



So, we have moved to Level 2 and we should be feeling like summer is nearly upon us. So why do I sense a distinct lack of enthusiasm from everyone I talk to? I think, as the looting continues, that we have all become totally depressed by the ANC's brazen lack of shame as illustrated by its continuing appointment of criminally-tainted individuals to high office!

To be fair to the former Mayor of Durban, the corruption-accused [Zandile Gumede](#) who was this week sworn in as an ANC member of the KwaZulu-Natal provincial legislature, she has yet to be found guilty of the crime she is accused of, the Durban Solid Waste tender case, over which she and a number of ANC councillors and city officials were arrested. The group allegedly conspired to award tenders to a number of service providers who had no capacity to deliver the waste-removal services which were never carried out.

Decency would however, in former times have ensured that such people were NEVER put into high office until they had been exonerated of any hint of moral impropriety. But a recent series of such examples has shown the public that, notwithstanding mounting social media anger, the ANC no longer cares what the public thinks. ANC in Natal defended her appointment this week, saying there is nothing "untoward" about it. This is the same ANC that said early in 2019 that all those charged with serious crimes should step aside from their positions in government pending the conclusion of their criminal cases.

Nevertheless I am up-beat this week because of the news that five suspects, including three government officials, a former head of the Department of Agriculture in Free State and a retiree from the same department were arrested by the Hawks on Monday for alleged corruption, fraud and money laundering to the value of R244 million in connection with the Estina Dairy projects.

Bearing in mind the rapidly rising pressure of public opinion on the Hawks to deliver something...anything...it's my guess that they are desperate to bring down one of the big fish of grand corruption. If I were leading the Hawks right now, I would be negotiating with those arrested to turn State witness in order to bring people like the ANC Secretary General Ace Magashule to court.

No other single arrest, other perhaps than of former president Zacob Zuma, could conceivably at this stage in our history do more to restore investor confidence and our belief in the endurance of the rule of law in this country.

However, if like me you are concerned that absolutely nothing seems to be happening to put those responsible for state capture behind bars, please take the time to read the article by Oscar Van Heerden which I have re-printed from The Daily Maverick at the end of this column.

Meanwhile, commentators have been talking up a storm this week about the prospects for MTN regaining its former glory. How likely is that in reality?

I started my research with my first graph on the right which reflects the beginning of the good times for MTN in late 2002 after a three-year punishment phase which ran against the then upwardly-mobile JSE All Share Index.

Back then MTN shares had been falling at a wealth-destroying compound annual average rate of 48.2 percent while in contrast the JSE was rising at compound 13.7 percent. Then MTN turned around and for the next 12 years it gained 33.3 percent annually as my green trend line shows.

But from late 2014 the company returned to value destruction at a compound annual average rate of 19.5 percent a year taking its shares from a peak value of R263.44 to bottom almost precisely at one tenth of that peak, at R26.25 on March 23 this year.



This week it reached a short-term peak of R65.86 in response to enthusiastic commentators who think the appointment of a new CEO and its exit from the Middle East are together likely to ignite a whole new era of wealth-creation. Well will they really?

Let's consider the facts! The big wealth spinner, we are told, is MTN's presence in Nigeria where more South African companies have burnt their fingers and exited with their tails between their legs than practically from any other African destination. How can it be different for MTN which has already had some bruising brushes with Nigerian authority?

Let's start with the 2002 resurgence which began with the replacement of then CEO Paul Edwards who had driven the company's aggressive expansion in Nigeria. As Business Maverick reported at the time, *"Recently all has not been well at MTN. Its brand image among customers still suffers, and will do so for a long time to come, because of a disastrous billing system switch that caused double-billing, over-billing, and was compounded by a remarkably poor response to customer complaints. It spent a lot of time and attention on what would have effectively been an acquisition by India's Bharti Airtel, and put its own expansion outside of Africa on the back burner, only to watch that deal crumble. And the expensively aggressive move into Iran – wannabe nuclear power and holder of dubious elections – could still, in hindsight, turn out to be a disaster. Or it could turn out to be as visionary as the decision by Paul Edwards, Nhleko's predecessor, to bet the farm on Nigeria – a bet which profits from that country have repaid many times over."*

Then, the tide changed again when the company clashed with the Nigerian Government over its defiance of an order to properly register all of its users and it was lumbered with the biggest monetary fine ever awarded to a corporate. It culminated in early 2017 when Nigerian protestors attacked a MTN office in Abuja, Nigeria as a counterattack due to violence targeted against Nigerians in South Africa. Then in September 2019 MTN began closing its headquarters and retail operations in Nigeria due to rioting, looting, and attacks on some of their facilities.

