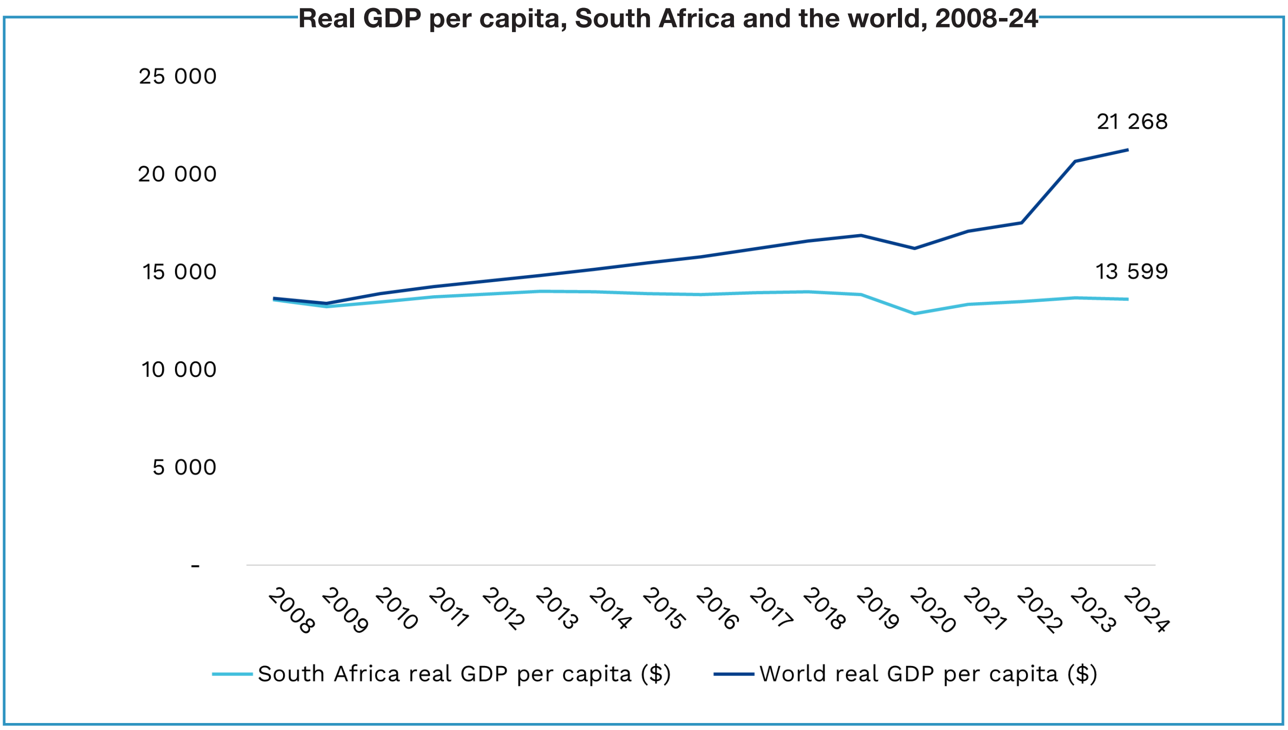
For now the prospect is that the governing party, having been startled awake by the election and with Local Government Elections on its doorstep, is ready to resume its comfortable socialist slumber. This will leave South Africans poorer and weaken social cohesion.

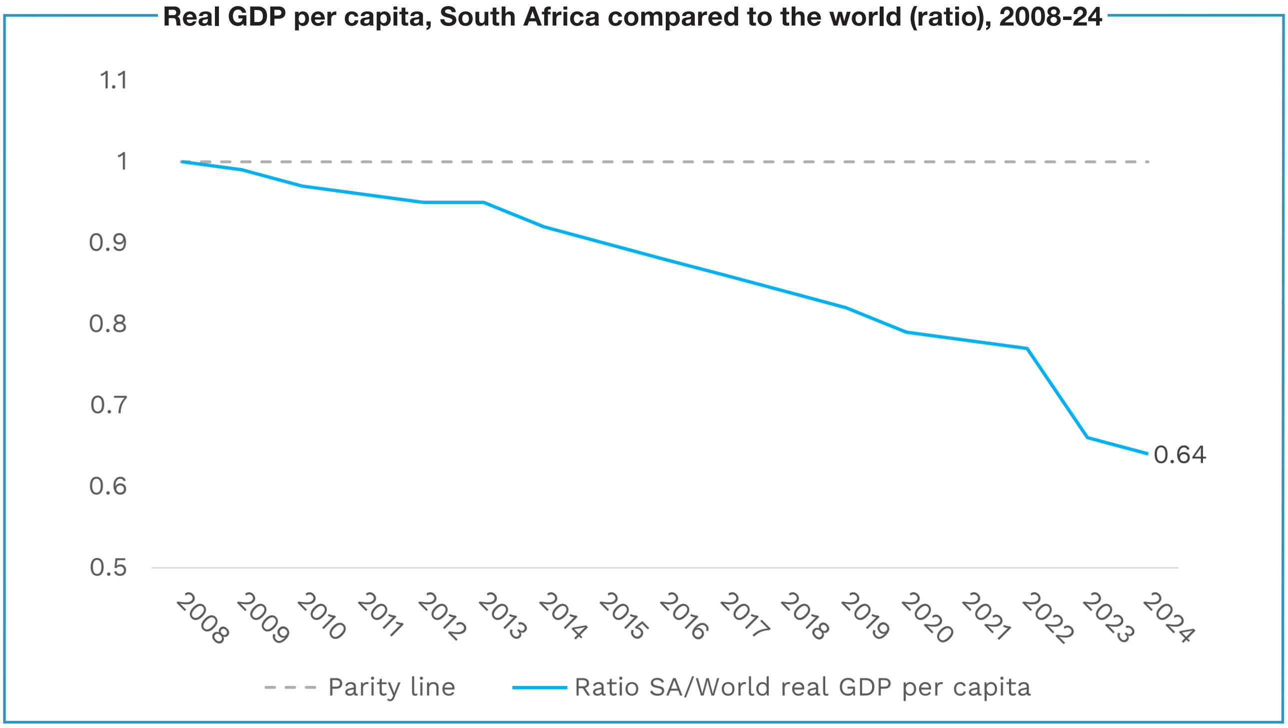
The IRR's recommendations on how to achieve higher growth rates, with all the benefits attendant, remain in place for the country's decision makers to adopt. The numbers in this report have been updated. The recommendations remain the same. They may be explored in greater detail in the remaining seven papers in this series, all of which may be downloaded from the IRR's website.

South Africa's growth record

On the evidence, the performance of South Africa's government over the past decade-and-a-half has been underwhelming.

Whereas in 2008, South Africa's GDP per capita ($13,596) was at the same level as global GDP per capita ($13,659), a growing gap started opening up as the world economy resumed its growth after the Global Financial Crisis, while South Africa's stagnated. Sixteen years later, in 2024, South Africa's GDP per capita was unchanged ($13,599) while global GDP per capita had risen by 35.8%, to $21,268. South Africa is falling behind the rest of the world.[2]





Source: World Bank, At constant 2015 prices, 2026; own illustration.

