

## **REMARKS BY ANC ECONOMIC TRANSFORMATION SUBCOMMITTEE CHAIR, MMAMOLOKO KUBAYI, AT PROGRESSIVE BUSINESS FORUM POLICY DIALOGUE, 2 JUNE 2022**

In the current phase of the national democratic revolution the ANC's fundamental task is to lead a concerted campaign to address the persistent challenges of poverty, unemployment and inequality.

In the past 28 years of freedom and democracy, we have made real progress toward ending race and gender discrimination in core services, in schools, healthcare and workplaces, have adopted policies that have reduced poverty, and have provided basic infrastructure for millions of our people.

Social protection has also expanded, and the number of people with access to basic services has increased.

Despite these advances, the legacy of colonialism and apartheid remains deeply entrenched in the economy. Far too many South Africans are without jobs. Far too many still go to bed hungry, and far too many are experiencing service delivery backlogs. Though we had made progress in reducing poverty, it started increasing again in the past decade.

Low rates of economic growth over the past decade have made it harder to reduce inequality, but growth in itself will not diminish inequality unless the democratic state is able to put in place effective, sustainable interventions to change the underlying structures of the economy.

Our efforts to fundamentally transform the economy has been undermined by a range of weaknesses which have both been objective and subjective. The global economic crisis of 2008 from which we never really recovered, the COVID-19 pandemic, the slowing down of growth in China - our largest trading partner - and now the war in Russia/Ukraine have had a very negative impact on our efforts to grow the economy.

Subjectively, there has been failure to implement policies. Our failure to deal rigorously with corruption in much of the past decade weakened the ability of the State to provide infrastructure and other services. Core challenges emerged around the major State-owned companies, especially Eskom, Transnet and PRASA. The resulting disruption to services for both businesses and communities contributed to slower economic growth as well as rising public anger.

South Africa's fault lines have a distinct class, racial, gender, geographic and age dimension. They disproportionately affect Black people, women, rural communities, youth and persons with disabilities.

The failure to deliver on the promise of a more equal and prosperous economy for most South Africans has led to widespread anger and disillusionment with democratic processes. It opens the door to authoritarian and populist politicians who promise easy solutions that range from mobilisation of the poor against foreign nationals to criminal looting of businesses. It has given rise to crime and violent protest at a considerable cost to the economy and society.

It is with this background that the 54th National Conference, the ANC set unambiguous targets to ensure that the economy empowers our people on a mass scale; initiate large-scale programmes to address the roots of poverty,

joblessness and inequality; and intensify efforts to bring together government, the labour movement, business and communities in a social compact to achieve our core aim of a more inclusive economy and a more united society.

Progress has been made in implementing a number of the economic policy resolutions adopted at the ANC's 54th National Conference. This includes progress made in fighting corruption and State Capture, as well as through the reconfiguration of the security cluster.

Through a compacting process, government was able to develop the Economic Reconstruction and Recovery Plan (ERRP) which was negotiated between government, business, labour and community representatives.

The ERRP enabled interventions to restore energy security, interventions to stabilise state owned companies and strengthen state capacity, interventions to promote increased investment and infrastructure investment in particular, the implementation of a minimum wage system, the strengthening of competition policy, including strengthened regulation of uncompetitive structures, as well as the pursuit of a balanced path of macroeconomic management. From Macroeconomic perspective, we have controlled inflation and maintained an effective, progressive tax system that has permitted government to extend basic services to households that cannot afford to pay for them.

Due in part to the impact of the COVID-19 pandemic, there has been closer co-operation and compacting among social partners – government, business, labour and communities – as mandated by the 54th National Conference. Still, significant scope exists to deepen the process of social compacting around a common programme to achieve agreed economic objectives.

In certain other areas, progress in implementing our resolutions has not been adequate. We have not had sufficient support to amend the Constitution to allow for land expropriation without compensation in certain circumstances, although there has been progress with the passing of the expropriation legislation and strengthening of land redistribution processes.

We have not corrected the historical anomaly that the SA Reserve Bank has private shareholders. This is partly due to concerns of possible negative unintended consequences of a move to public ownership. These include the undue enrichment of private speculators who have been lobbying for such an intervention as they hope to make massive financial gains from the process at the expense of South Africa and cost to the fiscus.

This is a confirmation that our approach to policy implementation is guided by the balance of evidence. At all times we scientifically assess the impact and logic of our policy against objective reality, so that we can avoid populism and easy victories.

The objective of reducing huge pay gaps in the private sector has not been effectively advanced, although improved education and training outcomes should assist in expanding the pool of skills and structurally begin to reduce the gap.

The resolution to advance tourism as a key growth and job creation sector was impacted negatively by the COVID-19 pandemic. Limited progress was made in considering new wealth taxes, although SARS did improve systems to reduce tax evasion and illicit financial flows.

Discussions continue on strengthening the State-owned mining company and on establishing the Postbank as a State Bank, but no decisive progress has been made in these areas.

We also have to be cognizant that South Africa is a small, open economy that operates within a globalized and globalizing world economy. Therefore, events that happen elsewhere in the world impact upon the strategies and efforts we employ to achieve growth.

In terms of geopolitics, the shift in manufacturing to Asia has resulted in trade wars over the past decade, which seem likely to change the direction of globalisation fundamentally in the next ten years.