In 2015, Nigeria fined MTN \$5.2 billion for failing to disconnect all improperly registered Subscribers Identification Modules (SIM). The compliance audit carried out by the NCC on the MTN network revealed that 5.2 million unregistered customers lines were not deactivated as directed.

This led to the NCC fining MTN \$1000 for each unregistered SIM. In the wake of this there were major resignations among the top echelon of the organization including the chief executive officer, Sifiso Dabengwa. Thereafter, with the intervention of South African diplomats the fine was reduced to \$3.2 billion.

Nigeria was not the only source of MTN's foreign troubles. In January 2012, the US-based advocacy group United Against Nuclear Iran (UANI) launched a campaign publicly calling for MTN to scale back its operations in Iran and end its business in the country. UANI alleges that MTN technology is "enabling the Iranian government to locate and track individual cellphone users which it says is a violation of users' human rights".

Then in June 2012, Reuters and the BBC reported an allegation by Chris Kilowan, a former executive for the company in Iran, that MTN Group may have been complicit in securing American telecommunications technology from Sun Microsystems, Hewlett-Packard and Cisco Systems on behalf of Irancell in violation of trade sanctions against Iran. Oracle, which owns Sun Microsystems, said that it was investigating and denied involvement, saying that it complies with US export laws. Hewlett-Packard issued a similar statement. MTN Group denied the allegations, saying that it complied with US sanctions against Iran.

That year Turkey's Turkcell filed a \$4.2-billion lawsuit in Washington, D.C. alleging the company used bribery to win a mobile licence in Iran that was first awarded to Turkcell. The court delayed the case in October pending a US Supreme Court decision on the Alien Tort Statute, the US human rights law on which Turkcell's suit was based, and in May 2013 Turkcell dropped its US lawsuit against MTN citing a US Supreme Court ruling that hurt its case.

So, against this troubled background, what could possibly turn the tide of investor opinion? Well, this month MTN announced it has decided to sell its shares in Syria, Afghanistan and Yemen, and to divest its 49 percent minority holding in Irancell over time. The company's decision was based on the fact that their assets in the Middle East contributed less than 4% to group earnings in the first half of the year.

So much for MTN's adventures abroad. But does it qualify in any respect on its fundamentals? Well corporate earnings have been erratic but to my mind the most critical indicator of all is always the dividend history of a company and this has been also been erratic, falling since 2015 when the payout was R1 310. For the following year it fell to R700 and then in 2017 to R250, at the end of 2018 it rose to R360, fell in 2019 to R260 and then in March this year turned up once more to R284.

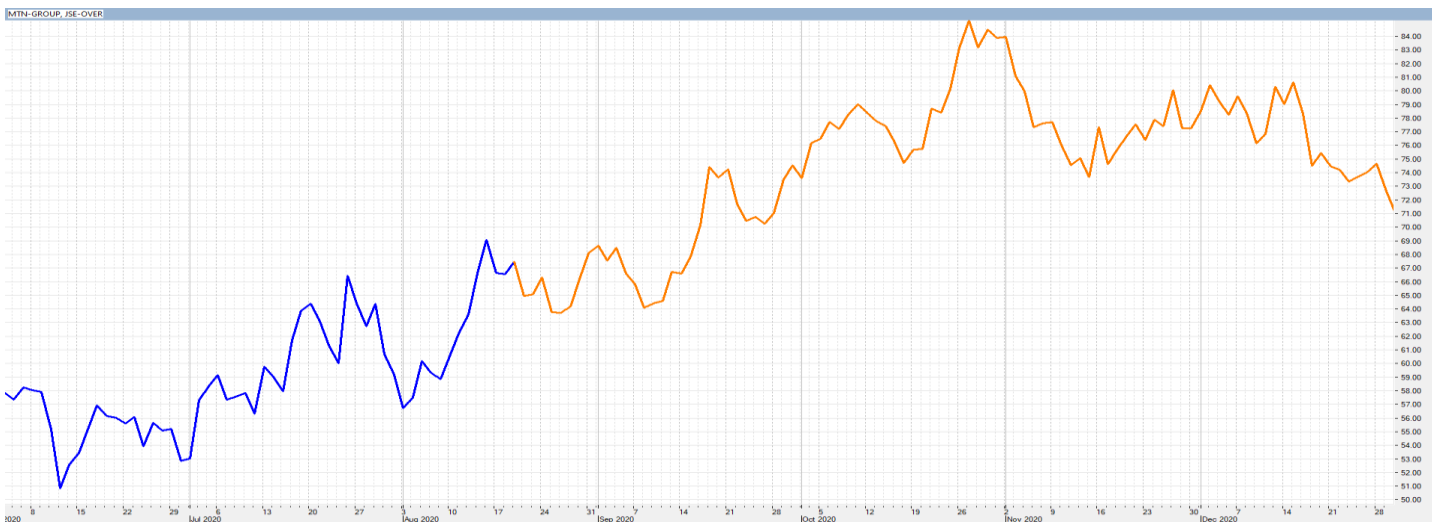
Neither is the company's current use of capital particularly attractive at a return on shareholder's equity of 7.27 percent and even less upon employed capital. Furthermore, in a market where Blue Chips can be bought at a dividend yield of 5 percent MTN is clearly expensive at a yield of 4.2 percent. Then to cap it all, in keeping with so many listed companies at this time, MTN has reported there would be NO interim dividend because of the uncertainties resulting from COVID-19.