A 2025 opinion survey by the Brenthurst Foundation found that 70% of respondents felt that the country was heading in the wrong direction.[3] In a poll conducted by the IRR in 2025, 79% of respondents said their lives had not improved over the previous five years.[4]

Decades of mismanagement, unbridled spending, and harmful economic policies have created a dangerous mix. In recent years, this has been made worse by unprecedented loadshedding, a sharp deterioration in rail and port services, and a plague of vandalism, theft, extortion, corruption, murder, arson, and other crimes.

The responses of successive ANC administrations have been sorely lacking. After three decades of rule, the governing party and the government it leads have become sclerotic and devoid of fresh ideas. The inclusion of other parties under the Government of National Unity has so far shown little impact. Despite the stated intention of combating joblessness, inequality and poverty, all three key metrics have shown little sign of substantive improvement.

The number of people without work has risen from 4.3m in 2008 to 8.4m in 2025, while the unemployment rate increased from 22.8% to 33.2% on the official definition.[5] Including discouraged work seekers who have given up looking for work (the “expanded” definition of unemployment), the rate increased from 29.5% to 42.9%.[6] Rising joblessness has been one of the major drivers of growing inequality, higher now than at the end of apartheid in 1994.[7] And after a promising start in the first half of the democratic era, poverty reduction “came to a halt in 2011”.[8]

The government has resigned itself to administrating misery through state alms and subsidies, rather than resolving it. While paying lip service to desiring economic growth, in reality its ambitions extend no further than helping the poorest stave off total destitution by providing them with dysfunctional state services and miserly social grants.

Entirely missing is any ambition to combat poverty and defeat it decisively, rather than simply overseeing it. That is entirely unsatisfactory. The main objective of the South African government should be to eliminate poverty by increasing prosperity.

Contrary to the apparent belief of the ANC, poverty cannot be defeated through redistribution. It can only be beaten by fast economic growth.

Fortunately, there is a formula for rapid growth. All the countries which have applied this formula have greatly boosted their wealth, brought prosperity to their people, and pushed poverty close to zero.

This paper urges that economic growth be placed front and centre of public policy in South Africa. It provides evidence for the benefits of economic growth, explains why South Africa has failed to achieve it, and describes what needs to change for the South African economy to grow rapidly.

The core elements in the growth formula are well known and backed up by decades of research covering countries right across the globe. They are founded on the basics of protecting life, liberty and property, and are described in greater detail in this document.

The simple and workable policy proposals the IRR puts forward in this paper will boost investment, growth, and employment. They will reach right down to the grassroots in expanding prosperity and restoring hope. They are generally inexpensive to implement – but require clarity of vision and firmness of resolve.

While providing an overview of how to achieve economic growth, this paper also lays the groundwork for a series of complementary papers that explore the various policies in greater depth, ranging from investment, infrastructure, and effective government to empowerment, education, jobs and law enforcement. The aim of this series is twofold: to encourage policymakers to prioritise economic growth – and to explain how to achieve it.

Why growth must be the top priority

In most ways that matter, the wealthy are better off than the poor.

They have access to more resources. They have more options in life. They have fewer existential worries, like where their next meal will come from. Instead, they can spend more time doing things they enjoy. They also have more ways to care for the people that matter to them, such as family or friends, and can afford to give to charities and worthy causes.

Clearly being wealthy is highly desirable. And what is true on the individual level is also true in aggregate.

On almost any metric you can think of, people in wealthy countries are better off than people in poorer countries.[9] They live longer lives and are healthier. They live in cleaner environments. They enjoy better public services and are less likely to fall victim to violent crime. They are more educated and have more leisure options than people in poorer countries.

They are the first to benefit from innovative new products and have a greater variety of products to choose from in shops. They are also happier.

But most importantly, they have more freedom. More income and greater wealth give you far more choices than when you are poor. Prosperity produces freedom, while poverty reduces it.

This is something the Economic Freedom Fighters (EFF) understood when they chose their party name.

However, the EFF – like many other political parties in South Africa, including the ANC and its alliance party, the South African Communist Party – do not know that the inverse is also true: economic freedom produces prosperity, while lack of economic freedom produces poverty. (We will discuss economic freedom in more detail below.)

Instead, such parties believe that restricting the economic freedom of individuals – by placing the state at the centre of the economy, heavily regulating businesses and market participants, engaging in burdensome taxation and large-scale redistribution, and focusing on wealth extraction rather than wealth generation – will produce prosperity. But this is not the case, as the experience of South Africa over the past decade-and-half has shown and many other countries have also experienced.

Wealth comes from sustained economic growth. For example, an economy that grows by 7% per year will double in size in a decade. The higher the growth rate, the shorter the time to achieve prosperity.

As a handy rule of thumb, dividing 70 by the growth rate in percent will tell you how many years it will take for the economy to double in size. Since 2008, South Africa's average growth rate has been around 1.3%. At the current pace it will take 54 years for South Africa to become twice as prosperous as it is today! As a nation, we should not be satisfied with that. Achieving high rates of economic growth as soon as possible is necessary to lift millions out of poverty and open up horizons of freedom for them.

The compounding effects of growth – where this year's growth builds on last year's growth, like a rolling snowball gathering snow – are hard to overstate.

For example, in 1950 the Democratic Republic of Congo (DRC) and Sierra Leone were wealthier on a per capita basis than Taiwan and South Korea. Fast forward six decades to 2016, however, and per capita income had halved in the DRC and Sierra Leone. In stark contrast, Taiwan and South Korea, both former colonies of Japan, were no less than 30 times richer than in 1950 – all thanks to sustained economic growth.[10]

Not coincidentally, Taiwan and South Korea consistently rank as being among the most economically free countries on earth. The Heritage Foundation ranks South Korea as being 17th freest in its 2025 Index of Economic Freedom, with a score of 74 out of 100. Taiwan is ranked 4th, with a score of 79.7. By contrast, the DRC is ranked 161st (47.3) and Sierra Leone 157th (48).[11]

South Africa is ranked an unimpressive 103rd and rated as economically "mostly unfree", sandwiched between Bhutan (102nd) and Madagascar (104th). Since 2018, when Cyril Ramaphosa became president and South Africa's score was 63.0, the country has registered a continuous decline in its economic freedom, dropping to 57.3 in the latest ranking.

As the detailed notes in the Heritage Foundation's report explain, South Africa's score is low because the overall rule of law is seen as weak, particularly when it comes to protecting property rights. The tax burden is high and the state is highly indebted. Complying with regulations is expensive and the labour market is inflexible. Extensive non-tariff barriers restrict trade freedom, and opaque laws discourage private investment.[12]

The other major economic freedom assessment, the Economic Freedom of the World report published by the Fraser Institute in Canada, ranks South Africa 83rd of 165 countries in its 2025 report, with a score of 6.61 out of 10 – tied with Oman but above Moldova. This places South Africa in the second quartile of the four economic freedom categories. As recently as 2013, it scored 7.00 and ranked 69th – 14 places higher than today.[13] South Africa's economic freedom is shrinking apace, and economic growth is disappearing along with it.

