

EMBARGOED UNTIL DELIVERY AT 09:00, 29 AUGUST 2017

BUILDING A SOUTH AFRICA THAT WE ALL ASPIRE TO HAVE

(No one should be left behind)

Speech by Dr. Nkosazana Dlamini Zuma

Gordon Institute of Business Science (GIBS)

Tuesday, 29 August 2017

The Dean of the Gordon Institute of Business Science

Distinguished Guests

Ladies and Gentlemen

Good morning,

It is indeed a great honour for me to have been invited to the Gordon Institute of Business Science (GIBS) to share my views and our vision for a South Africa that all our citizens aspire to build. I think it is also necessary to deliver my thoughts on these socio-economic issues at a business school like GIBS, because you play an important role in educating our future business and public leaders through your business and executive education programmes.

I say this, while I must simultaneously emphasise that I do not subscribe to any exclusivist or elitist idea that it is only economists and academics at institutions like yours that can have ideas and pronounce on our economy. Every single South African has the right to have their views about our economy heard, and to be taken seriously for those views, because the economy and how it is structured impacts on the lives of each one of us.

However, what is important is that a world-class business institution such as you, that made us proud by having attained various international accreditations, have an important role to contribute in the critical conversation that so many concerned South Africans have about the current state of our economy and the urgent transformation that is required.

At the core of this serious engagement about the future shape that our economy must take is the reality that South Africans aspire to live in a country that is fundamentally just for all our citizens. This requires a growing economy that is inclusive, recognises that corrective action to redress the apartheid injustices of the past is essential, and will create opportunities for all our citizens. A

fundamental - and indeed non-negotiable - requirement is that no-one should be left behind!

I am on record to have said that while the attainment of our non-racial democratic vote was a very important achievement and victory, our liberation struggle has never just been about the vote it has always also been about the economic liberation of all South Africans - but especially about economic justice for the black majority (with a specific emphasis on Africans). The reality is that we have not yet achieved such economic justice - we still live in a deeply unequal society, where the fault-lines of that inequality are primarily defined by race. That is why it remains so important for us to recognise, without any prevarication, that White Monopoly Capital still controls the destiny of the majority of black South Africans. I very deliberately refer to monopoly capital in South Africa as *white*, because that is the reality of our country, and that is what every black South African still experience daily on their very skins. An honest and productive discussion demands that we do not beat about the bush concerning these matters.

I am also on record to have said that there is no reason for any-one to feel threatened by us acknowledging this reality, because not recognising it and not taking the necessary steps to redress it, is far more problematic and dangerous. The current situation with the huge gap between the rich and poor, and with a disturbingly large number of unemployed young people, is untenable and will most definitely result in increasing socio-political instability. The real threat that all of us should be concerned about are the dire consequences if we do not address these issues practically and urgently.

More than half of South Africa's population has been left behind, as was evidenced by the recent statistics on poverty levels published by Stats SA. The South Africa that we want cannot be the current one where more than half of the South African population lives below the poverty datum line. It cannot be the South Africa where the Gini coefficient, which measures income inequality, now stands at 0.69, and where there has been a reverse distribution from the poor to the rich with the share of national income having declined from 56% in 1995 to 51%.

The South Africa that we want is summarised in the ***Freedom Charter***, which is our democratic South Africa's foundational document. With the current exploitative and unequal economic *status quo* in mind the Freedom Charter necessarily and realistically calls for profound economic changes. It calls for radical agrarian reform to restore the land to our people, the wide spread restructuring of our financial institutions such as the big banks and insurance industry and where necessary nationalisation of key industries with the specific intention to fundamentally change the power dynamics in our economy in favour of the black majority, and to break the grip of White Monopoly Capital on the main economic centres.

The South Africa that we should aspire to is spelt out in the ten clauses of the Freedom Charter. Though we place equal weight on each of the separate clauses, the first five set out the most pressing political economic and social reforms our

democratic state must embark on, and to my mind it is the core. When we enact these measures socio-economic power will indeed transfer into the hands of the black (especially African) majority, and South Africa will be transformed from a country belonging to and being exploited by a small minority of white capitalists and their imperialist backers, into a country belonging to all who live in it - black and white.