So what can justify the fact that the share price has been gaining at an incredible compound average annualized rate of 652 percent since it bottomed in late March. Arguably there might have been some insider knowledge for it was only on July 24 that a trading statement announced that MTN expects to report growth in earnings per share of between 160% and 170% (or 406 cents to 432 cents). Considering the restated EPS of 254 cents for the corresponding six-month period ended 30 June 2019 this translates into a range of 660 cents to 686 cents for the six-month period ended 30 June 2020.

Also, to be fair, the company has since reported that its subscribers increased by 10.6 million to 261,5 million while group service revenue grew by 9,4%, its EBITDA margin improved by 6,4pp to 49,7% while headline earnings were up 120.5 percent.

Then, this week MTN announced that, following an extensive executive search process, the current Group Chief Financial Officer Ralph Mupita had been appointed as Group President and GCEO with effect from 1 September. Current GCEO, Rob Shuter, will step down on 31 August 31 but will “support the incoming GCEO as required until the end of his fixed term contract early next year”.

Obviously, notwithstanding the second massive destruction of wealth that occurred between 2014 and January this year during which the shares fell two thirds in value from R263.44 to R78.76 investors are happy to grasp at straws. I am not sure I would be so keen to jump in even though ShareFinder currently projects continued gains until late October as my final graph shows:



Meanwhile, in the expectation of further central bank stimulus, Wall Street continues to defy ShareFinder’s earlier predictions of a cyclic decline starting around now. New data has been significantly changing the outlook for the S&P500 index which has thus moved to suggest gains will continue until late September as my next graph shows:



Do enjoy your weekend!

The months ahead:

New York's SP500: As I correctly predicted, the decline is now imminent. ShareFinder senses that Wall Street will decline from the 24th to September 3 before rising again until September 28 and then sliding down until the second week of November.

London's Footsie: I correctly predicted the decline. Now I see recovery until mid-October ahead of a run down until January.

Germany's Dax: I correctly predicted it would be downhill initially followed by a gain which began on August 19 and is likely to continue into the second week of October ahead of a slide down to December.

France's Cac 40: I prematurely predicted a decline which ended on the 19th ahead of a recovery that should last until late September followed by a decline to the end of November.

Hong Kong's Hangsen: I correctly predicted the start of a volatile recovery which I see lasting until early September followed by a decline until approximately the 23rd before a long but quite volatile up-trend until the end of December.

Japan's Nikkei: I correctly predicted gains until the third week of September and then down-hill again until mid December.

Australia's All Ordinaries: I correctly predicted gains which I still see lasting until mid-September followed by a volatile decline until the end of November.

JSE Industrial Index: I correctly predicted a decline which I expected to last until the end of August ahead of a recovery lasting most of September followed by a volatile decline until mid-January.

JSE Top 40 Index: I correctly predicted a decline until early September followed by a recovery for most of September ahead of the next down-trend until mid-November.

ShareFinder JSE Blue Chip Index: I correctly predicted a volatile decline which I still see lasting until the 24th ahead of gains until the third week of September and then a volatile decline until mid-January.

JSE Gold shares: I correctly predicted a volatile down-turn lasting until the first week of September followed by a recovery until late October and then a long decline long into the new year.

Gold Bullion: I correctly predicted a brief, possibly month-long, interim decline followed by a recovery in September likely to continue well into 2021.

The Rand/US Dollar: I correctly predicted gains followed by a short period of weakness until the second week of September and then very volatile gains until early November.

The Rand/Euro: I correctly predicted gains which I continue to see lasting until early November followed by weakness until the end of the year.