But what is economic freedom, exactly? At the individual level, the Fraser Institute defines it as follows:

> *Individuals have economic freedom when property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. Individuals are free to choose, trade, and cooperate with others, and compete as they see fit.*[14]

And at the country level:

> *In order to receive a high EFW rating, a country must provide secure protection of privately owned property, a legal system that treats all equally, even-handed enforcement of contracts, and a stable monetary environment. It also must keep taxes low, refrain from creating barriers to both domestic and international trade and rely more fully on markets rather than government spending and regulation to allocate goods and resources.*[15]

In calculating the economic freedom score, the Fraser Institute considers five basic areas, with South Africa's score and rank given in brackets:[16]

1. Size of government 6.05 (117) (previous year: 6.17 (115))
2. Legal system and security of property rights 5.88 (54) (previous year: 5.78 (59))
3. Sound money 7.68 (87) (previous year: 7.60 (85))
4. Freedom to trade internationally 6.97 (97) (previous year: 6.96 (97))
5. Regulation 6.47 (81) (previous year: 6.73 (68))

As is immediately apparent, "sound money" is by far South Africa's strongest point – a reflection of the South African Reserve Bank's discipline and professionalism. However, it is not a strong differentiator, as 88 other countries scored higher than South Africa on this measure. However, in all other areas South Africa scores below 7, with "legal system and security of property rights" the weakest point, with a score below 6. This is an area that most needs addressing, and many of the policy recommendations to follow in this and subsequent papers reflect that.

To summarise: first, being wealthy is desirable; second, the way to generate prosperity is through rapid economic growth; and third, the way to obtain rapid economic growth is by strengthening economic freedom.

From here, we will provide an overview of the current, disappointing outcomes South Africa's policy environment has delivered, before moving on to specific reforms that South Africa can – indeed, must – undertake to improve its economic freedom, spark growth, and generate wealth.

South Africa's performance since 1994

Following the democratic transition in 1994, South Africa embarked on a phase of economic and social transformation. During the era stretching between 1994 and 2008 the country recorded considerable improvements across a range of indicators. GDP witnessed an average growth rate of 3.6%.[17] Such growth was not merely statistical as it reflected a tangible increase in the number of jobs, which soared from around 8 million in 1994 to 14.5 million in 2008 – increasing by over 80%.[18] This expansion confirmed the economy's capacity to generate jobs and improve livelihoods while it was growing.

Moreover, there was a marked improvement in the average GDP per capita, which increased by 27% from R61,965 per year (in 1994) to R78,709 per year (in 2008), with both income figures adjusted for inflation.[19] Parallel to the economic advancements, the period also saw substantial progress in infrastructure and service delivery. From 1996 to 2010, for example, the number of families living in formal houses increased by 89.9%. Access to water and electricity in households increased by 127.9% and 76.6%, respectively.[20]

However, these advancements cannot mask the general sense of deterioration over the last decade and a half. The period from 2008 to the present has been marked by a discernible deterioration in the very same infrastructure and government services which had seen considerable advancements during the first 15 years of democracy.

Cumulatively, rising poverty, unemployment and frustration carry a grave risk of destabilising South Africa, already under siege from violent criminals. The murder rate halved from 67 murders per 100,000 people in 1994/95 to 31 per 100,000 in 2011/12. However, since then the murder rate has increased by a dramatic 32% to 41 murders per 100,000 people in 2024/25.[21] Furthermore, incidents of public violence per 100,000 people have risen from 2.8 in 2004 to 2.7 in 2024/25, though the latest figure is still higher than the 1.3 achieved in 2007/08. The ratio of the population to police officers worsened to 412:1 in 2024/25, which indicates a strained law enforcement capacity, whereas private security presence has become more prevalent, with a ratio of 102 people per security officer, in the same year.

Even before the Covid-19 lockdown began in 2020, the economy had already begun to falter badly, with growth rates coming in at 1.6% in 2018 and a meagre 0.3% in 2019. In 2020, after many months of lockdown restrictions, the economy shrank by a staggering 6%. Though GDP growth rebounded off this low base to 4.7% in 2021, it then dropped again to 1.9% in 2022. At the time of writing, the full-year figure for 2025 was not yet available; the quarterly figures for Q1-Q3 of +0.1%, +0.9%, and +0.5% suggested some recovery in momentum, though still well below what would be required for meaningful economic progress. The South African Reserve Bank (SARB) in November 2025 forecast dismal growth of 1.3% in 2025, 1.4% in 2026 and 1.9% in 2027.[22]

Key indicators of business, investor, and consumer confidence are at record lows with increased capital outflows and a scarcity of new direct investment. Debt levels have surged, with government gross loan debt increasing from 23.6% of GDP in 2008/09 to 77.9% of GDP in 2025/26.[23] Debt has grown much faster than the economy, and newly issued debt has become more expensive to service as South Africa's creditworthiness has been downgraded.

Debt-service costs have already risen sharply and are expected to average R454.5bn a year over the next three years – or more than R1.2 billion rand every day.[24] Already, annual debt service costs (R421.5bn) are far higher than the entire R298.9bn healthcare budget for 2025/26 (to name but one example) and are becoming increasingly unaffordable.[25]

The fiscal space which allowed a steady increase in welfare spending has disappeared, while the number of social grants being paid out far exceeds the number of people in employment. In 2001, before the major roll out of child-support grants, there were 312 employed people for every 100 social grants being paid out.[26] Now there are only 59 people with jobs for every 100 social grants (including the Social Relief of Distress grant).[27] Around half of all South African households receive at least one social grant, with 23.8% declaring social grants to be their main source of income.[28]

The sustainability of social grants is coming under pressure just as dependency on them is growing. This is a recipe for disaster. Hunger has increased sharply, causing great suffering. It is also contributing to social discontent and angry demonstrations, along with an upsurge in vandalism, theft, extortion, murder, and other violent crime. This is undermining the social stability needed to attract investment.

The only solution is to bring about a massive increase in entry-level employment in the slipstream of rising economic growth rates. People now entirely dependent on social grants will then have an additional source of income. Those with higher paid jobs will have fewer dependents to support. Domestic markets will expand, increasing the demand for goods and services and helping to create more jobs.

Investment, which is an important driver of economic growth, has seen a substantial downturn with total real investment declining by 13% from R775bn in 2008 to R661.1bn in 2024.[29] Policy choices such as expropriation without compensation and race-based laws are eroding confidence, with real GDP growth expected to continue trailing behind that of other emerging markets.

The lack of investment by the private and the public sector has started affecting the infrastructure that forms the backbone of the country's economic activity. Nearly half of all households reported experiencing water interruptions either lasting for 48 hours or more at a time (33.7% or 6,589,000 households) or a cumulative interruption of more than 15 days (19% or 3,712,000 households) over the course of 2024.[30] The government provided 171,800 fewer housing opportunities in 2023/24 than in 2007/08.[31] The passenger rail sector further exemplifies this decline, with a staggering 58.8% drop in journeys between November 2008 (76,578,000) and November 2025 (31,546,000).[32] This signals a major breakdown in the rail networks.

