

***“In Search of Excellence: Working Together to Grow the economy and create opportunities for all”***

**By: Siphon M. Pityana**

**President of Business Unity South Africa (BUSA)**

**Capital City Business Chamber Annual Gala Dinner**

**24 October 2018**

Programme Director, Chairman of the Capital City Business Chamber Mr David Morobe, Member of Mayoral Committee (MMC) for Economic Development for the City of Tshwane Mr Randall Williams, Founder of the GrowSA Platform Mr Fanie Du Plessis, Government and Business Leaders, Members of the Diplomatic Corps, Distinguished guests, Ladies and Gentlemen,

Please allow me to express BUSA's and my profound gratitude that we've been invited to be part of this fantastic event. You've asked me to address you on the difficult and yet timely subject of excellence. Something that we relentlessly pursue and aspire to and even yearn for; and yet oftentimes take for granted, overlook and even let go to waste when we have the fortune of its abundance in our midst. The biggest offence still is when we know we have an opportunity to excel and be winning enterprises and or nation; and we choose a path that sets us up for failure with disastrous consequences for many generations

The World Economic Forum's Global Competitiveness Index report - launched last week was sobering in that not only did South Africa drop five places to 67<sup>th</sup>, out of 140 countries; but of particular concern is that we are ranked 116 on digital skills; 85 on ICT adoption; and 84 on skills, indicative of the ground we need to cover, and so, fast.

You've heard these ratings and many other negative indices year in and year out. What they hide is that our GDP has more than doubled from \$139 billion in 1994 to

\$315 billion this year. Millions have emerged from poverty, the middle class has been expanded along with tax revenues, and an ambitious infrastructure development programme has increased access to housing, water, sanitation, electricity, and transport. These and many other positive trends tell us about our tremendous potential and perhaps lost opportunities.

As a nation we can ill afford time to waste in jumpstarting our economy to inclusive growth, eliminate poverty and reduce inequality.

To achieve that we need to be competitive. Curiously competitiveness is mainly about human capital. It's about PEOPLE. We know that we have that in abundance, but we allow that great national endowment go to waste. Excellence is about optimum utilisation or employment of people. When we celebrate the recipients of the awards tonight, we must remind ourselves that even in the digital world, excellence, success and building a winning nation starts with people.

Mediocrity, the flip side of excellence is the greatest enemy of human and economic progress. If that was ever in doubt, the last ten years of misgovernance in South Africa clearly attests to that.

There is no doubt that our new Finance Minister, Tito Mboweni, has brought a healthy dose of reality to government's financial planning – putting fiscal discipline at the centre of today's Medium Term Budget Policy statement.

It is encouraging that he has put a cap on public servant wages, knowing fully that this will not satisfy the populists both in and outside Cabinet. Like BUSA, he has acknowledged that the public service takes a huge slice out of the fiscus, and that expenditure needs to be reined in.

It is also encouraging that Minister Mboweni has been frank about our country's growth forecast – halving the wishful thinking forecast of Malusi Gigaba in the February budget speech and aligning Government's thinking with the Reserve Bank forecast of 0.7% growth in the next financial year.

There can be no doubt that this will concern the ratings agencies. But it is an important reality check for all of us, and must encourage us to focus even more firmly – at the Investment Summit and beyond -- on growth and on sustainable economic development

The debt outlook is going to make for some honest conversations with ratings agencies, as the Minister himself acknowledges.

The weak economy, tax revenue shortfalls and the depreciation of the rand will see our budget deficit jump to 4% in the current fiscal year, up from a 3.6% projection in January. It will then rise to 4.2%, before narrowing slightly back to 4% in 2022.

That means overall debt as a percentage of GDP will continue rising, reaching 59% at the end of 2022, from 50.7% in 2016/17.

This is not a pretty picture, I'm sure you will agree. But it is truly refreshing that government has taken the spin out of budgeting, is taking the nation into its confidence in terms of the state of our economy, and is tightening its own belt in an attempt to control spending.

As business, we support this. We believe it is essential that government takes all sectors of society into its confidence, so that we can work together in finding sustainable solutions.

### **Agenda for Inclusive Growth**

Our social contract, the nation's constitution which envisions a prosperous society, capable of eliminating poverty and inequality, curiously - enjoins us upfront, in its preamble, to "free the potential of each person". As if to emphasize the centrality of people in the realisation of our collective dream as envisaged therein

### **Education and Training**

The cardinal sin against our constitution has been the black education system's failing of a black child. We ought to remind ourselves that everyday we tolerate it, we condemn a generation to marginalisation and are destroying someone's potential and worse still we are killing our prospects of being a successful economy. To put it differently, for as long as the education system that serves the majority is as dysfunctional as ours is, our economy has no prospects of success.

