

# Managing a VUCA world in Agriculture

## The forces at play in the political economy




***Paarl***

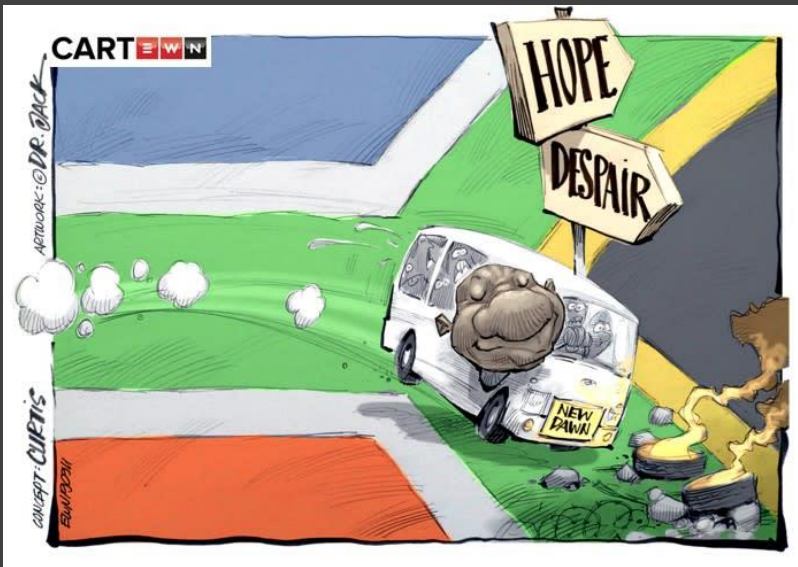
*8 November 2019*

**Theo Venter**

Policy Specialist

[theo.venter@nwu.ac.za](mailto:theo.venter@nwu.ac.za)

 [@theo\\_venter](https://twitter.com/theo_venter)



World Cup.....Can we utilize the gift?