The energy sector encapsulates the broader infrastructural crisis with persistent loadshedding and a substantial decline in both electricity generation and distribution. In 2007, when loadshedding was first implemented, South Africans experienced 176 hours of loadshedding in total.[33] This increased 2.7-fold over the course of a year, resulting in 476 hours of loadshedding in 2008. The situation, despite numerous promises that things would improve, steadily worsened. By 2023, South Africans loadshedding was impacting 6,947 of the 8,760 hours of the year, the worst year on record and almost double the amount experienced in 2022.[34] This persistent energy crisis, alongside the crumbling infrastructure, has severely undermined investor confidence and placed a hard cap on economic growth. However, South Africa has been loadshedding-free since March 2024, although supply will come under pressure again should economic growth take off. According to StatsSA, South Africa generated 2% less electricity in 2025 than in 2024.[35]

The unemployment crisis in South Africa has become one of the country's most pressing challenges. The unemployment rate increased to 33.2%, translating to approximately 8.4 million individuals without work in 2025.[36] 76.8% of these unemployed people have been without a job for a year or longer.[37] Unemployment is particularly acute among young persons, with 34% of individuals aged between 15 and 24 years not in employment, education or training (NEET).[38] This underscores the vulnerability of the youth in the labour market and points to a larger systemic problem. The labour force absorption rate, particularly for new entrants, has decreased alarmingly, from 14.9% in 2009 to a mere 11.4% in 2025, the lowest across all labour market segments.[39] This decline is exacerbated by the fact that 43.2% of the total unemployed population are new entrants, with the number of unemployed new entrants more than doubling from 1.8 million in 2008 to 3.6 million in 2025.

That South Africa has no jobs for millions of its people is a human tragedy. It also makes for a colossal waste of human resources. Instead of being able to take care of their families and contribute to the economy, the unemployed depend upon the earnings of others. This places a major burden on those who do have jobs.

In many cases, the unemployed depend on child support and other grants, the R370 social relief of distress (SRD) grant introduced during the Covid-19 lockdown, or the broader social wage – defined as health, education, housing, social protection, transport, employment, and local amenities. Though this social welfare is important in helping to alleviate poverty, limited grants from the state are no substitute for earned income. They also risk becoming unaffordable and unsustainable, as public debt grows.

Increasing employment is therefore an economic necessity. It is also a political necessity, because it offers the only realistic way of reducing social instability. But, most importantly, it is a moral necessity and a key element in social justice and empowerment.

What the unemployed generally want most is the chance to work, earn an income, and start taking care of themselves and their families. They must be helped to do so, not hindered by policies that are within the power of the government to change.

Various steps are needed to help people into jobs. Given the connection between growth and employment, the first essential step is to raise the growth rate. If South Africa is to bring its unemployment rate down to single digits over the next decade, it must add roughly 900,000 net new jobs to the economy each year, with about three-eighths of that number absorbing the demographic growth in the labour force and the remaining five-eighths helping to whittle down the number of people currently without jobs.[40]

However, South Africa has generated only about 240,000 net new jobs per annum over the past two decades.[41] In addition, most of these jobs were created in the years when economic growth rates averaged around 3% of GDP. If South Africa is to start generating around 900,000 net new jobs a year, it will need an annual economic growth rate of between 6% and 8% of GDP (though it will take time to achieve this level of growth in the face of infrastructure and policy constraints).

Higher growth will boost not only employment but also tax revenues, which will allow more redistribution in the form of social grants and the wider social wage (free education, healthcare, housing and the like). We would then have both growth and redistribution. Though the government often seems to assume that this is impossible, there is in fact no zero-sum game between these two objectives.

How to trigger growth

On all the metrics listed above and many others besides, it is clear that a new approach with sound policies and a commitment to clean and efficient governance is urgently required to trigger economic growth and turn the country around.

The IRR strategy involves four successive steps, all of which can be initiated within months. Underlying all the elements of this reform plan is the recognition that what South Africa needs, more than anything else, is economic growth. As emphasised above, growth offers the only way to expand the economy, get people working, and empower them to rise out of poverty.

In a nutshell, the plan starts by recognising the importance of economic growth and then seeking to:

1. expand capital inflows and foreign direct investment (FDI) into South Africa, so as to start raising the growth rate and increasing fixed capital formation;
2. build and maintain essential economic and social infrastructure to stimulate growth and provide a solid foundation for further economic expansion;
3. translate increased growth into increased employment; and
4. help the disadvantaged climb the economic ladder to increased prosperity, while sustaining current social protection.

If implemented, these proposals will give South Africans a realistic chance to get ahead based on greatly increased employment, effective socio-economic empowerment, and a sustainable safety net that helps integrate even the poorest into an innovative and expanding economy.

In essence, the proposals entail removing barriers to economic activity and devolving decision-making to the individual South Africans who have the most to gain or lose from helpful or harmful policies. For example, the proposed voucher system will redirect some of the tax revenues now being badly spent or often looted by a vast and remote bureaucracy into the hands of disadvantaged South Africans to spend on such essentials as education, healthcare, and housing.

The IRR's plan is based on the ideas of decentralisation, freedom of the individual, and increased production rather than redistribution. In this spirit, it calls for property rights to be respected, race-based policies to be replaced, and markets (especially the labour market) to be deregulated. This will improve economic freedom and allow the state to refocus its energies onto a limited mandate that it can execute competently.

In the short to medium term, the strategy will deliver significant improvements in investment, growth, and employment and help liberate the poor. In the long term, it will bring rising living standards to all South Africans and allow the country to realise its full potential as a leading emerging market.

Our plans are beneficial to the poor and easily affordable but might nevertheless evoke resistance from those with vested interests in the continuation of current, failing policies. This might make our proposals unpalatable to politicians anxious to avoid potential political costs. However, if the country opts instead for alternative high-cost plans – which propose, in essence, that we spend our way out of trouble – then ordinary South Africans will pay a heavy price in the form of higher taxes, higher debt, higher inflation, or outright dispossession.

Given this choice, we believe that ordinary South Africans should not be made to carry the burden of recovery. We also point out that trying to stimulate growth through increased state spending in the current policy environment is unlikely to work, for there is nothing in the government's track record over the past decade to suggest it could succeed.[42]

We trust therefore that those concerned with South Africa's future – wanting to work together for the good of a suffering country with great potential for prosperity – will be willing to make some hard choices and to stick to them when the going gets tough.

Higher growth will allow South Africa to escape the vicious cycle we are currently stuck in. It will also restore hope of a brighter future, build prosperity, revive business and consumer confidence, and give the country the new start it so badly needs. The following sections describe how this can be done.

1. Increase direct investment

Remove the threats to property rights

Though the property rights of investors have generally been well respected since 1994, they are now coming under increasing threat. The latest development is the signing into law of the Expropriation Act by President Ramaphosa on 23 January 2025. This long-looming threat is a major part of the reason South Africa is battling to attract sufficient capital.

The growing threat to property rights is particularly evident in existing and new laws and policies affecting land, water, housing, agriculture, mining, oil and gas, the private security industry, private healthcare, the retirement and life insurance industries, and the country's intellectual property regime. There have even been suggestions of intruding into residential property. The combined effect of these changes, as the IRR knows from its daily experience in consulting to business leaders, is to deter capital investment by both foreign and domestic investors. They prefer to put their capital into other markets, including Ethiopia, Kenya, Nigeria, Zambia, the United Arab Emirates, the United Kingdom, and the US. Only firm action to secure property rights will make it possible to reverse this trend.