The Predicts accuracy rate on a running average basis since January 2002 has been 85.89%. For the past 12 months it has been 95.47%.

Richard Cluver

Room for ‘Great optimism!’

By Oscar Van Heerden writing in the Daily Maverick

There is a widespread belief that President Cyril Ramaphosa is moving far too lethargically in combating corruption. But when we start adding up all the cases that are underway, and the huge sums of money recovered, there is room for great optimism.

Ignoring our tragic history, we have become too accustomed to the blame game – pointing fingers at each other, as if this will resolve the deep structural challenges in our country. Unemployment, poverty, and inequality are the enemies of our nation and quite frankly, this is what we should concentrate on moving forward.

Needless to say, when there are elements in our society that are taking advantage of us and our generosity by engaging in corruption, State Capture and other illicit activities at the expense of our people, we must effectively deal with them and bring them to book. The long arm of the law must take its course and the perpetrators must be punished.

The 2008/09 global financial crisis saw the global economy take a punishment never seen before in recent history. Then, just as we began to see a recovery in many economies, the Covid-19 pandemic hit the world and had devastating consequences on us all. The combination of the previous crisis plus this pandemic rendered many economies catastrophic and we in South Africa are no different.

So one can fully appreciate and understand the frustration, anger and helplessness on the part of our people. Both events were not of our own making and yet the blame game continues, and the ANC is at the receiving end of the blame it seems. Social media has gone viral with the ineptness of the ruling party in managing this pandemic and the corruption that has obviously gone with it has reinforced people’s view (at least on social media pages) that the ANC and by extension the government cannot manage the crisis and in fact have actively contributed to it by not arresting people, not prosecuting people and not ensuring that culprits find themselves in prison orange overalls.

And yet nothing can be further from the truth.

A recent analysis from a friend of mine, JP Landman, demonstrates this reality so very succinctly. He states, for example, that on the corruption front “there is palpable anger in the land about corruption. The anger is largely focused on what the ANC is doing and failing to do about the scourge. If we separate party and state, it is useful to look at the scoreboard of what the state has achieved so far in fighting corruption.”

He then sets out his analysis, starting with the much-needed changes required at the top in various critical institutions. He indicates that: “President Ramaphosa, 10 months after coming into power, fired erstwhile South African Revenue Service (SARS) commissioner Tom Moyane in November 2018. Moyane fought mightily to keep his job, all the way to the Constitutional Court, who sent him away empty-handed. By May 2019 new Commissioner Edward Kieswetter was in office. Four senior SARS executives left in the next three months, bringing the total senior executive departures to seven. Now, a year later, SARS seems on its way back.”

He continues that “at the Public Investment Commission (PIC), no fewer than 17 board members and senior executives left in the nine months between June 2018 and April 2019. Some have already received summonses to repay money and I suspect more summonses will be issued.”

As we all know, the problems besetting our electricity provider have had and continue to have far-reaching implications for our country. As such, Landman reminds us that: “Eskom retrieved R1-billion from McKinsey and R150-million from Deloitte. (Two Deloitte directors also resigned.) Eskom cancelled a coal contract of R3.7-billion with Tegeta, the erstwhile Gupta company, as well as a R14-billion oil supply agreement. Other contracts are being investigated.

On 3 August 2020, Eskom and the Special Investigating Unit (SIU) launched proceedings to recover R3.8-billion from 12 individuals, including the Guptas, a former minister, former senior executives and former board members. In its investigations at Eskom, the SIU notified the board of wrongdoers – some resigned before disciplinary hearings started. There are consequences, even if we don't see orange overalls yet. (As an aside, 300 managers left Eskom with voluntary severance packages.)”

Wow, who knew – all this going on and yet there remain many in our country spreading the pessimistic message that nothing is being done by our government. In fact, they go as far as saying that the president is doing nothing to combat corruption.

It is now also known that: “At Transnet, a new board was put in place and 15 senior executives left over a period of 12 months. South China Rail has repaid R618-million; the two Transnet pension funds recovered R1.168-billion from Gupta entities; and assets worth R232-million from a former Gupta associate were frozen.”

More must and will have to be done, and not everyone has yet answered for their complicit role in State Capture and corrupt practices. “Not all institutions were cleaned up as successfully. The Passenger Rail Agency of South Africa (Prasa) remains a mess and is now thankfully under administration. Gratifyingly, SARS attached some of former CEO Lucky Montana’s private properties.