State of the economy – MTBPS/Eskom

SA Competitiveness – WEF

Social unrest – Xenophobia and Delivery Protests

State capture and a weakened state

The global environment – Trump, China and Brexit

Party Dynamics

# Challenging 100 days for Ramaphosa

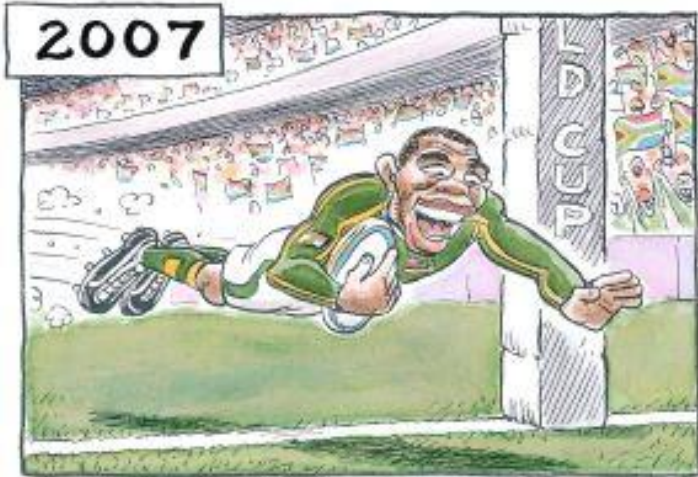





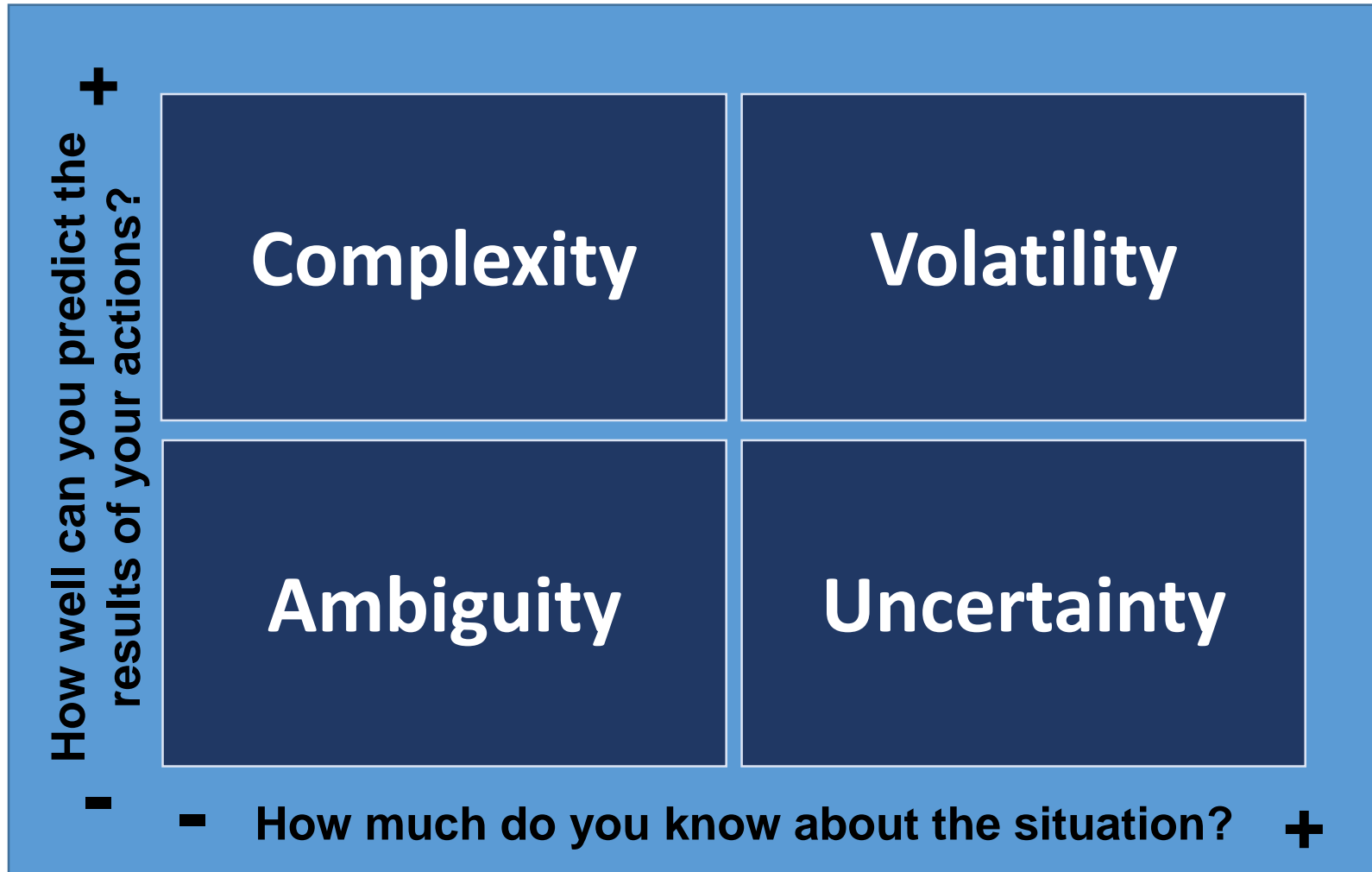
# A game changer

**RUGBY WORLD CUP!**  
**IMAGES TO INSPIRE A NATION...**

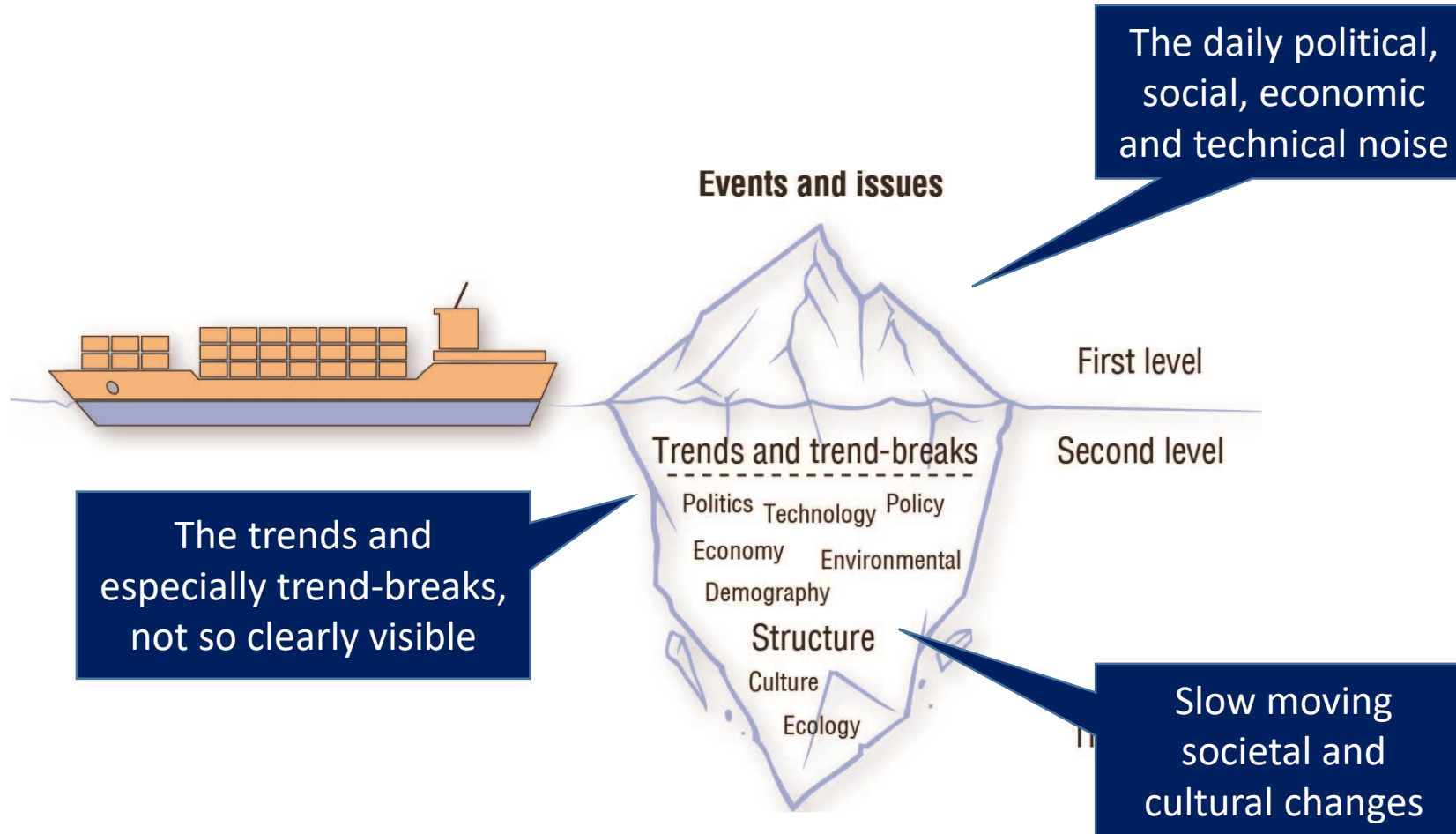
DAILY MAVERICK  
22-5-15  
Zapiro



# The VUCA Matrix



# The world at three levels



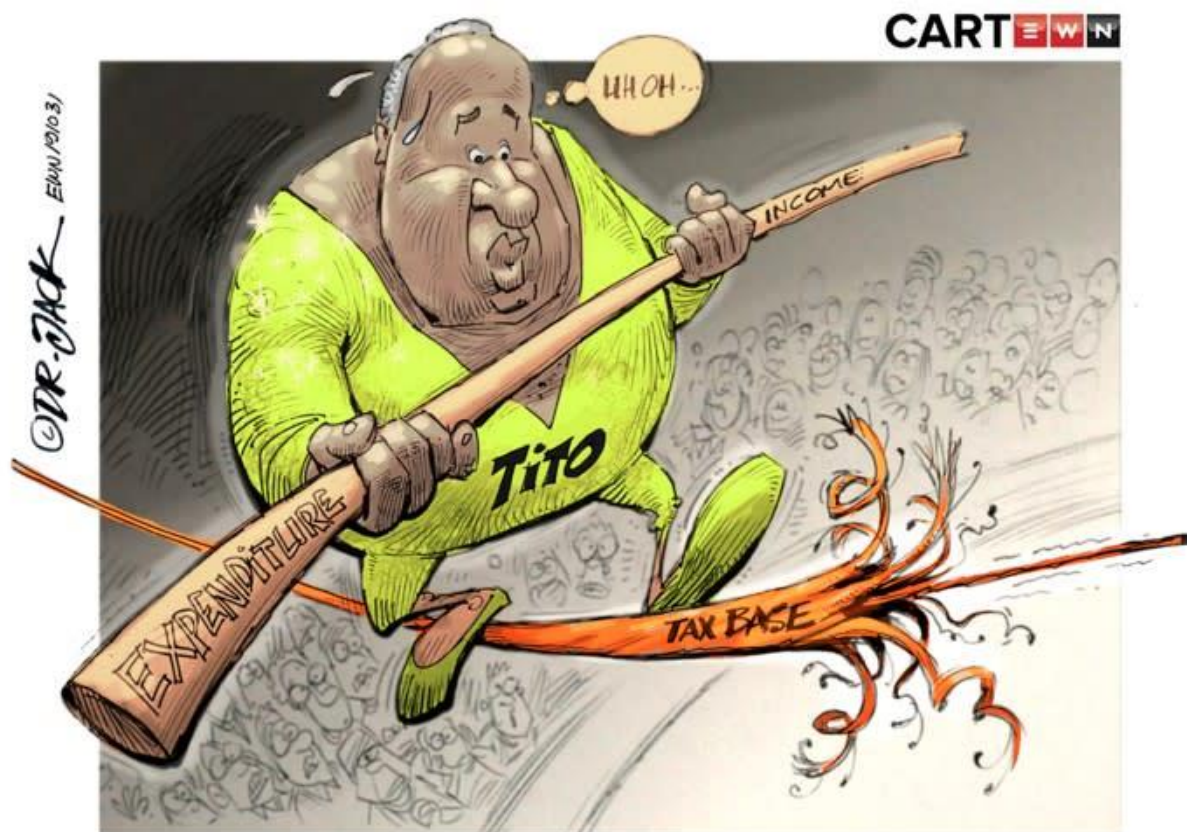
How well can you predict the results of your actions?	Complexity	Volatility
	Ambiguity	Uncertainty
How much do you know about the situation?		

# A very challenging 100 days since the May 2019 national election

- Smaller cabinet (Waiting too long), but more deputy ministers.
- The ruling party (ANC) at war with itself.
- Lack of local and international investment due to political uncertainty.
- A huge need for policy certainty and mixed messages on the Reserve Bank.
- Zondo Commission (State Capture) and Mpati Commission (PIC).
- The Public Protector going off the rails.....
- Economic growth at 0,5% for 2019? Unemployment at 30%.
- BREXIT created further uncertainty.
- Global issues (Trump, Iran and trade wars) create more uncertainty.
- Crime and related matters increase uncertainty and unease, xenophobia a manifestation of the battle for scarce resources in a weak economy.



# MTBPS – creating a sense of urgency



- A severe deterioration in the government's fiscal position.
- Poor economic growth, large shortfalls in tax revenues and added spending to support ailing state owned entities.
- The budget deficit is now expected to average 6.2% over the coming three years.
- The debt to GDP ratio is expected to reach 71.3% by 2022/2023.



# RSA credit rating by Moody's

1. Moody's Investors Service lowered its outlook on SA's credit rating from stable to negative on 1 November 2019 keeping SA's debt at Baa3.
2. The country now has an 18-month window to get its house in order to avoid being cut to junk status.
3. Moody's are worried about the material risk that the government will not succeed in arresting the deterioration of its finances through a revival in economic growth and fiscal consolidation measures".
4. The financial stress for state-owned enterprises (SOEs), in particular Eskom, continued to require "sizeable" ongoing support from the government
5. They warned that "a credible fiscal strategy to contain the rise in debt" in next year's February budget will be key to SA retaining its rating.
6. Moody's also flagged the "rising concern that the government will not find the political capital to implement the range of measures it intends, and that its plans will be largely ineffective in lifting growth".