The IRR has two specific proposals to strengthen property rights, both of which could be implemented within months:

- as a first priority, we should abandon Expropriation without Compensation (EWC) in its current form by having the new Expropriation Act struck down by the Constitutional Court and drafting a revised bill like that put forward by the IRR, one that is in line with the Constitution; and by jettisoning the idea of the state's taking custodianship of any land, whether urban or rural;

- we should also rework the Protection of Investment Act of 2015 to increase the protection on offer to foreign investors; and enter into new Bilateral Investment Treaties (BITs) with major Western trading and investment partners that incorporate standard provisions found in South Africa's BITs with China, Cuba, Iran, and Russia.

Taking these steps will send a clear signal that the government is serious about policy reform and attracting the fixed investment needed to drive growth and jobs.

In addition, it is not just state threats to property rights that deter investment. Private threats – from criminals and the corrupt – have the same effect. This means that combating crime and corruption effectively forms a vitally important part of creating an environment in which the South African economy can expand quickly to produce jobs and rising incomes.

Create a competitive investment climate

Attracting direct investment and increasing the returns on it requires a major uptick in the country's international competitiveness. This in turn demands the removal of obstacles ranging from inadequate infrastructure and an inefficient government bureaucracy to rigid labour laws, damaging strikes, ever-shifting BEE requirements, excessive red tape, and sharply rising input costs (made worse in recent years by the rand's decline).

Necessary reforms can quickly be set in motion with the necessary political will. Most South Africans will also endorse such shifts, as IRR and other opinion polls have repeatedly found. Though many commentators tend to assume the opposite, these polls show that the great majority of South Africans are pragmatists who want growth and business-friendly policies rather than radical redistribution. Though some political actors may nevertheless fear a political backlash, all should nevertheless support these reforms in the knowledge that faster growth will not be possible without them.

Political leaders may also be encouraged to embrace these changes by the experience of Singapore under Lee Kuan Yew and China under Deng Xiaoping. Both these leaders embraced economic policies which liberated their countries (or key zones within them) from onerous regulation and helped stimulate high rates of economic growth. Both countries were thus able to emerge as global economic powerhouses within two to three decades. They were also highly successful in lifting their people out of poverty. A central first step for both leaders was to encourage trade, allow markets to function in important spheres, insist on meritocracy, and abandon populist short-term ideas in favour of shrewd long-term reforms.

Create an entrepreneur-friendly economic climate

Increased capital investment must be accompanied by the growth of new small and medium enterprises (SMEs). Future job creation will generally take place, not only through major corporations employing large numbers of people, but also through a plethora of SMEs seeking to supply a vast range of goods and services to both domestic and external markets. Profit-seeking, risk-taking entrepreneurship is the key to faster growth and millions more jobs. It must therefore be recognised and valued for its irreplaceable contribution to the prosperity and well-being of all South Africans.

A reform government must focus on creating an economic climate that is friendly and welcoming to all entrepreneurs in all sectors. It must resist the temptation to try and pick “winning sectors” for special attention and economic incentives. We cannot know what tomorrow’s successful sectors will be – if only because circumstances keep changing and new technology is constantly evolving at an increasingly fast pace.

The current government is keen, for example, to keep picking manufacturing as a winning sector and support it with still more subsidies and benefits. But this is costly and sure to be futile as new technology – including the development of 3-D printing and robotics – could relatively soon put an end to conventional factory production. A reform government should thus rather focus on is creating an environment in which any commercial enterprise can thrive.

Nothing must be excluded: domestic service, care-giving, jobs on big farms, small-scale agriculture, five-star hotels, small B&Bs, tourism, mining, finance, real estate, engineering, clothing, textiles, supermarkets, transport, artisanal manufacturing, and informal traders. Every lawful enterprise should be welcomed and given the benefit of a business environment friendly to all entrepreneurs. Instead of questioning whether Western foreign investment is truly beneficial, South Africa should welcome and promote all investment from abroad. We must make it easier for established businesses to expand, but we must also encourage start-ups. This can be done by expanding venture capital markets, increasing financial literacy, providing sound business training, and encouraging innovation. We should also make it as easy as possible for companies of all sizes to sell their products abroad by removing exchange controls and easing their access to foreign markets.

We must allow the informal sector to flourish and remove regulatory impediments to its success. Unregistered township-based entrepreneurs – even if they do not (yet) pay taxes or minimum wages – are good for our economy and will remain so for many years to come. We must therefore regulate with a light touch and bring about a situation in which people in the grey economy see more “pros” than “cons” in complying with the rules.

To create an enabling climate for entrepreneurship and business start-ups, we must:

- Exempt small and micro businesses and new start-ups from all labour regulation;
- turn a general (and multi-year) blind eye to small entrepreneurs in the informal sector who currently fall foul of tax and other business regulations;
- introduce a permanent amnesty and fast-track compliance process for start-ups which want to become compliant with a new set of business-friendly regulations;
- outsource more and more of the functions of the state to the private sector through effective public-private partnerships that promote competition and improve efficiency (see the section “Maintain and expand infrastructure”).

In creating an enterprise-friendly business environment, we should also recognise how economic freedom advances economic growth. Over the past 50 years, compelling evidence of the link between the two has been assembled through the indexes on economic freedom compiled by the Fraser Institute in Canada and the Heritage Foundation in the US.

Empirical data gathered by the Heritage Foundation shows, for example, that countries that improved their economic freedom scores tended to achieve higher GDP per capita growth rates. In fact, across all time periods included in the analysis, growth rates were about 25 percent higher in countries that significantly increased their economic freedom than in countries where freedom stagnated or declined.[43]

Because of these very different growth performances, the least free countries, as measured by the Fraser Institute’s 2025 report, recorded average GDP per head in 2023 at some $10,751, while the most free recorded around $66,434 – more than seven times as much. Moreover, the average per capita income of the poorest 10% of people in the least free countries was some $1,255, whereas in the most free countries it was around $9,771, almost eight times as much.[44]

In the top quartile, 1.0% of the population experience extreme poverty (less than US$2.15 a day) compared to 30% in the lowest quartile. Life expectancy is 80.5 years in the top quartile compared to 64.9 years in the bottom quartile.[45]

South Africa’s economic freedom rating peaked at a value of 7.1 in 2000 (rank: 47th) and has since dropped continuously to 6.61 in 2025 (rank: 83rd).[46] As economic freedom decreased in South Africa, GDP growth dropped too: from close on 4% to under 1%.

2. Maintain and expand infrastructure

If economic growth is to take off and reach the stretch goal of 7% of GDP a year, available infrastructure will have to be greatly expanded, while existing infrastructure will have to be far better managed, maintained, and protected against vandalism and theft. This is especially true of electricity and transport infrastructure. Privatisation will help to bring in some of the revenue needed to fund new infrastructure but is unlikely to yield enough – especially at the start of the turnaround process.

South Africa must thus learn from the experience of the International Finance Corporation (IFC), which forms part of the World Bank and has helped to implement many successful private-public partnerships elsewhere in Africa. Such partnerships have often been used to deliver new infrastructure, or to manage existing infrastructure and so enhance its efficiency and reliability while reducing operating costs.