“The Land Bank had to be bailed out with R3.5-billion, but three people have been sent to jail for fraud at the bank – one for 20 years. Mercifully, South African Airways is on its way out (unless a benefactor appears) and SA Express is in liquidation. Denel also saw a clean-up and has a new and very competent board, but it can probably no longer be saved from the ravages of earlier corruption – the military procurement environment has changed too much.”

As for the much-spoken-about National Prosecuting Authority (NPA), Landman tells us: “In August 2018, Ramaphosa fired previous National Director Shaun Abrahams (like Moyane, Abrahams challenged his dismissal in court, but he too was eventually sent away empty-handed). In October 2018, Ramaphosa suspended the two deputy directors, advocates Nomgcobo Jiba and Lawrence Mrwebi. Following the commission’s report, they were fired in April 2019. Like Moyane and Abrahams, Jiba challenged her dismissal in court. She threatened hellfire and brimstone, but eventually simply abandoned her case and went into oblivion. New permanent deputies have been appointed.”

In the meantime, “several investigative agencies have been pulled together in a ‘fusion centre’ to work on Covid-19 corruption, creating precisely the integration of skills and a more enduring capacity President Ramaphosa was looking for”.

We then see in February 2019, while these clean-up processes played out, Shamila Batohi assumed her position having been recruited from The Hague.

Also, in February 2019, Ramaphosa announced in his State of the Nation (SONA) speech that a special investigative unit would be created inside the NPA to prosecute State Capture cases. The unit would combine prosecutorial and investigative capabilities like the Scorpions used to have. Ramaphosa promised that skills from “within government and the private sector” will be brought in. He also left the door open for “a more enduring (anti-corruption) solution” to be developed.

“The unit was gazetted in April, and in May 2019, Hermione Cronjé was duly appointed from outside the NPA to head this new unit. In October 2019, Treasury allocated R38-million to get the special unit going; a further R25-million was allocated to appoint private sector practitioners to assist the NPA (there is Ramaphosa’s promise of ‘private sector skills’); and R102-million was allocated to fill vacancies at the NPA.”

And finally, to conclude on this NPA renewal process: “In February 2020, 800 posts at the NPA were advertised. More positions were advertised in August 2020.” This clearly tells us that the president and the minister of justice are very serious about putting in place the right people, structures and tools to correctly fight this anti-corruption fight as promised in his campaign leading up to the 2019 general elections.

In July 2020, the regulations on the Zondo Commission were changed to allow the NPA to use evidence from the commission in criminal prosecution as well as to use the services of people currently working for the commission. This was not possible under the commission’s previous regulations.

One must remember that the Zondo regulations were promulgated by Zuma just before he left office, and it was a balancing act to protect people's right to remain silent, but still get the stories out. That balancing act now favours the NPA.

During August 2020, "the ANC's National Executive Council (NEC) has resolved that 'government (must) urgently establish a permanent multidisciplinary agency to deal with all cases of white-collar crime, organised crime and corruption'. Later, Justice Minister Ronald Lamola confirmed 'it is clear, the country needs a permanent structure'. This sounds much like Ramaphosa's SONA speech of February 2019 where he left the door open 'to develop a more enduring (anti-corruption) solution'. Looks like he knows where he wants to go and is playing the long game," according to Landman.

In the meantime, "several investigative agencies have been pulled together in a 'fusion centre' to work on Covid-19 corruption, creating precisely the integration of skills and a more enduring capacity President Ramaphosa was looking for".

Criminal prosecutions can still follow a successful civil claim. Criminal cases require "beyond all reasonable doubt" while civil claims require the less strenuous test of "on a balance of probabilities" (as we are seeing with some of the VBS accused being both sequestered and now also charged criminally).

I reckon we will soon reap the benefits of this initiative too.

As for the much-vaunted prosecutions: "16 months ago... I tried to temper expectations for quick prosecutions. I wrote that prosecutions will only happen in 2020. Legal processes take time, simple as that."

In the meantime, Jacob Zuma has suffered a number of setbacks in various courts. As he is discovering, the wheels of justice turn slowly, but they do turn. "The Hawks are investigating 250 cases of municipal fraud of which 93 are already before the courts," Landman writes. "More people will discover that the wheels of justice actually turn, if slowly."

Landman also does not forget about the VBS saga. "In June 2020, nine suspects were arrested for the VBS Mutual Bank saga. In the meantime, five of the nine VBS accused, including the former chair, chief executive officer, chief financial officer and chief operations officer, were sequestered and their assets seized to repay monies to the bank. Two directors were declared delinquent and cannot be company directors again. Consequences are following, even without jail sentences."