# International Relations will never be the same again!



# Major Risks: South Africa

- Unemployment of underemployment  
*(+27% unemployment; 38% extended unemployment)*
- Water Crisis  
*(Climate change; water quality; regular droughts)*
- Failure of National Governance  
*(Policy uncertainty; Failure of local government)*
- Profound Social instability  
*(Service delivery protests; 5-6 on average per day; crime; urbanization)*
- Failure of Critical Infrastructure  
*(ESKOM; rural and regional roads; rail access)*

**The Global Risks  
Report 2019**  
14th Edition





# The Global Competitiveness Index 4.0 2019 Rankings

Covering 141 economies, the Global Competitiveness Index 4.0 measures national competitiveness—defined as the set of institutions, policies and factors that determine the level of productivity.

Rank	Economy	Score <sup>1</sup>	Diff. from 2018 <sup>2</sup>	
			Rank	Score
1	Singapore	84.8	+1	+1.3
2	United States	83.7	-1	-2.0
3	Hong Kong SAR	83.1	+4	+0.9
4	Netherlands	82.4	+2	—
5	Switzerland	82.3	-1	-0.3
6	Japan	82.3	-1	-0.2
7	Germany	81.8	-4	-1.0
8	Sweden	81.2	+1	-0.4
9	United Kingdom	81.2	-1	-0.8
10	Denmark	81.2	—	+0.6
11	Finland	80.2	—	—
12	Taiwan, China	80.2	+1	+1.0
13	Korea, Rep.	79.6	+2	+0.8
14	Canada	79.6	-2	-0.3
15	France	78.8	+2	+0.8

Rank	Economy	Score <sup>1</sup>	Diff. from 2018 <sup>2</sup>	
			Rank	Score
48	Mexico	64.9	-2	+0.3
49	Bulgaria	64.9	+2	+1.3
50	Indonesia	64.6	-5	-0.3
51	Romania	64.4	+1	+0.9
52	Mauritius	64.3	-3	+0.5
53	Oman	63.6	-6	-0.8
54	Uruguay	63.5	-1	+0.8
55	Kazakhstan	62.9	+4	+1.1
56	Brunei Darussalam	62.8	+6	+1.3
57	Colombia	62.7	+3	+1.1
58	Azerbaijan	62.7	+11	+2.7
59	Greece	62.0	-2	+0.5
60	South Africa	62.4	+7	+1.7
61	Turkey	62.1	-1	+0.5
62	Costa Rica	62.0	-7	-0.1
63	Croatia	61.9	+5	+1.8

127	Zimbabwe	44.2	+1	+1.6
128	Malawi	43.7	+1	+1.3
129	Mali	43.6	-4	—
130	Burkina Faso	43.4	-6	-0.5
131	Lesotho	42.9	-1	+0.6
132	Madagascar	42.9	n/a	n/a
133	Venezuela	41.8	-6	-1.3
134	Mauritania	40.9	-3	+0.1
135	Burundi	40.3	+1	+2.7
136	Angola	38.1	+1	+1.1
137	Mozambique	38.1	-4	-1.7
138	Haiti	36.3	—	-0.1
139	Congo, Dem. Rep.	36.1	-4	-2.1
140	Yemen	35.5	-1	-0.9
141	Chad	35.1	-1	-0.4

# South Africa

60th / 141

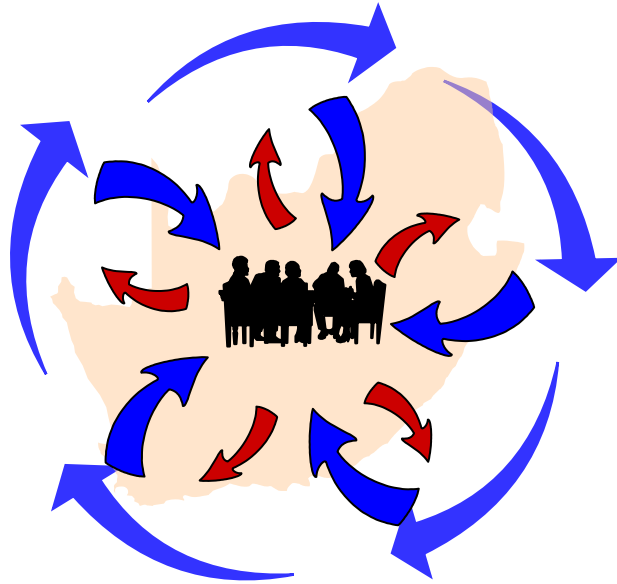
Global Competitiveness Index 4.0 2019 edition

