

KEYNOTE ADDRESS BY THE PRESIDENT OF THE SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION (SALGA) AND THE UNITED CITIES AND LOCAL GOVERNMENTS (UCLG) NETWORK, MR PARKS TAU, AT THE BLACK MANAGEMENT FORUM GAUTENG POLICY CONFERENCE, SANDTON, 19 MAY 2017

BMF Gauteng Chairperson, Mr Langa Manqele

BMF Executives and members present here today

Chairman of Business Unity South Africa, Mr Jabu Mabuza

Chairperson of the ANC Economic Transformation Sub-Committee, Mr Mcebisi Jonas

South Africa's Statistician-General, Dr Pali Lehohla

Chief Economists from various organisations

Researchers and other stakeholders in our midst

Delegates

Good Morning

Programme director, please allow me to further extend greetings to my fellow panellists with whom I have the honour of sharing the platform this morning. Allow me to also express my sincere appreciation to the Black Management Forum for having invited me to share a few words this morning. Having reviewed the list of illustrious speakers and distinguished participant today, I should admit to feeling somewhat honoured to being asked to present the keynote address, and hopefully set the tone for what I consider to be, possibly of the most critical conversations we as South Africans, and indeed all of humanity should have.

This, considering what our collective and far reaching goals we have set ourselves Globally through the adoption of the Sustainable Development Goals in 2015, and indeed our own National Development Plan. That we have set out to achieve these ambitious targets by 2030, a mere 13 years away, demands of us as a generation of leaders, both within the public and private sectors, enjoined to civil society, to work together and overcome whatever obstacles that may present.

Black Management Forum:

Ladies and Gentlemen, before the subject carries me away, I would like to congratulate the Black Management Forum – Gauteng Province, for convening this biennial policy conference, and through it contribute to the discourse of transformation in our country. The subject of economic transformation, or shall I say radical economic transformation is one that has become an integral part of the discourse on the direction of our country.

True to the vision, and precedence set out by its founders, the BMF continues to be “the foremost driver in the development and empowerment of organisational leadership in the advancement of socio-economic transformation in Southern Africa and beyond

Context:

As indicated in my introductory remarks, the task of the current generation is to achieve the vision and targets espoused globally in the Sustainable Development Goals and other important Multilateral Agreements, such as the Paris Agreement on Climate Change and the New Urban Agenda. Through these agreements, our leaders have set us the objective of creating a world where:

- There is no poverty and reduced inequality
- The impact of climate change is mitigated and reduced
- All citizens have access to basic services

Whilst these contribute towards the global goals, we have to respond to our South African situation and its history. It is within the same timeframe of 2030, that we as a country have also set to achieve our own goals and targets as stipulated in the NDP which are to:

- Eliminate income poverty
- Reduce inequality

The NDP:

Programme Director

Indeed, this is the critical conversation that all of us as South Africans, and as humanity in general, should have as we faced with various forms of social ills related to slow economic growth and the widening inequality gap in our society.

Hence the recent credit downgrades of South Africa by rating agencies cannot be taken lightly. This must be viewed with serious concern as the downgrades pose a real threat to any country’s prosperity vision – let alone a developing country like ours.

The National Development Plan: Vision 2030 is an outline of our necessary path to realise radical economic transformation. It’s important to note that this plan is South Africa’s long term vision and roadmap - adopted by parliament on the basis of a consensus of all political parties.

Contained in it are the nine socio-economic challenges facing our nation. These include, among others, that;

- too few people work,
- spatial patterns exclude the poor from the fruits of development,
- the economy is overly and unsustainably resource intensive, and
- South Africa remains a divided society

We, as today’s generation of leaders – both in government and in the private sector - need to stand up to these challenges that leaders before us have been trying to address since 1994. We, together with civil society, must unite and collectively act to deal with these concerns.

This is not to say that South Africa has not made any progress in addressing these concerns. A lot has been achieved contrary to some mischievous political point scoring of some who are pushing the inaccurate narrative that nothing has changed in South Africa since 1994.