Therefore, before we proceed it is necessary that I remind you of the Ten Clauses of the Freedom Charter that summarise the South Africa we aspire to have:

1. The People Shall Govern!
2. All National Groups Shall have Equal Rights!
3. The People Shall Share in the Country's Wealth
4. The Land Shall be shared Among those Who Work It!
5. All Shall be Equal Before the Law!
6. There Shall be Work and Security!
7. The Doors of Learning and Culture Shall be Opened!
8. All Shall Enjoy Equal Human Rights!
9. There Shall be Houses, Security and Comfort!
10. There shall be Peace and Friendship!

It is exactly in this context that we talk about Radical Socio-economic Transformation (RET). In our January 8th Statement of this year, the ANC said: *“We must focus on radical economic transformation. The economy must be in the hands of our people. We must return the land to the people, and we must dedicate more resources to education and in particular higher education and training.”*

In the 2017 State of the Nation Speech (SONA) Radical Socio-Economic Transformation was described as follows: *“The quest for radical socio economic transformation must seek fundamental change in the structure, systems, institutions and patterns of ownership, management and control of the economy in favour of all South Africans, especially the poor, the majority of whom are African and female.”*

A developmental state approach is required to give government the focus and stamina to push a policy agenda that will truly not leave anyone behind. This approach also dovetails with the core aspirations of *Africa Vision 2063*, which I have championed when I was Chair of the African Union Commission.

Let me tease out the interrelated elements of Radical Socio-economic Transformation:

- **Structure:** This is about the fundamental changes that are required in the composition of output in order to promote broad based industrialisation led by manufacturing and the agricultural value chain. It is critical that we reduce raw mineral exports, and increase value-added exports. We must drive value-addition of our raw minerals and local procurement in the course of infrastructure development and the delivery of basic services.
- **Systems:** This includes the patterns and exchange of goods, services and financial flows within the economy, and between our economy and the rest of the world. It must also include a transformation of the *value chains* in favour of the black majority and legislation to ensure that the financial sectors will promote and provide affordable capital to black entrepreneurs.
- **Institutions:** This refers to our economic organisations and the rules that govern their activities. In order to bring about Radical Socio-economic Transformation there are pieces of legislation that will have to be repealed or amended, and new legislation that will have to be introduced in order to make it possible to promote economic activity that will enhance black empowerment and prohibit White Monopoly Capital exploitation. Fundamental changes in the economic institutions will have to include changes in the way that existing forms of organisation in the economy are managed, and the introduction of new forms of people's orientated organisational structures in state institutions and associated agencies. This also entails the re-calibration of the roles of the state, private sector and co-operatives in the mixed-economy setup in favour of a stronger developmental state.
- **Ownership:** The well-known White Monopoly Capital ownership and control of our economy will have to change so that private ownership patterns should reflect our population demographics. In this regard it is our view that strategic sectors of the economy need to be owned by the people collectively through democratic state ownership. The issue of democratic state ownership is critical because otherwise Radical Socio-economic Transformation can become an elitist drive to enrich a minority in the black population. It must therefore be emphasised that the question of ownership cannot be separated from the degree and balance of state, private sector and co-operative activity in a mixed economy. To my mind a strong and economically interventionist developmental state will be essential in order to ensure that this balance remains in favour of the majority of black (especially African) people.
- **Management:** This is about ensuring that the majority of managers are black (and actually reflect our population demographics), while their thinking and managerial practices in terms of the allocation of resources are driven by considerations of corrective action in favour of the black majority. Managerial decisions must be aligned with the overall national developmental plan in order to ensure the economic empowerment of the majority of black South Africans.

- **Control:** Changes in economic control involve changes in the policies that regulate economic activity. So for example the developmental state should exert its control in order to ensure that a certain degree of value addition takes place before minerals can be exported. These changes in economic control will have to be accompanied by wide-ranging legislative reforms that must always be orientated towards giving increased economic control to a broad base of the black (African) majority.