Various models can be used, including:

- the build-own-operate (BOO) model, in which a private provider builds new infrastructure (such as a water desalination plant) and operates it in return for user fees which a competitive bid process and private sector efficiencies help to keep reasonably low;
- the build-own-transfer (BOT) model, in which the private sector takes on the construction task, so helping to avoid delays and cost overruns, and then transfers the new plant, railway line, port upgrade or other infrastructure to the state at an agreed price;
- the *'affermage'* or lease agreement, in which the public sector retains ownership of the relevant infrastructure, but transfers responsibility for day-to-day operations, maintenance, and protection to the private sector in return for agreed fees payable against stipulated performance criteria; and
- A more limited management contract, often used in small towns in Africa, where responsibility for operations, billing, collections, maintenance, and protection is transferred to private companies, while the costs of service are kept affordable through public funding for capital development.

As experience in Africa shows, some of the larger public-private partnerships on the continent have relied not only on local firms but also on big-name multinational corporations. Some have also succeeded in raising significant funding (covering up to 85% of costs) from external financiers such as the World Bank, the African Development Bank, and other major financial institutions.

Such public-private partnerships will quickly revitalise essential economic infrastructure: from electricity and transport infrastructure to water and sanitation systems. These partnerships can also be used to improve the operational efficiency of municipalities and government departments, enhance financial management, curb fraudulent, irregular and wasteful spending, and protect vital assets against vandalism and theft.

Public-private partnerships should also be used to expand social infrastructure, such as schools, clinics, day hospitals, and rental housing developments, many of which could be owned and operated by private companies. These firms would find ready and expanding domestic markets in the millions of South Africans who would not only be drawn into jobs but would also have the benefit of education, healthcare, and housing vouchers, as set out in the section "Broaden and speed up economic participation".

Greater private sector involvement in the provision, maintenance, management, and protection of economic and social infrastructure would provide a major boost to capital investment. It would also improve state efficiency in key spheres and stimulate job creation in construction and a host of other areas.

Public service efficiency would rapidly increase with the help of these public-private partnerships. In addition, existing employment equity rules would be replaced by a new transformation framework, as set out in the section "Broaden and speed up economic participation". Recruitment into the public service would then be based on merit (widely defined to take account of disadvantage), and all available skills would be used. Management would be greatly improved, along with accountability and financial probity.

Where public-private partnerships are not appropriate, state-owned enterprises should be privatised through open and competitive processes that guard against corruption, cronyism, and the development of new monopolies.

3. Draw millions more people into the labour market

Reform labour legislation

The unemployment rate cannot be meaningfully reduced without major reforms to labour regulation. The government itself acknowledges that entry-level wages are generally so high that they lock the unskilled and inexperienced out of jobs.[47] Rules which push up labour costs – including the extension of bargaining council agreements to non-parties and the national minimum wage introduced at the start of 2019 – must be scrapped. Instead, private employers should be allowed to take a leaf out of the government's book.

Under its Expanded Public Works Programme (EPWP), the government has provided millions of people with short-term "work opportunities" for which it pays a stipend of some R110 a day.[48] This is significantly below the national minimum wage generally required. The government provides these work opportunities at these low wages because it recognises the importance of earned income and hopes they will pave the way to better jobs. Often, however, they do not. By contrast, if people were allowed to work for the same low wages in the private sector, they would generally receive better training, notch up more experience, and have better prospects of moving into higher paying jobs over time.

Equally in need of reform are the laws currently governing strikes. Mandatory and secret strike ballots still need to be introduced, along with effective sanctions against unions which incite or perpetrate violence during stoppages. Rules regarding dismissals and retrenchment must also be reformed. Greater flexibility in the hiring and firing process is essential to job creation, as business needs to be able to adjust to peaks and valleys in demand. Employers will thus hire freely only if they can dismiss freely. The presumption that dismissals are unfair unless the employer can prove otherwise should be removed. Instead, employers should be free to dismiss workers under the agreed notice periods included in their employment contracts.

In a nutshell, we should amend the Labour Relations Act of 1995 and the National Minimum Wage Act of 2018 by:

- Introducing effective pre-strike secret ballots (along with further secret ballots during prolonged strikes to test continued commitment to staying out);
- Holding unions accountable for intimidation and violence during strikes;
- Scrapping the extension of bargaining council agreements to non-parties often unable to afford them;
- Putting an end to the national minimum wage;
- Allowing private sector employers to pay wages to unskilled workers at rates similar to those under the EPWP; and
- Allowing employers to dismiss or retrench under agreed notice periods in contracts of employment.

These labour reforms, if matched by significant new fixed investment, will secure a steep dive in South Africa's alarming unemployment rate.

Increase the demand for labour

The manufacturing industry's capacity to provide low-skilled jobs should be used to the full, especially where opportunities exist to export manufactured goods into Africa and beyond. However, given an increasing impetus towards mechanisation, the sector is unlikely to offer nearly enough jobs for the unskilled. South Africa must therefore look to various other sectors too.

It must also seek to revive and reinvigorate the three sectors that have long employed large numbers of unskilled people: agriculture, mining and tourism. All are also tradeable sectors with major capacity to generate export earnings.

South Africa has an extraordinary mineral endowment (valued at around $2.5 trillion) and good access to markets via sea routes.[49] Given current and likely future demand for minerals, the mining industry could grow substantially under the reforms we recommend. These changes, coupled with best-practice amendments to mining legislation, would overcome current unstable electricity supply and logistical bottlenecks, enhance cost competitiveness compared to other mining jurisdictions, encourage fresh exploration and investment, and improve relationships between mining companies and their labour and mining communities. In a more flexible labour environment, there would also be less impetus to mechanisation and a greater demand for relatively unskilled labour. In the current geopolitical context, where competition to secure critical minerals is heating up and gold is making a strong comeback as a reserve asset, South Africa would be well-placed to benefit.

Agriculture offers major potential, once threats to property rights (including water-use rights) are removed. South Africa should be able to increase its production, find new markets in the US, Europe, and China (the US, for example, would happily buy up our entire avocado crop), and do much more to meet the food needs of an expanding middle class in the rest of Africa. Our exceptionally experienced and productive commercial farmers could also provide training and consultancy services, not only to emergent farmers here, but also to others across the continent.

Tourism also has considerable capacity to expand, for South Africa has much to offer domestic tourists as well as visitors from Africa, India, China, Europe, and all across the globe. The sector is jobs-intensive and could employ millions of unskilled or poorly skilled South Africans. Prior to the Covid-19 lockdown, the tourism sector contributed approximately 3.7% to GDP, making it larger than agriculture, construction, and utilities (electricity, gas & water).[50]

Before the pandemic, the sector employed roughly 780,000 people directly – a number that dropped to 733,385 in 2022.[51] It thus offers "significant opportunities for an economy with weak growth and high unemployment", as the Organisation for Economic Cooperation and Development (OECD) has noted.[52] This OECD perspective is encouraging, for it underscores the sector's potential and the importance of exploiting this to the full – including in specialised areas such as medical, cultural, archaeological, marine or photography tourism.

