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Missing middle is big reason SA fails to score economically



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I am not a devoted soccer watcher but I do love a great story, and if there is a great story in this World Cup it's about two teams: Argentina and Portugal.

For those who have recently returned from a holiday to Mars, soccer is currently dominated by two of the greatest players who have played the sport: Lionel Messi and Cristiano Ronaldo, who are playing for Argentina and Portugal, respectively.

The storyline is made more intriguing because Messi and Ronaldo are physically so different and play with such different styles.

Messi is short, impish and tactical. Ronaldo is tall, statuesque and physical. For 10 years, one or the other has won Fifa's player of the year award, and every year the one who didn't win came second. Each has won it five times.

No-one else has achieved that. There have been times when one player has stood out: the other Ronaldo in the late '90s, or Zinedine Zidane in the early 2000s. But to have two of the greatest players playing at the same time ... how much more tantalising can it get?

The second reason the storyline is so powerful is that they both come from medium-sized countries with powerful soccer traditions. Yet neither side features in the bookies' estimates of the top five potential winners.

problem for both players is that their support is spotty, as has been evident in the narrow wins and scraped draws achieved so far.

The problem is obvious; soccer is a team sport. If you are Ronaldo and you have the talented Karim Benzema playing next to you at Real Madrid, well of course you are going to look good. But Portugal, even more than Argentina, is lacking in power-support players.

The peculiar problem of having an outstanding player and a comparatively lesser support cast in a team sport was hovering in the back of my mind while reading the World Bank's SA diagnostic, called *An Incomplete Transition: Overcoming the Legacy of Exclusion in SA*.

It's very World Bank; careful to advise rather than dictate, studious in its acknowledgement of achievements but straightforward when laying out the facts. Between the lines, the true sense of the report is easy to discern; it's the Argentina/Portugal problem.

SA has some great players, which it insists on hobbling, and a lot of youthful inexperience, which it is determined to support. The result is the opposite of the noble intentions of designers.

Take for example this

comment in the report on competition policy: "Antitrust enforcement can address practices that may be facilitated by concentration in certain markets. However, focusing on the root causes of concentration will also require examining areas where public policy is inadvertently exclusionary to the detriment of SOEs [state-owned entities]".

But plainly the

government is obsessed with using competition policy to encourage new entrants and stiff regulatory provisions to encourage more black economic empowerment.

But, because it ignores the fact that too many SOEs are monopolies themselves, the competition policy tool is muted, while the regulatory requirements tend to end up increasing barriers to entry, which inadvertently increases the pricing power of the existing players.

One example cited is Transnet. About 90% of SA's imports and exports are handled through ports, but the report says "as the sole provider and often the sole off-taker of its services, Transnet is subject to a conflict of interest and may have incentives to engage in exclusionary behaviour towards potential competitors". You don't say.

THE TRICK IS NOT TO HOLD BACK THE STAR PLAYERS ... THE UP-AND-COMING GENERATION NEEDS TO FIT IN WITH THE STARS

There is also an interesting section on incentive schemes, which notes that SA has had 92 active schemes, including concessional loans, in-kind support such as staff training or business development services, and various types of support for social causes. Yet only 1.5% of the over 172,000 firms surveyed in 2016 had taken up the government's leadership incentive. It cited other examples and noted the lack of transparency involved in the application process.

"The difficulty of navigating SA's various incentives makes it difficult to overcome exclusion, especially of smaller firms. It is a reflection of a business climate that is not always conducive to the private sector, especially SMMEs," the report says.

SA's economy has always had this problem of a missing middle; some grand large players and lots of desperate innovation at the base, but very little in the middle.

The trick is not to hold back the star players to make them fit with the up-and-coming generation. Instead, the up-and-coming generation needs to fit in with the stars. Failure to do so means eking out a lucky win against Morocco.

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