We know already that in order to prepare millions of young people for jobs in a modern economy, South Africa needs to reshape its system for developing human capital. There has to be greater emphasis on the science, technology, engineering and mathematics (the STEM skills), as well as the information and communication

technology skills (ICT skills). We also need to drive a massive expansion of vocational training programmes that build both the technical and professional skills needed in the gig economy.

### **Discrimination, Nepotism and Corruption**

One can never claim to be the best unless they compete with the universe. A nation that is discriminatory can never excel because it functions on exclusion and yet the best might very well turn out to be among those not in the race. Discrimination on any ground is an antithesis of excellence. This may be based on race, class, gender or disability; and easily add to that list nepotism, favouritism and corruption; they all often pose the potential danger of excluding the very best. The ones that can change the course of our development. These practices result in allocative inefficiencies in the economy. Unless we “free the potential in every person”, we will never realise our nation’s true potential

BUSA which you are part of is committed to achieving a deracialised, vibrant and globally competitive economy. Your adoption of the inclusive growth agenda through BUSA, appreciates the urgency for equitable participation of black people, women, youth and people with disabilities in the South African economy.

As our National Treasury has rightly observed, growth without transformation would only reinforce the inequitable patterns of wealth inherited from the past, while transformation without economic growth would be narrow and unsustainable.

### **Grow SA**

As if a response to BUSA’s new mission, the GrowSA Model that the Capital City Business Chamber is launching today is an example of the leadership we are looking for from business across the length and breadth of our land. It is about thinking nationally while acting locally, through aligning economic plans to diverse local circumstances and grounded in local realities and opportunities. Your strategy to grow the economy on a Sector per Region basis, inclusive of ALL sta\$\$ working together is a commendable example worthy of following.

You may not be aware of this, but your model speaks to the United Nations Development Programme's (UNDP) chief economist, Thangavel Palanivel, description of inclusive growth. He says growth is inclusive when it takes place in the sectors in which the poor work (e.g. agriculture); occurs in places where the poor live (e.g. undeveloped areas with few resources); uses the factors of production that the poor possess (e.g. unskilled labour); and reduces the prices of consumption items that the poor consume (e.g. food, fuel and clothing).

It is our contention as business that a proactive, innovative and scalable approach to transformation is required. It should take into account the diversity of economic sectors and the different formats and sizes of business, and recognise the need for short and medium-term trade-offs to achieve sustainable transformation.

### **Jobs Summit**

We've taken a similar approach in regard to the Jobs Summit that the President convened a few weeks ago. Unlike the two that preceded it, a micro and sometimes sectoral approach was adopted resulting in almost 200 proposals being considered, even though fewer were concluded by the time of our convening. It should also not escape our minds that it was deliberately held before the investment summit as labour market policies and practices can either hinder or accelerate growth.

The Jobs Summit Framework Agreement enjoins us, to wherever possible, avoid retrenchments, create jobs and support companies in distress. The Summit laid the basis for a more responsive and effective collaboration to deliver on the promise of a better economy for all. This process should be used as a platform for further and urgent engagement on macro-economic issues and other catalytic actions.

A number of business initiatives formed part of these Agreements including the National Education Collaboration Trust and Partners for Possibility which are both and in different ways aimed at fixing the systemic and structural shortcomings in our

black schools; the recently launched Youth Employment Service (YES) and Harambee both of which are aimed at getting young people into suitable jobs. Importantly is an appreciation of getting our youth in artisanal training programmes in large numbers and in doing so collaborate with the TVET colleges.

### **Small and Medium Enterprises**

At the heart of our inclusive growth agenda which reinforces the Grow SA approach is the promotion of the Small and Medium Enterprises. The OECD definition of inclusive growth is instructive: *Economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.*

As a country, we are yet to see the realisation of the the tremendous impact SMEs have in unleashing human potential on economies. Smaller businesses contribute only about 65% to employment in South Africa, compared to a worldwide average of just over 80%. Add to this the prospects of drawing in the previously disadvantaged into the main stream of the economy.

In recognition of the importance of this area of the economy the Summit agreed to identify existing interventions across Government and the private sector to create a coherent platform to enhance access and coordination of SMME support.