We must remember that the SIU is a division of the NPA with the mandate to investigate and recover public monies through civil claims – it is not a prosecutorial body. Where the SIU comes across evidence of criminal wrongdoing, it is referred to the prosecutors at the NPA. (For example, it laid criminal charges against three companies in Gauteng and identified two senior officials as "enablers of corruption" relating to Covid-19.)

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"To speed up civil litigation by the SIU, Ramaphosa created a Special Tribunal to adjudicate in the civil proceedings the SIU brings against alleged wrongdoers. It became operational on 1 October 2019 and consists of eight judges under the chairmanship of Judge Thami Makhanya. Currently, 22 cases are before the tribunal. They include, among others, luxury car purchases, dodgy scholar transport claims and inflated government contracts. In two cases, the tribunal ruled that the pension of suspects be frozen, giving the SIU the opportunity to seize the money. (Resigning and running with one's pension has just become more difficult.)"

We saw how the Special Tribunal seized the assets of a suspended Transnet executive, including a "luxury home in Dainfern, two farms and... 35 motor cars! Transnet was also prohibited from paying out any pension benefit to the executive. The SIU has R14.7-billion in cases ready that it wishes to submit to the tribunal."

Ramaphosa is slowly, but surely coming to the realisation that to attempt unity with such hyenas in his party is fruitless. They remain like the scorpion in the scorpion-and-frog story, where the scorpion wanted to cross the river and invoked the help of the frog to carry him across.

As for the Asset Forfeiture Unit (AFU), well this is an old division of the NPA and was established in President Nelson Mandela's time. According to Landman, "it is an old workhorse that was deliberately restrained in the Zuma era. It now seems to have a new lease of life. In the last reported year, it recovered nearly R2-billion from economic crimes against a mere R180-million the previous year. Over the five years to 2019, the AFU has recovered R11.8-billion in 2,707 cases. The AFU focuses on 10 specific crimes, including fraud, cash smuggling, human trafficking, counterfeit fraud and drug-related offences."

Who knew? An example: In the current Covid-19 corruption saga, the AFU seized a bank account two weeks ago with R700 000 siphoned-off UIF money meant for unemployed workers.

So, why am I outlining all these activities so eloquently expressed by JP Landman? Well, because the pessimism is getting me down. It simply does not help anyone if we are constantly referring to the glass being half empty and never wanting to acknowledge all this great work that has taken place. Yes, we want to see the so-called big guns behind bars, but we will get there, of this I'm certain.

Ramaphosa is slowly, but surely coming to the realisation that to attempt unity with such hyenas in his party is fruitless. They remain like the scorpion in the scorpion-and-frog story, where the scorpion wanted to cross the river and invoked the help of the frog to carry him across. The frog insisted that it wouldn't work because the scorpion was bound to sting him and they would subsequently both die. The scorpion assured his companion that no such fate would befall him. As they set out across the water, and with the other side in sight, the scorpion stung the frog and as they started drowning, the frog asked: "Why did you do it, scorpion?" To which the scorpion replied: "It's in my nature to sting."

And so, even during a pandemic with all the devastating consequences that our people have to endure, the loss of loved ones and all the other consequences of Covid-19, they still find ways and means to steal and plunder – why? Because it's in their nature. These thieves will not get away with it and they will ultimately be brought to book. And if we are to find comfort from the above and the many other things that are being done to fight corruption, I am confident that similarly, these scorpions will suffer what they must.

Landman concludes: "As the timeline clearly shows, getting rid of people, replacing them with better ones and building up institutions takes time. A lot of action is being taken through civil proceedings (sequestration, asset seizure and civil claims). This does not have the drama of orange overalls, but there are still consequences for the perpetrators and public money is being recovered.

"Progress has been made with some state-owned enterprises (certainly most of the big ones), however, most of the current Covid-19 corruption seems to take place at a provincial and local government level."

He says: "One must distinguish between what the state is doing and what the ANC is doing or not doing. Ramaphosa has clearly put the state on a new trajectory. It is important that the ANC now follows suit."

I concur with my friend's sentiments and enjoin our ordinary citizens to not be too pessimistic and to see through some of the sensational headlines going forward. **DM**

Oscar van Heerden is a scholar of International Relations (IR), where he focuses on International Political Economy, with an emphasis on Africa, and SADC in particular. He completed his PhD and Masters studies at the University of Cambridge (UK). His undergraduate studies were at Turfloop and Wits. He is an active fellow of the Mapungubwe Institute for Strategic Reflections (MISTRA) and is a trustee for the Kgalema Motlanthe Foundation.