Rank in 2018 edition: 67th/140

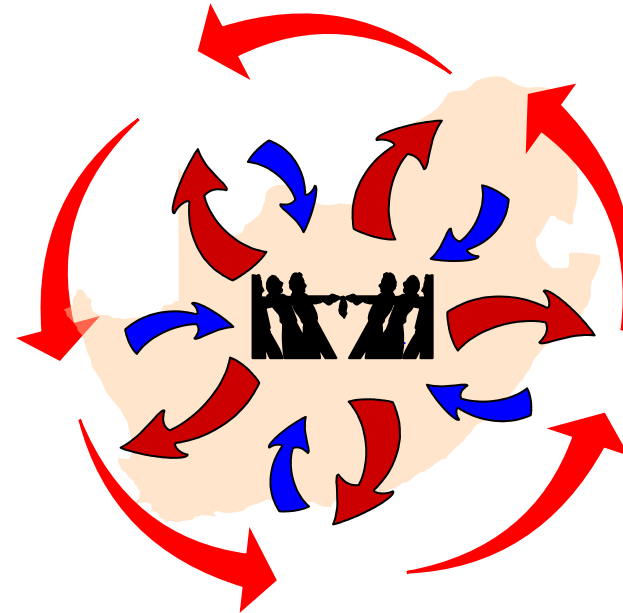
## Performance Overview Key ◇ Previous edition △ Upper-middle-income group average □ Sub-Saharan Africa average 2019



# The Virtuous and Vicious Cycles



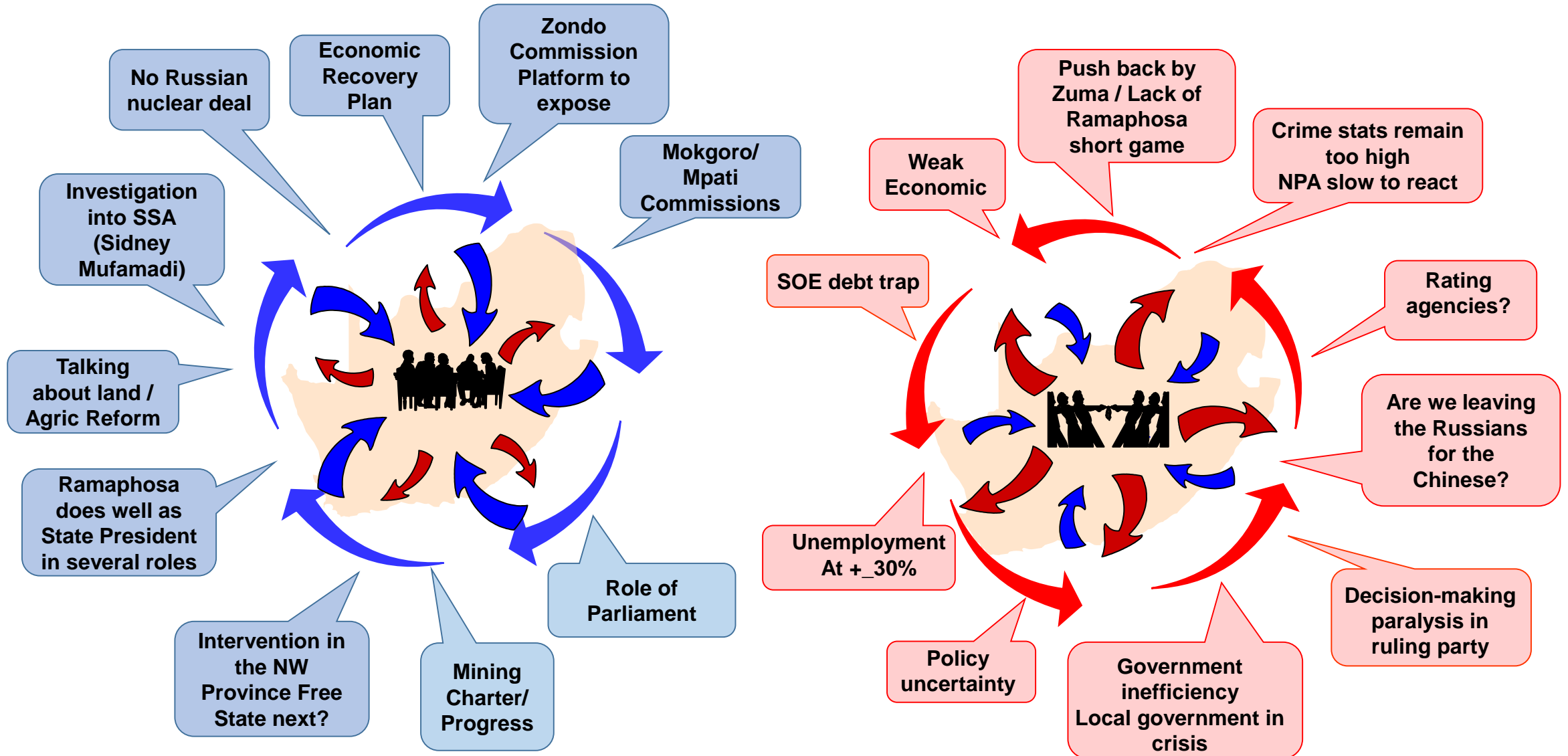
**Virtuous Cycle**  
Centripetal forces dominate  
("Seeking the centre")