In addition, the Government pledged to upscale the execution and monitoring of the 30% set aside spend for small businesses, while business and other social partners reaffirmed the commitment to pay the invoices of small and micro businesses within 30 days of receipt.

**As business, we will encourage our members to meet this important commitment.**

We also agreed that it is imperative to secure substantially faster growth of the tourism and agriculture, given their potential for job creation, exports and investment growth.

The financial Sector, through the financial sector code, made a commitment to invest R100 billion in black enterprises within the industrial sector.

The tourism economy, for example, which comprises hotels, catering and entertainment services, has potential to pull in other sectors including cosmetics, arts, transport, retail and ICT, among others. Each of these is labour intensive and can crowd in small and medium enterprises. This breadth of scope could make South Africa's tourism sector inclusive.

Agriculture also lends itself to the inclusive approach. If we are to transition this critical sector from a subsistence activity, particularly among emerging farmers, into a commercial enterprise, then we need to put emphasis on the entire value chain from land tenure, farming technology to market access and pricing. I believe that working together, we can position farming as a business and entrepreneurial endeavour, which would entice the youth, and make them see it more as a career option.

### **Investment Conference**

Earlier this year, President Cyril Ramaphosa announced an ambitious plan to push for R1.3 trillion of investment into our economy over the next five years. The announcement was followed by the R50 Billion stimulus package and the Jobs Summit.

The Investment Conference that starts tomorrow will seek to position South Africa as a competitive and proven investment destination as well as showcase investment opportunities.

### **Growing the Economy and Creating Opportunities for All**

Clearly, for us to achieve our goal of *excellence to grow the economy and create opportunities for all*, we have to urgently and single mindedly address the economic structural deficiencies. Most importantly, there has to be a single vision and agenda that is

driving government and thereby the nation in this regard. A micro approach, while useful, can lead to a project driven rather a strategic mutually reinforcing long term sustainable drive. There are not going to be quick fixes and therefore we shouldn't be about short cuts.

**Let me conclude by highlighting eight things we need to fix urgently just to give our economy a chance to get out of the difficult situation we are in:**

There can be no doubt that our country should be an attractive investment destination, but not only is our **education and skills** shortage a drawback, these are compounded by an immigration policy that makes it difficult to attract requisite surplus skills from elsewhere.

We continue to have **high levels of concentration** in the economy. Consequently this makes it difficult for new entrants and prospective investors. This raises the price of goods and services and certainly undermines the drive for an inclusive economy.

Unless we urgently embark on **fiscal consolidation**, reigning in the public debt, reducing the public sector wage bill, close the leaking tap of corruption, allow parastatals to cut costs and reprioritise spending to more productive sectors. Continuing business as usual risks sovereign ratings down grade and all the attendant risks that come with it including raising the cost of borrowing and the consequent degeneration of investments.

Our **regulatory environment** has many best in class laws, however, their application fails to create the requisite certainty and conditions for competitiveness and inclusive growth. Some are as burdensome as they are obstructive and should either be removed or rescinded.

The Energy, water supply and road, rail, transport and IT **infrastructure** are often inadequate, unreliable and too costly to enable business to be more competitive.

Our **State Owned Corporations (SOCs)** have a significant presence in the economy. They have to be run efficiently and competently. We know that they were dumping grounds for incompetents from boards through executive and other operational roles. Unless we urgently change that and uncompromisingly deploy skilled and experienced people regardless of their political and or other loyalties and associations, the inefficiency of the

SOCs will continue to cost our economy in opportunities and weigh heavily on our costs of doing business.

High performing economies share an important characteristic: an increasingly **capable, credible, and committed state**. Government officials need to be trusted as stewards of the economy and must demonstrate patience, a long planning horizon, and an unwavering focus on the goal of inclusive growth.

Above all, a strong culture of honest public service must be fostered and maintained. We cannot hope to drive the transformation of the state with some cabinet ministers and senior officials whose very mission in the previous administration was to destroy and cripple the state in order to enable corruption and state capture to thrive. They must follow Nene's good example and go, or be fired.

Indeed, to create the right conditions for inclusive growth while preparing for the digital future will require **ethical leadership** among all social partners -- a leadership corps with deep emotional and consciousness skills to behave in a manner that goes beyond self-interests. Given what we've been through in the past decade, we need this leadership quality in heavy doses.

## **Conclusion**

As I congratulate tonight's awardees, I assure you that we have what it takes to achieve excellence, grow the economy and create opportunities for all. Let us work together. The tide can be turned. Thank you and good night