Having highlighted these critical elements let me now delve into the specific areas of our economy where their application are imperative for bringing about the South Africa we aspire to have.

The South African economic growth trajectory was interrupted by the financial crisis of 2008, and it has not been able to recover sustainability yet. From 1993 to 2016, South Africa's GDP growth averaged 2.9%. However, in the middle 2000's, when it reached the highest growth rate, the creation of new jobs and reduction of poverty levels still remained severely constrained. In reality the growth that was registered was non-inclusive and jobless growth. It did not benefit the majority of black (especially African) South Africans and was disproportionately advantageous to White Monopoly Capital and their control over the South African economy. So it is clear that when we talk about the need for inclusive growth it will not be achieved by maintaining the existing economic power relations. The only way we will secure inclusive growth, that will deliver jobs, will be by implementing Radical Socio-economic Transformation.

This is evident with the paradox that the current untenable system has led to between government and the private sector. The government is running a deficit that has been rising, while most of the corporate sector remains flush with excess capital balances, but there is an unpatriotic reluctance to invest domestically. Simultaneously foreign direct investment has been stagnant, while investment abroad by South African based corporates is on the rise.

We have no doubt that a radical restructuring of the unacceptable inequalities and skewed pro-white power balances in our economy will be essential for getting our economy back on track. Black Economic Empowerment needs to impact positively on our economy in new ways that will make all our citizens prosper by closing the opportunity, poverty and inequality gap. This will not happen through the 'invisible hand' of the 'free market' as neo-liberal economists try to tell us, but it can be achieved through the deliberate implementation of Radical Socio-economic Transformation driven by a developmental democratic state. The interventions of developmental states in our peer group economies in the BRICS countries succeeded to generate faster (and indeed inclusive) growth that generates jobs. We need to catch up with our peers. To achieve our ideal for a more prosperous, equal and more just society we need job creating growth of 5% that will move many South Africans who are currently stuck in the second level of the economy of insecure jobs and the informal economy, to the first level of secure and sustainable employment or entrepreneurship. The bridge that needs to be built to span that gap cannot be constructed by White Monopoly Capital in a free market,

it will only come about through deliberate government intervention in a developmental state.

My dear fellow South Africans, together with all our people we need to dream again about enabling every citizen to realise the fruits of a democratic South Africa. I stand for a developmental state with macroeconomic management, job creation, skills development, enhanced service delivery, smart and job-creating infrastructure investment, smart-urbanisation, driving up domestic and foreign investment, enhancing the efficiency of state enterprises, entrepreneurship-orientated Black Economic Empowerment programmes and overall better and more affordable access to finance.

In order to achieve this we must ensure that the South African Reserve bank will not hold onto an amorphous ‘independency’, but has as its clear and deliberate task to implement the developmental policies of the people’s orientated developmental plan of the majority ANC government. We will have to follow catalytic macroeconomic management setting targets for the National Treasury in terms of inclusive growth objectives that must be driven by the objective to create jobs and reduce poverty. We should keep track about how much poverty has been reduced. How many jobs have been created, and if the inequality gap narrows.

In this regard all cabinet Ministers should be given performance targets, and underachievers should be told to find alternative employment.

Job Creation and insourcing strategies in Government

Government has to contribute to creating opportunities for jobs through insourcing strategies. Insourcing here means that government will develop skills, systems and processes to deliver most services that are currently outsourced. The excessive outsourcing by government departments is depriving government of the opportunity to attract, develop and retain skills, and create jobs in government.

Government should introduce a comprehensive trainee program for those leaving university and others, so as to create a cadre of future employees. These additional employees can only be absorbed by government if insourcing is the norm rather than outsourcing. This also makes it easier for government to target issues such as gender equity and empowerment in hiring policy.

There are about 460 000 national government employees, a further 1.2 million people working for provincial authorities, 320 000 people are employed by local authorities and 300 000 employees work for “other government institutions” like libraries, parks, zoos and education and training authorities. This adds up to a total of 2 million civil servants.