**Vicious Cycle**  
Centrifugal forces dominate  
("Moving away from the centre")

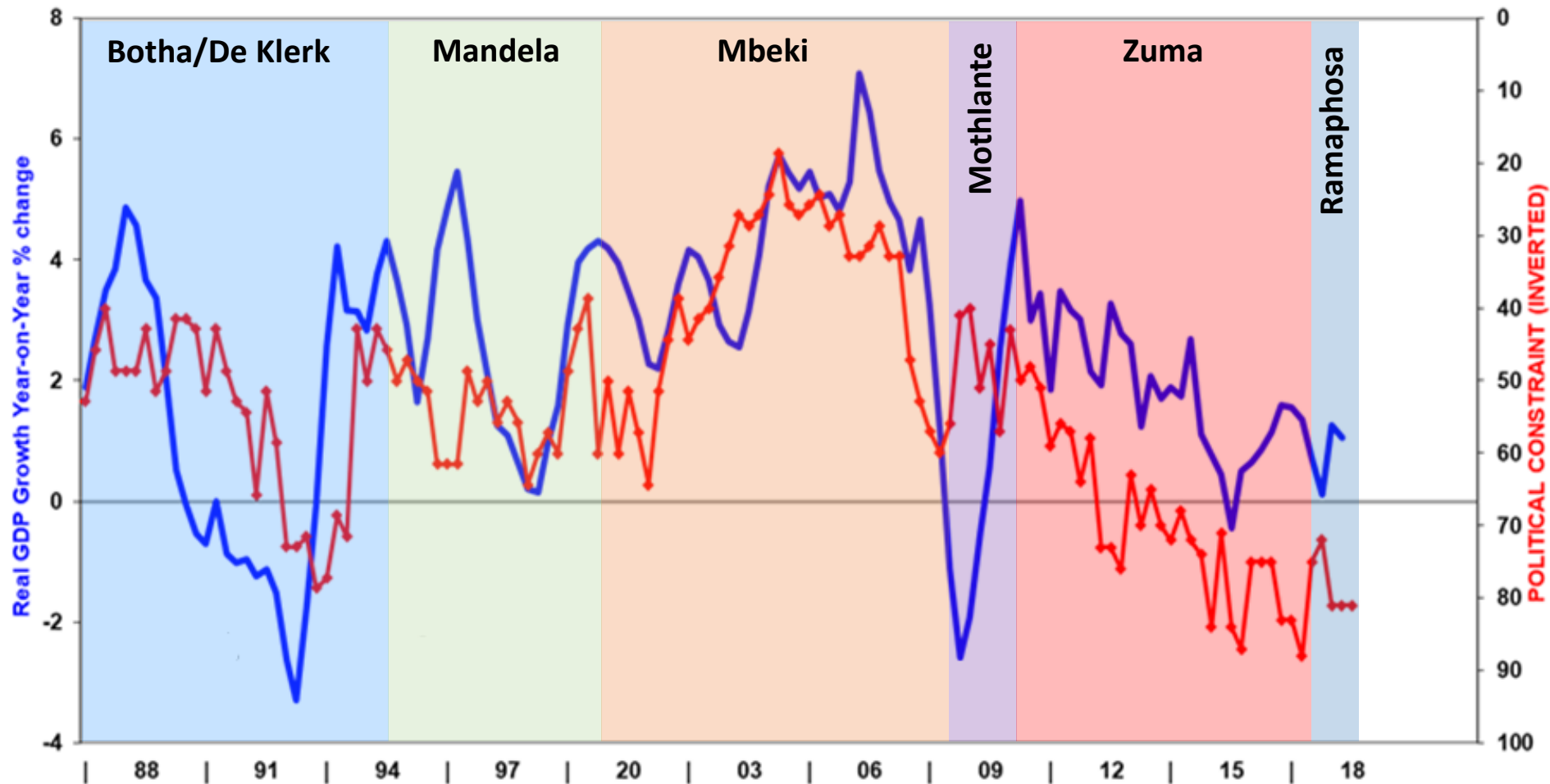


# The Vicious and Virtuous Cycles (2019)



# The relationship between politics and economics

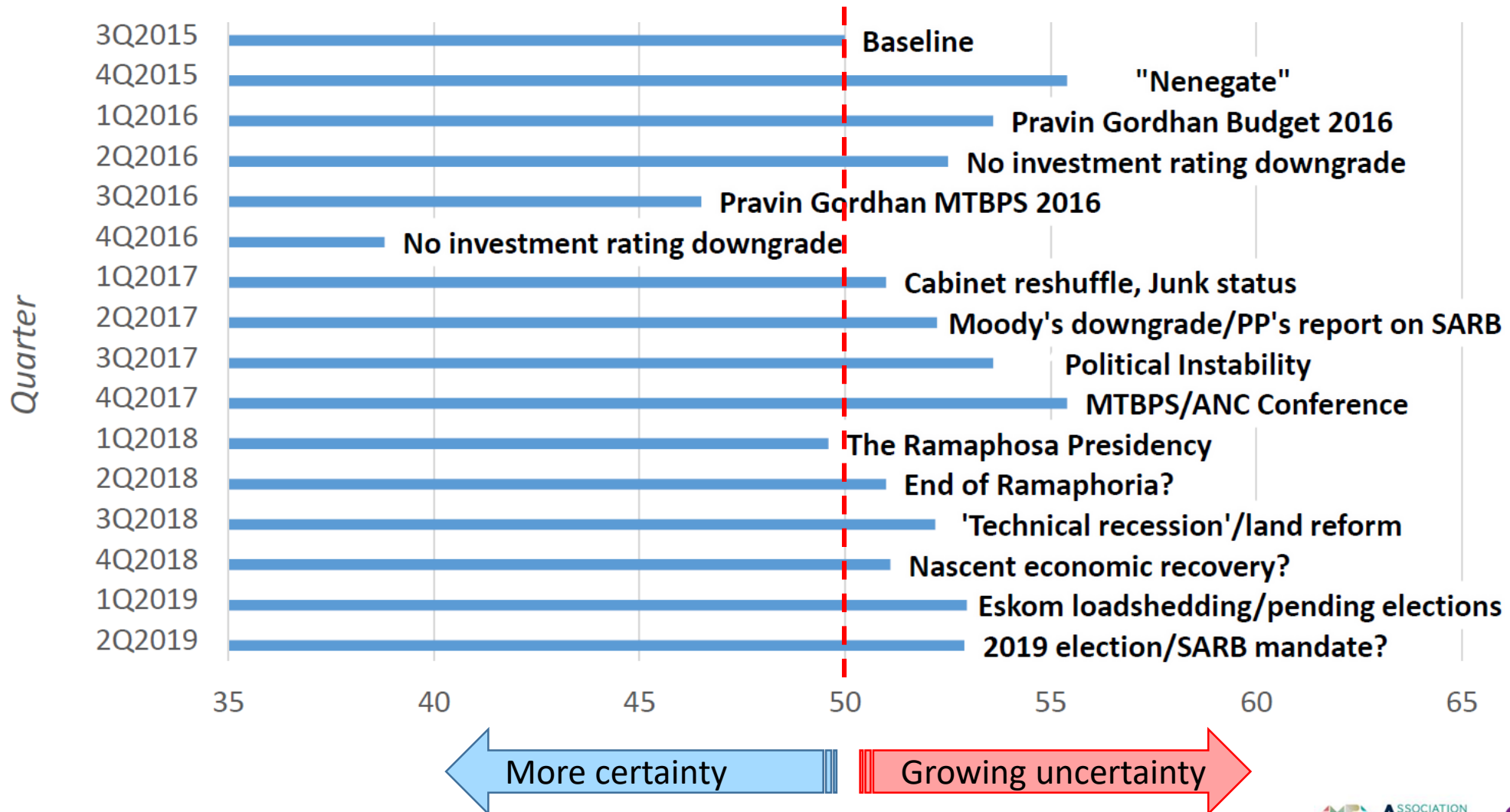
## 1987 – 2019



Source: BER; SARB; MFA DATABASE

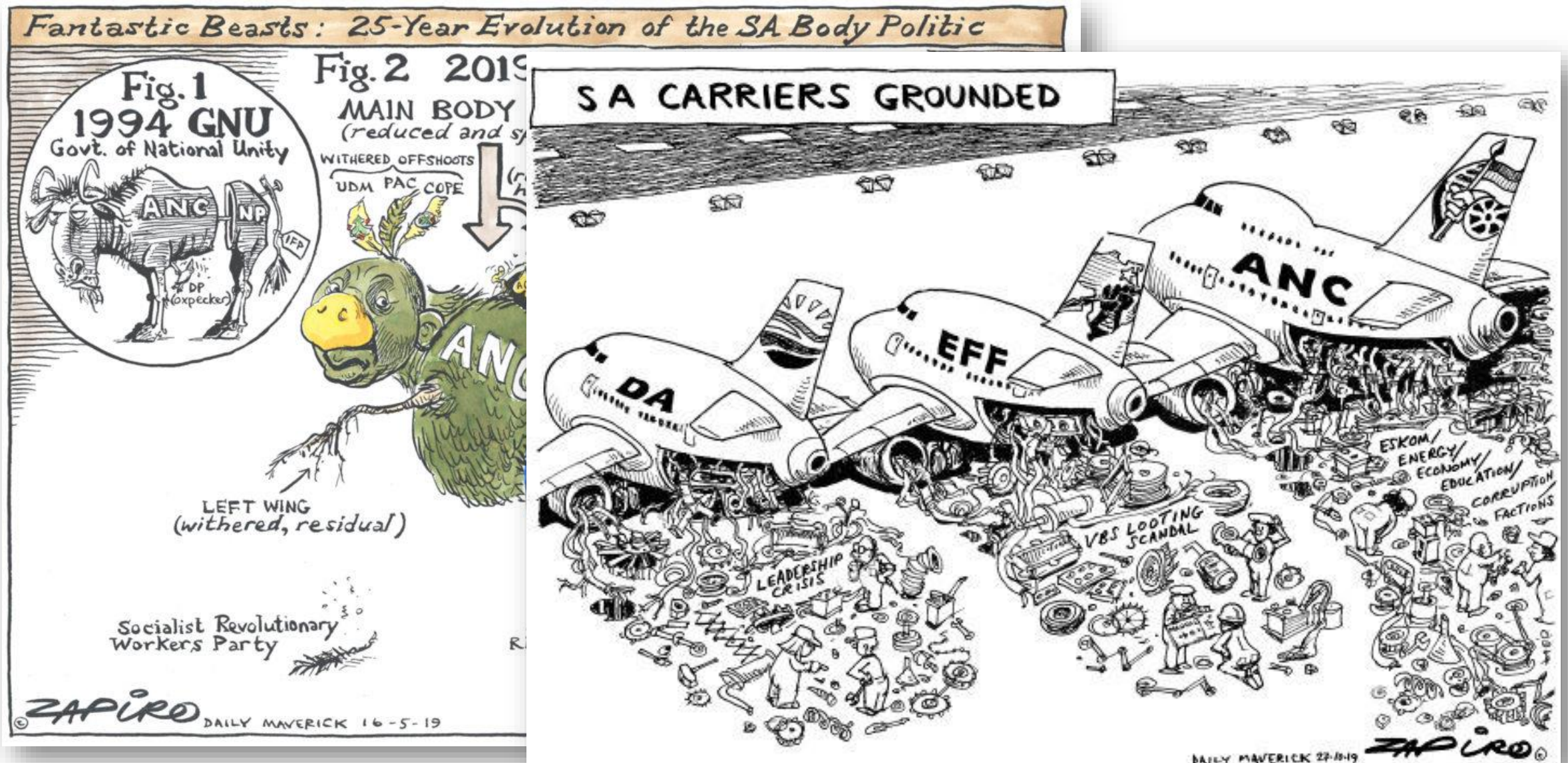


# NWU Business School Policy Uncertainty Index

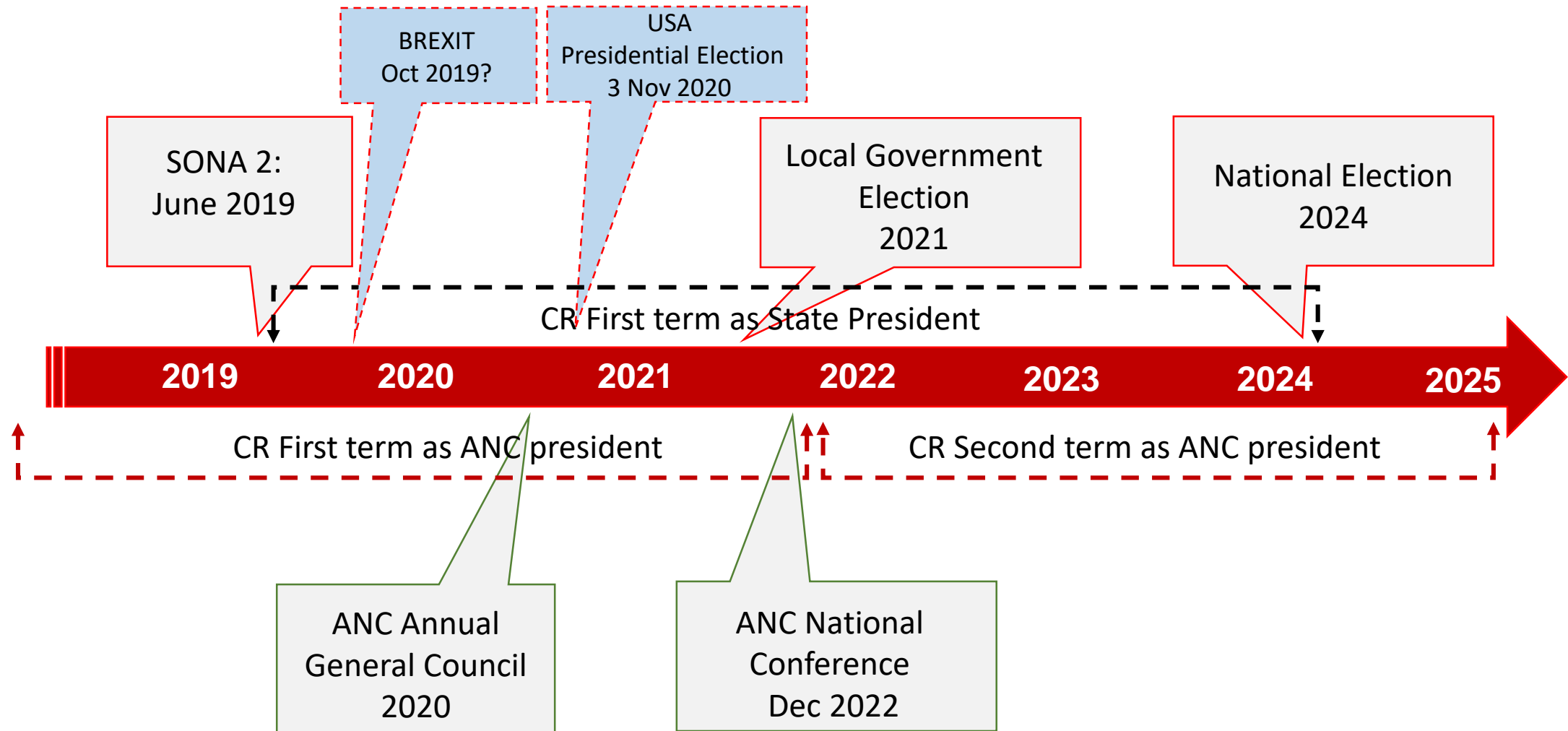




# Party Politics in a state of flux



# The road ahead



# Managing the South African Paradox

- Ramaphosa playing the long game – but does conditions allow for that?
- Ramaphosa in control of government, but does he control the party?
- To maintain ANC leadership despite factions is a pre-conditions for the economic recovery plan.
- To stick to his 1<sup>st</sup> SONA commitments and add urgency to his 2<sup>nd</sup> SONA.
- To act decisively on corruption – Zondo, Mokgoro, Nugent, Mpati and Mufamadi Commissions. Encouraging appointments.
- To encourage and facilitate economic growth – Nine wasted years!
- To bring policy stability and direction.
- To oversee the restructuring of the SOE sector.
- To oversee a smaller and more effective civil service and government.




# Thank You

**Theo Venter**

Political and Policy Specialist

[theo.venter@nwu.ac.za](mailto:theo.venter@nwu.ac.za)

 [@theo\\_venter](https://twitter.com/theo_venter)