Post 1994 South Africa successes:

Delivering his 2017/18 Budget Vote in the National Assembly, Mr. Jeff Radebe, Minister of Planning, Monitoring and Evaluation, in order to register the progress made since 1994 and in line with the NDP's objectives highlighted the following points:

- The South African economy grew at an average of 3.2% a year from 1994 to 2012, and Gross Domestic Product (GDP) increased in real terms from R1.6 trillion in 1994 to just over R3 trillion in 2015.
- Employment has grown from 9.5 million persons in 1994 to 16 million at the end of 2015.
- Access to housing and basic services has improved through the construction of four million new houses since 1994, and increasing connections to electricity to 95% of households and piped water to 85% of households.
- The social protection system has expanded to cover more than 17 million recipients, lifting millions of children and old people out of severe poverty.
- From 2001 to 2011 poverty has halved, and the percentage of households that experienced hunger has decreased from 23, 8% to 11,3%.
- South Africans are a healthier population and live longer. Total life expectancy at birth has increased from 56.4 years in 2009 to 62.4 years in 2016, with StatsSA estimating it to be 67 years in 2017. And I am sure that the Statistician General will expand on this later
- We are among the leading countries to reach near universal access to basic education, at 98% of 7 to 15 year olds in schools. This is while eligible TVET students receiving financial assistance annually increased from 188 182 in 2012 to 235 988 in 2015; and students enrolled at universities increased from 950 000 in 2012 to 985 212 in 2015.

Indeed these demonstrates that South Africa is a better place to live in compared to the pre-democracy era, and the lives of the majority of ordinary South Africans have improved since the dawn of democracy.

Although considerable progress has been made since 1994, South Africa remains one of the most unequal societies in the world with a Gini coefficient that ranges from about **0.660** to **0.696**. Further, wealth remains highly concentrated – **95 %** of wealth is in the hands of **10 %** of the population. It is a given that

if we continue on the current trajectory, come 2030, we will not achieve the goals as espoused in the NDP. We need to do a few things differently.

Policies for radical economic transformation:

Ladies and gentlemen,

Transformation in our country means overcoming historic policies of racial, gender and class discrimination that continues to define the way in which South Africans can access opportunities. Transformation, however requires that we interrogate whether the tools we have employed to date, whether through policies, legislation, entrepreneurship or even individual ambition and drive will enable us to create a society where access to opportunity is not defined by our historic challenges of race, class and gender.

I suppose, the organisers here would not have convened us to discuss the crucial topic of 'Pathways to Economic Growth and Transformation in South Africa', if there was not a need for accelerated action from all of us. Yet, as we do discuss these pathways, we equally need to have the conversation about what the inhibitors have been to faster progress.

Barriers to entry:

For the purpose of this discussion, may I present some of the barriers to entry to economic progress and prosperity for the majority of South Africans;

The structure of the economy in the country is that of concentrated ownership. This concentration is entrenched by firms owning every piece of their value chain, controlling the price of each input and keeping smaller players at the edges of the marketplace. Large firms also concentrate market share amongst a small number of large players in one industry – creating uncompetitive oligopolies that at their worst engage in collusion and become criminal cartels, distorting everything from the price of bread to the price of stadiums. Maintaining standards while widening access is the crippling tension in ramping up opportunity through vast new ranks of smaller, job-hungry microenterprises that would disrupt this closed world of large firms. We need to take a long hard look at our regulatory instruments and understand where they are simply adding comfort to already cozy incumbencies – many of which raise the cost of doing business for government and the private sector alike.

The smaller firms we need do not have sufficient liquidity to meet the up-front costs of kick-starting projects - and government can only pay in arrears, with the private sector often adopting the same posture to manage risk of non-delivery. Much more aggressive short-term capital products serving micro, very small and small firms need to be rolled out as we open-up the public procurement marketplace and push the private sector to open-up its value chains.

Systems such as the Construction Industry Development Board or CIDB were designed as a guarantor of standards. They have become, in effect, a lockout clause for emerging providers who do not have the

project management experience to improve their grading, and cannot gain such experience without contracts to learn on.

We must identify instruments at our disposal to mobilise, incentivise and where needed cajole the private sector to parallel our efforts to reduce barriers to entry, facilitate capital formation and create a wider range of opportunities for co-operatives and SMMEs.

Black and Gender transformation:

The second area of focus regarding the creation of Pathways to Economic Growth and Transformation relates to our ability to create a pool of black, and women managers, who are able to break down the glass ceiling in corporate South Africa.

The recently received 17th Employment Equity Commission report continues to paint a dire picture.

At top management level, whites occupy 68,5% of the positions whereas blacks occupy 28,2%. Further at this level, males occupy 78,0% of the positions with females occupying 22,0% of the available positions.