Through insourcing by government, more jobs beyond the 2 million government jobs, can be created. The State Owned Enterprises (SOE’s) need to make concerted efforts to increase employment. They should drop the requirement for previous experience for entry level job seekers, as long as they have the required academic qualification. This should be accompanied by dedication to the overall training of

youth in order to provide them with the skills that will increase their employability as in-job trainees.

Furthermore, in the private sector, the pioneering entrepreneurship spirit of South Africa business people and youth, needs to be kept alive and harnessed effectively. Part of getting this done requires a building of trust between government and private sector. There is a need to create sector-focused business advisory grouping, such as the banking sector advisory grouping, the manufacturing sector advisory grouping, the retail sector advisory grouping, and other appropriate groupings. These advisory groupings must comprise key captains of industry in that sector, who should meet with government regularly, and advise government on issues in their sector, that if dealt with by government, they will be able to ignite more investment, create more jobs and opportunity. The pioneering entrepreneurship spirit of all South Africans should be unleashed! We cannot only focus on foreign direct investment (FDI) but also need to pay attention to Direct Domestic Investment (DDI). This is possible, given the cash-pile that SA corporate possess.

One of the impediments to job creation is the existence of monopolies who have created an uncompetitive environment that has impeded new entrants into the economy, especially new black businesses.

Government has a role to play in opening up the economy through its procurement strategies. Currently, the bulk of procurement contracts by government departments are won by big businesses who have developed monopolistic practices. Government needs to map out the value chain of the services it requires and outsource these services to businesses of the previously disadvantaged. This will not only serve to give these new entrants business experience but also make their businesses more viable.

There is an imperative to train a cadre of people in procurement skills. A **procurement certificate program** must be launched and run by GTAC in National Treasury, working with South African education institutions like GIBS, for the certification and quality control. GIBs, you have a role to play!

Skills Development, Artisanal training and Education

The job creation agenda should recognise the need to develop more job-ready individuals with appropriate skills to enter the job market. This can be done with a bifurcated education system similar to that of Switzerland or Germany, which has both an academic channel into university degree and a vocational channel, where the degree course involves both work (internship) and study - the result of which is a degree qualification with a strong practical streak. The second stream, with vocational education and work (internship), not only creates a pool of affordable workforce for business, but makes the employees more job-ready when they attain their qualifications. Needless to say that, this will also contribute to solving the problem of funding higher education. It is not surprising that most learners in a places like Switzerland prefer the vocational route with an internship with income earnings. South Africa should develop this model as a partnership between government, private sector and education institutions. The debate needs to shift

from one of an *outcomes-based education or not*, to a *job-readiness education model or not!*

Up-stream, there is need to invest in **teacher-training** colleges, making sure that teachers receive the best skills in delivering knowledge material to learners on both academic and vocational education.

Far more basic, is the development of **artisanal skills**. Right through primary and secondary schools, simple artisanal skills should be taught along the academic curriculum. Such skills include sewing, woodwork, metalwork, arts and culture, technical drawing skills, among others. For example at grade 12 level, a learner could receive a certificate in woodwork in addition to a certificate in academic subjects. **The artisanal skills course could be offered as an alternative to the Life Orientation course at Grade 12 level, for example.** This will also enable those who wish to continue with artisanal activities to choose the vocational education route where these skills would then be further development.

How about those people who have already left school, are unemployed or need new skills? For these individuals, artisanal training programs should be introduced in sewing, woodwork and furniture manufacturing, metalwork and welding, car mechanics and repair, bricklaying, crafts (clay-pots for example), cultural activities, film industry, recording studios for music, among other skills. These programs could be run from the current TVET Colleges in addition to specialised institutions and programs.

Those who have acquired skills could form cooperatives for mass production of their products and to improve access to markets and access to finance. For example, women's groups could form cooperatives that produce crafts, such as traditional baskets, for both local and export markets.

On metalwork, learners could receive skills for the manufacturing of small agricultural equipment, as has been the case in countries in Asia, such as China.