Growth in China, South Africa's largest single national export partner, has slowed, with unpredictable implications for export prices.

The war in Ukraine has unsettled global markets and may lead to economic decoupling between blocs of countries. In the short run, the conflict has led to increase in food prices, fuel, wheat and fertilisers. There are emerging trends of food nationalism with Indonesia and India banning the export of palm oil and Turkey has banned the export grains. The long-run implications for global trade and investment will however take longer to understand.

It is within this context that the ANC must craft an economic strategy that will help us tackle our challenges. The injunction contained in the Freedom Charter that says that "The people shall share in the country's wealth" remains our lodestar.

The ANC is still committed to pursuing its economic goals with the framework of a mixed economy, wherein the public and private sector have a role to play. This means that Government will continue with the effort to rebuild the State Corporations and expand the State capacity in the economy so that, if necessary, it will be able to make economic interventions which facilitate the growth and development of the economy.

The National Development Plan: Vision 2030 remains our guiding programme for accelerated socio-economic transformation in South Africa, with the aim of achieving shared prosperity for all.

Admittedly, low rates of economic growth over the past decade, the COVID-19 pandemic and the July 2020 protests have made it harder to achieve the targets set by the National Development Plan.

In the ANC's July 2020 paper titled; "Reconstruction, Growth and Transformation", which focussed on the question of how to use recovery from the devastation of the COVID-19 pandemic to change the fundamental structure of our economy.

This document was the guiding framework for the development of Reconstruction and Recovery Plan (ERRP), which the President tabled in parliament in 2020.

The ERRP was negotiated between government, business, labour and community representatives. The objective was to build consensus around the reform interventions required to re-ignite growth, investment and job creation. Specifically, the ERRP focused on the following areas of intervention:

- Aggressive infrastructure investment;
- Employment orientated strategic localization, reindustrialization and export promotion;
- Energy security;
- Support for tourism recovery and growth;
- Gender equality and economic inclusion of women and youth;
- Green economy interventions;
- Mass public employment interventions;
- Strengthening food security; and
- Macro-economic interventions

In drafting this document, there was a recognition of the need for new proposals that should build on the foundation established among social partners in the development and implementation of the ERRP.

Macroeconomic policies must be designed to achieve sustained and inclusive growth. It is through such inclusive growth that the structural transformation of the economy will be achieved, and in turn, it is through the structural transformation of the economy that sustained inclusive growth will be achieved. This will enable the mobilisation of more resources for investment in infrastructure and the provision of basic services; it will enable growing investment in townships and villages; and it will enable the upgrading of roads, bridges, school infrastructure and hospitals and clinics. The result will be to achieve both higher levels of employment for those involved in such projects and improved service delivery, leading to a better life for all.

We are of the view that going forward, the process should be more explicit about the trade-offs, timeframes, contributions and sacrifices to be made by specific constituencies towards rebuilding the economy. Mechanisms to ensure accountability for non-delivery on the commitments made must also be put in place.

Overall, the ANC's strategy for structural transformation and rapidly accelerated and inclusive economic growth is built on the following pillars:

- Structural reforms of network industries to facilitate expanded investment in sectors such as electricity, telecoms, water, rail, and road infrastructure;
- Strengthened industrial policy interventions using a range of instruments including development finance, public procurement, and linkages to key areas such as agriculture and energy;
- Macroeconomic stability to be achieved through policies to accelerate economic growth as well as through careful management of expenditure and taxation, as well as balanced and effective monetary policy;
- Closer coordination between government and social partners, with the aim of accelerating job creation by lifting investment levels from current levels of around 15% of GDP to the NDP's target of 25% to 30% of GDP; and

- Expanded regional trade with other countries on the African continent and the wider world through the development of well-connected and cost-effective logistical, infrastructural and financial nodes.

Our main long-term targets must reflect the needs of our people. Through democratic discussion, we must identify priority goals which we wish to achieve during the current phase of the National Democratic Revolution. As the NDP's goals for economic transformation by 2030 are clearly not being achieved, it would be important to reset our timeframes and refocus on our key economic goals. This could include, for instance, achieving the following by 2035:

- An increase in the share of all household income for the poorest 80% of households which is currently around 30% today;
- An increase in the employment ratio (the share of adults with employment) which was under 40% in 2021;
- A doubling in the number of small formal businesses, including farms, with Black ownership of commercial farmland rising and increase the share of Black-owned formal business;
- An increase in the minimum wage in real terms per year, and an increase in union density of formal workers which was at around 35% in 2019;
- An increase in the share of young people aged 18 to 25 with matric so that we can increase their employability; and
- An increase in the share of women employed in the formal sector which, at 40% in 2019, is still disproportionate to the population of women.

This will be achieved by implementing a series of interventions in a range of key economic policy areas, which are outlined in our document.

This will require us to focus on building a capable and ethical Developmental State. The State has to have the capacity to implement the policies and also ensure that it is able to create the conditions that will crowd-in skills and investments in the South African economy.

To further strengthen the proposals, we will be hosting a series of dialogues in which we will invite experts in various sectors, business, labour and South Africans to give their inputs.

We thank you for making time to be here this evening as we kickstart a series of this discussions to enrich the ANC's paper.