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## **DIGITISING GOVERNANCE: HOW PROFESSIONAL BODIES, TECHNOLOGY AND LEADERSHIP CAN DRIVE SOUTH AFRICA'S RECOVERY**

By Terrance M. Booyesen (CGF Research Institute: CEO)

In the face of escalating governance challenges in South Africa's State-Owned Enterprises (SOEs) which include Eskom, Denel, Transnet, PRASA and SABC to mention a few, there has never been a greater need for urgent reform, and it's critical that we begin to take appropriate action. Time and again, we hear leaders admit, ***"We know we have a governance problem, but we do not know how to fix it, or where to start."***

### **South Africa: A bleak picture**

The country's governance problems -- fuelled by corruption, mismanagement and weak leadership -- are undermining the operational effectiveness of key public sector entities. These struggles have been directly linked to a broader decline in South Africa's economic performance, marked by poor GDP growth, rising debt ratios, and mounting unemployment. Without addressing the governance issues, the economic outlook for the country remains bleak.

South Africa's credit rating has been downgraded three times in recent years, with the country now sitting at one of its lowest positions on the global credit scale. According to Standard & Poor's, Fitch Ratings and Moody's, the country's triple downgrade status -- known as 'junk status' -- reflects both governance and economic concerns.

These downgrades are a stark reminder of South Africa's annual GDP stagnation, including our national debt which exceeds R6 trillion (circa 75% of GDP)\*, and unemployment which has reached historic highs with circa 34%\*\* of the working-age population unable to find work. South Africa's economic performance remains weak, and GDP 'growth' struggles between 0.1 - 0.2%, which is a far cry from the 4 - 5% growth rate anticipated to tackle the unemployment crisis. (Many market analysts believe the country will require double-digit GDP growth consistently over the next decade in order to alleviate this on-going crisis). Government spending on social grants has surged due to high levels of unemployment, exacerbating the country's fiscal deficits. Even more concerning is the continuing decline in Foreign Direct Investment (FDI).

In recent remarks, U.S. President Donald Trump has criticised South Africa's governance policies linked to Expropriation Without Compensation, including the country's inability to address corruption and inefficiency within its public sector. Indeed, the impact of such comments will undoubtedly affect South Africa's ability to attract new FDI and rally international support. His statement regarding the suspension of the PEPFAR grant underscored that the U.S. would be reassessing its financial contributions to South Africa in particular, signalling a significant decline in international backing from the United States of America. These comments reflect growing concerns from global stakeholders, with many questioning the stability and long-term viability of South Africa's governance structures to ensure the country is a safe and secure investment destination.

Undoubtedly, the nation is in urgent need of a "leadership reset" where good governance and accountability is placed at the center of that change. (\*Source: National Treasury: as of January 2024) (\*\* Source: World Bank: Q2-2024)

## **The crisis of governance in South Africa**

Most of South Africa's SOEs continue to be emblematic of the country's broader governance challenges. Mismanagement, corruption and a lack of accountability have stymied their operational capacity, creating ripple effects that impact the national economy. For example, Eskom's ongoing power crisis, Denel's financial troubles and Transnet's supply chain bottlenecks have all contributed to the erosion of investor confidence.

## **The role of professional organisations in driving change**

While these governance challenges may seem insurmountable, South Africa has an opportunity to turn things around if it leverages its professional organisations, educational institutions and technological solutions. Key stakeholders such as the Institute of Internal Auditors South Africa (IIASA), the Institute of Directors South Africa (IoDSA), and Institute of Risk Management South Africa (IRMSA) have an important role to play in advocating for sound governance practices that can turn the tide.

Professional bodies like the IIASA can help institutionalise independent audits and governance reviews, ensuring that both the public and private sectors adhere to high ethical standards. The IoDSA's emphasis on corporate governance principles (found in King IV™) can guide leaders towards more accountable, transparent and responsible decision-making. Furthermore, IRMSA can offer expertise on managing risk effectively, and reducing vulnerabilities that lead to poor governance and financial instability.

Beyond these organisations, South African universities, such as Stellenbosch University, WITS and the University of Pretoria, are pivotal in providing the academic rigor necessary to support this change. By aligning with industry leaders, these institutions can provide continuous education on the best practices in governance, risk management and digital transformation, preparing South Africa's next generation of leaders to drive sustainable growth.

## **The power of digitised governance frameworks**

Technology presents a significant opportunity to address South Africa's governance challenges. Cloud-based governance frameworks can empower public and private sector organisations to automate governance workflows, ensure compliance and provide real-time monitoring of the standard of governance practices within an organisation. These systems offer transparency, ensuring amongst other, that leadership decisions are traceable and accountable.

Digitising governance practices within an organisation offers a solution to combat corruption and inefficiency in government departments and SOEs, ensuring that public resources are managed more effectively and efficiently. Through real-time governance reporting and data-driven decision-making, these platforms can make governance more transparent, efficient and effective.

Importantly, the adoption of modern governance systems will make South Africa a more attractive destination for FDI and it is critical that the country move rapidly in this direction. Investors are wary of regions with weak governance, but the transparency enabled by digitised governance systems can reassure potential investors. As a

result, South Africa could see a boost in FDI, which is vital to addressing the country's debt and unemployment problems.

In this vein, Stellenbosch University has recognised the need for embracing digital transformation specifically in the public sector and issued a Briefing Note in June 2024, entitled ***Fast-Tracking Digital Transformation: A Framework for South Africa's Public Sector*** which amongst other, aims to address the complexity of South Africa's digital transformation efforts to ultimately accelerate the achievement of the SDGs. Organisations that embrace digital governance frameworks have a distinct advantage to streamline their operations, reduce waste, and increase efficiency, all of which contribute to better economic outcomes. South Africa's adoption of digitised governance frameworks could help reverse the negative trend of declining FDI and improve the country's standing in the global market.

### **A call for leadership and collaboration**

South Africa's governance crisis is not an insurmountable obstacle, but it does require immediate and concerted action from a broad collection of actors. To rebuild the country's global standing, government and business leaders must embrace a new era of governance - one that is digitally empowered, ethically grounded, and supported by professional organisations and academic institutions.

Digital tools like Praefectus™ can provide the transparency, accountability, and efficiency needed to turn around the country's governance and economic challenges. Digitised governance frameworks combined with the expertise of professional organisations can provide the roadmap for leadership to transform their governance practices, turning challenges into opportunities and helping South Africa achieve its full potential. By working together, we can build a governance ecosystem that is transparent, effective, and one that truly serves the best interests of the nation. This collaborative effort will not only elevate South Africa's governance performance but could also set a global benchmark for other nations to follow.

The road to recovery is clear: South Africa must adopt modern governance frameworks, invest in leadership development, and embrace the opportunities offered by technology. In doing so, the country can reclaim its position as an economic African powerhouse on the global stage.

### **ENDS**

Words: 1,241

### **For further information contact:**

Terrance Booysen (CGF: Chief Executive Officer) - Cell: 082 373 2249 / E-mail: [tbooyesen@cgf.co.za](mailto:tbooyesen@cgf.co.za)

Jene' Palmer (CGF: Director) - Cell: 082 903 6757 / E-mail: [jpalmer@cgf.co.za](mailto:jpalmer@cgf.co.za)

CGF Research Institute (Pty) Ltd - Tel: +27 (11) 476 8261 / Web: [www.cgfresearch.co.za](http://www.cgfresearch.co.za)