State enterprises should also contribute tangibly to skills development and entrepreneurship. All state enterprises should run entrepreneurship programs, targeted procurement programs for SMEs, and also be involved in vocational skills development along with TVETs. Trainees should be able to acquire basic engineering skills through apprenticeship programs run by State Enterprises and TVETs. State enterprises should be a source of electricians, plumbers, mechanics, fitter and turners, for example, for the whole of South Africa.

Entrepreneurship-driven Black Economic Empowerment model

Black Economic Empowerment (BEE) was introduced in South Africa in order to deal with economic imbalances created by the history of an apartheid system. While in the first phases BEE focused on share-transfer, there is a need to firmly shift this into an Entrepreneurship-driven Black Economic Empowerment (EBEE) model, focusing on the creation of new businesses rather than mere share purchases in existing businesses, I believe this will create new opportunities and grow the economic cake. For example, a BEE grouping invested in a listed company

on the Johannesburg Stock Exchange (JSE) should be encouraged to reverse-list its BEE company on the JSE and raise new capital on the back of the BEE equity, and grow its own business from there. The key to growing BEE companies is not just to sell the shares for cash, but to increase and strengthen the balance-sheet of the BEE company so that it charts its own business path. Funding entrepreneurs for start-up and growth is also key to the EBEE model. Building entrepreneurship ecosystems to support these start-ups will go a long way in insuring their future success.

Infrastructural Investment

South Africa should invest more in infrastructure that will have a greater impact per Rand spent, and will create jobs. Whatever infrastructure projects are being implemented, these need to be implemented as public-private-partnerships (PPPs). These infrastructure projects must primarily be driven by the Radical Socio-economic Transformation objectives of the developmental state to create jobs, deepen supply chains and generate innovation.

Key in order to succeed with all of this must be that the needs and interests of the broadest sector of the South African society must be addressed. Thus the interests of a privileged few must never be elevated above those of the vast majority, who are black and African.

The elements of this Freedom Charter anchored program for Radical Socio-economic Transformation are up for debate as the ANC, as the most important political organization in South Africa, moves towards our National Elective Conference.

The critical issues that were raised at our National Policy Conference and were referred for further discussion in our branches cannot be avoided.

I re-iterate again that it just simply cannot any longer be allowed that the Reserve Bank be policy independent from government. The Reserve Bank must be aligned to support and implement government economic transformation policy. Furthermore the private ownership of shares in the Reserve Bank must cease, and government must be the sole owner of all Reserve Bank shares.

A State Bank should be established that must be dedicated to promoting and funding black entrepreneurship through making affordable capital available.

With regards to the ownership of our land, the concept of the willing buyer and willing seller must be rejected and replaced by land restitution without compensation. The state should take ownership of the land, and determine the preferred developmental objectives and tenure of the land as a national asset. In doing so government must prioritise agricultural training and integrate the usage of the land by integrating people into value chains.

It is important to understand that when the ANC says that the economy must be in the hands of the majority of the people, it discounts the transfer of strategic sectors into the hands a minority, be they black or white. The strategic sectors of

the economy must be in the hands of a democratic government that controls the execution of its policies through a developmental state. Such a democratic government is indeed the only institution that can justly claim to represent us all. It is also the democratically representative that should be the custodian of what the South Africa should actually be that we aspire to have.

Radical Socio-economic Transformation is in essence about a change in the ownership and control of strategic sectors. It will only succeed when the democratic government is at the centre, and it can only succeed when our country's basic resources are at the disposal of the people as a whole, and are not manipulated by sections of society or individuals.

In proposing this I cannot imagine that any progressive and patriotic South African would oppose this plan to build a more just and equitable society.

South Africa is there for all to contribute economically and to benefit from. In the first democratic elections that the ANC participated in in 1994 we promised ***A Better Life For All***. Twenty three years later we should keep that promise in mind. We dare not fail. That is why my campaign slogan is: ***Radical Economic Transformation, now or never!***

Thank you