As the infrastructure programme expands, a host of unskilled jobs will also open up in the construction sector. Very many people will be able to find work in the energy, transport, and water sectors, for example, or in the building of schools, clinics, day hospitals, and houses. Skilled artisans and technicians will be needed too, which will require effective reforms to current TVET colleges and sound apprenticeship training programmes, as further outlined below.

Waste collection and recycling also have great potential to absorb unskilled labour and generate new SMEs. So too does the retail sector, both formal and informal, which is likely to expand rapidly as more people find jobs, the domestic market grows, and markets in Africa take off. Many more domestic service, cleaning, security, and transport jobs can also be created as the middle class grows.

A large number of professionals and other skilled people will also be needed. This requirement will be met through reforms to education, public-private partnerships with foreign firms, incentives for skilled immigration, and key changes to empowerment laws to encourage the use of all available skills.

4. Broaden and speed up economic participation

Implement effective empowerment policies

South Africa's black economic empowerment (BEE) and employment equity (EE) policies are by far the most ambitious and far-reaching affirmative action programmes in the world. Partly for this reason, many misperceptions have grown up around their effects. Some people criticise them for harming the economic prospects of whites, but there is as yet little evidence of this. At the same time, most people assume that these policies are effective in helping the poor and enjoy broad support. These assumptions are no less flawed, as IRR opinion surveys have shown.

According to these surveys, EE and BEE help only around 15% of black South Africans, while bypassing the remaining 85%. In addition, the great majority of respondents want an emphasis on merit and efficiency, rather than racial identity. They also want whites and blacks to work together in expanding opportunities for all. These survey outcomes indicate that there is very little political risk in reforming the current rules.[53]

In private, the great majority of the IRR's business subscribers say that BEE deters their investment in South Africa and hampers business operation. However, they rarely express this view outside their own boardrooms, for fear of political retribution. In public, they find it easier to stress their commitment to the current rules – even as they quietly divert their investments to other markets.

At the same time, many businesses would prefer to remain in the country and play a constructive role in expanding opportunities for the disadvantaged. The IRR has thus won considerable support, behind the scenes, for its alternative policy of "EED" or "Economic Empowerment for the Disadvantaged".[54]

EED selects its beneficiaries on a socio-economic basis, as does the social grants system. It also puts its emphasis on the inputs needed to empower the poor, rather than on meeting racial targets. It thus recognises and rewards business for expanding opportunities through direct investment; retaining and creating jobs; contributing to tax revenues, export earnings, and R&D spending; topping up venture capital funds; appointing staff on a 'wide' definition of merit (which takes account of disadvantage); and entering into effective public-private partnerships to improve education, healthcare, and housing and to maintain and expand economic infrastructure.

We thus propose a paradigm shift to a system which no longer bypasses the poor but rather takes effective steps to empower them. The EED system is also different from BEE in that it uses carrots rather than sticks – and aims to recognise and incentivise the most important contributions that business can make to prosperity and upward mobility.

The EED alternative offers a win-win solution that promotes investment, growth, and employment for all – and brings business needs into harmony with transformation goals. We should thus:

- Replace current BEE and employment equity rules with EED; and
- rework relevant scorecards to recognise the value of fixed investment, job retention and creation, and all the other business contributions earlier listed.

The IRR is confident this new approach to empowerment will be far more effective in helping all South Africans climb the ladder to economic success. It will also win the sincere support of investors and the wider business community.

There is an urgent need for this reform. Current EE and BEE policies are unable to help the disadvantaged, as IRR field surveys show, and as is now widely recognised, even by those sympathetic to the existing approach. Worse still, they are deterring investment, limiting growth, and adding to the unemployment crisis. They are thus hurting, rather than helping, the victims of past racial discrimination. These policies are nevertheless being further ratcheted up, with great harm to the economy.

Damaging EE and BEE rules are already sufficient in themselves to prevent any sustainable growth recovery. They are also the single biggest hurdle to real transformation – and the primary reason why income inequality, as measured on the Gini coefficient, has risen from 59 in 1994 to 67 in 2024.[55] As the South African Communist Party (SACP) put it in 2017: "Enriching a select BEE few via share-deals, or measuring empowerment progress in terms of direct individual black percentage ownership of the JSE, or (worse still) looting public property in the hands of state owned corporations in the name of broad-based black empowerment, is resulting in the very opposite – increasing poverty for the majority, increasing racial inequality, and persisting mass unemployment."[56]

Expand and sustain social protection

Even when the economy starts turning around and millions more jobs are created, the state will still need to play an important role in alleviating poverty and helping to uplift the disadvantaged. It may also have to do this for two or three decades to come. Essentially, it needs to ensure the effective provision of sound education, healthcare, and housing (along with the efficient maintenance and expansion of vital infrastructure through public-private partnerships, as earlier described). The state must also continue to provide monthly cash social grants for children, pensioners, and the disabled.

However, major reforms are needed to make social protection more effective and ensure its sustainability for the 20 to 30 years it is likely to remain essential. This means that the government must develop appropriate policies, set goals, and raise the necessary revenue, while individuals, communities, and businesses take charge of delivery and implementation. This can be achieved through the use of tax-funded vouchers and the outsourcing of service provision.

The IRR has done extensive research on education vouchers, but the underlying idea can easily be extended to healthcare and housing. In education, the key concept is that government must continue to fund education out of tax revenues but need no longer provide it. Instead, it should allow communities, non-governmental organisations, or private investors to take charge of failing public schools and provide new schools. Most of the education budget would then be divided among pupils and distributed to their parents in the form of education vouchers, which could be used solely to pay for schooling.[57]

Parents will then be empowered to enrol their children at any school of their choice. As fee-paying consumers, parents will also have the power to hold school principals and teachers to account. Since schools will have to compete for the patronage of parents, this will give them a powerful incentive to upgrade their teaching and improve their overall performance.

The vouchers, in short, will generate a market for education. This will bring about a rapid improvement in the quality of education – as has already happened in other countries where vouchers have been introduced. As a variation on the basic idea, the state could also contract with private providers to run public schools, so turning them into ‘contract schools’ of a kind found in the US and the UK.

Education vouchers should also be used to improve failing TVET colleges and ensure that good quality technical and vocational training is made available to millions of poor South Africans. This will help expand essential skills, take the pressure off universities to increase their intake beyond practical limits, and equip people to earn a good living.

Vouchers for technical and vocational training must be made available, not only to current pupils, but also to the millions of youngsters who have either dropped out of school or gained a school-leaving certificate with little value either to them or prospective employers. This would help absorb the 3.5 million young people aged 15-24 who are classified as NEET.[58] Again, this would help expand the skills needed for the infrastructure programme and other economic activities. It would also restore a sense of hope to millions of youngsters currently without prospects or marketable skills.

A similar idea in healthcare would see the state providing tax-funded vouchers to poor households, which could use them to purchase medical cover, mainly in the form of low-cost medical schemes, topped up by health insurance. Using their health cover, households would be able to access services either from private practitioners or from the state clinics and hospitals the private sector would be contracted to operate.