Although the situation is markedly better at the **senior management level** where whites occupy 58,1% of the positions and blacks occupy 40,4%, there is still a need for transformative interventions. The situation remains dire for women who occupy 33,3% of the posts as opposed to 66,7% occupied by males.

It cannot be that at this point of our democracy there are still cases where black and women managers have limited access to particular sets of jobs in organisations.

The Skills Development Act, Employment Equity Act, and other pieces of legislation intended to create opportunities require a review, in terms of their policy content and actual implementation. The issue we must engage with is whether such legislation has enabled us to create the institutions, such as Skills Development Training Authorities, to build a core of skills and capabilities amongst South Africans that enable us all to grow in our personal capacities.

We need skills and capabilities that also contribute to the growth of our country. May I say here that whilst, at least in my opinion, the legislation is far reaching in terms of facilitating access, there have been enough cases of malicious compliance to warrant concern.

Economic growth

There are many who believe, if we wish to see broad based prosperity, that the only measure that matters is economic growth. This is logic very familiar to followers of Jadesh Baghwati who has long been the leading light of a movement which insists that increases in GDP will translate into social and economic upliftment in and of themselves. But the facts are not on Baghwati's side. The work of his great rival Amartya Sen is much more relevant particularly in the South African context. Sen argues that without investment in developing the capabilities of our people, growth will never benefit more than a

handful of well positioned insiders. Growth such as this can never be as expansive and as wealth creating as growth which includes the masses. So it is a welcome support to such a view that the World Economic Forum, the bastion of radical populism, set as the scene for its Africa session earlier this year, working to inclusive growth. Because inclusion of those excluded by the sins of history requires coordination of many actors across many sectors, this must be the guiding obsession of the public and private sector jointly as well as civil society.

Radical Economic Transformation:

Having set out the objectives and the instruments we need to achieve our economic and social objectives, I thought it prudent to make a few observations about the current discussions on radical economic transformation.

On Economic Access:

Access to economic opportunities are not, by the stroke of a pen, nor declaration, created by those who have historically benefitted. We have to, both as government and society, create an environment wherein access and transfer of wealth to the historically marginalised is attained. This we can achieve through enacting legislation and enforcing such legislation in a manner where progress can be measured and quantified. This, in particular, to address the removal of barriers to entry.

Whilst the aforementioned areas constitute part of the overall Broad Based Black Economic Empowerment policies of the country, I considered isolating black enterprise development for specific attention. Let me state here that I do not believe that enterprise development should be limited to a few black companies participating in lucrative deals as a means through which we measure true empowerment of those historically disadvantaged in our country.

Whilst these have had, and continue to have their value in enabling access, I would contend that we need policies and programmes that are a lot more far reaching to facilitate meaningful economic access and transformation.

Structural problems in our economy

The Competition Commission has over the past few years exposed the extent to which the South African economy is fraught with high levels of collusion and anti-competitive behaviour that has a negative bearing on our economy. As indicated earlier, some of the examples include the bread, construction and banking cartels.

Needless to say, it is the historic beneficiaries of our apartheid past who have been at the forefront of such collusive and downright corrupt activities. The question we have to engage is not only whether we should use this evidence to dismantle the cartels, but also as the opportunity to restructure the oligopolies that have concentrated ownership, vertically and horizontally of the means of production in our economy

In closing:

Ladies and gentlemen,

Downplaying the significant strides of the post 1994 South Africa in order to divide our nation is not a solution to the challenges we face today as a country. This is very unfortunate for the wellbeing of our country. A passage in the NDP rightfully reads that;

“Leadership, unity and cohesion are difficult in our still-divided society. Yet these are the very things that help to anchor successful nations and development strategies... Unless we work together, sacrificing short-term gain for longer term prosperity, no single part of the South African society can achieve its objectives.”

As a nation, we need to start looking beyond short-term gratifications. We need to take into account what collective and far reaching goals have we set for ourselves globally through the adoption of the SDGs in 2015, and indeed our own NDP Vision 2030.

The fact that we have set out to achieve these ambitious targets by 2030 demands of us as a generation of leaders, both within the public and private sectors, together with civil society, to work together and overcome whatever obstacles we face today.

In essence, we are the generation that should redefine the world and create more inclusive societies that create opportunities for all. We are that generation that should reverse the impact of internecine wars, colonialism, racial segregation, sexism, climate change and other challenges facing humanity, our planet, and more importantly – South Africa.

Thank you.