PETER BRUCE: A siege economy under ANC control? It won't work

The other day finance minister Tito Mboweni tweeted: "I am pleased that we have now signed a Memorandum of Agreement on the Infrastructure Fund. A blended fund drawing in the public, private sector and international financial institutions. This is a critical step forward in the economic revival of SA. Let's get on with it!"

Not understanding the jargon, I asked what a blended fund was. Quick as a flash my old news editor at the Financial Times, Alain Catzeflis, replied, eyes rolling as always when I needed educating, that: "It's where the public sector underwrites the private sector so when it goes bust the public sector can turn to international institutions to bail it out. Keep up."

I checked. It would actually be hard to find a better description of what Mboweni has just trumpeted as the start of President Cyril Ramaphosa's economic recovery strategy — an initial R360bn plan covering water, electricity, housing, roads and food infrastructure.

Last month, the government gazetted 55 projects to lead the charge. The man running them, former Tshwane mayor Kgosientso Ramokgopa, works from the Union Buildings, reporting directly to Ramaphosa. His office said yesterday the gazetted projects were "shovel ready". I asked if that meant financing for them had been agreed but got no reply.

If Ramaphosa does get these projects going though, he starts a chain of economic activity that could jump-start the economy. After these projects, there are 250 more to come. Politically, it is his money shot. Will it work?

No. If supplying simple masks, garments and bags as protective gear for a killer disease could spark the tender frenzy in the ANC that it did four months ago, what does a trillion rand (total) of infrastructure projects do to the comrades? Dozens of people will have to go to jail quickly for the Covid corruption before any serious money is going to build a ring road around Musina.

And the ANC itself, like all left-wing parties, has no membership money, so it also has to get it "indirectly", like Europe's famously corrupt socialist parties. In Spain in 1992 the governing socialists funded themselves off tendering to build that country's first high-speed train line.

And even if the few big SA engineering and construction groups still standing know the game, history is not on Ramaphosa's side. "Investment in infrastructure has always been an integral part of the SA development strategy," wrote the researcher and strategist Andrew Merrifield in a paper for the state on 2002.

But we approach infrastructure in fits and starts. In the 1970s, investment in power generation was so big there was no pressure for more until just before the lights went out in 2007, by which stage we had lost critical design and engineering capacity. Our investment cycle doesn't work.

Who will build Ramaphosa's roads and dams? "I think we've lost about 60% of the engineering and contracting capacity we had in 2000," says Merrifield now. People have retired or emigrated, and while universities turn out engineering graduates there's not been enough activity for them to have become sufficiently experienced to take on an entire economic recovery.

In this game, experience trumps qualifications. Anyone in government with a real eye on the prize would have seen the opportunity for maintenance on roads while the lockdowns thinned traffic. Maintaining roads is 16 times cheaper than building new ones, Merrifield calculated in 2002. But maintenance is dull and doesn't dump large tender money into any pockets.

Ramaphosa anyway regards these infrastructure projects as merely the "flywheel" of economic growth. What surrounds it is a fantasy of indescribable complexity and control.

"The key missions would be very few, national and cross-cutting, with action plans developed by social partners," presidential economic adviser Trudi Makhaya told Daily Maverick's Ferial Haffajee this week. "But every sector in the economy needs to craft a multistakeholder plan that addresses its specific needs. The sectoral plan must be backed by government, labour, business and civil society."

"Sectoral initiatives are already well reflected in government's five-year plan (the medium-term strategic framework) and many of them are driven through 'master plans' developed in partnership with the relevant industry's stakeholders. Where plans exist, stakeholders will have to re-examine them in a Covid-19 context."

That's a sensational exposition of how the ANC menaces its own economy. It perfectly describes the ANC approach to almost everything. The plan *is* the project. I suspect we are quietly trying to build a siege economy here, a version of what the Afrikaners once did. Control is everything. Scrap metal exports have been banned for almost two months as the state tries to "create" stock for a viable local steel industry to supply its ... I give up. Saldhana Steel is closing down meanwhile, a triumph for central planning and other experiments.

Ramaphosa cannot bend this economy, broken or not, to his will. Not even for small black businesses. All those entrepreneurs want from government is that it produces stable policies, gets crime under control and cuts taxes. And then, please, to get out of their way.

I grew up in Mthatha, where my dad was a contractor. I remember talk back then about a dam on the Mzimvubu river that runs to Port St Johns. It's still there, on the president's newly gazetted infrastructure list, more than 50 years later.

• *Bruce is a former editor of Business Day and the Financial Mail.*

The Death of Money

By Jared Dillian

Over the past couple of months, I've been taking steps to get ready. My personal portfolio was *already* organized with inflation in mind, but now every position I'm in could be labeled as an "inflation play."