Much the same idea can also be applied to speed up the provision of housing. At present, despite a significant housing budget, the government is building fewer than 100,000 low-cost houses a year.[59] Since there are 2.3 million households on the national housing waiting list[60], it will take the state some 20 years simply to clear the current backlog – let alone meet future needs. To improve efficiency and empower the poor, much of the housing budget should thus be used to fund housing vouchers for poor households. These vouchers could be used to access mortgage financing and so help people to build, expand, or improve their own homes, to which they should also be given title. In informal settlements, such vouchers could be used to upgrade shacks and so improve living conditions. This would reduce government inefficiency and allow people to meet their housing needs without having to wait endlessly on the state to deliver.

Support for vouchers is high: in May 2025, 87.3% of black respondents in an IRR field survey (up from 86% in 2016) supported the idea of education vouchers. Black support for healthcare vouchers came in at 88% (up from 83% in 2016), while support for housing vouchers was strong as well, at 86% (up from 83% in 2016).

Fixing education, healthcare, and housing provision in this way will greatly enhance skills, improve living conditions, and empower people to get ahead. These interventions will be needed for many years, especially as wages will generally be low at the start of the turnaround process.

Because earned income will initially be limited and not everyone who wants a job will be able to find work, current social grants for children, pensioners, and the disabled must be retained for some 20 or 30 years. Child support grants should, however, be raised to the food poverty line, while a two-child per mother limit on the availability of the grant should in future apply. To discourage dependency, a cap of 20% of total government expenditure should be set for social grants (the social development department currently receives around 19.5% of total state expenditure).[61]

The social grants that are currently at risk of becoming unaffordable will become more sustainable as growth rises and tax revenues expand. At present, 62.5% of South Africa's gross tax revenue is taken up by public servant salaries (which cost 41 cents in every rand paid in tax) plus debt repayments (21 cents in every rand).[62]

This leaves just 37.5% for everything else, including social grants and infrastructure development. If the trend is not reversed, social grants will soon become unaffordable.

To improve and sustain social protection, we should thus:

- Introduce education, healthcare, and housing vouchers to expand skills and social protection;
- maintain current social grants – with the variations to the child support grant earlier outlined – in the knowledge that these will become more affordable as growth rates and tax revenues rise and debt levels decline.

Overcome the scourge of escalating crime

Broadening and deepening economic participation also requires effective measures to overcome the scourge of escalating crime. At present, this mires millions of households in fear of murder, rape, assault, and theft; damages business and holds many firms to ransom; encourages yet more corruption and fraud; and promotes a flight of skills and capital. This crime scourge must thus urgently be overcome.

Many of the proposals earlier outlined would also help contain crime by improving state efficiency, curtailing corruption, improving accountability and reducing general lawlessness. Much of the malaise in law enforcement, plus an absence of accountability, stems from existing empowerment and accompanying cadre deployment policies in the police, the public service, municipalities, SOEs, the National Prosecuting Authority, and the Hawks. Much corruption, wasteful spending, and “construction mafia” extortion is related to BEE; while many violent protests, including truck burnings (over 1,300 in 2019 and 2020 alone), are fuelled by high levels of joblessness.

Stamping out corruption requires changes to EE and BEE rules, plus effective investigation and prosecution in place of costly commissions of inquiry. Police and prosecutorial efficiency should also be enhanced by seconding private sector managers to national and provincial police headquarters, the Hawks, the Independent Police Investigative Directorate (IPID), and the National Prosecuting Authority. All future appointments and promotions in both the police and prosecution services should be based on merit (as broadly defined) and supplemented by suitable entrance and advancement examinations. Current police officers should be retrained and held accountable for their performance.

Specialist units should be restored to help combat murder, robbery, fraud, the drug trade, illegal mining, the vandalism and theft of vital infrastructure, and other types of organised crime. The independence and capacity of the Hawks must be enhanced and effective public order policing restored. For minor crimes, special courts (of the kind created for the 2010 Rugby World Cup) should be used to help speed up criminal trials. Bail agents should be appointed to help prisoners awaiting trial obtain bail in appropriate circumstances. To further ease prison overcrowding – and allow effective rehabilitation – more jails should be built and managed via public-private partnerships.

Concluding comments

Despite some improvements in sentiment since the formation of the Government of National Unity, South Africa remains in serious economic trouble. Growth is anaemic, while unemployment, especially among the youth, is extraordinarily high. Public debt is mountainous and servicing it is crowding out public spending in other areas. Business and consumer confidence, while showing some signs of recovery, remains low, while failing institutions, collapsing infrastructure, and low investment levels are major obstacles to recovery.

At the same time, rising criminality is reducing South Africa's ability to attract and retain the skills and talent it desperately needs. Highly skilled South Africans are emigrating in search of greener pastures and a better future for their families. Conversely, skilled foreigners who might consider moving to South Africa are put off by onerous and arbitrary visa regulations, plus escalating risks to their personal safety. Also important is the perception that South Africa is a country in decline, with few prospects of a successful turnaround.
In these adverse circumstances, "a restructuring that is too little, too late [will] merely set the stage for another crisis" (to cite the words of Joseph Stiglitz and Hamid Rashid in commenting on other countries). For South Africa, the time has come for bold reforms. Anything less will only prolong the pain.

Some political parties may nevertheless be reluctant to embrace the comprehensive changes we propose. However, much of what we describe is drawn from the successes achieved by Lee Kuan Yew in Singapore in the 1950s and 1960s, which in turn helped inspire the reforms driven by Deng Xiaoping in China in the 1970s and 1980s. Both these men dramatically changed the fortunes of their countries and turned them into influential global economic powerhouses. Their extraordinary gains, based on pragmatic policies, show how much can be achieved – and from a much lower starting point than South Africa confronts.

Many other growth plans have, of course, been drafted for and by the government. Often, however, they are vague, complex, and impractical – or have time frames so long as to make them seem irrelevant. Others seek instant fixes and so rely on gimmicks such as 'wage subsidies' and 'industrial development zones', while overlooking the structural reforms required.

The IRR's Blueprint for Growth avoids these pitfalls. It will have a measurable impact on investment, growth, employment, and income levels within 18 months. It will restore confidence in the economy, which is at a low ebb after the prolonged Covid-19 lockdown and many more years of bad policy, anaemic growth, corruption, and lacklustre governance.

The IRR's proposals are also inexpensive compared to those calling for massive stimulus, primarily through state infrastructure spending. In addition, they would quickly turn the mood in the country around on a sustainable basis. The present sense of optimism is fragile and likely to end soon, unless supported by concrete reforms. In their absence, the feeling of despondency and helplessness in the face of what seems to be an inexorable slide into ever greater poverty and misery will return. Such a sentiment weighs heavily on the economy, inhibiting both consumption and investment, disrupting social peace, and leading to frustration and anger.

This mood cannot be reversed through talk alone, no matter how hard our leaders might try. Instead, it requires action: a fundamental shift towards greater individual freedom and self-reliance, along with the removal of key impediments to growth and investment. South Africans cannot be united by “social cohesion” summits or attempts to forge “social compacts”. But they will unite behind a plan to rebuild their own lives and, at the same time, reconstruct their country.

Our proposals provide a credible foundation for sustainable growth rates of 7% of GDP within a decade – provided the Eskom growth constraint is kept at bay and the policy environment is appropriately reformed in the ways that we suggest. This will allow South Africa to combat unemployment, poverty and inequality, live up to its great potential, and emerge as a prosperous middle-income economy by the 2030s.

Endnotes

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