Why? Because I believe a period of higher inflation is on the way. And, if there is anything I learned from the 2009–2011 experience, it's that the market responds to the fear of inflation rather than actual inflation. It goes back to that phrase, "Buy the rumor, sell the news."

If you wait for the *actual inflation*, the trade will be $\frac{2}{3}$ over (that's $\frac{2}{3}$ of your profit potential flushed down the crapper)...I'm not waiting. This is one trade I intend to be on the right side of. Because when it comes to inflation, you either get run over, you get out of the way, **or you make a lot of money.**

I'll take Option number 3.

I've been shouting it from the rooftops I've been talking to my readers, and even my family, about inflation **for months now.**

The market is pricing in 40bps of inflation in 10 years. Will it be higher or lower? For sure, higher. Because of all the money printing and deficit spending. Everyone knows this to be true, even my friend, whose work is about as far away from finance as you can get.

And though quite a few folks agreed with me from the outset, others took longer to warm up to the idea. Even if you totally disagree with my call, what you can't disagree with is this: People are *finally* starting to talk about inflation. And, as I mentioned, the populace responds strongly to the fear of inflation. From a psychological standpoint you could say inflation goes up because people *think* inflation is going up.)

If you recently threw you laptop, phone, Apple watch, desktop computer, or Kindle in the water because you are fed up with the news and have thus been "hiding under a rock," lemme give you a rundown on

why I believe a period of higher inflation is sneaking up on us quicker than Wile E. Coyote:

We Broke Up with China

With the US imposing tariffs on China, and looking to bring more manufacturing back home (no judge)—we've essentially broken peace with one of our strongest deflationary forces. Of course, businesses will always look to move production to another country that isn't China, but a lot of things are going to end up coming home. And when things come home (or have to be moved to an entirely new low-cost country), they get more expensive to produce. That increase in cost is then passed on to you and me.

We Started Messing with Fiscal Policy

The pandemic has reinforced what the Fed and Congress have been in the pattern of doing for the last 30 years—responding disproportionately to a crisis by printing money and passing it out like the paper it is. We've had a first round of stimulus (How many more rounds will we have? I'll leave it to your imagination...), PPP loans, and unemployment “bonuses.” The Fed and Congress have essentially messed with our fiscal policy in a way that is utterly unprecedented.

We haven't seen money supply growth like this since the Civil War.

We Reignited Our Love Affair with Gold ... *and Crypto?*

Precious metals? You've seen the news... Gold hit its highest valuation, ever, early in August at \$2,000 an ounce. Silver? Copper? They're on their way up as well. In fact, I've been watching people (online) who don't own a single stock suddenly decide they need to be invested in gold or silver.

The current instability, the weaker dollar, and the rumor of inflation are going to mint a new generation of gold bugs. And that may not be a bad thing (presently).

Look at the things that are rallying—gold, silver, base metals, energy, real estate, and stocks. This smells like inflation to me. This isn't gold as a safe haven. This is gold as a risk asset. Going forward, gold is going to be a risk asset, for better or for worse, and if stocks crash, gold will crash, too. It is all the same trade—it is the inflation trade. And yet others are looking to cryptocurrencies as a hedge against a falling dollar.

Overall bitcoin is up 70% this year, while the dollar is down 3% (YTD). And I'm in no way saying, “Ugh. What a dumb move.” In fact, I'm down with some of these moves in a big way. I'm just sharing the signs with you.

On we go...

The Fed Tries to Tame a Rabid Squirrel

The Fed has been talking about offsetting a period of “previous underperformance” by letting inflation run over 2% for a while. This assumes they'd be able to just snap their fingers and stop it at the percentage point they like (3%–4%)... which I would define as the pinnacle of hubris.

The Fed is going to allow inflation expectations to get out of control. They already have—look at precious metals. This is just the opening act. Mortgage interest rates may be down (which is awesome), but your grocery bill is on its way up. I don't know if you noticed, but your overall grocery bill has been 4.5% more expensive than it was in February.

Common items like beef showboated by shooting up 20%.

We Lose Our Favorite Mom & Pop Shops

And very sadly, over 100,000 small businesses have permanently shut their doors since the pandemic began. That's a little under 3,000 a week, and you can bet more will be added to that number.

When fewer companies are around to provide goods and services, the price for those same goods and services will rise.

So, what does this mean to you?

The answer is simple: Don't be on the wrong side of this trade. Positioning yourself correctly now offers you a chance to reap some serious profits.

